

**TESTIMONY OF COMMON CAUSE/PENNSYLVANIA
SUPPORTING ENACTMENT
CAMPAIGN CONTRIBUTION RESTRICTIONS
ON GOVERNMENT CONTRACTORS**

**House Finance Committee
August 19, 2008 – Harrisburg, PA**

Good morning Chairmen Levdansky, Chairman Nickol and distinguished members of the House Finance Committee. I am Barry Kauffman, Executive Director of Common Cause/PA, a public interest advocacy organization with 10,000 members and affiliates dedicated to promoting more open, accountable, responsive and effective government.

For over three decades Common Cause/PA has worked to make the Keystone State's elections free and equal, as required by the state constitution. Truly competitive elections, unblemished by the corrupting effects of large campaign contributions, lie at the heart of government accountability and government integrity. A challenge in achieving that goal is to ensure that campaign dollars do not speak louder than voters in elections or in the governing process; and Chairman Levdansky has been one of our most visionary and stalwart supporters. Unfortunately, unlike the vast majority of other states, Pennsylvania does not restrict the size of campaign contributions, thus jeopardizing the freeness, equality and fairness of our elections.

The federal government and all but a dozen other states have recognized the extraordinary impact large campaign contributions can have on the integrity of government and elections, and have limited the amount of monetary and in-kind contributions individuals and political committees can give to candidates. Some government entities further restrict or ban contributions from certain parties that have more direct relationships with government, such as government contractors and regulated industries. Sadly, while other states and municipalities have recognized the need to protect their voters and taxpayers from the undue influence of political contributions, Pennsylvania continues to keep its head buried deeply in the sand, ignoring this serious problem.

I am delighted to report, however, that Pennsylvania's municipalities are beginning to jump into the breach to provide reform leadership. Like many New Jersey municipalities, Philadelphia has adopted "pay-to-play" restrictions that limit campaign contributions from no-bid contractors, and established general contribution limits. Pittsburgh City Counsel followed suit, but its inexperienced new mayor foolishly vetoed the measure. More cities, and even some counties and townships, are exploring similar restrictions.

Fortunately, there are signs that the Pennsylvania legislature is coming to terms with the potential damage that large unlimited campaign contributions can inflict on state government. The statute that legalized casino gambling in Pennsylvania contains fairly strict limits on campaign contributions from officials of the gambling industry, and it appears that the Senate is moving to expand those restrictions. Now Rep. Nickol's proposals in HB-2738 could provide further protection in its coverage of bond counsel, investment bankers and others who bid to invest massive amounts of state revenues.

Need for such restrictions have even been recognized by professional associations who warn against the practice of making campaign contributions to obtain or retain government financing engagements. The Municipal Securities Rule Making Board also has established restrictions in its Rule G-37 standards for municipal bond dealers.

Therefore, Common Cause/PA commends Rep. Nickol for taking the next step to protect Pennsylvanians from abuses that could evolve from campaign financing transactions between candidates for State Treasurer and professionals in the finance industry. We would, however, like to note some concerns and suggest some improvements to HB-2738.

- Section 311 (a) (1) and (2). It appears that these components would include a situation in which a sitting Treasurer is running for another office, such as Governor or Auditor General. If not, they should.

Does this section apply to other decision-makers in the Treasury Dept. who may run for office? If not, it should. Could a Deputy Treasurer set up a PAC and accept contributions from sources banned by this act, and then distribute funds to others, including the Treasurer?

- 311 (b) Under this section's two-year cooling off period, it appears that a person who gives a \$25,000 contribution to a candidate for Treasurer in 2008 could be eligible to receive contracts from that successful candidate in 2011 while that Treasurer/contribution recipient is still in office. Why not just make this bill applicable to "persons" who have made contributions to a State Treasurer, while that Treasurer is a candidate, or in office, and two years thereafter?

Furthermore, as we understand it, since the restriction on making contributions ends upon the termination of the investment relationship, a shrewd Treasurer could award a variety of very lucrative contracts, perhaps a year or two before leaving office, and immediately receive contributions from that contractor if the contract has expired. The ban for contractors giving donations to that Treasurer (or any deputies) should extend two years beyond the date that Treasurer leaves office.

- 311 (c) The report of findings of a violation should go not just to the Treasurer, but also to the Attorney General.

- 311 (d) It appears that a person found to be in violation of this section is prohibited from acquiring future contracts for 2 years AND would lose any current contracts. If this is not the case, it should be. Furthermore, a person found to be in violation also should be liable for a fine of up to three times the amount of the violation.
- 311(f) Does this definition of "Person" apply to all employees of such a firm? If not, it should.
- Finally, the committee should give serious consideration to establishing aggregate election cycle limits on contributions to candidates for State Treasurer for all of those persons who are permitted to make contributions.

Campaign contributions should never operate as legalized bribes. They should not be enticements that lead public officials to reward supporters with lucrative contracts, or encourage the short-cutting of the kind of due diligence that guarantees taxpayers get the highest quality services for their tax dollars.

Improving the integrity of government and elections through campaign finance reform has been the flagship issue for Common Cause/PA since its founding in 1974. We urge you to enact the Nickol proposal with strengthening amendments.

Thank you for considering our concerns and suggestions.