

FLASH REPORT

 MONEY IN
POLITICS
PROJECT



REPORT #10

First Look
at 2014
Gubernatorial
Fundraising:
Private Money from
Wealthy Contributors
Dominates the
Campaign





ABOUT THIS SERIES

The Money in Politics Project is a series of twelve reports about the role and effect of money on Maine politics. The reports combine a review of publicly available campaign finance data with on-the-ground analysis of how money influences Maine's elections, government, and public policy. **Maine Citizens for Clean Elections** launched this project because money in politics is an issue of vital concern to the people of Maine, one that goes to the heart of our democratic system.



MONEY IN POLITICS PROJECT

The *Money in Politics Project* is a program of **Maine Citizens for Clean Elections**, a nonpartisan organization that has been working in the public interest to advocate for, increase public support for, defend and improve the Maine Clean Election Act and related campaign finance law since 1995. MCCE is a 501(c)(3) organization.

The *Money in Politics Project* team includes Andrew Bossie, John Brautigam, Ann Luther, BJ McCollister, and Alison Smith. MCCE appreciates the efforts of many others whose contributions enhanced this report.

MCCE welcomes your comments, questions, and suggestions. Please contact us at:

Maine Citizens for Clean Elections

P.O. Box 18187
Portland, ME 04112

207-831-MCCE / 207-831-6223
MaineCleanElections.org
info@mainecleanelections.org

First Look at 2014 Gubernatorial Fundraising: Private Money from Wealthy Contributors Dominates the Campaign

The 2014 gubernatorial election is still fourteen months away, but campaign fundraising has been in full swing since earlier this summer. Reports filed by the three major candidates as of July provide a preview of the coming campaign, which some observers predict will break all records for fundraising and spending in Maine candidate elections.

The most notable change in the 2014 campaign is that all gubernatorial candidates are engaged in fundraising from private individuals, corporations, and political action committees. For the first time since Maine Clean Election Act public funding became an option, no public funds are available for these candidates. In addition, new legislation allows private contributors to give up to \$3,000 to gubernatorial candidates—triple the limits established by voters in a citizen-initiated referendum.

While the public continues to demand measures to reduce the grip of private money on our democracy, gubernatorial candidates can no longer use the one solution that works in Maine—the Clean Election Act public-funding option. Early reports of fundraising for the 2014 election show that big money is flooding in to fill the void. Anyone concerned about truly democratic elections in Maine should be deeply concerned.

Highlights

- Paul LePage, Mike Michaud, and Eliot Cutler have all begun fundraising in earnest. The July 2013 semi-annual reports detail over a million dollars raised well over a year before Election Day.¹
 - LePage began fundraising for 2014 soon after his 2010 election, but Michaud has nearly matched LePage, and Cutler has already outraised both of them.
 - As of this point in the campaign cycle, total fundraising among gubernatorial candidates dwarfs that in either of the past two gubernatorial election cycles.
 - The source of funding for these candidates is not representative of Maine voters. The vast majority of funding comes in amounts that typical Maine families do not and could not contribute to a candidate.
 - Large contributions are dominating gubernatorial elections as never before. Contributors giving \$250 or more account for the vast majority of the amount raised by all three major candidates.
- Over one quarter of the funds raised to date come from out of state. This compares to approximately 10% of the funds raised in the 2010 gubernatorial election cycle. Continuing a pattern from the last cycle, Cutler raised more from out-of-state contributors than the other candidates.
 - Contributions from lobbyists tend to favor the party candidates over Cutler.
 - Maxed-out donors account for nearly half of the money raised by gubernatorial candidates to date.

The 2014 Gubernatorial Campaigns will be Fueled by Private Money.

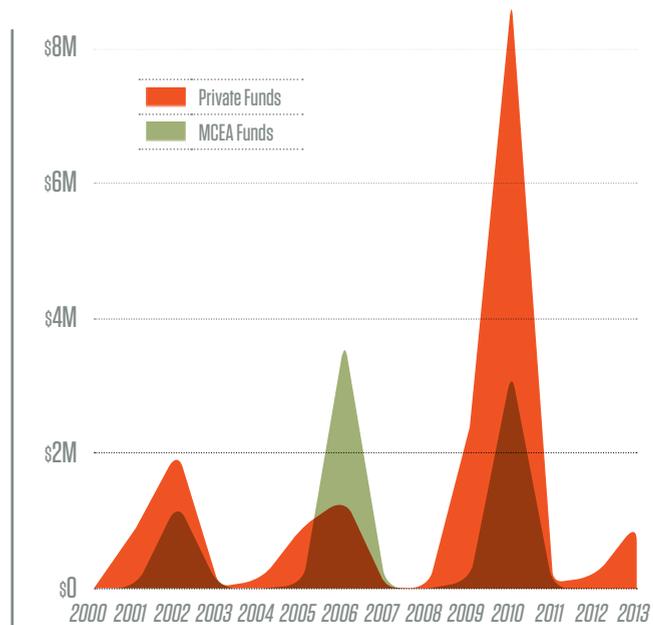
Two trends are coming together to make the 2014 gubernatorial race the least democratically funded in recent Maine history.

First, gubernatorial candidates do not have the option to use the Maine Clean Election program in 2014. That's because the budget passed by the legislature this year suspended payments to 2014 gubernatorial candidates. Second, gubernatorial contribution limits have been increased dramatically. After the 1996 citizens' initiative, contributions to gubernatorial campaigns were limited to \$500 per election based on reasonable campaign needs and historic giving levels. Just

¹ *There are two gubernatorial candidates who have filed reports but are not included in this analysis. David A. Slagger reported \$400 in contributions. Stephen M. Woods' only reported fundraising was a loan to his own campaign in the amount of \$50,000. Woods withdrew from the race in August. This report focuses exclusively on the three front runners, LePage, Michaud, and Cutler.*

Among Gubernatorial Candidates, Private Funding has Eclipsed Public Funding

FIGURE 10-1



prior to the 2010 election, the limit was increased to \$750, and then further increased to \$1,500 in 2011. Tripling the limits elevates the importance of having wealthy supporters.²

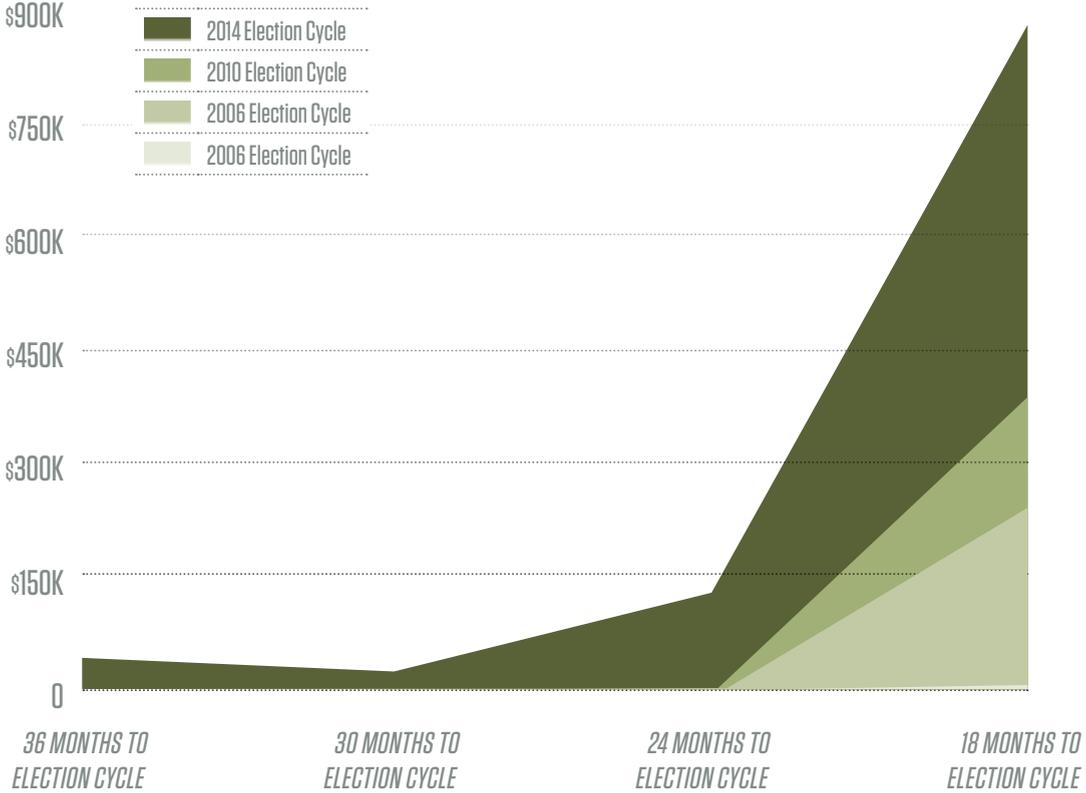
The net impact of these changes is a dramatic increase in the amount of private money in gubernatorial elections. In the 2010 gubernatorial campaign, three candidates used public funding, but total private money surpassed total public funds. **FIGURE 10-1** Early signs for 2014 show that total funding raised for this cycle will exceed the amounts raised in 2010. **FIGURE 10-2**

This does not include the large amount of independent expenditures made in recent years and widely expected during the final months of the 2014 campaign.

² Limits are per election. For 2014, that's \$1,500 for the primary and \$1,500 for the general election.

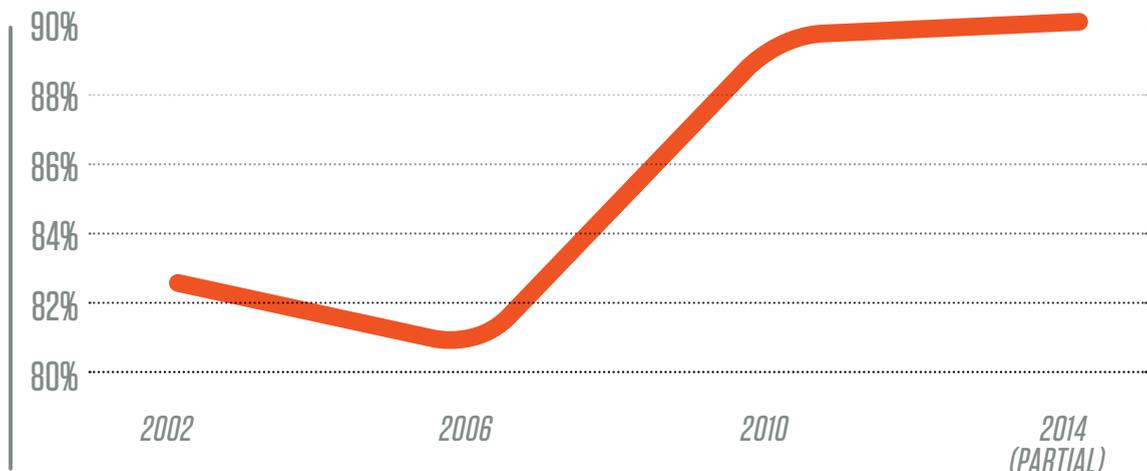
Gubernatorial Private Fundraising in the Early Phase of the 2014 Cycle far Exceeds Early Fundraising in Previous Cycles

FIGURE 10-2



Contributions Larger than \$250 Dominate Gubernatorial Private Fundraising

FIGURE 10-3



Small Contributors are an Insignificant Part of Funding Compared to Large Contributors.

In a democratically funded campaign, the financial contributors would mirror the demographics and economic resources of the voting population. There would be a very large number of small contributors, and wealthy special interests would not play a disproportionate role.

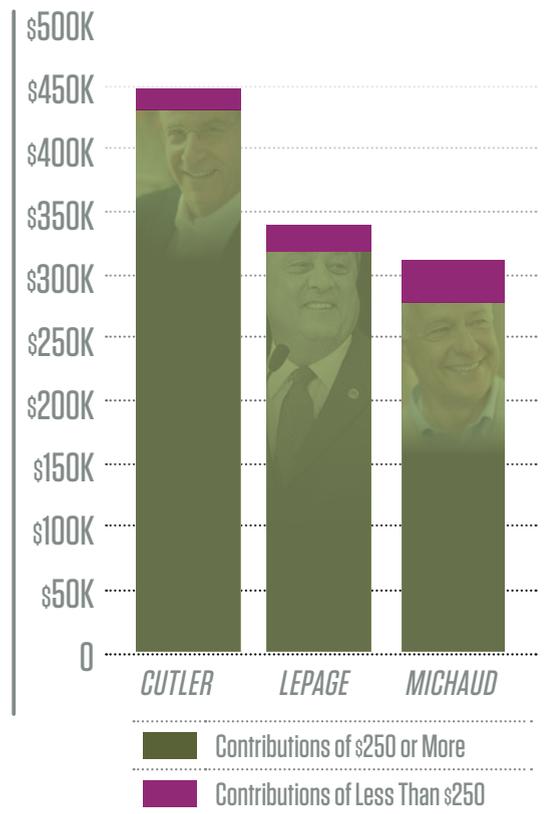
Unfortunately, small contributions are essentially insignificant in the gubernatorial campaign now unfolding. All the major candidates—LePage, Michaud, and Cutler—rely heavily on contributors who can afford to give

hundreds or even thousands of dollars. (Ethics Commission rules allow a candidate in a primary election to accept \$3,000 from one contributor if \$1,500 is escrowed until the general election.) Clearly this elite group does not represent the population as a whole.

Early reports show that over 90% of the funds raised to date in the gubernatorial race came in contributions of \$250 or more. **FIGURE 10-3** None of the candidates raised a significant portion of their funds from contributors giving less than \$250. **FIGURE 10-4** Indeed, more than half of the money raised to date came in amounts of \$1,000 and above—contributions that were outlawed in the last three election cycles.

The Early Money is Big Money for 2014 Gubernatorial Candidates

FIGURE 10-4



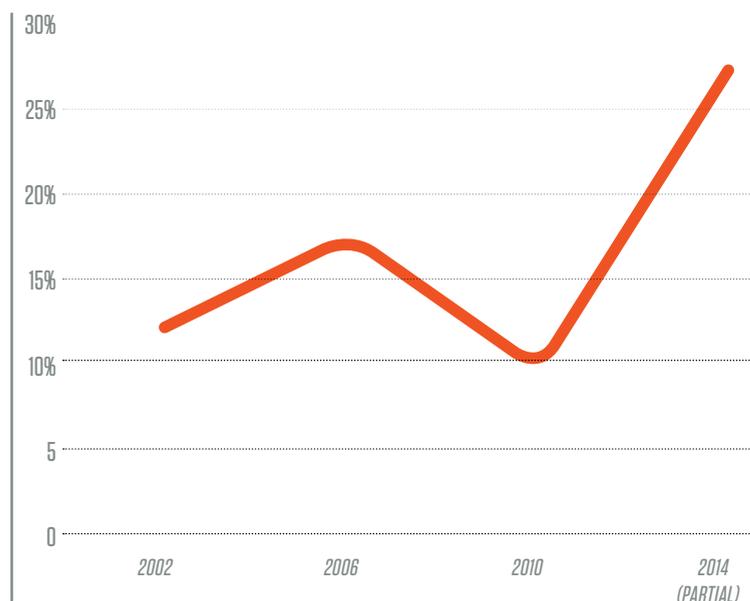
Contributors from Interests Outside of Maine are Increasingly Influencing Our Choice of Governor.

Until recently, Maine's campaigns were relatively local affairs, with most of the contributions and expenditures made by individuals and organizations within the state. Mainers have objected to what they sometimes see as outside interference, preferring a system of locally funded elections.

That is changing. Independent expenditures originating from national groups made a huge mark in recent Maine campaigns. (A future report will examine trends in independent expenditures in Maine.) And although most money given directly to candidates still comes from within Maine, reports to date show that in this race, 27% is coming "from away." FIGURE 10-5 Cutler in particular has tapped many donors from outside of Maine. FIGURE 10-6

A Significant Amount of Gubernatorial Campaign Money Comes from out-of-State

FIGURE 10-5

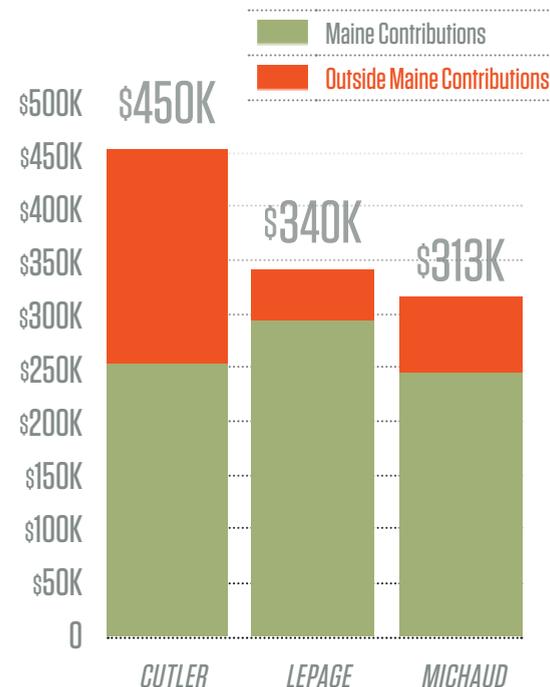


Commercial Sources and PACS are Still on the Sidelines, but Lobbyists Weigh In.

One relatively hopeful note can be found in the campaign funding reports filed to date for the 2014 gubernatorial election. Commercial contributors and political action committees are not yet figuring as important sources of funding. (FIGURE 10-7) All three campaigns have turned to individual contributors for the most part, although LePage's campaign

Cutler Leads in Fundraising from out-of-state

FIGURE 10-6

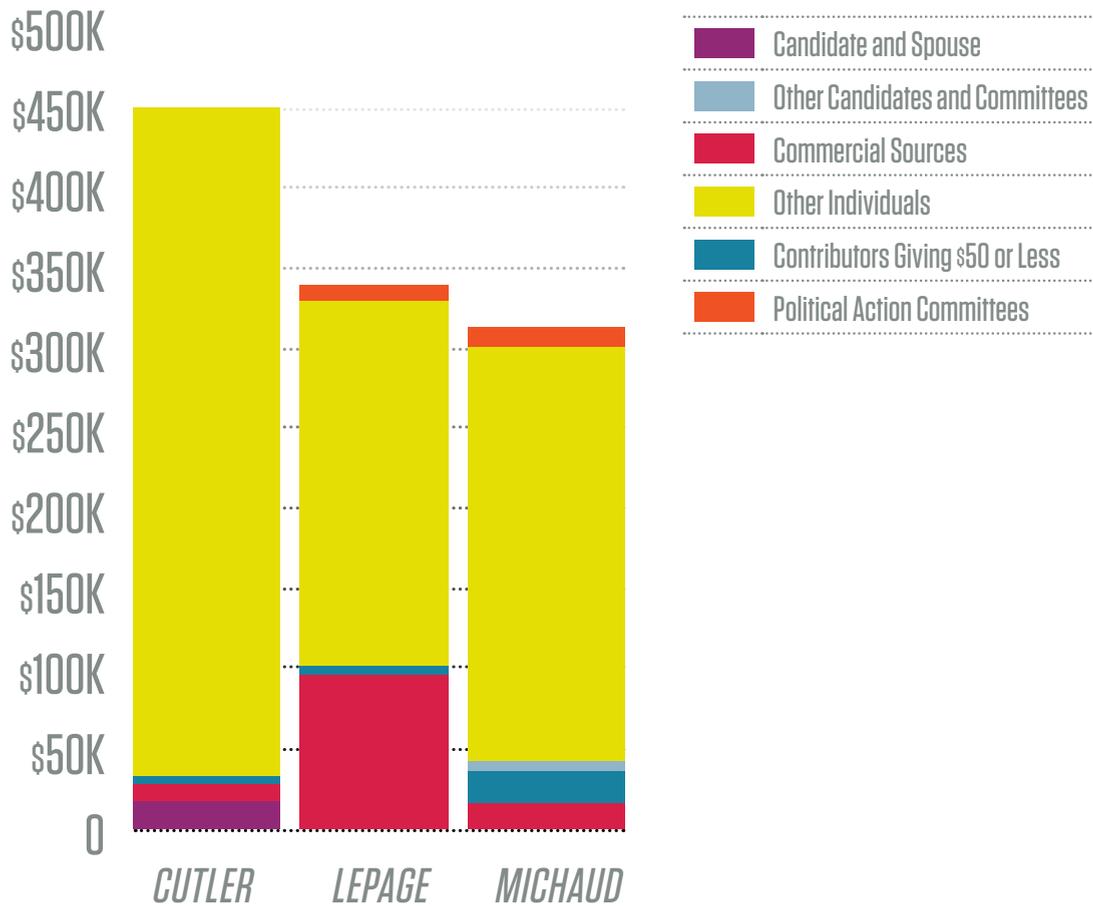


has tapped a significant number of commercial sources for contributions.

The early reports show that lobbyists are supporting the candidates at this early stage, but their contributions are not a large part of the overall fundraising picture. FIGURE 10-8 Notably, party candidates LePage and Michaud have received more money from lobbyists than independent Cutler.

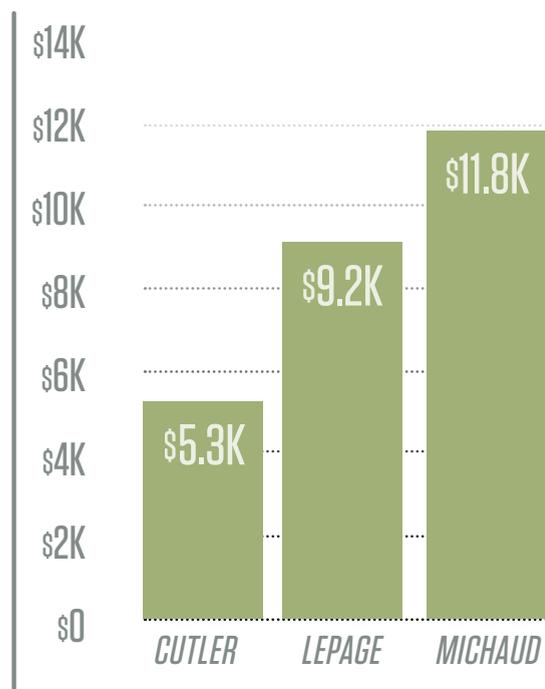
Money from Individual Contributors Surpasses Money from Commercial and PAC Contributors

FIGURE 10-7



Contributions to Date from Lobbyists Favor the Party Candidates

FIGURE 10-8



So far seven contributors have given to more than one of the three leading gubernatorial candidates. All seven have given to both Cutler and Michaud. One of the seven has given to Cutler, Michaud and LePage. Some early Cutler contributors may have switched their support when Michaud entered the race. But some of these double-contributors gave to Michaud and then to Cutler. For example, Imad Khalidi of Cape Elizabeth is the CEO of Auto Europe. On June 20, 2013 Khalidi gave \$3,000 to Michaud's campaign. Mr. Khalidi's spouse Hulda Khalidi also gave Michaud \$3,000 on that date. Eight days later, on June 28, 2013 Imad Khalidi gave \$1,500 to Cutler's campaign.

Early Maxed-out Donors

In the early weeks of a statewide campaign, the fundraising race sometimes seems more important than anything the candidates do to persuade voters. Campaigns work hard to raise a large amount of money to show momentum, motivate other contributors, and intimidate opponents. And a candidate's strongest supporters may be willing to give the maximum contribution right away.

The reports filed as of July 15, 2013 already show a number of contributors who have given the maximum amount allowed for the entire campaign. The gubernatorial contribution limit

currently stands at \$1,500 per election. Contributors to Cutler, who is not enrolled in a political party and therefore is not running in a primary election, are allowed to give up to \$1,500. Although currently unopposed in the primary, LePage and Michaud may accept up to \$1,500 for the primary election and an additional \$1,500 for the general election from each contributor. Candidates who receive a contribution earmarked for the general election are not allowed to spend that money unless and until they prevail in the primary election. However, unexpended funds earmarked for the primary may be carried over and used in the general election.



Cutler's reports show 194 contributors who have given \$1,500 apiece for a total of \$291,000, or 64.7% of his \$449,717 received to date.



LePage's reports show 32 contributors who have given \$3,000 apiece, for a total of \$96,000, or 28.2% of his \$339,654 received to date.



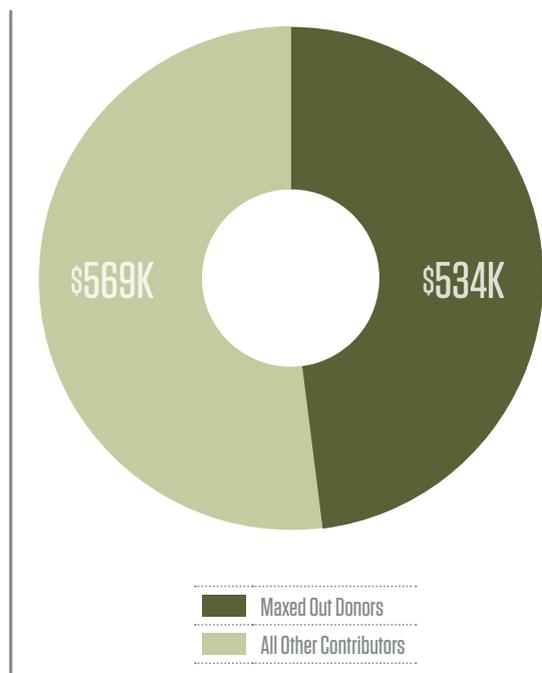
Michaud's reports show 49 contributors who have given \$3,000 apiece for a total of \$147,000, or 46.8% of his \$313,530 received to date.

Taken together, these 275 individual maxed-out donors have provided \$534,000 or 48.4% of the \$1,102,900 in gubernatorial campaign funds raised to date. **FIGURE 10-9**

One of Michaud's maxed-out donors is the Mill to the Hill (MTH) PAC—Michaud's fundraising operation during his Congressional career. Although a candidate may spend as much of his or her own personal funds on a state campaign, a transfer from a congressional PAC to a state candidate campaign committee is subject to contribution limits. Accordingly, the MTH PAC has contributed only \$3,000 to the Michaud for Governor campaign. Michaud for Congress has contributed an additional \$3,000.

Maxed-out Donors Have Given Nearly Half of all Funds Raised To Date

FIGURE 10-9



In many cases a contributor and another person in the same household both give the maximum amount allowed, further increasing the clout of that household. Often such contributors are spouses, but household contributors may sometimes include other family members. Precise numbers are not possible, but a review of the reports filed to date indicates that Cutler's supporters include approximately 30 households where more than one person gave the maximum contribution, Michaud has approximately nine such households, and LePage has two.

The impact of these large contributors is far greater as a result of legislation allowing larger and larger contributions. In 1996 voters approved a \$500 contribution limit for gubernatorial candidates. If that limit were still in place, the total given by these maxed-out contributors would have been \$178,000—still a large amount but two-thirds less than what they actually contributed.

Conclusion

It is still early, but the 2014 gubernatorial campaign may be the most expensive in Maine's history, with more private money than ever before. Since there is no Clean Election option for gubernatorial candidates in 2014, they must rely on private fundraising to collect the millions they are likely to spend over the next fourteen months.

All this private money threatens to drown out the voice of the people. In order to ensure government of, by, and for the people, Maine's democracy needs measures to reduce the influence of big money and elevate the role of ordinary Mainers.

The Maine Clean Election Act has proven to be the best way to combat the undemocratic influence of private fundraising from wealthy special interests. But the program has been battered by recent court decisions and funding raids.

So far, the legislative public-funding system remains a viable option, protecting our lawmaking process from the undue influence of special interests. The gubernatorial system, however, has fallen victim to a long history of cuts to the Maine Clean Election Fund and

the explosion of easy private money in campaigns. Meanwhile, Augusta power brokers have rolled back gubernatorial contribution limits enacted in 1996, making it easier for privately funded gubernatorial candidates to fill their campaign war chests with big money from special interests. At this early stage, the "money race" has begun, with each candidate touting their fundraising record as evidence of public support.

The people of Maine have consistently demanded a strong public-funding option, but their voices have fallen on deaf ears. Leaders in Augusta have not kept faith with the voters who in 1996 demanded a better way to fund elections. The 2014 election cycle will show how big-money interests are grabbing the reins of democracy while the powers in Augusta sit back and watch.

We can and must do better. Although this Report foreshadows a deluge of special interest money flooding our elections, it is not too late to turn back the tide threatening the foundations of our democracy. The people of Maine may once again have to take action restore this landmark program and with it our heritage of democratic self-government.

PREVIOUS REPORTS

REPORT#1

PACs Unlimited: How Legislator PACs Distort Maine Politics

REPORT#2

Profiles in Fundraising — The Leader Board: Maine's Top Legislative Fundraisers and How They Earned Their Spots

REPORT#3

Money, Insurance, and Health Care Policy: How Health Insurance Companies' Campaign Contributions Helped Them Win Major Legislation

Report #4

Preliminary Report on 2012 Campaign Money: Private Money Making A Comeback In Maine Elections

Report #5

2012 Legislative Elections: An Analysis of Clean Election Participation and Outcomes

Report #6

Tracking the Money: Private Money Surges in Maine's 2012 Legislative Races

Report #7

GMO Labeling: Will the GMO industry's investment in Maine politics will be enough to overcome the support for making Maine the first state to require GMO labeling?

Report #8

Tobacco Policy: How political contributions from tobacco companies and their allies tilt the playing field in the Maine legislature

Report #9

Tax Reform: How Tax Reform Opponents Use Systematic Campaign Giving to Bolster Their Side in this Perennial Fight



Maine Citizens for Clean Elections

P.O. Box 18187
Portland, ME 04112

www.maineclipselections.org