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**Testimony of Robert M. Stern before the House Committee on Finance
President, Center for Governmental Studies
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Thank you for the opportunity to appear before your legislative committee this morning. My name is Robert M. Stern. I am President of the Center for Governmental Studies, a non-profit, non-partisan organization located in Los Angeles. We are a think tank that studies campaign financing, ethics and other governmental process issues throughout the United States. I have been with the Center since 1983.

In addition, I was the first general counsel of the California Fair Political Practices Commission, a California agency equivalent to your Pennsylvania Ethics Commission. I was a principal co-author of the California Political Reform Act of 1974, which enacted California's campaign disclosure, ethics and lobbying laws. I also was the staff counsel to the California Legislature's Assembly Committee on Elections, where I analyzed all bills relating to elections, campaign financing and the governmental process.

Congratulations on holding this hearing and for allowing me to testify by video conference call. Pennsylvania is the only state that has invited me to do so, and this is my third televised appearance before one of your legislative committees. A few months ago, I testified before a Senate committee on a lobbying bill being considered by your legislature, and a few years ago, I appeared at a House Urban Affairs Committee hearing held in Philadelphia.

You are considering a very important proposal: namely, to prohibit campaign contributions by persons who have a financial interest in decisions made by the Treasury department. I applaud your bill. As far as we can determine, if enacted, it will be the only or one of the only such bans enacted anywhere in the country.

The proposal is very similar to a rule adopted by the Municipal Securities Rulemaking Board that applies to all municipal dealers and brokers. I understand that you have heard from someone from the board who obviously knows much more about their rules. However, their rules do not apply to non-dealers and brokers, such as attorneys, so your proposal goes further.

I have a number of suggestions that could improve the bill.

1. The biggest problem with the bill is that it only covers campaign contributions to the Treasurer's campaign committee. It does not include campaign contributions solicited by the Treasurer for contributions to the party or legislative caucus or any other political committee. It does not include non-campaign contributions such as gifts or income to the Treasurer. It does not include money for non-campaign purposes. The Center is engaged in a study of all the ways that public officials raise money that are not considered campaign contributions. Examples include: inauguration funds, office holder funds, legal defense funds, reimbursement for trips, and charitable contributions.

2. The bill does not have a threshold. I don't like total bans because that means a \$1 contribution violates the law. I would suggest a threshold of somewhere between \$50 and \$250. The \$50 threshold reflects the level by which contributors must be disclosed under your state law. The \$250 threshold is the one set forth in the Municipal Securities Rulemaking Board and

also is the level where contributors' occupations and employers must be listed on Pennsylvania's campaign disclosure form. We have been involved in the Campaign Disclosure Project where we have graded Pennsylvania's disclosure law a B, ranking it the 16th best in the country. I would suggest that your employer and occupation threshold be the same as the contributor's threshold, perhaps \$100 for both.

3. The bill applies its provisions to anyone who makes a contribution to any candidate for Treasurer even if the candidate lost the election (See page 2, line 9). That means that the Department has to keep track of all contributions, not just contributions to the incumbent. In addition, a contribution to one candidate disqualifies a contributor from doing business with the Department even though the candidate did not win. This provision may raise constitutional questions since there is no nexus between the contributions and the contracts.

4. The penalties in the bill are weak. As I read the bill, the only penalty for someone violating its provisions is being suspended from appearing in front of the Department. This is probably appropriate in some instances, but if someone deliberately violates the law, he or she should be subject to criminal penalties and fines. In addition, the only penalties that apply are to the person making the contribution. If someone in the Treasury Department violates the law, that person should be punished as well.

5. The Ethics Commission currently has subpoena power, but the bill doesn't cross reference its enforcement sections so it is not clear whether its procedures and powers apply to these sections. I would add to section (c), page 3, line 4 "The State Ethics Commission pursuant to 65 Pa.C.S. Sections 1107(12)-(14) and 1108, etc.

6. The provisions of the bill don't go into effect in after November 30, 2010. I don't understand the reason behind this delay. I can understand that you want everyone to be on notice about the new law, but why wait so long?

In conclusion, while I have primarily pointed out the deficiencies in the bill, I don't want my list to diminish the fact that the intent of the bill is laudable. If you enact this legislation, you will be ahead of most other states across the country. I hope that my testimony has been helpful to the committee and of course am willing to answer any questions concerning my comments.