



Testimony to the Commission to Study Campaign Finance Law

By James Browning, Regional Director of State Operations, Common Cause

June 12, 2012

Thank you for this opportunity to testify and thank you for your service on this very important Commission. I am James Browning, regional director of state operations for Common Cause, and formerly the executive director of Common Cause Maryland from 2001-2005.

The General Assembly and this Commission are to be commended for addressing some of the long-standing problems and weaknesses in Maryland's campaign finance laws. Last year, the Assembly passed a law that strengthen reporting of independent political expenditures in Maryland and requires corporations making such expenditures in excess of \$10,000 to report them to their shareholders. In addition, based on this Commission's recommendation, the Assembly passed a bill to require that donors contributing in excess of \$500 to a candidate in an election cycle disclose his or her employer and occupation.

Several of the other issues you have been tasked with considering, such as the LLC Loophole, the regulation of transfers between members of a slate and the reporting of slate expenditures, and enforcement of the state's aggregate limit on campaign contributions have been documented by Common Cause, the media, and other interested overseers for more than a decade.

All of these problems have been exacerbated by the U.S. Supreme Court's 2010 *Citizens United* ruling, which threw out a century-old ban on corporations and unions making direct expenditures on electioneering. In our opinion this is one of the most dangerous decisions in the Court's history and its effects—especially the rise of Super PACs and the public's inability to track their donors—are threatens our democracy.

Contributions Through LLC's

While direct corporate contributions to political campaigns are banned at the federal level and in 22 states, corporations are allowed in Maryland to give up to \$10,000 to campaigns in any 4-year election cycle. However, as shown by research performed by Common Cause and various news organizations, a donor may give many times this amount by funneling money through Limited Liability Corporations (LLCs) and other entities under their control—entities often run by the same person or persons out of the same location.

The LLC Loophole has played a major role in shaping public policy in Maryland over the last ten years—specifically in the way it has shaped elections and public policy as they pertain to development and the expansion of legalized gambling. At the local level, the LLC Loophole gives a developer or developers the ability to swamp their political opponents. A community group opposed to a development may easily find themselves up against contributions from multiple LLC’s outside their community.

According to a CCMD study released in January 2005, here were total campaign contributions from 2003-2005 by three of the leader contenders for slots licenses in the state. All three exploited the LLC loophole and all three gave in excess of the \$10,000 aggregate limit for an election cycle through a single entity.

Donor	Family	Business	Total	Used LLC Loophole?	Gave In Excess of 10k Through One Entity?
Peter G. Angelos	\$46,875	\$141,725	\$188,600	Yes	Yes
Joseph DeFrancis	\$26,815	\$100,987	\$127,802	Yes	Yes
William Rickman	\$37,520	\$226,440	\$263,960	Yes	Yes

As reported in the 4/5/05 Baltimore *Sun* article that is included at the end of this testimony, the LLC Loophole has especially benefitted developers, many of whose projects are set up as LLC’s. As an extreme example, the *Sun* reported that one developer had funneled contributions through 51 LLC’s.

Recommendation: Limited liability corporations controlled by the same individual or same few individuals should be treated as a single entity when determining the extent of their campaign contributions and when applying the aggregate limit on contributions for an election cycle. Moreover, in general, for these same purposes, two or more business entities should be treated as a single entity if one is a wholly owned subsidiary of another, or the entities are owned or controlled by at least 80% of the same individuals of business entities.

Slates

Slates undermine Maryland’s campaign finance laws in several ways. First, they enable donors to give more than the legal limit to a candidate by giving both to a candidate’s account and to a slate or slate to which that candidate belongs, which slate or slates can then transfer the money to the candidate’s own account. Second, such indirect contributions effectively conceal a donor’s identity. Third, slates are not required to report which of their members benefit from which expenditures.

These three factors lead to the following, frequent scenario. Candidate X does not personally take money from a particular interest as a matter of principle—such as a tobacco company or a

casino—but Candidate X belongs to Slate XYZ and this Slate does take money from these donors. If this Slate then makes expenditures without reporting which of its members benefitted from these expenditures, how is the public supposed to know if Candidate X is being disingenuous about the kind of support they will accept?

The roles of slates in the House of Delegates should also be understood in the context of the House's unique combination of multi-member districts and relatively long terms for its members, compared to other states. Maryland's House of Delegates is the only State House in the country which has a combination of multi-member districts, four-year terms for its members, and no special election process to fill vacancies. This combination gives a great deal of power to incumbent Delegates and relatively little power to voters when it comes to selecting new Delegates. According to a CCMD study in June 2006, 20% of Maryland Delegates serving at that time had been originally appointed to their seats.

Given extraordinary power to choose new Delegates who will serve for an unusually long period of time before having to run for re-election, incumbent Delegates further benefit from a slate system which lets them make unlimited financial transfers to these new Delegates—and do so without reporting exactly which members of a slate benefitted from which expenditures.

Recommendation: Slates should be limited to giving or receiving \$6,000 to or from other political committees in a four-year election cycle, and slates should be required to report which of their members benefitted from which expenditures.

Enforcement of Election Laws

While the aggregate limits for contributions is \$10,000 for any 4-year election cycle, research by CCMD in 2004-05 found more than 60 donors giving in excess of this limit. CCMD reported these findings over a period of two years to State Prosecutor Robert Rohrbaugh, and Rohrbaugh ultimately levied fines against dozens of these donors for giving in excess of the legal limit. (See Exhibit B, from the 4/16/05 *Baltimore Sun*.)

Voter confidence is undermined when a candidate wins an election with the help of contributions that are illegal. A donor may only exceed the aggregate limit by a small amount, and excess contributions can be returned, but the results of a close election in which such contributions played a role cannot be undone.

Recommendation: Because some donors unknowingly or accidentally give in excess of the aggregate limit, Common Cause supports the use of electronic filing systems with the ability to automatically flag such excessive contributions and alert donors that they have exceeded the aggregate limit.

Public Financing

With the support of a wide array of citizen groups, a bill that would have established a voluntary system of public financing for candidates for the Maryland General Assembly passed the House of Delegates and came within a single vote of passing the Senate in 2008. Identifying a source of funding for such a system was heavily debated at the time and continues to be one of the important issues regarding the establishment of a robust and effective optional system of public financing.

Common Cause believes strongly that when putting a price tag on such a system we must also consider the costs of our current systems of campaign in which large donors enjoy special access to and influence over political candidates and elected officials. We strongly support a system that encourages candidates to raise a large number of small contributions, and which offers public funds to candidates who are able to demonstrate a substantial depth of support in the district in which they are running.

Strong public support for public financing also stems from the recommendations of the Stenberg Commission in 2004, which cited a doubling in the average cost of running for the Maryland State Senate between 1998 and 2002. As with the other issues before this Commission, we believe the need for public financing is heightened by *Citizens United* and the growing influence of deep-pocketed donors over our democracy—to a degree almost unimaginable to those of us working on this issue in Maryland during the Stenberg Commission’s deliberations from 2002-2004.

For an overview of the success of public financing for the State of Connecticut, please see Exhibit C, a January 2012 article from the *American Prospect*.

Recommendation: It is a fact that many of the campaign finance loopholes being considered by this Commission in 2012-13 have been held up in the past as example of why candidates participating in a public financing system would still be overwhelmed by private financing. In addition, candidates would not want to participate in public financing for fear of not being able to compete. A strong set of recommendations to close these loopholes and make the current system of private financing more open, fair, and transparent will create the opportunity to re-focus on the benefits of public financing.

Thank you again for this opportunity to express the views of Common Cause Maryland. We stand ready to assist the Commission in its important work, and be glad to answer any questions you may have.

The Baltimore Sun
April 3, 2005 Sunday
FINAL EDITION

HEADLINE: Companies bypass campaign caps;
Developer leads donors in use of related entities to spread political funds;
Bill to close loophole languishes

BYLINE: Michael Dresser and Alec MacGillis, SUN STAFF

More than a year and a half before the 2006 election, developer Edward A. St. John has quietly established himself as a powerhouse in big-money Maryland politics by orchestrating \$160,000 in contributions from more than 50 related companies operating out of his Baltimore County office.

St. John, 62, the chief executive of MIE Properties, is the largest donor among more than a dozen major political players who have used multiple companies to sidestep the state's campaign finance law and donate far more than the cap on individual or company contributions - \$4,000 to any one politician and \$10,000 overall during a four-year election cycle.

Critics say the absence of meaningful limits on contributions illustrates the laxity of Maryland's election laws, portions of which are described as "virtually unenforceable" by State Prosecutor Robert A. Rohrbaugh. Besides permitting donations through multiple entities, Maryland allows corporate contributions, which are banned in 20 states and in federal elections.

By funneling campaign donations through related entities, St. John has the theoretical ability to mobilize more than \$500,000 in 2006 election donations without breaking the law or creating any new companies. And, as Rohrbaugh noted, it takes only minutes to establish business entities.

St. John, whose network of businesses donated \$140,000 during the 2002 election cycle, defends the lavish giving, saying, "I think it's what you're supposed to do as a citizen if you're able to do it." Giving through multiple businesses also permits big donors to fly under the radar - escaping the scrutiny their gifts might attract if they were made under a readily recognizable name.

`Exerting influence'

"It's a way of exerting influence without getting caught," said James Browning, executive

director of Common Cause Maryland. "They get to have it both ways. They pay for a campaign, but they don't alarm people in a community or a district."

A bill intended to close the loophole has passed the House of Delegates but is languishing in a Senate committee. It would treat multiple companies as a single operation when totaling up campaign donations, if the same people controlled 80 percent of each company. But Rohrbaugh recently wrote to lawmakers, saying that the bill is not the solution and would make enforcement even more difficult.

"Creative individuals who are intent on finding `loopholes' in the campaign finance laws will quickly exploit these new `loopholes,'" Rohrbaugh wrote. "While it is encouraging that the campaign contribution laws are being addressed, the potential of abuse will continue as long as artificial entities such as corporations and limited liability companies are permitted to contribute to campaigns."

While St. John is not as well-known as such prominent political money figures as Orioles owner Peter G. Angelos or racetrack owner Bill Rickman Jr., his recent contributions to state candidates of both parties appear to outstrip theirs. His giving has put him on close terms with prominent politicians - he says he serves on the finance committees of Republican Gov. Robert L. Ehrlich Jr. and one of his prospective Democratic opponents, Baltimore Mayor Martin O'Malley.

MIE-related entities have given more than \$42,000 to Ehrlich and \$26,000 to O'Malley since the 2002 election. Choosing between them would be "real tough," said St. John, who said he spends two-thirds of his time on civic, charitable and political causes while continuing to run his company.

In recent years, MIE - one of the region's largest commercial real estate managers - has benefited from government actions in jurisdictions where it has contributed tens of thousands of dollars to officeholders. Some of the actions have been praised as bringing needed economic development, but others have been controversial.

Development decisions

In Anne Arundel County in March last year - a day before County Executive Janet S. Owens held a fund-raiser in an MIE building - Owens won approval of \$2.6 million in upfront aid to help the company build a technology park near Baltimore-Washington International Airport.

At the time, Republican County Councilman Edward R. Reilly said the deal resembled "a sole source contract" because MIE did not have to compete with other developers. St. John said the public benefited because the company made improvements to Nursery Road and later repaid the

money.

In 2002, residents of Parole accused Owens of favoring St. John when she supported MIE's proposal for about 30 acres of commercial and residential development in the area. Community activists said Owens broke a promise not to approve building permits until design standards were adopted - a charge she denied.

In 1999 and 2001, MIE signed deals to lease office space to Baltimore County without having to go through a competitive process. At the time, St. John was a financial backer of C. A. Dutch Ruppersberger, then the county executive and now a U.S. congressman who is exploring a run for Senate next year. Such deals were legal then and are now.

The campaign law loophole gives developers an edge over other donors because they typically control many companies. It is common practice to set up separate limited liability corporations or partnerships for each project. Each is considered a legally separate entity, though one person may control them all.

For example, MIE manages properties for companies such as Riva Business Park LLC, Quarterfield Center LLP, Heat Business Center LLC and dozens of others - all with their address at MIE's headquarters at 5720 Executive Drive in Baltimore County.

State incorporation records list either St. John or another MIE executive and two lawyers for MIE as the resident agents for nearly 50 of the entities.

"It's an end run around the contribution limits. It's giving developers unlimited influence over the political process," Common Cause's Browning said.

The watchdog organization has documented dozens of cases of individuals or businesses that have similarly stretched the campaign finance limits by contributing under multiple names. They include such developers as David Cordish, John Paterakis and Ronald Lipscomb.

MIE-related firms

St. John insisted that the businesses using his company's address are independent entities that contract with his firm to manage properties. He said he frequently sells fund-raiser tickets to these businesses because he serves on the finance committees of many politicians.

"All of the politicians who run for political office send us bundles of tickets to sell," he said. "We sell them to a lot of people."

St. John said he turns to companies operating out of his offices first because they are the most willing to buy the tickets. He said he probably sells five times as many tickets to people outside the companies. On May 4 last year, 50 of the MIE-related businesses each wrote a \$200 check to provide \$10,000 for Phillip D. Bissett, who runs the MARC train system and is expected to seek the Republican nomination for Anne Arundel County executive.

Six weeks earlier, 23 MIE-related entities each gave \$250 on the same day to pour \$5,750 into the campaign coffers of Owens, the incumbent Democratic executive. Owens, who cannot run again because of term limits, has received at least \$8,300 from the network since the last election. St. John said he serves on the campaign finance committees of both politicians, who ran against each other in 2002. That year, he said, he helped both raise money, though he said he backed Owens in the general election. In 2002, MIE-related groups gave \$4,050 to Bissett. MIE partners, as well as St. John's wife, contributed at least \$8,300 to Owens.

Hard-to-trace sums

The extent of St. John's involvement in that race went largely undetected because of the difficulty of tracing MIE-related contributions back to their common source. St. John said he also serves on the finance committees of Comptroller William Donald Schaefer, who received at least \$20,000 from MIE-related businesses, and Baltimore County Executive James T. Smith Jr., who received at least \$21,650.

Montgomery County Executive Douglas M. Duncan, O'Malley's likely opponent for the Democratic gubernatorial nomination, has not received contributions from MIE-related entities but has received donations from other developers who have used affiliated entities to give him far more than \$4,000.

On March 4, the House of Delegates voted 82-53 to pass a bill introduced by Del. Elizabeth Bobo, a Howard County Democrat, aimed at making it more difficult to avoid the limits. But it and a companion Senate measure have been stuck in the Senate Education, Health and Environment Committee for weeks without coming to a vote. Sen. Paula C. Hollinger, chairwoman of the committee, said she isn't sure whether to bring the measure up for a vote. The Baltimore County Democrat, who has not taken any MIE-related donations, said that in view of the state prosecutor's opinion she's not sure what the purpose would be.

While a single company would have a hard time affecting the outcome of a statewide election, its impact could be significant at the local level. Bobo said the current law makes it possible for a developer to marshal large, hard-to-trace sums to defeat local candidates who oppose their projects.

"There's a big potential for that, and I think many people in office are aware of it," she said.

'American way'

But some local officials have no problem with developers marshaling funds through multiple entities. "People are supporting candidates or elected officials who share their views. It's the American way," said Councilman Reilly, a Crofton Republican who has not received MIE-related money.

But community activists believe donations can give developers an edge over citizens' groups. John Fischer, an Annapolis resident, led an advisory committee charged with managing growth in the Parole area. Fischer said last week that he was not surprised at the extent of contributions made to Owens and Bissett by businesses related to MIE, which has had several area projects.

"It was very clear from [Owens'] comments to many people including myself that Ed St. John and MIE were very important people," Fischer said. But Michael Brown, Owens' campaign treasurer, said St. John had received no favors as a result of his contributions.

"Any economic development initiative will benefit people who own property," he said. "Nothing was done for his personal benefit." Recipients of the MIE-related contributions said they were only doing what the law allows.

O'Malley fund-raising consultant Colleen Martin-Lauer said, "The mayor follows the rules about fund raising. That's all I'm going to say about it." A spokesman for Ehrlich's campaign committee did not return calls.

Brown said St. John has been "a good and valuable contributor and supporter" of Owens. But he said the campaign was unaware of the extent to which MIE-related businesses were contributing to her campaign. "We did not pick up on that and certainly had no knowledge that similar contributions were being given to Bissett," he said.

Bissett defended the practice of bundling contributions as "totally legal." "I can't speak to the reason that the companies donate, other than that I believe they perceive me as a winner and therefore they're making their donations accordingly," he said. Bissett said he would continue to seek contributions from the MIE network.

"We have a very aggressive fund-raising cycle ahead of us, and we intend to maximize our ability to be competitive and win this race," he said. "I don't see any problem whatsoever because, again, it's a legal practice."

The Baltimore Sun

April 16, 2005 Saturday

FINAL EDITION

HEADLINE: 15 receive fines for political donations;
Individuals, companies cited for exceeding campaign limits;
Links to development, contracting;
No intentional violations seen, so civil citations are issued

BYLINE: Andrew A. Green, SUN STAFF

The state prosecutor issued more than \$60,000 in fines yesterday to 15 individuals and companies he says violated Maryland campaign contribution limits. Most of the companies fined are involved in development or contracting, and some have completed high-profile projects for the state.

The prosecutor, Robert A. Rohrbaugh, found that all of them had contributed more than the \$10,000 limit for companies in a four-year election cycle. The fines are the first issued for such violations in recent years, and Rohrbaugh, who has been the prosecutor seven months, said he will continue pursuing the matter as much as his office's limited resources allow.

"Apparently the practices in the past have not gotten the attention of contributors, so we do want to send a message that we intend to enforce the contribution laws," Rohrbaugh said. He said that he did not believe the violations were intentional, and for that reason he issued civil, not criminal, citations. Future violations from those companies would result in criminal prosecution, Rohrbaugh said. The companies have the option of contesting the fines in court, much as a motorist can fight a speeding ticket.

The law, designed to limit the influence any one campaign contributor can have over an election, limits giving by an individual or corporation to \$10,000 to all candidates and political action committees in a four-year cycle. An individual or company is allowed to give no more than \$4,000 to any one candidate in an election cycle.

The fines stem from an analysis performed last year by Common Cause Maryland, a government ethics watchdog group. When Common Cause issued its report in December, representatives of many of the companies said they believed it was in error, or that the violations were inadvertent. James Browning, executive director of the group, said Rohrbaugh's action is "a major improvement" over the policy of his predecessor, longtime prosecutor Stephen Montanarelli, who died last year.

"Montanarelli had a two-strikes-and-you're-out policy, which really made the law meaningless," Browning said. "I'd say this puts teeth into the law." In its report, Common Cause identified 22 companies and individuals it said had violated the limits, on top of 60 others the group had identified in a previous analysis of election data from the 2003-2006 cycle.

The largest fine, \$10,000, went to Doracon Contracting Inc. of Baltimore, which Rohrbaugh found had exceeded the limits in both the 1999-2002 and 2003-2006 cycles. Doracon, headed by developer Ronald H. Lipscomb, has worked on public projects such as the Murphy Homes demolition and the Hippodrome Performing Arts Center. It gave \$14,650 in the last cycle and has given \$10,398 in this one, according to Common Cause.

Seven companies were fined \$5,000, the maximum for violations in a single election cycle. They include Cherry Hill Construction Inc. of Jessup, which was listed at the largest violator in the Common Cause report with \$23,255 in donations to candidates in this cycle. Cherry Hill has handled numerous high-profile public projects, including the new parking garage and terminal-access road at Baltimore-Washington International Airport.

Rohrbaugh also assessed maximum fines on the Baltimore Marine Center; Marcorp Ltd. of Baltimore; Munsey Building LLC of Baltimore; Quantum Realty Management of Hyattsville; Schafer's Roll-Off Service of Baltimore, and the law firm Schochor, Federico and Staton of Baltimore. Browning said the fines don't make up for loopholes that exist in the law. Contributors can evade donation limits by funneling contributions through limited liability corporations.

As long as each LLC has a slightly different ownership structure, it doesn't count against an owner's donation cap. Developers, who often incorporate a new LLC for each project, most often take advantage of the tactic.

"The sad fact is that any one of these companies could still give as much as they wanted to by funneling it through LLCs," Browning said.

A bill to limit the practice failed in this year's legislative session after Rohrbaugh wrote lawmakers a letter saying it would be impossible to enforce.

The American Prospect

The Clean-Election State

Keith M. Phaneuf

January 5, 2012

Connecticut's fight against corruption creates a model of transparent government.

While officials in other states struggled to balance their budgets in 2011, Governor Dannel Malloy and the Connecticut General Assembly closed a deficit of historic proportions one month early, agreeing on a mix of tax hikes and union concessions. That topped a list of unmatched legislative accomplishments: Connecticut passed in-state tuition for illegal immigrants, a transgender-rights bill, a major genetic research initiative, a bipartisan job-growth package, and the nation's first paid sick-leave mandate.

In a year of reactionary politics and partisan gridlock nationwide, what made Connecticut so different? One-party control over both the governor's office and the legislature for the first time in 21 years played a role. But the secret behind the Democrats' success was sweeping campaign-finance reform enacted six years earlier. Reeling from the embarrassment of a corruption scandal that landed a governor in federal prison, Connecticut legislators grabbed the national spotlight in 2005 by stopping the flow of millions of special-interest dollars, banning lobbyist contributions, and instituting a public-financing system that record-setting numbers of candidates have embraced.

The impact of the reforms was evident almost immediately after their implementation in the 2008 elections. For years, powerful lobbyists for beer and soda distributors had arranged for their clients to keep the nickel deposits that consumers effectively waive by not returning bottles and cans to stores—adding up to about \$24 million a year. Environmental advocates had long argued the money should support state conservation programs. A proposal to do that was defeated just weeks before the November 2008 election. But less than three months later, after the swearing-in of Connecticut's first legislature elected mostly with public funding, lawmakers grabbed those unclaimed nickels.

"There wasn't even much discussion, it passed so easily," says Matt Lesser, a house freshman who'd run with public financing. "It seemed like a done deal." Denise W. Merrill, a longtime legislator who's now secretary of the state, saw a dramatic change among lawmakers. Suddenly, she says, "these guys didn't even know they were supposed to check with the lobbyists."

As the lobbyists' clout diminished, grassroots mobilizing began to pay off. Connecticut's small Working Families Party pushed for years to make employers give workers paid sick leave; last June, the measure narrowly passed. Edward Meyer, a state senator who was skeptical about the sick-leave mandate, concedes that a blitz of calls, letters, and e-mails from constituents convinced him to co-sponsor the measure. "We don't get 2,000 messages from constituents on many issues," he says.

"Campaign-finance reform improved the situation for organizations that know how to research the issues and excel at grassroots organizing," says Jon Green, director of the Working Families Party. "That

kind of constituent contact has started to outweigh the pressure of lobbyists. You still have to go out there and do the work, but public opinion is starting to matter more.”

Political corruption was once a venerable Connecticut tradition. For years, campaign-finance reform had been discussed, but the debate intensified in June 2004 when three-term Governor John Rowland resigned amid an impeachment inquiry.

A legislative panel concluded that Rowland, a Republican, had accepted thousands of dollars in free gifts—flights, vacations, improvements to a lakeside cottage—from state contractors, many of whom had contributed to his campaigns. Democrats, who had dominated the state legislature since the mid-1980s, had tapped deeply into special-interest dollars as well, maximizing a huge loophole in campaign-finance regulations.

While direct business contributions to candidates were banned, companies could skirt the ban by purchasing advertisements in program books for political events. Businesses technically couldn't buy more than \$250 worth of ads from any one candidate or political action committee (PAC) in a given year, but that meant nothing in practice. There was no limit on the number of PACs each lawmaker could control, nor on the amount of funds they could transfer from the PACs into their campaigns. So if lobbyists and their clients maxed out on their ability to give to one committee, there was a simple solution: Form more.

Fundraising events proliferated. David McQuade, a veteran lobbyist with Murtha Cullina Government Affairs Group in Hartford, says fundraiser invitations for his firm alone averaged one per week and were tracked on a spreadsheet. “Things were getting out of hand,” he says. “I still run at the sight of a canapé or a pig in a blanket.”

The festivities became increasingly businesslike. Upon arriving at legislators' events, lobbyists recall being presented with lists of their own clients—a seemingly unnecessary exercise that sent a very clear message. “I assumed what they were saying was simple: ‘We expect all of your clients to contribute,’” says Richard Balducci, a former house speaker turned lobbyist.

By early 2005, Rowland had begun serving a ten-month prison term while his lieutenant governor and successor, Jodi Rell, was pledging to restore honesty and integrity to Connecticut politics. “People wanted a new, fresh beginning,” she says. “I needed and I very much wanted to deliver that.”

Meanwhile, Democrats were taking aim at a governor's office they had been shut out of since 1990, due in no small part to Rowland's fundraising hold over contractors and lobbyists. But given the public outcry over the scandal, they too would have to embrace campaign-finance reform. “There was the feeling that legislators would never vote for anything that would limit their own considerable fundraising potential,” says media consultant Jonathan Pelto, who managed the last successful Democratic gubernatorial campaign under the old finance system in 1986.

Five years earlier, Democratic legislators had tried to establish public financing—but only for statewide races, not their own. Now they were proposing a similar plan, which put Rell on the spot as she sought a full term as governor in 2006. Facing the prospect of having to veto public financing for statewide campaigns and risk her public standing, Rell issued a preemptive strike that stunned public officials and reform advocates alike.

No fan of public financing, Rell agreed to accept it, provided that legislators would embrace reforms aimed at them: eliminating ad books, limiting most legislators to one PAC, and banning lobbyists' and contractors' contributions. "The look on people's faces was, 'What did she say?'" Rell says, recalling the meeting where she explained her offer to Democratic legislative leaders. "I went public with it so they couldn't back out."

Meanwhile, one of the house's leading Democrats aggressively pushed reform. "You had so-called liberals who said they were in favor of reform, if it didn't affect their pile of money," says Christopher Caruso, who co-chaired the committee with jurisdiction over election matters. He didn't hesitate to call them out in public, labeling balking lawmakers "hypocrites."

"The dynamic of Governor Rell and the Democrats trying to out-reform each other was crucial," says Karen Hobert Flynn, vice president of state operations for Common Cause. "They would keep egging each other on with public statements, quite confident that the other would not call their bluff." But Democratic lawmakers responded to Rell's dare. They neutralized the fundraising rules that had brought them success, agreeing to ban lobbyist and state-contractor contributions along with ad-book sales. Candidates seeking public dollars would first have to raise a minimum level of funds, all in small amounts, from individual donors. A state senate candidate, for example, could receive \$85,000 in state funds for the general election after first raising \$15,000 from private donors—none of whom could contribute more than \$100.

The level of state funding is where Connecticut has distinguished itself from other states that offer public financing. Its grants for legislative candidates are up to six times larger than those provided by Maine and nearly 20 times greater than those offered by Arizona. Unlike those states, whose initial attempts at public financing drew between 25 percent and 35 percent participation rates by legislative candidates, nearly 75 percent of the candidates participated in Connecticut in both 2008 and 2010. One of the consequences of the law: It increased competition for legislative seats. In both 2000 and 2004, at least one of the major parties failed to field a candidate in nearly 40 percent of Connecticut's legislative races. By 2010, that percentage had fallen to 29.

"The state has made enormous progress, transforming from 'Corrupticut,' an example of rampant wrongdoing after years of scandal, into a model for campaign financing and the future of democracy," says Beth Rotman, who directed Connecticut's Clean Election Program from its inception through January 2011. "There's always been the idea that legislatures will never give up special-interest money," says Adam Skaggs, senior counsel for the Democracy Program at the Brennan Center for Justice. "Connecticut's experience kind of shows the lie in that suggestion."

The public-financing System faced its greatest crisis in 2010. Dannel Malloy, the Democratic candidate for governor, had survived a primary contest with one Greenwich millionaire only to find himself matched in the general election against another, Republican Tom Foley. A former U.S. ambassador to Ireland, Foley loaned his campaign more than \$10 million. Because of that level of spending, Malloy, already armed with a \$3 million public grant for the general election, qualified under state law for an additional \$3 million. But in July 2010, the U.S. Court of Appeals' Second Circuit ruled that the state could not give supplemental public grants triggered by a privately financed opponent's spending. (One year later, the U.S. Supreme Court would issue a similar ruling in an Arizona case.)

Despite bitter Republican opposition, including a veto by Governor Rell, the Democratic-controlled legislature responded by changing the law. The \$3 million base grant for publicly funded gubernatorial candidates was doubled, and Malloy—using the \$6 million in public funds he'd originally anticipated—eked out the narrowest of wins over Foley, by 0.6 percent or just over 6,400 votes. Republicans cried foul. "This was a party that was out of the governor's office for 20 years, and they wanted it desperately," says Larry Cafero, the top-ranking Republican in the house. During a floor debate, Cafero sarcastically called the bill "An Act Concerning Dan Malloy."

"Most reasonable people would say it changed the outcome," Foley says. "It was a manipulation of the fair-election system in Connecticut." Democrats and reform advocates say the change was the only way to preserve the legislature's intent from 2005. "It was about using public finance to provide a basic level of fairness," says Don Williams, the Senate's president pro tempore. "Otherwise, multimillionaires can simply crush their opponents."

Legislators also had to revise another provision struck down by the appeals court: the ban on lobbyist contributions. They responded by enacting a \$100 limit on lobbyist contributions—a measure that held up in court last June, when the Connecticut system cleared its toughest legal hurdle. The Green Party, which had failed to convince the appeals court that additional burdens on minor-party candidates seeking public funds were unconstitutional, petitioned the U.S. Supreme Court to hear its case. If the Court had done so, it could have also overturned the new limit on lobbyists' contributions and, perhaps, invalidated the new law with higher public funding for gubernatorial candidates. The Court declined to review the case, giving Connecticut's system its implicit approval. The biggest concern about the future of Connecticut's public-financing system now revolves around funding, not courtrooms. State officials have taken nearly \$60 million from the Citizens' Election Fund to help fill budget gaps in the last three years. The fund paid out \$12 million in the 2008 legislative elections and another \$30 million in 2010, which also featured the governor's race and five statewide elections—leaving just over \$8 million remaining. This year state officials reduced the fund's primary source of revenue—proceeds from the annual sale of abandoned properties—by 43 percent.

Clean-election advocates question whether the program will have sufficient resources for the 2014 gubernatorial election. They also worry about enforcement; last spring, Malloy and lawmakers cut one-third of the staffing for Connecticut's elections watchdog agency. "I know these are difficult times, but you can't put a price on clean government," says Hobert Flynn of Common Cause. Connecticut will be hard-pressed

to maintain its program if clean elections fall prey to further budget cuts. "What's really set Connecticut apart so far is leadership that has been willing to make the hard choices needed to preserve clean elections," says Hobert Flynn.

"If you lose that, you begin the slippery slide back to 'Corrupticut.'"