



Summary of Meeting with David Schultz

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Thursday, June 14, 2007

Guest speaker: David Schultz, professor, Graduate School of Management, Hamline University.

Present: Verne Johnson, chair; Chuck Clay, Paul Gilje, Jim Hetland, Jim Olson (by phone), and John Rollwagen

A. Context of the meeting —As part of its process of learning about election-related issues, the Civic Caucus today is concentrating on how political campaigns are financed in Minnesota.

B. Welcome and introduction —Verne and Paul introduced David Schultz, professor, Graduate School of Management, Hamline University. Schultz is author of "Price of Admission 2006: Political Money Trends in Minnesota", his biennial analysis of official state campaign finance data.

Schultz has met previously with the Civic Caucus and as a core participant receives all information distributed by the Civic Caucus. At Hamline University, Schultz teaches doctoral and masters-level students in public, non-profit, and business administration. He also holds appointments at the Hamline in the Department of Criminal Justice and Forensic Science and at the University of Minnesota law school where he teaches election law, state constitutional law, and state and local law. His is also a senior fellow for the Institute of Law and Politics at the University of Minnesota Law School.

C. Comments and discussion— In Schultz' remarks and in discussion with the Civic Caucus the following points were raised:

1. Money is driving the impasse in Minnesota politics— A central conclusion in Schultz' analysis is that the DFL and Republican officeholders are finding it almost impossible to compromise on legislation, because each side is so heavily financed by entrenched interest groups. It's sort of a political "cold war", he said, with officeholders feeling beholden to the interest groups that elected and, more importantly, funded them, and, therefore, are unable to modify positions. The small individual donor is a minority player in the state's political and policy process, he said. In 2006, more than 70 percent of all campaign-related contributions came from PACs (political action committees), lobbyists, and big individual contributions (more than \$250).

When you include lobbyist-principal expenditures on the Legislature, in 2006 the money spent by special interests to affect the legislative process totaled nearly \$83.8 million, or about \$419,914 per legislator.

2. Source of data outlined —Since 1999, Schultz said, he has been receiving all the data collected by the Minnesota Campaign Finance and Public Disclosure Board, including sources and amounts of contributions and detailed expenditures.

3. "Hard" and "soft" money contributions contrasted —"Hard" contributions are given directly to candidates running for public office and are the most regulated, subject to disclosure and contribution limits. "Soft" money is subject to less demanding disclosure requirements, is subject to no contribution limits, and is given to PACs, parties or legislative caucuses. In 2006 in Minnesota, \$38.5 million, or 78 percent of total contributions, was "soft" money, and \$10.6 million, or 22 percent, "hard" money. Contribution limits enacted in 1994 have been rendered virtually meaningless by expansion of soft money. Soft money is given by all types of contributors, big and small.

4. Importance of "independent" expenditures —Independent expenditures represent money spent by political action committees, political parties, and legislative caucuses to influence specific races or ballot propositions. Until 1999 Minnesota political parties and legislative caucuses were prohibited from making independent expenditures on behalf of candidates, but in that year the ban on such expenditures was struck down as unconstitutional.

Independent expenditures in 2006 in Minnesota totaled \$14.3 million, of which \$8.4 million was spent by the political parties and legislative caucuses, and \$5.9 million by political action committees. Of the \$8.4 million about two thirds was spent by DFL-affiliates, and one-third, Republican. According to Schultz, party and caucus independent expenditures have grown rapidly and are one of the most important forces driving up the cost of political campaigns in close races. These expenditures are also a prime source of the negative attack ads one increasingly finds on television.

5. Ability to mask special interest money —Special interest groups such as political action committees, lobbyists, and big donors can write checks to a local party unit that then will turn around and write checks in the same amount to the state party or caucus.

Another type of masking, Schultz said, occurs among lobbyists who represent many clients. Such lobbyists make contributions to state legislative candidates from income received from those clients. However, it's not possible to determine which clients are behind those contributions.

6. Total spending to achieve political influence —Schultz said that in 2006, more than \$132 million was spent for political purposes or to achieve political influence. Of that amount, \$21.6 million (16.3 percent) were expenditures by candidates; \$58.8 million (44.1 percent), expenditures by political action committees, political parties, and legislative caucuses, and \$51.9 million (39.2 percent), lobbyist-principal expenditures.

7. Goals for limits on influence have been dramatically exceeded —In 1994 the Legislature adopted the "Marty reforms", named after Senate author John Marty. These reforms had an objective of establishing a limit on contributions from political action committees, lobbyists and big donors at 20 percent of all contributions to candidates. That percentage, in fact, today is about 70 percent, when you include soft money, which illustrates that the law sponsored by Sen. Marty no longer works. Schultz firmly believes that economic power translates into political influence.

8. Schultz proposals —Schultz would expand from \$50 to \$75 the allowable contributions individuals now can make to political campaigns and be entitled to a full-refund on their income taxes. Political parties and legislative caucuses would forfeit participation in the refund program if their independent expenditures exceeded \$2,000 per legislative candidate.

Previously Schultz has outlined other possible changes:

- A \$500 limit on contributions to political parties and legislative caucuses.
- A limit of 20 percent on the total contributions any political party, party unit, or legislative caucus may take from lobbyists, political action committees or big donors.
- To regulate attack ads, any ad distributed within 60 days of a general election or 30 days of a primary—even financed by independent expenditures—would be subject to hard money contribution limits under state law.
- Immediate, real time disclosure of all campaign contributions or expenditures, including independent expenditures, in excess of \$1,000.

Unfortunately, Schultz said, the very reason why changes need to be adopted is why they will not be, because Minnesota's political process is captured by money.

9. Impact of money on 2006 races in Minnesota — Schultz' data revealed that the DFL received 57 percent of money donated to legislative candidates, won 55 percent of votes cast, and 64 percent of legislative seats. Tim Pawlenty received 54 percent of all donations to gubernatorial candidates, compared to 22 percent for Mike Hatch. Schultz believes the money advantage was decisive in the outcome of the elections (DFL sweep of the Legislature, and the Pawlenty victory.) More importantly, 76% of Pawlenty's money came from PACS, lobbyists, and big givers, and a majority of the money given to legislative candidates was the same. Minnesota's elections and policy process is that embedded in a context of special interest money that makes it difficult for the public interest to be secured.

DFL legislative leaders misinterpreted their election victory, he said. Because they captured 64 percent of legislative seats, they thought they could push through a more aggressive legislative agenda. However, they didn't fully realize that the DFL candidates received only 55 percent of the vote.

10. Difficulty in receiving media coverage —Schultz said that despite his releasing a news release of his report and visiting reporters at the Capitol in early May on the financing of 2006 elections in Minnesota, he received no attention in the electronic or print media.

Asked what might be done to improve media coverage, Schultz said many people expect that one of the two metro dailies in the Twin Cities will go out of existence in a few years. He believes that the message needs to be taken to the new media—Internet-based.

11. Other reasons affecting 2006 elections — In response to a question Schultz said that negative public attitude toward President Bush was a contributing factor to DFL legislative victories in Minnesota. Also, he said, DFL candidates were attracting more swing voters and moderates. Early on

in her campaign, he said, Amy Klobuchar found an issue that appealed very much to women (supporting a second or third day in the hospital following giving birth). Klobuchar immediately built an insurmountable lead over Mark Kennedy.

12. "Strategic" investments by special interests —If you are a special interest group, you look at Minnesota elections very strategically—just as an individual looks at personal investment options. You make some gifts to individual candidates, but you make significant gifts to the parties (because of their platforms) and to the legislative caucuses (because of their setting the agenda for taking up legislation).

13. Relative importance of the money issue —Asked where he would rank campaign finance relative to other election-related issues that the Civic Caucus is working on, Schultz said it is in the top one or two. He quoted Archibald Cox who said that the rules about contributions are the rules about the rules of the game. The second issue, Schultz said, is legislative redistricting. Asked why the public is not strong in its outcry against the present system of campaign finance, Schultz said other issues out there, such as the Iraq war, are deemed more important.

The redistricting issue needs to be addressed he said. He supports some kind of commission replacing the role of the Legislature. Unfortunately, Ron Abrams, an advocate for change, is not in the Legislature any more.

14. Future of the precinct caucus —Asked about Barry Casselman's comments last week on doing away with the precinct caucus, Schultz replied that looking at the precinct caucus, the political convention, and the primary election, one of the three has to go. The system is antiquated, but everyone gets teary-eyed when you talk about change.

15. Support for instant runoff voting (IRV) —Schultz said he supports IRV because it gives a broader range of choices to voters. He thinks IRV will help elect some Republicans in St. Paul, which he believes desperately needs a two-party system.

16. Changing selection of judges —Schultz would replace elections of judges entirely with appointment and a confirmation process, but with no appointments for life. He thinks the Quie proposals that incorporate a retention election represent a compromise to satisfy those folks who want to retain some kind of election for judges.

17. Role of the Civic Caucus —Asked about the future of the Civic Caucus, Schultz said he thinks the Civic Caucus does a good job of gathering and distributing information but "an incredibly lousy job" of translating the information to advocacy.

18. Thanks —On behalf of the Civic Caucus, Verne thanked Schultz for meeting with us this morning.

The Civic Caucus is a non-partisan, tax-exempt educational organization. Core participants include persons of varying political persuasions, reflecting years of leadership in politics and business.

A working group meets face-to-face to provide leadership. They are Verne C. Johnson, chair; Lee Canning, Charles Clay, Bill Frenzel, Paul Gilje, Jim Hetland, John Mooty, Jim Olson, Wayne Popham and John Rollwagen.

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