

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

January 12, 1983

The meeting of the State Administration Committee was called to order by Chairman Pete Story on January 12, 1983 at 10:00 a.m. in Room 331, State Capitol.

ROLL CALL: Roll was called and all members present but SENATOR STIMATZ, excused.

SENATE BILL NO. 49: The meeting was opened to Senate Bill No. 49, "AN ACT TO ALLOW SMALL BUSINESS CORPORATIONS AND SMALL FARM AND RANCH CORPORATIONS TO MAKE CONTRIBUTIONS AND EXPENDITURES IN CONNECTION WITH POLITICAL CANDIDATES, AMENDING SECTION 13-35-227, MCA."

SENATOR SHAW introduced Senate Bill 49 by stating that when he was campaigning, it was very difficult to raise finances due to the fact that the corporations could not write checks to support candidates on a business check and that so many small farms had formed corporations and he believed corporations should have a say as to their candidate.

PROPOSERS were called.

JANELLE FALLAN, representing the chamber of commerce, spoke in favor of S.B. 49, EXHIBIT 1. She stated that 28 states allow corporate contributions in some form or another.

KEN DUNHAM, representing himself. As past executive director of the republican party and recently of organizer and manager of political campaigns. He stated that many small businesses and farms that are corporations are family. They have received checks that they must return and then it is necessary for those people to mail personal checks, money orders or cash.

MONS TEIGEN, representing the Cowbells and Montana Stockgrowers, testified in favor of S.B. 49.

There were no other proposers. Senator Story called for OPPOSERS.

DON JUDGE, representing the AFLCIO read his testimony opposing S.B. 49, EXHIBIT 2.

JOE LAMSON, representing the Montana Democratic Party, testified opposing S.B. 49. He said this is opening doors and is a step backwards. It is not difficult to send a corporation check back and usually they have it returned in another form. He stated that he would not want to trade with a small business where they would be raising their prices to cover political contributions.

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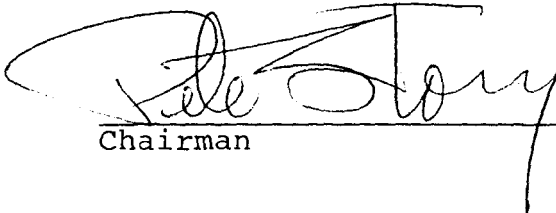
MARGARET DAVIS, League of Women Voters, testified against S.B. 49, EXHIBIT 3.

JONATHAN MOTL, Lobbyist for the Common Cause of Montana, read his testimony, EXHIBIT 4.

RENEE BRERETON, representing the Montana Senior Citizens Association, and speaking for their chairman, who is a rancher out of Ballantine, Montana, spoke as an opponent to S.B. 49.

There were no other opponents and no questions of the committee. The meeting CLOSED on S. B. 49.

Motion was made to adjourn the meeting at 10:30 a.m. with an announcement that the meeting will start at 10:30 from this day on unless notified otherwise.


Chairman

ROLL CALL

STATE ADMINISTRATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date Jan 12

[illegible]

Each day attach to minutes.

NAME: Ganelli Fallon DATE: 4/12ADDRESS: Box 1730PHONE: 442-2405REPRESENTING WHOM? Montana ChamberAPPEARING ON WHICH PROPOSAL: SB 49DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: As long as the state requires
full disclosure of contributions and
expenditures, the political process
would be helped by being more
open. 28 states now allow corporate
contributions in some form.



 Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
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TESTIMONY OF DON JUDGE ON SENATE BILL 49 BEFORE THE SENATE STATE ADMINISTRATION
COMMITTEE JANUARY 12, 1983

I am Don Judge and I'm here today representing the Montana State AFL-CIO.

The Montana State AFL-CIO opposes Senate Bill 49. This bill would allow so called small corporations and agri-businesses to give direct donations to candidates, political parties, and committees which support or oppose candidates.

Montana outlawed corporate contributions in 1912, after years of the worst kind of political corruption. The federal government followed suit in 1925. Turning back the clock 70 years does not seem to us like a very good idea. The public is interested in election reform, not in allowing a foot in the door to past abuses.

The bill allows corporate contributions by two groups. The first is small business corporations. Under Montana law, in 15-31-201, a small business is defined as one which does not have (a) more than 10 shareholders, (b) as a shareholder a person, other than an estate or certain kinds of trusts, who is not an individual, (c) a non-resident alien as a shareholder or (d) more than one class of stock.

That means that there is no limit on the size of a so-called small corporation under the definition. And it does not even exclude resident aliens. Under this definition of small corporations, many businesses in the state would probably qualify, including those owned by foreign citizens now residing in Montana.

The second class of contributor would be an agri-business with up to 15 stockholders, that is more than 50% engaged in farming or ranching. This provision does not exclude anyone, even non-resident aliens, from direct contributions to Montana politics.

(more)

The latest figures from the U.S. Department of Agriculture show that 243,000 acres of Montana land are controlled by foreigners, including multi-nationals. Every one of those owners except for the multi-nationals, would be eligible to pour money into Montana politics. And even the multi-nationals could form a Montana corporation with 15 shareholders or fewer. All it takes is delivering articles of incorporation to the Secretary of State.

Small business people and farmers and ranchers already can contribute to political campaigns. Of course, there are limits to what an individual can contribute, so perhaps this is an attempt to get around the spending limitations enacted in the wake of the Watergate abuses of the system.

The public is rightly concerned about the increasing sums which are being spent on campaigns. In 1974 there were 89 corporate political action committees. In 1980 there were 1,100. Such political action committees are legal, although direct corporate contributions are not. There is need to control the spending by all PAC's.

The Montana State AFL-CIO has a political action committee. We are certainly willing to limit our ability to give direct contributions, along with all other PAC's, in the interests of reducing the influence of money in the election process. In fact, the National AFL-CIO has for years had a position in favor of public financing of elections so that special interests could not contribute any money at all, which would be a healthy step toward reducing the influence of money in politics.

When this legislature should be considering reforms of a system that too often sees the election go to the highest spender, it makes no sense at all to return to a practice outlawed for 70 years, which would open up the system to enormous sums of money, including that of people who aren't even U.S. citizens.

We respectfully ask you to give Senate Bill 49 a "do not pass" recommendation.

Thank you.



League of Women Voters of Montana
917 Harrison, Helena, Montana 59601

12 January 83

SB 49 - The League of Women Voters of Montana opposes permitting small business and small farm and ranch corporations to make contributions and expenditures on behalf of political candidates.

Senate Bill 49 proposes a significant alternation in a Montana law that was enacted by initiative in 1912.

The League opposes this bill because of its potential for causing abuse, misunderstanding, and problems with enforcement. The problems boil down to an ^{of} eroding/our present laws for a clear and timely disclosure of campaign contributions and expenditures. Contributions made under a corporate title often give no clue as to which individuals are directly interested or responsible for the contribution. The corporation may be one which is not readily identifiable by the public either as to its stockholders or as to its financial interests.

Regarding small ranch and farm corporations, the number "15" seems somewhat ~~arbitrary~~ arbitrary and difficult to keep tabs on.

The League believes that the present law does not cause an undue hardship on those wishing to participate in the political process. Those individuals ~~receiving~~ receiving interest on their shares in the corporation or compensation as employees of the corporation are not constrained from making contributions and/or expenditures on behalf of a political candidate with those funds. They must do this under present statutes as individuals, "natural persons", and as part of a broad-based citizen involvement in campaigns. The League believes permitting corporate contributions would undermine citizen participation in the political process and erode voter confidence in the quality of Montana elections.

Margaret S. Davis
Margaret S. Davis, president

TESTIMONY SUBMITTED IN OPPOSITION TO S.B. 49
COMMITTEE ON STATE ADMINISTRATION
SENATOR PETE STORY, CHAIRMAN

January 12, 1983

BY: Jonathan Motl
Lobbyist
Common Cause of Montana

Mr. Chairman and members of the Committee, I thank you for this opportunity to testify. My name is Jonathan Motl; I am an attorney and I represent Common Cause of Montana as a lobbyist. Common Cause is a citizen group concerned with issues that affect the openness and accountability of government. It has 700 members in Montana and 250,000 members nationally. The following testimony is directed toward Senate Bill 49, a proposal to allow small business corporations to make contributions and expenditures in support of candidates for public office.

Montana Common Cause is opposed to passage of S.B. 49. First, it is concerned that the bill would partially reverse a long standing ban on corporate campaign contributions in Montana. Common Cause believes that such a reversal would be an undesirable change of policy for Montana. Like many others, members are Common Cause / concerned that too much campaign money from any one source can compromise a democracy; eroding the "one person-one vote" egalitarian base of democracy by giving those with greater wealth more influence over who gets elected to office. In an attempt to buffer the political system from the unbridled influence of wealth, governments have long placed

restrictions on the way money can be used in the electoral process. One of these restrictions has to do with corporate contributions. Since 1907 the U.S. Government has banned corporate contributions to political campaigns and since 1912 Montana has, in one form or another, also banned such contributions. S.B. 49 would substantially reverse this long standing policy. There are presently over 3,000 small business corporations in Montana (Montana Department of Revenue estimate) and Montana law places no limits on the amount of assets that this type of corporation can have at its disposal. Some of those 3,000 plus corporations undoubtedly have large amounts of wealth they could direct into the electoral system if it were legal to do so. It is Common Cause's view that it is just as unhealthy for the 1983 political system to have those corporations nudged further toward viewing the political process as a purchasable commodity as it was considered unhealthy for that type of approach in 1912. For that reason, we urge you to keep the present policy approach which bans direct corporate contributions to campaigns.

Common Cause's second concern in respect to S.B. 49 is that the bill, if it becomes law, may damage the political system by encouraging the flow of more money from special interests into political campaigns in Montana. Attached to this testimony is a study prepared for Common Cause by Dr. James Lopach of the University of Montana. The study, on page three, points out, by comparing data from the 1976 and 1980 campaigns, that the total amount of money spent by candidates

for the House and Senate in Montana has rapidly doubled from \$279,000 to \$583,000 while the money from special interests political action committees has multiplied over four times from \$23,000 to \$111,000. This great increase in campaign spending, and its influence on democracy, has not gone unnoticed in Montana. Following Dr. Lopach's study is a copy of a Great Falls Tribune editorial (Dec. 21, 1982) entitled "Political Spending Scandal" which states:

"There's a feeling of deep concern - and resentment - in the nation about the way political spending has raced out of control."

An Independent Record editorial (December 7, 1982) addresses the same problem with its editorial entitled "Put a Lid on Campaign Expenditures." With the above in mind, Common Cause believes democracy would not be well served by encouraging corporations to contribute more money to candidates at a time when many are questioning whether the political system is already being damaged by too much campaign money.

Finally, in closing, it should be noted that corporations in Montana, including small business corporations, are allowed under Montana law to set up a special committee - known as a political committee - which can gather funds and contribute those funds to political campaigns. This mechanism is slightly more cumbersome than the direct contribution method envisioned by S.B. 49 but many Montana corporations have already established those political committees. It seems to Common Cause that any small business corporation wishing to participate in the political campaign process can already do

so through the political committee route and that there is little need to give these corporations the special status envisioned by S.B. 49.

I thank you for the opportunity to testify before this committee.

Great Falls Tribune

Tuesday, December 21, 1982

Political spending scandal

There's a feeling of deep concern — and resentment — in the nation about the way political spending has raced out of control.

Worried members of Congress are among those who deplore the shocking high cost of political campaigns and the way political contributions affect legislation.

In an article in the Dec. 20 U.S. News and World Report, several retiring members of Congress talked frankly about political spending practices. Sen. S.I. Hayakawa, R-Calif., and others called for a limit on campaign contributions.

No individual should be permitted to give more than \$100 to any candidate, he said.

"These contributions have become — let's not disguise them by their names — a huge, masked bribe," Hayakawa declared.

Rep. Henry Reuss, D-Wis., said the removal of limits on political spending contributed to unhealthy conditions surrounding political spending.

Parties can't match the huge sums that millionaires and special interest groups throw into an election, Reuss said. He pointed out that it is preposterous that many millions are legally spent for a congressional seat that pays \$60,000 a year for

two years.

Elizabeth Drew, respected journalist and political analyst, went into detail about scandalous political spending in a two-part series that ended in the New Yorker magazine in its Dec. 13 issue.

Drew said outrageous spending practices are helping make voters even more cynical than they have been.

"As the public cynicism gets deeper, the political system gets worse," she said. "Until the problem of money is dealt with, the system will not get better."

Drew contended that the nation has allowed the basic idea of our democratic process, representative government, to slip away. The only question before us, she said, was whether we are serious about trying to retrieve representative government.

Legislation aimed at reforming political spending did not occupy a high priority for the lame duck session of Congress.

And, cynical Americans won't hold their breath waiting for Congress to do much about the system in the new session that opens next month. But clearly, campaign spending reform is needed; and the sooner, the better.

Put a lid on campaign expenditures

Earlier this fall representatives of Montana Common Cause let it be known that if the Legislature failed to enact a law limiting campaign expenditures it would launch an initiative drive to get the job done.

Two Bozeman legislators, Sen. Dorothy Eck and Rep. John Vincent, said this week they will sponsor legislation limiting campaign expenditures. They introduced a spending-limits bill in the 1981 session, but it failed.

The bill by Mrs. Eck and Vincent would put spending limits on campaigns for all state offices, but not congressional races. House candidates would be limited to \$3,000 and Senate candidates to \$4,200.

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Mrs. Eck said she thinks their proposal should be helped by a widespread feeling that too much money was spent on the 1982 campaigns, especially legislative races. She pointed to Senate District 40 where Sen. Mike Anderson, R-Belgrade, spent nearly \$13,000 and was defeated by Leo Lane, D-Three Forks, who spent more than \$9,000.

We don't have to look to Gallatin County as an example of big spending. In the race for representative of House District 32 in Helena Jan Brown had spent \$10,000 as of the October reporting date. Rep. Bobby Spilker had spent \$7,025 in her losing effort. In Senate District 15 Dave Fuller had raised \$12,710 and spent \$10,853 as of the October reporting date. His opponent, Tom Mcagher, raised \$8,861 and spent \$8,294 as the same point in the campaign.

It's excessive to say the least.

Legislators are paid \$48.42 per day and receive an additional \$45 per diem. That totals \$8,407 for a 90-day session. It's ridiculous that politicians should be forced to spend large sums of money for a job that pays slightly more than \$8,000 a year.

We remember the case of a senator who spent around \$4,000 on his campaign a few years. He lost. A lot of people said he was defeated because the public perceived he was out to buy his seat. We've come a long way since then — too far in fact.

It's time to return to realistic campaign spending and the only way to do it is to legislatively set some limits.

By Dr.
James Lopach

Special Interests and Montana Politics

Editor's Note

The following article is composed of excerpts taken from a 38-page study prepared for Common Cause of Montana by Dr. James Lopach, University of Montana political science professor. A copy of the complete study can be obtained from Common Cause of Montana. Please write to the Common Cause Helena address and enclose \$4.00 to cover printing and mailing costs.

Introduction

This article deals with a contemporary manifestation of the basis of politics—inequality in the possession of wealth. Thus James Madison, during debate over ratification of our present constitution, observed in *The Federalist* that the inevitability of politics stems from factions and the "most common and durable source of factions has been the various and unequal distribution of property." Today political action committees (PACs) are the political arms of factions, organized to raise and spend money in furtherance of special interests. The resources of PACs have been documented to be considerable, and their influence has been assumed to be great. The political issue this study poses is the regulation of PACs.

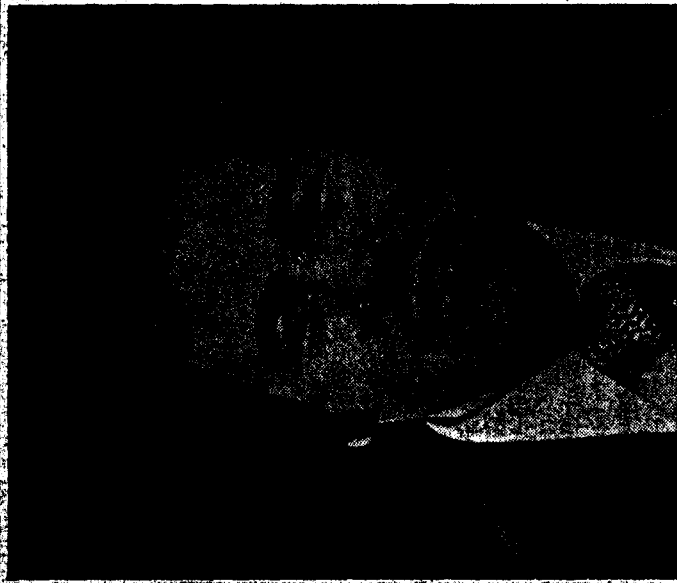
The focus of this study is on the involvement of PACs, through political contributions, in the Montana legislative campaigns of 1976, 1978, and 1980. Its close analysis is of the patterns of giving

by the largest PACs. Secondary attention is paid to contribution figures for ballot issue campaigns. The approach of the study was to derive raw data from the files of the Montana Commissioner of Campaign Finances and Practices and then subject that data to computerized processing. In total campaign contribution data was gathered on 300 state representative and 75 state senate races. The opinions of Montanans on public financing of political campaigns were determined through questions formulated by the author and implemented by the University of Montana Bureau of Business and Economic Research as part of its quarterly Montana Poll. The total research project was funded by Common Cause upon the initiative of Common Cause/Montana.

Common Cause has long been concerned with the impact on government of unrestricted political contributions by special interests. The explicit interest of the Montana organization was documentation of any needed reform in the present practices of campaign financing.

Money and Politics

Campaign contributions are, as the principal means by which money can influence the conduct of politics—i.e., the making of governmental decisions that will help some and disadvantage others. Laws and regulations can affect every aspect of personal and economic life. It is not surprising, therefore, that individuals, businesses and organizations wish to influence the shaping of policies. Contributing to the election campaign of a candidate for public office is an effective method of participating in politics. Campaigns are in-



Dr. James Lopach

creasingly costly, the candidate is grateful for help in meeting this cost, and the contribution treats at a minimum the opportunity for the donor to discuss politics with the successful candidate.

Reformers have long been concerned about the inordinate influence that the wealthy can have in politics. Various approaches to diminish the effects of financial misrepresentation have been formulated and adopted. The most prevalent regulations of campaign contributions have been public disclosure of contributions and expenses. (continued on page 2)

NAME: Mons Teigen DATE: 1/12/83

ADDRESS: Helena

PHONE: 442-3420

REPRESENTING WHOM? Mont. Stockgrowers + Cowbellers

APPEARING ON WHICH PROPOSAL: SB 49

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY