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# Clean Elections and Scandal: Case Studies from Maine, Arizona and New York City

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Note: The following report is an updated version of an Issue Review originally published by the Center for Competitive Politics in September 2011. This version has been edited to include updates to previously reported cases of public corruption in Arizona, Maine, and New York City as well as to incorporate information on new abuses of taxpayer dollars since this report's initial publication.

## I. Executive Summary

On June 27, 2011, The U.S. Supreme Court ruled in *Arizona Free Enterprise Club's Freedom Club PAC v. Bennett* that a portion of Arizona's tax-financed campaign law was unconstitutional. Specifically, the Court declared the use of "matching funds," where a privately financed state candidate could trigger state-granted matching funds for any tax-funded opponent if he or she spent above a certain threshold or if an independent group spent money in the race, an unconstitutional demand on a candidate whose speech would be chilled by the mandate.

The ruling was greeted with horror by a number of pro-regulation groups such as Common Cause, which wrote: "The provision struck down by the court actually increased free speech, helped to prevent the corruption and the appearance of corruption that can accompany private campaign contributions, and did so in a fiscally responsible manner..."<sup>1</sup> The presumption, however, that "clean elections" (i.e. taxpayer funded) campaign systems have been an effective firewall against corrupting influences in the political process has little basis in fact. The reality is that "clean elections" laws often favor corrupt incumbents against upstart challengers; enable fraudulent activity in elections by facilitating new and creative forms of corruption in the realm of campaign finance; provide for the waste of public money on non-serious candidates; and create cumbersome and onerous filing and reporting requirements for both participants and non-participants alike.

... "The presumption, however, that "clean elections" (i.e. taxpayer funded) campaign systems have been an effective firewall against corrupting influences in the political process has little basis in fact..."

Though the dollar-for-dollar "matching funds" systems present in many states are now fading from use, New York City's "super match," where candidates receive up to six dollars in contributions from the government for every dollar they raise themselves is being hailed as the new gold standard of campaign finance by many in the pro-regulation bloc. Ironically, this program exists in the city with one of the worst corruption records in the U.S., calling into question exactly whether these programs produce "clean" public officials. This report will show how a number of candidates and their associates, in Arizona, Maine, and New York City, willfully abused the campaign finance system; exploited loopholes within these programs, which ensured they could keep much of their donation money off the books; and, once in office, repeatedly further abused public funds, often finding themselves

<sup>1</sup> Kathay Feng, "Supreme Court's Arizona Free Enterprise / McComish decision chips away at states' rights but leaves foundation of public financing for campaigns intact," California Common Cause. Retrieved on September 21, 2011. Available at: <http://www.commoncause.org/site/apps/nlnet/content2.aspx?c=dkLNK1MQIwG&b=6391549&ct=10887535> (June 27, 2011).

investigated for – or convicted of – criminal conduct.

New York City’s matching funds system has been in place for 25 years and remains one of the oldest such program in the country; both Arizona and Maine’s tax-financing systems have been in operation since 2000, providing enough time to analyze their history, along with their successes and pitfalls. They are also the first three programs in the U.S. established to pay for a majority of a candidate’s campaign expenses, leaving them supposedly free from “special interest” considerations, although an analysis of the facts indicates otherwise.

### **Methodology**

We compiled information from a number of news reports and official sources that illustrated the problems with “clean election” policies in the statewide campaign finance systems of Arizona and Maine as well as the City of New York’s citywide program. The abuse of public funds is so severe and the record of corrupt practices and other misdeeds so rampant, particularly in New York City, that such a system cannot possibly live up to the “clean” moniker that has been assigned to it by its proponents. In short, these systems do not deter either corruption or the appearance of corruption.



## II. Arizona

By a slim margin of 51 to 49 percent, Arizona voters passed the Arizona Clean Elections Act in November 1998. Originating from a ballot initiative, the Act offered an alternative to traditional campaign fundraising by creating an optional program of government-funded financing for candidates who wished to participate. Arizona's (along with Maine's) program was the first in the nation that sought to cover nearly the entire cost of campaign funding for candidates seeking seats in the state Legislature or certain statewide offices. The program began in the 2000 election cycle.<sup>2</sup>

To qualify for Arizona's Citizens Clean Elections program, candidates must raise a minimum amount of voluntary contributions of \$5 or more from individuals (250 for legislative candidates in 2014). Candidates may not accept any money from businesses, corporations, political parties, Political Action Committees (PACs), or labor unions. Participating candidates have until a specified date of an election year to collect 'early contributions' from individuals, up to \$160 per individual. These 'early contributions' may not rise above a total cap of \$3,813 for legislative candidates. For the 2014 election cycle, qualifying candidates (for the Legislature) receive \$15,253 for the Primary election and \$22,880 for the General election, and cannot spend more than their cash on hand. More information is available at: <http://www.azcleelections.gov/candidates/for-candidates/running-for-office.aspx>.

Arizona's tax-financing program has been beset with myriad problems since its inception – from questions of constitutionality, to abuse of public funds for electoral gain, to corrupt practices by participating candidates. The program has been anything but “clean.” Not only has Arizona's program manifestly failed to end pre-existing corruption, it has repeatedly been the cause and victim of new corruption. The following section highlights the many ways Arizona's Citizens Clean Elections Program has failed to live up to the promises of its proponents.

### Constitutional Issues

A 2011 Supreme Court decision in *Arizona Free Enterprise Club's Freedom Club PAC v. Bennett* has highlighted a number of problems with Arizona's “matching funds” system. (Before it was consolidated with the *Arizona Free Enterprise Club's Freedom Club PAC* case, the case was originally known as *McComish v. Bennett*). Besides being struck down as unconstitutional, the facts of the case demonstrate how the thirteen-year-old campaign finance system has been expertly gamed by Arizona candidates, political parties, PACs, and other interest groups, who have found a number of creative ways to not only evade reporting requirements and spending limits, but have actually used the laws to their advantage in contradiction to the intent of the taxpayer-financed campaign system.

Plaintiff John McComish argued in his petition in *McComish v. Bennett* that “individuals... can deliberately run as candidates in the same race as one or more preferred participating candidates in order to trigger matching funds to participating candidates.”<sup>3</sup> To this end, donors have found a num-

<sup>2</sup> Report to the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate. “CAMPAIGN FINANCE REFORM: Experiences of Two States That Offered Full Public Funding for Political Candidates,” United States Government Accountability Office. Retrieved on July 15, 2011. Available at: <http://www.gao.gov/new.items/d10390.pdf> (May 2010), p. 104.

<sup>3</sup> *McComish v. Bennett*, No. 10-238 and 10-239 Publicized Preview Briefs, American Bar Association. Retrieved on July 15, 2011. Available at: [http://www.americanbar.org/content/dam/aba/publishing/preview/publiced\\_preview\\_briefs](http://www.americanbar.org/content/dam/aba/publishing/preview/publiced_preview_briefs)

ber of creative ways to game the Clean Election Act: prior to the Court's decision, individuals or organizations could contribute to a non-participating candidate in order to trigger matching funds for their favored candidate, a tactic apparently used by the Arizona energy industry. Arizona Corporation Commissioner Paul Newman claimed to have heard that Republicans were running a "team" of non-participant and participant candidates for Corporation Commission. McComish petitioned the Court that "this scam multiplies the value of moneys given or spent to support a traditional candidate."<sup>4</sup>

...the thirteen-year-old campaign finance system has been expertly gamed by Arizona candidates, political parties, PACs, and other interest groups...

The *McComish* petition also cited the clever practice of "reverse targeting" to trigger matching funds, whereby interest groups fund an advertisement that appears to support a candidate, but is designed to repulse them or otherwise create some adverse reaction among viewers. For example, during

the 2008 campaign, a "blast email" was sent out that claimed a gay rights organization was supporting a socially conservative candidate, with the intention of angering socially conservative supporters. Other ads asked their audience to help a candidate who opposed illegal immigration to "support open borders." These crafty campaigners gamed the system by using "reverse targeting" to "circumvent contribution limits and disclosure requirements."<sup>5</sup> For those who employed it, this tactic was useful in that it simultaneously hurt their favored candidate's opponent *and* triggered free matching funds for their favored candidate. This method was also employed by 2008 GOP Senate candidate Jesse Hernandez and House candidate Mark Thompson, whose campaigns posted signs that implored voters to help Democratic candidates Meg Burton-Cahill, David Schapira, and Ed Ableser "support illegals," before demanding matching funds.<sup>6</sup>

The authors concluded in their petition: "Arizona's matching funds system thus enables political actors to leverage public campaign financing to generate the functional equivalent of unlimited and undisclosed private campaign contributions."<sup>7</sup>

### Fraudulent Campaigns and Candidacies

Since Arizona's tax-financing program began, it has been repeatedly taken advantage of by a variety of frauds, from frivolous campaigns to felony wire fraud and tax evasion. Myriad examples illustrate that taxpayer-funded campaigns have not brought a different class of politics or politicians to Arizona.

[pdfs\\_2010\\_2011\\_10\\_239\\_PetitionerMcComish.authcheckdam.pdf](#) (2010), p. 84.

<sup>4</sup> *Ibid.*, p. 85.

<sup>5</sup> *Ibid.*, pp. 84-85.

<sup>6</sup> Mike Branom, "Campaign sign's intent spurs matching funds fight," *East Valley Tribune*. Retrieved on August 16, 2011. Available at: [http://www.eastvalleytribune.com/article\\_a2e5eac9-c2f4-558e-9e48-a95e9eab3648.html](http://www.eastvalleytribune.com/article_a2e5eac9-c2f4-558e-9e48-a95e9eab3648.html) (October 9, 2008, Updated October 8, 2011).

<sup>7</sup> *Ibid.* 3, p. 86.



“Yuri” Downing

In July 2004, former legislative candidate Yurikino Cenit “Yuri” Downing was criminally indicted on six felony counts claiming he misused over \$100,000 in public matching funds during his campaign.

Downing, who claimed to be running a “youth-oriented” libertarian campaign when he ran for State Representative in 2002, spent campaign money on parties at Scottsdale nightclubs, restaurants, vehicle rentals, and office equipment. In addition to abusing funding granted to his own campaign, Downing acted as campaign manager/treasurer for two of his friends, which he recruited to participate in the tax-financing program, Trevor Clevenger and Paul DeDonati.

...spent campaign money on parties at Scottsdale nightclubs, restaurants, vehicle rentals, and office equipment...

Colleen Connor, Executive Director of the Arizona Citizens Clean Elections

Commission said in April 2003 that she could find no evidence that there was a serious bid for public office by Downing, Clevenger, or DeDonati. Connor claimed the money was most likely obtained for purposes other than campaigning.

Downing and the other candidates were ordered by the Commission to repay the entire amount of taxpayer funding they received, but Clevenger and DeDonati managed to have their fines reduced to \$15,000 each.<sup>8</sup>

Robert Green

Former Republican candidate for Arizona Senate, Robert Green, was indicted in November 2010 for submitting false documents to the Arizona Clean Elections Fund in an attempt to collect more than \$21,000 in public matching funds.<sup>9</sup> The previous May, Green had been removed from the matching funds program by the Citizens Clean Election Commission and ordered to repay \$20,000.<sup>10</sup>

According to the indictment, Green lied about receiving qualifying contributions, knowingly accepted contributions in the name of one person when they were made by another, and lied to the state in order to cover up the violations.<sup>11</sup>

On February 1, 2011, Green signed a plea agreement that sentenced him to probation and ordered him to pay a \$9,479 fine to the Anti-Racketeering Fund as well as restitution to the Arizona Secretary of State and the Citizens Clean Election Commission totaling over \$11,000.<sup>12</sup>

8 Le Templar, “Candidate indicted in misuse of funds,” *East Valley Tribune*. Retrieved on July 15, 2011. Available at: [http://www.eastvalleytribune.com/article\\_bf812142-4ccb-5d62-a835-f9ccf617e36d.html](http://www.eastvalleytribune.com/article_bf812142-4ccb-5d62-a835-f9ccf617e36d.html) (July 19, 2004, Updated October 6, 2011).

9 “Former Legislature candidate indicted on fraud, theft charges.” *The Arizona Republic*. Retrieved on July 15, 2011. Available at: <http://www.azcentral.com/news/articles/20101102former-arizona-legislature-candidate-indicted02-ON.html> (November 2, 2010).

10 Nathan Thomas, “Arizona Republican kicked off public financing for fraud,” Democratic Legislative Campaign Committee. Retrieved on July 29, 2011. Available at: <http://dlcc.org/news/arizona-republican-kicked-public-financing-fraud-0> (May 28, 2010).

11 *Ibid.* 9.

12 *The State of Arizona v. Robert Mark Green*. Case No: CR 2010-007636-001DT, Arizona Attorney General. Retrieved July 15, 2011. Available at: <https://www.azag.gov/sites/default/files/GreenPleaAgreement.pdf> (February 8, 2011).

*Richard Miranda*

Rep. Richard Miranda, a longtime Democratic state legislator, pleaded guilty to wire fraud and tax evasion in March 2012.<sup>13</sup> Rep. Miranda sold off buildings and assets belonging to Centro Adelante Campesino, a non-profit at which he served as Executive Director. Miranda reportedly told board members the proceeds would go towards a scholarship fund for children of rural families.<sup>14</sup> Instead, he paid “hundreds of thousands of dollars” from the charity’s windfall to his personal accounts and was eventually sentenced to 27 months in prison.<sup>15</sup> He has received \$22,326.86 in public funds.<sup>16</sup>

### Collusion

Once implemented, it didn’t take long for candidates and parties to start devising ways to game the now-unconstitutional “matching funds” provision in Arizona’s system. The history of the state’s “clean elections” experiment shows that one of its more pernicious problems has been candidates entering campaigns solely to steer more money to allies or to rack up increased public funds for themselves, without any intention of running a serious campaign. This practice is not only a mockery of the democratic process, but an indefensible waste of public funds.

#### *The “Solar Team”*

In the *McComish* petition to the Supreme Court, the authors cited the case of Sam George, who triggered nearly \$500,000 in matching funds for “clean election” participants, Democrats Paul Newman and Sandra Kennedy. George orchestrated a coordinated “Solar Team” campaign for three seats on the Arizona Corporation Commission during the 2008 election. Previously, George served as a consultant to the proponents of the “clean elections” ballot measure; the “Solar Team” website indicated that George “helped write and pass” the Clean Elections Act, prompting the authors of the *McComish* petition to opine that “a cynic might suspect Arizona’s matching funds system was designed to be gamed.”<sup>17</sup>

Prior to Arizona’s matching funds provision being struck down as unconstitutional, and despite undermining the entire purpose of matching funds, it was still legal for traditionally-funded non-participant and taxpayer-funded “clean election” participant candidates to work together, with fundraising from the traditional candidates triggering matching funds for their “team.” Such was the case with Sam George’s “Solar Team,” which coordinated radio spots and TV commercials that openly campaigned for the Solar Team and operated a website to raise money. When George spent \$250,000

13 Alia Beard Rau, “Former state Rep. Richard Miranda gets 27 months in prison,” *The Arizona Republic*. Retrieved on June 5, 2013. Available at: <http://www.azcentral.com/arizonarepublic/local/articles/20120604former-state-rep-richard-miranda-gets-months-prison.html> (June 4, 2012).

14 *Ibid.*

15 *Ibid.*

16 Lifetime disbursement data was calculated by combining “Initial Funding” and “Matching Funding” data from Rep. Miranda’s primary and general election campaigns. “Search Election Data: All Candidates – Primary Election,” Arizona Citizens Clean Elections Commission. Retrieved on June 4, 2013. Available at: <http://azcanelections.gov/election-data/search.aspx> (2012), p. 42; “Search Election Data: All Candidates – General Election,” Arizona Citizens Clean Elections Commission. Retrieved on July 15, 2013. Available at: <http://azcanelections.gov/election-data/search.aspx> (2012), p. 33.

17 *Ibid.* 3, p. 85.



on his own campaign, he triggered nearly \$500,000 in matching funds for his teammates.<sup>18</sup>

### *Margarite Dale*

Margarite Dale ran for the Arizona House of Representatives on the Green Party ticket in the 2008 election cycle as a part of an apparent Republican tactic to fund Green Party candidates in order to siphon votes away from their Democratic opponents. Dale qualified for \$68,531 in public funds and was found to have given money to consultants affiliated with Republican State Rep. Jim Weiers, Sen. Linda Gray, and former Rep. Douglas Quelland. Dale was assisted in meeting qualifications for matching funds by Weiers, Quelland, State Rep. Kimberly Yee, and/or their families. Dale then promptly used the public funds to purchase a \$709 camera, two computers, a monitor, and a full set of software totaling \$2,409, all of which she kept after the campaign had concluded.<sup>19</sup>

Much of the remaining taxpayer-financed funding was used to attack Democratic Candidate Jackie Thrasher, save for an additional \$10,500, which was spent on “polling/research,” a rarity for a legislative campaign.<sup>20</sup> The Republicans involved in Dale’s campaign stated they were merely interested in working toward “results” and had benign bipartisan interests at heart in supporting her campaign. The Green Party actively campaigned against Dale, claiming she did not actually support their ideals.<sup>21</sup> Dale lost in the 2008 election, receiving just 2,358 votes; her incumbent Democratic opponent, Rep. Jackie Thrasher, lost her House seat by 553 votes.<sup>22</sup> How much Thrasher’s loss is attributable to Dale’s campaign is an open question; the legitimacy of the practices surrounding Dale’s campaign is not.

## **Fiesta Bowl Scandal**

In early 2011, an inquiry into possible illegal campaign financing was launched to investigate the alleged reimbursement of employees of the Fiesta Bowl: Frito-Lay-sponsored football game played annually at the University of Phoenix Stadium in Glendale, Arizona. The company was alleged to have reimbursed employees for \$46,000 in donations made to 23 candidates since at least 2002. The report also alleged that employees went on no less than seven trips with politicians and mentioned a “bipartisan array of more than a dozen former and current state lawmakers who joined lobbyists and bowl representatives for football weekends in Chicago, Boston, Atlanta and Dallas, among other cities.”<sup>23</sup>

A report in the *Arizona Republic* noted that “the football junkets, which included some lawmakers’ family members, included pricey dinners, stays in high-dollar hotels and invites to marquee football

18 Sarah Fenske, “The Dirty Truth about ‘Clean’ Elections,” *Phoenix New Times*. Retrieved on July 6, 2011. Available at: <http://www.phoenixnewtimes.com/2009-04-02/news/the-dirty-truth-about-clean-elections/> (April 2, 2009), p. 6.

19 *Ibid.*, p. 1.

20 *Ibid.*, p. 4.

21 Mary Jo Pitzl, “Dems see red as Republicans run as Greens,” *The Arizona Republic*. Retrieved on July 17, 2013. Available at: <http://www.azcentral.com/arizonarepublic/news/articles/2008/10/11/20081011greenparty1011.html> (October 11, 2008).

22 *Ibid.* 18, p. 4.

23 Ginger Rough, “Fiesta Bowl scandal prompts Senate ethics inquiry,” *The Arizona Republic*. Retrieved on July 15, 2011. Available at: <http://www.azcentral.com/news/articles/2011/04/01/20110401fiesta-bowl-investigation-fallout.html> (April 1, 2011).

games.”<sup>24</sup> When the Arizona Senate Ethics Committee released its report in late March 2011, lawmakers scrambled to amend their disclosure reports and pay for freebies received during their campaigns. Fiesta Bowl officials confirmed that Sen. Paula Aboud (D), Sen. Robert Meza (D), and Sen. Michele Reagan (R) “wrote checks to retroactively pay for free tickets they received while on the out-of-state trips, which were billed as ‘educational’ events designed to show support for the Fiesta Bowl, given the competitive nature of college football.”<sup>25</sup> Meza and Aboud had both been “clean elections” candidates during their political careers, according to the Arizona Clean Elections Commission.<sup>26</sup>

After completing a separate investigation into the scandal, the Fiesta Bowl Special Committee concluded in its 2011 report that between 2000 and 2010, the Fiesta Bowl reimbursed at least 21 individuals a total of \$46,539.<sup>27</sup> The Committee also concluded that, in that time, no less than 25 Arizona candidates or political entities were given campaign donations by employees that were then illegally reimbursed by the company, in what is commonly referred to as a “straw donor” scheme.<sup>28</sup> The 25 recipients were listed as follows:<sup>29</sup>

1) Carolyn Allen	14) Jon Kyl (US Senator)
2) Arizona Republican Party	15) Jim Lane
3) AZ Wins	16) Mary Manross
4) Ken Bennett	17) Phil Martin
5) Jan Brewer (AZ Governor)	18) John McCain (US Senator)
6) Scott Bundgaard	19) Harry Mitchell
7) Ted Carpenter	20) Navarro for City Council
8) Christopher Cumiskey	21) Russell Pearce
9) Jake Flake	22) Pete Rios
10) Mike Gardner	23) John Shadegg
11) J.D. Hayworth	24) James Weiers
12) Laura Knaperek	25) Mary Wilcox
13) Andrew Kunasek	

According to the Special Committee, those named above were not interviewed and may have had no knowledge of the reimbursement activity.<sup>30</sup> When informed of the reimbursements, spokesmen for former Senator Jon Kyl and current Senator John McCain indicated they would not return the donations to the Fiesta Bowl, but may donate them to charity; for her part, Gov. Jan Brewer indicated she would not return the donations.<sup>31</sup> McCain reportedly received \$19,500 “over several election cycles,”

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> “Search Election Data: All Candidates – Primary Election,” Arizona Citizens Clean Elections Commission. Retrieved on July 19, 2013. Available at: <http://www.azcleelections.gov/election-data/search.aspx> (2012), p. 1, 41.

<sup>27</sup> Christopher W. Madel, Bruce D. Manning, and Sara A. Poulos, “Counsel to the Special Committee of the Board of Directors of the Fiesta Bowl: Final Report, Public Version,” Robins, Kaplan, Miller, & Ciresi L.L.P. Retrieved on August 15, 2011. Available at: <http://www.azcentral.com/ic/pdf/fb-full-report.pdf> (March 21, 2011), p. 37.

<sup>28</sup> *Ibid.*, pp. 40-41.

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*, pp. 37-41.

<sup>31</sup> Howard Fischer, “McCain, Kyl, Brewer won’t return Fiesta Bowl donations.” *East Valley Tribune*. Retrieved on August 15, 2011. [http://www.eastvalleytribune.com/arizona/politics/article\\_120b3342-8646-11e0-bfb2-001cc4c002e0.html](http://www.eastvalleytribune.com/arizona/politics/article_120b3342-8646-11e0-bfb2-001cc4c002e0.html) (May 24, 2011).



while Kyl received \$3,000 in illegally reimbursed donations.<sup>32</sup>

## Questionable Expenses

Contrary to the claims of the program's supporters, participating candidates are no less likely to illegally line their pockets than the corrupt politicians of yesteryear. In Arizona, many "clean" candidates have used taxpayer money to buy frivolous items, pay their own companies, or for "petty cash."

### *Ed Ableser*

A 2004 Democratic House candidate, Ableser was seemingly granted \$7,000 too late in the campaign to spend it on actual campaigning. Rather than return the funds to the state, Ableser allegedly threw a party. Using tax dollars, he reimbursed his father \$1,118 for party expenses, spent \$287 on a "frozen drink" machine, and suddenly appointed a campaign staffer as a consultant and paid her \$3,628. The Arizona Clean Elections Commission investigated and fined Ableser \$1,566.<sup>33</sup> Dating to 2012, Ableser had received a total of \$162,152 in public campaign money.<sup>34</sup>

### *Conflicts of Interest*

In 2005, former State Treasurer and gubernatorial candidate Dean Martin came under fire from his political opponents for paying \$11,903.76 to Digital Print Design, a company he owns, in a campaign where his opponent spent a total of \$26.<sup>35</sup> Martin's 2004 campaign also paid \$7,331.54 to Grassroots Programs, a company owned by his wife.<sup>36</sup> Neither business had a website, telephone number, or any office space outside of a rented mailbox the couple shared. Nonetheless, he received \$205,792.05 in public funds for his unsuccessful 2010 bid for Governor.<sup>37</sup>

Republican Andre Campos, who ran in 2008, was granted \$32,303<sup>38</sup> in public funds for his unsuccessful Senate bid, spending \$23,155 of it at a company he owned, Image Design Communications.<sup>39</sup> The CCEC found "probable cause to believe a violation occurred," but recommended no further

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<sup>32</sup> *Ibid.*

<sup>33</sup> Robbie Sherwood and Chip Scutari, "A Toast to Questionable Campaign Expenditures," *The Arizona Republic* (January 1, 2006).

<sup>34</sup> Lifetime disbursement data was calculated by combining "Initial Funding" and "Matching Funding" data from Rep. Ableser's primary and general election campaigns. "Search Election Data: All Candidates – Primary Election," Arizona Citizens Clean Elections Commission. Retrieved on July 19, 2013. Available at: <http://azcleaselections.gov/election-data/search.aspx> (2012), p. 1; "Search Election Data: All Candidates – General Election," Arizona Citizens Clean Elections Commission. Retrieved on July 19, 2013. Available at: <http://azcleaselections.gov/election-data/search.aspx> (2012), p. 1.

<sup>35</sup> Bob Haran, "Is Arizona Treasurer Dean Martin Corrupt?," *American Conservative Republican*. Retrieved on July 17, 2013. Available at: <http://amcongop.blogspot.com/2010/10/is-arizona-treasurer-dean-martin.html> (October 23, 2010).

<sup>36</sup> Eric Thor, "PROFITING FROM PUBLIC OFFICE?," *ProgressNow Colorado*. Retrieved on June 5, 2013. Available at: <http://www.progressnowcolorado.org/blog/2005/11/CHCm.html> (November 14, 2005).

<sup>37</sup> Because Dean Martin lost his gubernatorial bid in Arizona's 2010 primary elections, his campaign's disbursement data was calculated by combining "Initial Funding" and "Matching Funding" for his 2010 primary election campaign. "Search Election Data: All Candidates – Primary Election," Arizona Citizens Clean Elections Commission. Retrieved on June 4, 2013. Available at: <http://azcleaselections.gov/election-data/search.aspx> (2012), p. 38.

<sup>38</sup> Lifetime disbursement data was calculated by combining "Initial Funding" and "Matching Funding" data from Rep. Campos' primary and general election campaigns. "Search Election Data: All Candidates – Primary Election," Arizona Citizens Clean Elections Commission. Retrieved on July 19, 2013. Available at: <http://azcleaselections.gov/election-data/search.aspx> (2012), p. 11; "Search Election Data: All Candidates – General Election," Arizona Citizens Clean Elections Commission. Retrieved on July 19, 2013. Available at: <http://azcleaselections.gov/election-data/search.aspx> (2012), p. 9.

<sup>39</sup> *Ibid.* 18, p. 3.

action.<sup>40</sup>

John Fillmore, a Republican running for State Representative, paid himself \$2,861 in “petty cash/miscellaneous” expenses from his matching funds, ostensibly to avoid his bank’s checking fees.

### **Conclusion**

Arizona’s Citizens Clean Elections Program promised “clean” elections and “clean” candidates. It has delivered neither. From fraud, to corruption, to simple waste, Arizona’s system of tax-financed political campaigns has proven susceptible to all manners of abuse. Sadly, the state and its taxpayers have very little to show for this wasteful use of public funds, save for a new government agency and plenty of new cases for it to investigate.

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<sup>40</sup> Angela Furniss Miller, “REPORTER’S TRANSCRIPT OF PUBLIC MEETING,” Arizona Citizens Clean Elections Commission. Retrieved on July 19, 2013. Available at: [http://www.azcleelections.gov/2007-2008-docs/012709\\_Condensed\\_Final.sflb.ashx](http://www.azcleelections.gov/2007-2008-docs/012709_Condensed_Final.sflb.ashx) (January 27, 2009), p. 5.



### Summary of Arizona “Clean Elections” Candidates Investigated for Abuses of Taxpayer Funds, 2001 - 2012<sup>41 42</sup>

(Candidates listed in order of mention)

Candidate/Office Holder	Office	Abuse Description	Disbursements (Lifetime)
Yuri Downing (L)	State Representative	Indicted for Misuse of \$100,000 in Matching Funds	\$26,970
Trevor Clevenger (L)	State Representative	Fined \$15,000 for Collusion with Downing	\$26,970
Paul DeDonati (L)	State Representative	Fined \$15,000 for Collusion with Downing	\$26,970
Robert Green (R)	State Senate	Indicted for Filing False Documents; Fined \$9,500 and Ordered to Pay \$11,000 in Restitution	Denied Funds
Richard Miranda (D)	State Representative	Convicted of Wire Fraud and Tax Evasion	\$22,327
Sam George (aka Sam Vagenas) (D)	Corporation Commissioner	“Solar Team” Leader who Gamed “Matching Funds” System, Triggering Nearly \$500,000 in Matching Funds for Solar Team “opponents”	Self-Funded
Paul Newman (D)	Corporation Commissioner	“Solar Team” Member who Gamed “Matching Funds” System	\$719,461
Sandra Kennedy (D)	Corporation Commissioner	“Solar Team” Member who Gamed “Matching Funds” System	\$719,461
Margarite Dale (G)	State Representative	Fake Green Party Candidate who Gamed “Matching Funds” System to Divert Matching Funds to Republican Candidates	\$71,067
Paula Aboud (D)	State Senate	“Fiesta Bowl” Perks	\$55,006
Robert Meza (D)	State Senate	“Fiesta Bowl” Perks	\$49,949

41 Figures calculated from data available on the Arizona Citizens Clean Elections Commission’s (CCEC) website (<http://www.azcleelections.gov/election-data/search.aspx>), using the CCEC’s published data for funding to each candidate. The figures given above include both primary and general election funding, and both “initial funding” and “matching funding” (where applicable). For the purposes of the chart, “Disbursements (Lifetime)” is the sum of all public funds received in all Arizona campaigns that each candidate has run. Because this data amounts to the total public funds disbursed by the CCEC to each candidate, it does not account for funds that were returned to the state after disbursement, whether voluntarily or due to fines/penalties. As data from the 2012 elections has been published since this report’s original 2011 release, many of the figures have been updated to match the CCEC’s published figures as of July 2013.

42 Although Sam George received no public funding, we include him in the above chart due to his instrumental role in triggering nearly \$500,000 in matching funds for his “solar team” partners, Paul Newman and Sandra Kennedy.

Ed Ableser (D)	State Representative	Threw \$1,118 Party, Gave \$3,628 to Staffer, Bought \$287 Drink Machine with Funds Disbursed Late in Campaign	\$162,152
Dean Martin (R)	Governor	Campaign Paid \$19,235 to Companies Owned by Martin and his Wife	\$205,792
Andre Campos (R)	State Senate	Paid his Company \$23,155 from Campaign Funds	\$32,303
John Fillmore (R)	State Representative	Paid Himself \$2,861 in "Petty Cash" from Campaign Funds	\$119,497
<b>Total Tax Dollars Granted to Arizona "Clean Elections" Candidates Who Were Investigated for Abuses Between 2001 and 2012:</b>			<b>\$2,237,925</b>



### III. Maine

In November 1996, Maine voters approved a ballot initiative, the Maine Clean Election Act (MCEA), establishing a voluntary statewide system of taxpayer- financed campaigns and spending limits for candidates for governor, state senator, and state representative beginning with the 2000 election cycle. Participating candidates who raise a threshold number of small contributions from registered voters in their district and agree not to raise any additional private money qualify for a fixed amount of government funding for their election campaign.

More specifically, to qualify for Maine’s Clean Election program, candidates must file a Declaration of Intent and obtain a minimum number of contributions of \$5 or more from registered voters in their district (60 for House candidates, 175 for Senate candidates as of 2013). Candidates may also raise ‘seed money’ at the start of their campaign. ‘Seed money’ contributions may only come from individuals and are limited to \$100 per person. The total amount of ‘seed money’ candidates can raise is also limited (currently \$500 for House candidates and \$1,500 for Senate candidates). These funds must be raised between January 1 and April 20 of the election year. After April 20, candidates who are accepted into the program may not accept any more private contributions, and “almost all goods and services received must be paid for with MCEA funds.” More information -on this qualification process for participating candidates is available at: <http://www.maine.gov/ethics/mcea/index.htm>.

Much like Arizona’s experience, a 2007 report on the MCEA, prepared by the Maine Commission on Governmental Ethics and Election Practices (MCGEEP), details numerous instances of corruption. Examples ranging from several comparatively minor instances of candidates inappropriately using MCEA funds for personal expenses, like paying car maintenance costs,<sup>43</sup> to a variety of serious misuses such as the forging of signatures in order to meet the qualifying contribution requirement,<sup>44</sup> demonstrate that the program has not succeeded in eliminating corruption, but has likely further enabled the abuse of public funds. Since the MCGEEP’s 2007 report, more information has been made public to bolster this conclusion.

#### Second Thoughts

According to Chris Cinquemani, formerly of the Maine Heritage Policy Center, Maine’s so-called “clean elections” program actually draws more money into campaigns as legislators find creative ways around campaign finance limitations. “The Clean Elections law has actually resulted in a lot of behind-the-scenes money being generated by leadership PACs and by other organizations to support legislative candidates and candidates for governor.”<sup>45</sup> Cinquemani also noted in an interview with the Maine Public Broadcasting Network in May 2011 that spending limitations that come with public matching funds have encouraged many candidates to operate through PAC’s, to the detriment of

43 “2007 Study Report: Has Public Funding Improved Maine Elections?,” Maine Commission on Governmental Ethics and Election Practices. Retrieved on August 8, 2011. Available at: [http://www.maine.gov/ethics/pdf/publications/2007\\_study\\_report.pdf](http://www.maine.gov/ethics/pdf/publications/2007_study_report.pdf) (April 2007), p. 12.

44 *Ibid.*, p. 94.

45 Tom Porter. “Bills Would Weaken—or Eliminate—Maine’s Clean Election Act.” The Maine Public Broadcasting Network. Retrieved on July 15, 2011. Available at: <http://www.mpbn.net/Home/tabid/36/ctl/ViewItem/mid/3478/ItemId/16355/Default.aspx> (May 11, 2011).

transparency. "...[Rather] than a candidate having very detailed records of all the private funds that they were able to raise and expend, you then have these political action committees who are making those expenditures on their behalf, and that's not nearly as transparent to the public as it would be if the candidate was making those filings on their own."<sup>46</sup>

Perhaps unsurprisingly, many former participating candidates have also expressed misgivings about the program's shortcomings.

2006 Gubernatorial candidate Barbara Merrill gave a short report on her "clean election" experience in the Commission's 2007 report, noting that "The illusion that there is no collusion between the campaigns for Governor and political parties is a legal fiction. Spending by the campaigns and the Democratic or Republican parties can be choreographed by

**"The illusion that there is no collusion between the campaigns for Governor and political parties is a legal fiction. Spending by the campaigns and the Democratic or Republican parties can be choreographed by advisors helping both organizations."**

advisors helping both organizations." She noted that party organizations and legislative caucuses were gaming the system, "encouraging their candidates to be publicly funded, and are raising and spending huge amounts to influence elections," which does not trigger matching funds. She also opined: "it's very difficult for the Commission to prevent collusion because it is difficult to prove."<sup>47</sup>

Identifying another of the program's deficiencies, 2006 gubernatorial candidate Peter Mills reported: "The system of qualifying as a candidate for Governor is a nightmare. Collecting the \$5 checks and verifying the contributors' voter registration was a horrible rat-race that involved enormous amounts of travel."<sup>48</sup>

The Commission's 2007 report also highlighted the complaints of privately funded candidates. Opponents of the system noted the public funding system was easily abused by candidates who were not serious about running, buried them in burdensome paperwork that distracted them from campaigning, and enabled taxpayer-funded opponents to falsely label them as "dirty" candidates because they could not or did not participate in the "clean elections" program.<sup>49</sup>

As far back as October 2000, former participating candidates voiced misgivings about Maine's program. One previous candidate commented in an anonymous survey that "it is my feeling that the Clean Elections Law has created a soft money program, not the intent of the law in the first place.... it appears that the creation of new PAC's has arisen to legally get around the law."<sup>50</sup>

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.* 43, p. 68.

<sup>48</sup> *Ibid.* 43, p. 69.

<sup>49</sup> *Ibid.* 43, pp. 37-38.

<sup>50</sup> Peter B. Webster, et al., "Report of the Commission on Governmental Ethics and Election Practices to the Joint Standing Committee on Legal and Veterans Affairs: Documenting, Evaluating and Making Recommendations Relating to the Administration, Implementation and Enforcement of the Maine Clean Election Act and Maine Clean Election Fund," Maine Commission on Governmental Ethics and Election Practices. Retrieved on August 16, 2011. [http://www.maine.gov/ethics/pdf/publications/2001\\_mcea\\_report.pdf](http://www.maine.gov/ethics/pdf/publications/2001_mcea_report.pdf) (August 8, 2001), p. 184.



## Straw Candidates and Straw Donors

Before the “matching funds” trigger concept was struck down by the 2011 *Arizona Free Enterprise* decision, according to the 2007 Report on the Maine Clean Election Act, participating candidates in Maine abused this trigger system by recruiting non-MCEA candidates to run against them in a contested primary, allowing them to obtain a larger amount of taxpayer dollars than would be the case in an uncontested race. In the judgment of the Commission, there were three races where this appeared to be the case, in the 2004 and 2006 election cycles. The Commission had become aware of the practice when two of the non-MCEA candidates themselves reported the activity to the Commission, which recommended the practice be prohibited as a pre-condition for participating in the MCEA and be grounds for revocation of certification.<sup>51</sup>

### *Julia St. James*

According to the MCGEEP report, St. James was recruited to run for a Senate seat as an independent with the “Fourth Branch Party” by political operatives Dan Rogers and Jessica Larlee. St. James received \$36,307 in campaign funds and paid over \$11,000 to Rogers and Larlee, but later complained that she received no services in exchange for Rogers’ large fees. The Commission disallowed a \$5,000 payment to Rogers, and found that he submitted false invoices in response to a request by the Commission for supporting documentation of his services.

Along these lines, St. James could not produce supporting documentation for \$5,769.25 in cash expenditures, failed initially to return equipment and goods purchased with MCEA funds, and used public funds to purchase non-campaign-related items. She was ordered to repay \$11,088.15 in MCEA funds and fined \$15,000. For his part, Dan Rogers was fined \$17,500 for using MCEA funds for non-campaign purposes and for submitting false documents to the Commission.<sup>52</sup>

### *Sarah Trundy*

According to the MCEA report, Trundy ran for a House seat as a Green Independent Party candidate, receiving a total of \$4,487 in MCEA funds. The campaign claimed it spent nearly \$3,000 for a series of postcard mailings, but could not produce any supporting documents or a person who received or even saw a postcard, including the candidate. Trundy also couldn’t remember her opponent’s name. The Commission concluded that her consultants recruited her to run so they could access MCEA funds, fining one of them \$15,500 and ordering the candidate to return nearly \$3,000 in public funds.<sup>53</sup>

### *John M. Michael*

Michael, a former State Representative ran as an Independent candidate for Governor in 2006. Michael submitted more than 2,500 qualifying contributions, but was ultimately denied MCEA funding by the Commission staff, according to the MCEA report. The staff found that 746 of the 2,690

<sup>51</sup> *Ibid.* 43, p. 95.

<sup>52</sup> *Ibid.* 43, pp. 92-93.

<sup>53</sup> *Ibid.* 43, p. 93.

qualifying contributions submitted were invalid for a variety of reasons, including 183 not being registered to vote and 50 more “not meet[ing] basic requirements.”<sup>54</sup>

**During routine phone calls to contributors, MCEA staff found that 8.3% of the supposed contributors (18 out of 218 called) denied making any contribution at all...**

During routine phone calls to contributors, MCEA staff found that 8.3% of the supposed contributors (18 out of 218 called) denied making any contribution at all to Michael’s campaign, suggesting more widespread fraud may have been present. Several claimed to have been misled by the candidate’s staff as to the nature of the paperwork they were signing (believing they were signing an acknowledgement of support when in fact it was an acknowledgement of contribution), further raising suspicion.

Michael appealed the findings of the MCEA staff and a hearing with the Commission was scheduled, but delayed at the request of the candidate, who complained he could not receive a fair hearing due to the fact that the Commission members were all politically affiliated and would be “biased against him” as an Independent candidate. When a vacant Commission seat was filled with an Independent member, Michael withdrew his appeal and later withdrew his candidacy.<sup>55</sup>

*Peter Throumoulos*

A 2006 primary election candidate for State Senate, Throumoulos was denied MCEA funds because a significant number of signatures he collected from contributors were shown to have been forged (several of the contributors themselves being deceased). Throumoulos was indicted on multiple counts of fraud.<sup>56</sup> Throumoulos was eventually convicted of forgery and stealing \$18,000 in Clean Election funds; he was sentenced to four years in jail and three years of probation.<sup>57</sup>

### **Maine Green Energy Alliance Slush Fund Allegations**

In February 2011, the Maine Republican Party demanded an investigation into activities by the Maine Green Energy Alliance (MGEA), claiming the operation was a Democratic “slush fund,”<sup>58</sup> with at least one lawmaker receiving weatherization retrofits on her private residence from the \$1.1 million dollar project financed by a federal energy grant as part of the “Retrofit Ramp-Up” portion of the federal stimulus plan.<sup>59</sup> There were also allegations that the operation hired a suspicious number of state Democratic lawmakers – Steve Butterfield, Jim Martin, and Melissa Walsh Innes – and a prospective Democratic politician (Shelby Wright). All four were MCEA participants at one point in

<sup>54</sup> *Ibid.* 43.

<sup>55</sup> *Ibid.* 43, pp. 93-94.

<sup>56</sup> *Ibid.* 43, p. 94.

<sup>57</sup> Matt Wickenheiser, “Jailed for forgery, man runs for office,” *Portland Press Herald*. Retrieved on July 19, 2013. Available at: <http://www.pressherald.com/archive/jailed-for-forgery-man-runs-for-office-2009-09-09.html> (March 4, 2010).

<sup>58</sup> BDN Staff and Wire Reports, “Maine GOP accuses weatherization program of being ‘slush fund for democrats,’” *Bangor Daily News*. Retrieved on August 1, 2011. Available at: <http://bangordailynews.com/2011/02/15/politics/maine-gop-accuses-weatherization-program-of-being-slush-fund-for-democrats/> (February 15, 2011).

<sup>59</sup> Naomi Schalit. “Energy program shut down after questions raised about politics, effectiveness,” *Pine Tree Watchdog*. Retrieved on August 1, 2011. Available at: <http://pinetreewatchdog.org/energy-program-shut-down-after-questions-raised-about-politics-effectiveness/> (January 31, 2011).



their political careers.<sup>60</sup> Additionally, several high-level Democratic staffers and donors were hired for the 13-member staff, a problem acknowledged by MGEA head, Tom Federle.

There was also some suspicion among investigators at the Joint Committee for Energy, Utilities, and Technology that the staff had canvassed the neighborhoods they were working in using the allocated funds.<sup>61</sup> Former Maine House Minority Leader Emily Cain was alleged to have received a home energy audit courtesy of the program, a charge she vehemently denied.<sup>62</sup>

Seven members of the Alliance, which received its federal grant with the help of former Maine Governor John Baldacci (D), were named as having strong ties to the Democratic Party. (The head of the Alliance, Tom Federle, a one-time Chief Legal Counsel to former Governor John Baldacci, was not named among the seven listed by the investigators):<sup>63</sup>

Alliance Member	Alliance Member Previous Employment <sup>64</sup>	Alliance Position Hired For
Steve Butterfield (D)	Maine House of Representatives (2008, 2010 MCEA candidate)	Process Facilitator
Jim Martin (D)	Maine House of Representatives (2008, 2010 MCEA candidate)	Process Facilitator
Melissa Walsh Innes (D)	Maine House of Representatives (2008, 2010 MCEA candidate)	Community Outreach
Shelby Wright (D)	Candidate for Maine House of Representatives (2010 MCEA candidate)	Community Outreach
Tom Battin	IT Director for Obama Maine campaign	Field Organizer
Gabrielle Berube	Traveling Aid for Democratic legislator and Democratic Party worker	Process Facilitator
Jed Rathband	Democratic activist	Consultant/Staffer

Most of the \$1.1 million in funding was spent weatherizing a mere 50 homes with the lion's share of funding comprising the salaries of its well-connected employees. The Alliance spent \$355,000 in its first year, over half of which was taken up by the salary of its Executive Director and nine paid staff members. It also spent \$47,000 on legal fees to Federle.<sup>65</sup>

As of January 2011, the Maine Green Energy Alliance is defunct, having forfeited the unused por-

60 Maine Clean Election Act participation information available at: [http://www.mainecampaignfinance.com/Public/entity\\_list.asp?TYPE=CAN&YEAR=2008](http://www.mainecampaignfinance.com/Public/entity_list.asp?TYPE=CAN&YEAR=2008) and [http://www.mainecampaignfinance.com/Public/entity\\_list.asp?TYPE=CAN&YEAR=2010](http://www.mainecampaignfinance.com/Public/entity_list.asp?TYPE=CAN&YEAR=2010).

61 Naomi Schalit, "Legislators demand answers from green energy group," *Pine Tree Watchdog*. Retrieved on August 1, 2011. Available at: <http://pinetreewatchdog.org/legislators-demand-answers-from-green-energy-group/> (February 21, 2011).

62 *Ibid.* 58.

63 Naomi Schalit, "Energy group funded via state hired Democratic legislators, activists, donors," *Pine Tree Watchdog*. Retrieved on August 1, 2011. Available at: <http://pinetreewatchdog.org/energy-group-funded-via-state-hired-democratic-legislators-activists-donors/> (February 17, 2011).

64 Maine Clean Election Act participation information available at: [http://www.mainecampaignfinance.com/Public/entity\\_list.asp?TYPE=CAN&YEAR=2008](http://www.mainecampaignfinance.com/Public/entity_list.asp?TYPE=CAN&YEAR=2008) and [http://www.mainecampaignfinance.com/Public/entity\\_list.asp?TYPE=CAN&YEAR=2010](http://www.mainecampaignfinance.com/Public/entity_list.asp?TYPE=CAN&YEAR=2010).

65 "Our View: Energy group failure exposes hole in system," *Portland Press Herald*. Retrieved on August 2, 2011. Available at: [http://www.pressherald.com/opinion/energy-group-failure-exposes-hole-in-system\\_2011-02-07.html](http://www.pressherald.com/opinion/energy-group-failure-exposes-hole-in-system_2011-02-07.html) (February 7, 2011).

tion of the funds after falling far behind its intended goals. In May 2011, the Joint Committee on Energy, Utilities, and Technology voted unanimously to ask the Office of Program Evaluation and Government Accountability to launch a formal investigation. During Committee meetings, even some Democrats voiced suspicion about MGEA's activities. Democratic Rep. Mark Dion noted "... for the record, there are some questions that deserve to be answered."<sup>66</sup>

The findings of the investigation were released in August 2011. The probe was harshly critical of Maine Green Energy Alliance's administrative controls and overall lack of oversight and transparency. However, it did not find evidence of missing or misused funds. The report noted the apparent conflicts of interest and a "high risk for impropriety" in MGEA's hiring practices, but concluded that these lapses were the result of sloppiness and "weak oversight," rather than any "unethical or illegal intentions" at an organizational level.<sup>67</sup>

### Spending Loopholes

Between 2003 and 2010, a "loophole in state law" allowed legislators in Maine to pay nearly \$235 million to organizations controlled either by themselves or by their spouses. Legislators are required by law to report any state funds (over \$1,000) they use to purchase goods or services from themselves or family members, but they were not required to report similar payments to an organization or company they or a family member owned.

During that time, Maine spent \$98 million on services from Shalom House while its Executive Director, Rep. Joseph Brannigan, was Chairman of the Legislature's Appropriations and Health and Human Services Committees. Rep. Arthur Lerman, also a member of the Appropriations Committee, steered \$14 million to Support Solutions, where he served as Executive Director.<sup>68</sup> Brannigan received \$22,001.40 in MCEA funds in 2006; Lerman received \$5,755 in 2004.<sup>69</sup>

Former Rep. David R. Burns, on the other hand, was far less subtle. A Maine Ethics Commission audit found Burns had "comingled" campaign and personal money, "falsified receipts," "used public money for personal expenses," and "inaccurately reported expenditures." He was convicted of misdemeanor theft and forgery and sentenced to a six-month prison term in July 2012. Burns received \$9,066 in MCEA funds for his supposedly "clean" campaign.<sup>70</sup>

66 Naomi Schalit, "Lawmakers deepen probe of Maine Green Energy Alliance," *The Forecaster*. Retrieved August 1, 2011. Available at: <http://www.theforecaster.net/content/pnms-energy-alliance-probe-050411> (May 2, 2011).

67 Eric Russell, "State finds bad practices but no misuse of funds at energy alliance," *Bangor Daily News*. Retrieved on June 7, 2013. Available at: <http://bangordailynews.com/2011/08/22/politics/oversight-group-finds-bad-practices-but-no-misuse-of-funds-at-energy-alliance/?ref=relatedBox> (August 22, 2011).

68 Naomi Schalit and John Christie, "Loophole allowed state to pay \$235 million to organizations run by lawmakers and their spouses," *Bangor Daily News*. Retrieved on June 6, 2013. Available at: <http://bangordailynews.com/2012/01/04/politics/235m-in-payments-to-lawmakers-private-organizations-allowed-by-loophole-in-disclosure-law/> (January 4, 2012).

69 "Financial Transaction Listings: Contributions for Brannigan, Joseph," Maine Commission on Governmental Ethics and Election Practices. Retrieved on July 19, 2013. Available at: [http://www.mainecampaignfinance.com/Public/entity\\_financial\\_transactions.asp?TYPE=CAN&ID=2831](http://www.mainecampaignfinance.com/Public/entity_financial_transactions.asp?TYPE=CAN&ID=2831) (2006); "Financial Transaction Listings: Contributions for Brannigan, Joseph," Maine Commission on Governmental Ethics and Election Practices. Retrieved on July 19, 2013. Available at: [http://www.mainecampaignfinance.com/Public/entity\\_financial\\_transactions.asp?TYPE=CAN&ID=1757](http://www.mainecampaignfinance.com/Public/entity_financial_transactions.asp?TYPE=CAN&ID=1757) (2004).

70 "Financial Transaction Listings: Contributions for Burns, David R," Maine Commission on Governmental Ethics and Election Practices. Retrieved on July 19, 2013. Available at: <http://www.mainecampaignfinance.com/Public/entity>



## Conclusion

In recent years, the Pine Tree State's "clean" candidates have stolen Maine Clean Election Act funds, forged contributions, and otherwise abused or wasted tax dollars. Even after taking office, participants have taken kickbacks and abused power, much in the same manner as politicians have since time immemorial. Regardless of its intentions, and aside from its cost to taxpayers, it is unclear if Maine's tax-financing program has accomplished much of anything – except increased corruption.

## Summary of Maine “Clean Elections” Candidates Investigated for Abuses of Taxpayer Funds, 2001 - 2012<sup>71</sup>

*(Candidates listed in order of mention)*

Candidate/Office Holder	Office	Abuse Description	Disbursements (Lifetime)
Julia St. James (I)	State Senate	Misused Public Funds; Ordered to Repay \$11,000 and Fined \$15,000	\$36,307
Sarah Trundy (G)	State Representative	Faked Candidacy to Game Tax-Financing System	\$4,487
John M. Michael (I)	Governor	Faked Qualifying Contributions and Deceived Supporters	Denied Funds
Peter Throumoulos (D)	State Senate	Forged Signatures to Qualify for Matching Funds	\$18,305
Emily Cain (D)	State Representative	Accepted Consultation in Violation of State Law	\$36,664
Steve Butterfield (D)	State Representative	MGEA Collusion; Possibly Illegally Campaigned with Public Funds	\$15,998
Jim Martin (D)	State Representative	MGEA Collusion; Possibly Illegally Campaigned with Public Funds	\$9,679
Melissa Walsh Innes (D)	State Representative	MGEA Collusion; Possibly Illegally Campaigned with Public Funds	\$18,505
Shelby Wright (D)	State Representative	MGEA Collusion; Possibly Illegally Campaigned with Public Funds	\$8,173
Joseph Brannigan (D)	State Representative	Made \$98 Million in Unreported Payments to Organization he Ran	\$22,001
Arthur Lerman (D)	State Representative	Made \$14 Million in Unreported Payments to Organization he Ran	\$5,755

<sup>71</sup> “Disbursements (Lifetime)” figures are calculated from data available on the Maine Commission on Governmental Ethics and Election Practices website (<http://www.maine campaign finance.com/Public/SearchPages/Contribution-Search.aspx?SearchType=Basic&Entity=CAN>), using the Commission’s published data for funding to each candidate. The figures given above include both primary and general election funding. For purposes of the above chart, “Disbursements (Lifetime)” includes the sum of all public funds received in all Maine campaigns that each candidate has run. As data from the 2012 elections has been made publicly available since this report’s original September 2011 release and the Commission made minor updates to its pre-2012 online data, many of our figures have been updated to match the Commission’s published figures as of July 2013.



David R. Burns (R)	State Representative	Comingled Funds, Falsified Receipts, and Used Public Funds for Personal Expenses	\$9,066
<b>Total Tax Dollars Granted to Maine "Clean Elections" Candidates Who Were Investigated for Abuses Between 2001 and 2012:</b>			<b>\$184,940</b>

## IV. New York City

New York City's voluntary Campaign Finance Program, begun in 1988, provides public matching funds to qualifying candidates for mayor, public advocate, comptroller, borough president, and City Council. Candidates who raise over a minimum threshold from individual contributions of up to \$175 become eligible for large matching funds at a ratio of \$6 in public granted money for every \$1 raised, with a maximum of \$1,050 in public funds granted per contributor. Candidates must have an opponent on the ballot, be on the ballot themselves, and comply with all finance regulations, or face fines. In some situations, higher bonus rates may apply if a candidate who participates in the program is running against a non-participating candidate.<sup>72</sup>

By its own account, the New York City Campaign Finance Board has come up short in fulfilling the goals of the program to “level the playing field” in favor of candidates with fewer fundraising resources. In its 2003 report, the CFB lamented that “the Program’s requirements... appear to have contributed to greater disparities between office holders’ and challengers’ campaign finances...” The Board further admitted that “the Public Fund has helped to finance possibly unnecessary campaign expenses and uncompetitive campaigns.”<sup>73</sup>

### **The Working Families Party/Data & Field Services Scandal**

New York's strict campaign finance laws have seemingly been ineffective in reigning in campaign spending, and its public matching system has been abused in a number of instances since its passage. In August 2009, an investigation by the City of New York into misuse of funds during the 2009 campaign began. Six city council candidates and public advocate candidate Bill de Blasio, who were supported by a non-profit organization called the Working Families Party, were investigated for “A complicated web of coordinated activities, shared resources and staff, and quiet money transfers” between the Working Families Party (WFP) and its for-profit affiliate, Data and Field Services (DFS), a company that candidates and WFP paid to do canvassing and other field operations. The campaigns appeared to have found a way to circumvent New York City's campaign finance laws by paying Data and Field Services vastly beyond the \$10,000 limit that candidates can pay to political parties for campaign-related activities.<sup>74</sup>

Incorporated in February 2007, Data and Field Services was created, according to its founder, WFP attorney Kevin Finnegan, for the very purpose of skirting campaign finance limits. According to an interview Finnegan granted to the *New York Post*, by creating a separate operation, candidates don't

72 “The Bonus Situation—2009 Citywide Elections,” NYC Campaign Finance Board. Retrieved on July 15, 2011. Available at: [http://www.nycffb.info/candidates/candidates/bonusSituation.aspx?zoom\\_highlight=the+bonus+situation](http://www.nycffb.info/candidates/candidates/bonusSituation.aspx?zoom_highlight=the+bonus+situation) (2011). The legality of “the bonus situation” is potentially in question following a Supreme Court Ruling in *Arizona Free Enterprise Club's Freedom Club PAC v. Bennett*, 131 S. Ct. 2806 (2011).

73 “The 2003 City Council Elections: A Report by the Campaign Finance Board,” New York City Campaign Finance Board. Retrieved on July 16, 2011. Available at: [http://www.nycffb.info/PDF/per/2003\\_PER/PER\\_complete.pdf](http://www.nycffb.info/PDF/per/2003_PER/PER_complete.pdf) (Vol. 1, September 2004), p. 9.

74 Edward-Isaac Dove, “CITY HALL SPECIAL INVESTIGATION REPORT: Six Council Campaigns, De Blasio Campaign, Discovered Using Working Families Staff, Resources, in Test of City Finance Limits,” *City & State*. Retrieved on July 15, 2011. Available at: <http://www.cityandstateny.com/city-hall-special-investigative-report-six-council-campaigns-de-blasio-campaign-discovered-using-working-families-staff-resources-in-test-of-city-finance-limits/> (August 9, 2009), p. 1.



have to hire WFP, avoiding potential issues with campaign-finance laws that limit direct contributions to political parties.<sup>75</sup>

In New York City, the \$10,000 limit<sup>76</sup> applies to donations to non-profit political entities and parties; private companies who do for-profit business with campaigns are exempt. By setting up a for-profit company that turns no profit, WFP and its favored candidates were able to game the campaign finance system to their advantage, drawing the ire of Republican candidates, who asked City Hall to investigate in April 2009. *City & State* reported in August 2009 that WFP and nine candidates it backed transferred over \$800,000 in funds to DFS through mid-July, well beyond the legal limit. Because private companies who work for campaigns are not subject to the same accounting scrutiny by authorities as non-profits, how DFS actually spent the money was unclear.<sup>77</sup>

Among the city council candidates who paid for DFS services were Brad Lander, Debi Rose, Jimmy Van Bramer, Jumaane Williams, Daniel Dromm, S. J. Jung, and Bill de Blasio.<sup>78</sup>

Some candidates accused of DFS-related violations, such as Brad Lander, were lucky enough to have the accusations dismissed by the CFB, but most were not. Debi Rose, who was formally endorsed by WFP on February 5, 2009, spent a total of \$45,000 on DFS services, having also received taxpayer-funded matching grants of approximately \$265,225 for her 2009 City Council campaign.<sup>79</sup> Her campaign's entanglement with DFS prompted a civil lawsuit, the catalyst for the ultimate dissolution of DFS. A grand jury continues to investigate WFP's use of DFS in Rose's 2009 campaign.<sup>80</sup>

Jimmy Van Bramer paid DFS \$4,700 for signature collection and campaign material distribution. Van Bramer's campaign finance disclosures claimed to have not paid any money to WFP. However, according to *City & State*, Working Families Party's State Board of Elections campaign finance disclosures show a check from Bramer's campaign for \$4,700, "cashed and logged" on July 7, 2009. *City & State* concluded that Van Bramer's check was likely paid to DFS and cashed by the Working Families Party, further evidence of the blurring together of these supposedly separate entities.<sup>81</sup> Van Bramer received \$172,672 in public matching funds in 2009.<sup>82</sup>

The lines between the organizations seem to be blurred so much, in fact, that it's doubtful whether DFS actually existed as a separate entity. DFS listed its address at 612 2<sup>nd</sup> Street in the Bronx, the private residence of a supposed former WFP accountant named George Short (as identified by WFP

75 Brendan Scott and David Seifman. "GOP SLAMS WORKING FAMILIES 'GAME' PLAN," *New York Post*. Retrieved on July 15, 2011. Available at: [http://www.nypost.com/p/news/regional/gop\\_slams\\_working\\_families\\_game\\_eAk2I7uyx4hBYXQYAOpjJ](http://www.nypost.com/p/news/regional/gop_slams_working_families_game_eAk2I7uyx4hBYXQYAOpjJ) (April 1, 2009).

76 Carol Greenberg, "The incestuous relationship between Working Families Party & Data & Field Services—Part II," *Emerging Corruption*. Retrieved on July 15, 2011. Available at: <http://www.redstate.com/ladyimpactohio/2010/07/27/the-incestuous-relationship-between-working-families-party-data-field-services/> (July 26, 2010).

77 *Ibid.* 74, p. 2.

78 *Ibid.* 74, p. 30.

79 *Ibid.* 74, p. 30.

80 Laura Nahmias, "2009 Election Probe Emerges Again," *The Wall Street Journal*. Retrieved on May 28, 2013. Available at: <http://online.wsj.com/article/SB10001424127887323384604578328010988027782.html> (February 26, 2013).

81 *Ibid.* 74, p. 17.

82 "New Yorkers Make Their Voices Heard—A Report on the 2009 Elections," New York City Campaign Finance Board. Available at: [http://www.nycfb.info/PDF/per/2009\\_PER/2009PostElectionReport.pdf](http://www.nycfb.info/PDF/per/2009_PER/2009PostElectionReport.pdf) (September 2010), p. 44.

Executive Director Dan Cantor, though he could provide no contact information). The company had no website, phone number, or confirmable employees. It had no ads for employment on Idealist.org or Craigslist, though WFP did have an Idealist.org listing for the types of campaign jobs matching the description of those done by DFS. Campaign finance disclosures from WFP indicated that WFP and DFS had split expenditures totaling over \$42,000 for transporting canvassers to locations by rental car as if they were a single entity. *City & State* opined that “in other words, the WFP and DFS do not show clear separations between them—not in office space, not in staffing, not in payroll, not in accounting for expenditures and not in hiring.”<sup>83</sup>

Many of DFS’s supposed employees seem to actually be employed by Working Families Party. Saba Debesu, who in 2009 was listed in the contact information for WFP’s “organizing intern” program on the WFP website and has a WFP email address, was employed fielding calls for WFP-endorsed City Council candidate Jumaane Williams. William’s campaign paid \$4,000 to DFS on June 16, 2009. In contrast, they paid a mere \$100 contribution to WFP, according to campaign finance disclosures.<sup>84</sup>

Daniel Dromm, another city council candidate, apparently paid WFP employee Melody Lopez to work as a campaign manager. Lopez told *City & State* during the election that she was “on leave” from WFP while working for the campaign and that all of her pay came from the campaign through DFS. She did indicate that her leave was not “official” and she was still receiving her normal salary from WFP. The Dromm campaign’s disclosures indicated over \$65,000 in payments to DFS in 2009, a hearty 24% of his net expenditures.<sup>85</sup> In its Final Audit Report, the Campaign Finance Board found Dromm in violation for failing to “fully account for expenditures related to Data and Field Services, Inc.,” but elected not to level penalties.<sup>86</sup>

CFB’s Final Audit Report for City Council candidate S.J. Jung found that he had initially failed to report \$23,130 in payments made to DFS in the final two weeks of his campaign. After the DFS scandal broke, the payments appeared in the campaign’s final disclosure statement. Additionally, 2009 payroll spreadsheets showed that one particular worker, Asher Gaylord-Ross, was paid \$843.49 for two months of work, an amount the Board said “does not appear to account for the costs of benefits and overhead.”<sup>87</sup> When the campaign again provided payroll spreadsheets in October 2011, Asher Gaylord-Ross did not appear on its payroll at all. The campaign claimed that Gaylord-Ross had only been on the payroll of the now-defunct DFS, and that they no longer had access to his employee files. Although the campaign did not explain why he appeared on its payroll in the first place, what his job

83 *Ibid.* 74, p. 11.

84 *Ibid.* 74, p. 19.

85 Percentage calculated by dividing total disbursements to Data and Field Services by net expenditures. Total disbursements for Daniel Dromm calculated from data available at: [http://www.nycffb.info/searchabledb/ScheduleExpenditureSearchResult.aspx?ec\\_id=2009&ec=2009&cand\\_id=1075&cand=Dromm%2c+Daniel+P&date=&stmt=&stmt\\_id=&stmt\\_display=&sche\\_id=F&sche=Expenditure+Payments+\(Schedule+F\)](http://www.nycffb.info/searchabledb/ScheduleExpenditureSearchResult.aspx?ec_id=2009&ec=2009&cand_id=1075&cand=Dromm%2c+Daniel+P&date=&stmt=&stmt_id=&stmt_display=&sche_id=F&sche=Expenditure+Payments+(Schedule+F)), pp. 6-7. Net Expenditures for Daniel Dromm listed at: [http://www.nycffb.info/VSApps/WebForm\\_Disbursements.aspx?as\\_election\\_cycle=2009](http://www.nycffb.info/VSApps/WebForm_Disbursements.aspx?as_election_cycle=2009).

86 Julius Peele, “CAMPAIGN FINANCE BOARD FINAL AUDIT REPORT OF PEOPLE FOR DANIEL DROMM,” New York City Campaign Finance Board. Retrieved on May 29, 2013. Available at: [http://www.nycffb.info/reports/FA\\_pdf/FA-2009-ddromm-1075.pdf](http://www.nycffb.info/reports/FA_pdf/FA-2009-ddromm-1075.pdf) (May 23, 2013), p. 7, 17.

87 Julius Peele, “CAMPAIGN FINANCE BOARD FINAL AUDIT REPORT OF S.J. JUNG FOR CITY COUNCIL,” New York City Campaign Finance Board. Retrieved on May 29, 2013. Available at: [http://www.nycffb.info/reports/FA\\_pdf/FA-2009-sjung-1337.pdf](http://www.nycffb.info/reports/FA_pdf/FA-2009-sjung-1337.pdf) (March 25, 2013), p. 13.



duties were, or how many hours he worked, the Board elected not to assess a fine for the violation.<sup>88</sup>

Public advocate candidate Bill de Blasio sent a payment of \$10,435 to DFS on July 2, 2009 with “plans to pay more,” according to *City & State*. This was in addition to the maximum \$10,000 contribution to WFP in October 2008, about two weeks before he decided to run for public advocate. De Blasio was described as a “key player” in the formation of WFP in 1998 by Dan Cantor. “We’re friends with everyone else who’s running, but we have a special bond to him and we’re trying to make sure that that is known.”<sup>89</sup> De Blasio was subpoenaed along with WFP in December 2009 by the U.S. Attorney’s office for the Southern District of New York during their probe into WFP’s activities.<sup>90</sup> By the conclusion of his 2009 campaign, de Blasio paid DFS \$194,658.<sup>91</sup>

New York City’s Campaign Finance Board is required by law to publish a Final Audit Report of City Council campaigns within 14 months (16 months are allowed for citywide campaigns), unless more time is needed to gather the necessary information and complete correspondence with campaign officials.<sup>92</sup> However, many of the audits for these candidates took well over three years; perhaps unsurprisingly, the Final Audit Report for Debi Rose’s 2009 campaign still has not been published after 42 months.<sup>93</sup>

In June 2013, the CFB finally released its Final Audit Report for Bill de Blasio.<sup>94</sup> The Campaign Finance Board fined de Blasio \$20,000 for a litany of campaign finance violations, including failures “to file a required daily disclosure statement,” “to document adequately an in-kind contribution,” and “to document a payment to its worker.”<sup>95</sup>

In July 2013, Jumaane Williams was fined by the CFB for numerous violations. Among many other financial discrepancies, the Williams campaign was cited for DFS-related infractions. A contract with two DFS employees indicates that “work was being performed without payment to DFS.”<sup>96</sup> A \$22,500 contract for “2 Full-Time Campaign Staff and 2 Part-Time Staff Including Campaign Coor-

88 *Ibid.*, pp. 5, 13-14.

89 *Ibid.* 74, p. 24, 29.

90 Azi Paybarah, “U.S. Attorney Subpoenas Working Families Party, and Bill de Blasio Too,” *The New York Observer*. Retrieved on July 18, 2011. Available at: <http://www.observer.com/2009/politics/us-attorney-subpoenas-working-families-party-bill-de-blasio> (December 15, 2009).

91 Figure is the sum of 14 payments to Data and Field Services made by the 2009 de Blasio campaign, listed in NYCCFB’s searchable database. A summary of de Blasio’s 2009 campaign finances is available at: [http://www.nyccfb.info/VSAppls/CandidateSummary.aspx?as\\_cand\\_id=326&as\\_election\\_cycle=2009&cand\\_name=de%20Blasio,%20Bill&office=Public%20Advocate&report=disb](http://www.nyccfb.info/VSAppls/CandidateSummary.aspx?as_cand_id=326&as_election_cycle=2009&cand_name=de%20Blasio,%20Bill&office=Public%20Advocate&report=disb). The 2009 de Blasio campaign’s payments to DFS are listed on page 27 of the campaign’s “Expenditure payments” page.

92 Chris Bragg, “Twenty-Eight Months Later...” *City & State*. Retrieved on May 28, 2013. Available at: <http://www.cityandstateny.com/twenty-eight-months-later/> (February 16, 2012).

93 “Final Audits: 2009 Citywide Elections,” New York City Campaign Finance Board. Retrieved on May 28, 2013. Available at: [http://www.nyccfb.info/reports/audt\\_09.htm?sm=press](http://www.nyccfb.info/reports/audt_09.htm?sm=press) (June 20, 2013).

94 Julius Peele, “CAMPAIGN FINANCE BOARD FINAL AUDIT REPORT OF FRIENDS OF BILL DE BLASIO,” New York City Campaign Finance Board. Retrieved on July 19, 2013. Available at: [http://www.nyccfb.info/reports/FA\\_pdf/FA-2009-bdeblasio-326.pdf](http://www.nyccfb.info/reports/FA_pdf/FA-2009-bdeblasio-326.pdf) (June 18, 2013).

95 Celeste Katz, “Campaign Finance Board Socks Team Bill de Blasio With \$20K In Fines For 2009 Run,” *Daily News*. Retrieved on May 28, 2013. Available at: <http://www.nydailynews.com/blogs/dailypolitics/2013/05/campaign-finance-board-socks-bill-de-blasio-with-20k-in-fines-for-2009-run> (May 9, 2013).

96 Julius Peele, “CAMPAIGN FINANCE BOARD FINAL AUDIT REPORT OF JUMAANE WILLIAMS FOR THE 45<sup>th</sup> COMMITTEE,” New York City Campaign Finance Board. Retrieved on July 29, 2013. Available at: [http://www.nyccfb.info/reports/FA\\_pdf/FA-2009-jwilliams-1227.pdf](http://www.nyccfb.info/reports/FA_pdf/FA-2009-jwilliams-1227.pdf) (July 24, 2013), p. 20.

dinator and Director” was originally drawn up to pay \$29,400 “for 2 Full-Time Campaign Staff and 3 Part-Time Staff Including Campaign Manager and Field Organizers.”<sup>97</sup> According to the CFB, the campaign has yet to explain how it managed to pay significantly less money for higher level staff. As a result, the CFB issued a \$1,500 fine for the DFS-related violations (\$5,994 total).<sup>98</sup> Williams’ 2009 campaign also failed to account for \$6,587 in public funds, and he has been ordered to pay them back to the City.<sup>99</sup>

A May 19, 2011 report in *City & State* indicated that DFS resisted a court order to completely separate itself from WFP and fire its Executive Director, or reconstitute as a non-profit entity. DFS protested that it needed to remain close to WFP in order to stay effective and relied on WFP for the majority of its contracts. According to Randy Mastro, who represents the litigants against DFS: “They never say there’s any separation of space or any real separation of personnel... They say the WFP needs the DFS’s people there so vitally, so close at hand, that they need to be there... operating in the same office with the same people.”<sup>100</sup>

In October 2011, WFP agreed to a settlement. Although the party vehemently denied any wrongdoing, it permanently shut down Data and Field Services, Inc. and paid \$100,000 to the plaintiffs’ law firm.<sup>101</sup> A grand jury continues to investigate WFP and DFS.<sup>102</sup> No matter what comes of the investigation, it is clearly a stretch to call these campaigns, or these candidates, “clean.”

Given the myriad ways in which WFP has been able to so heavily exploit New York City’s matching funds program, it is unsurprising that they are a driving force behind the effort to implement a state-wide taxpayer financed campaign system modeled after New York City’s program.<sup>103</sup>

### 1199 SEIU/AFL-CIO Problems

New York City Council candidates have been investigated for a number of other potential abuses of the matching funds program, as well as collusion with New York’s Health and Human Services Union, 1199/SEIU, AFL-CIO (sometimes known simply as 1199 SEIU).

SEIU’s well-documented involvement with Fernando Ferrer’s 2005 mayoral campaign was investigated by CFB, which found the relationship between the union and the campaign were sufficiently close to question its legality. According to the CFB report:<sup>104</sup>

Notably, key personnel on leave from their positions at 1199 SEIU were involved with orga-

<sup>97</sup> *Ibid.*

<sup>98</sup> *Ibid.* at 1, 22.

<sup>99</sup> *Ibid.* at 25.

<sup>100</sup> Jon Lentz, “Data and Field Services Pushes Back Against Judge’s Order,” *City & State*. Retrieved on July 18, 2011. Available at: <http://www.cityandstateny.com/data-and-field-services-pushes-back-against-judges-order/> (May 19, 2011).

<sup>101</sup> Azi Paybarah, “Working Families Party concedes and downsizes without admitting wrongdoing or defeat,” *Capital New York*. Retrieved on May 28, 2013. Available at: <http://www.capitalnewyork.com/article/politics/2011/10/3897901/working-families-party-concedes-and-downsizes-without-admitting-wro> (October 26, 2011).

<sup>102</sup> *Ibid.* 80.

<sup>103</sup> “Our Issues – Clean Elections,” Working Families Party. Retrieved on May 6, 2013. Available at: <http://www.workingfamiliesparty.org/our-issues/clean-elections/> (May 6, 2013).

<sup>104</sup> *Ibid.* 82, p. 90.



nizing the campaign's field operations and get-out-the-vote efforts, which extensively utilized 1199 SEIU members. Moreover, 1199 SEIU officials attended a campaign strategy meeting in the month the election with Mr. Ferrer and campaign staff. 1199 SEIU also printed and distributed hundreds of thousands of glossy brochures in support of Ferrer.

The board concluded in July 2009 that SEIU's activity on behalf of the campaign amounted to coordinated activity and assessed a \$10,000 penalty against Ferrer's campaign committee for accepting over-the-limit and in-kind contributions.<sup>105</sup>

#### *Annabel Palma*

In October 2007, New York City Councilwoman Annabel Palma was fined \$30,000 by the New York City Campaign Finance Board for illegally coordinating with SEIU during her 2003 campaign. CFB found the union provided in-kind contributions in excess of local limits. She claimed no desire at the time to seek public funding for her campaign in the future, but nevertheless was a participant in the CFB program during the 2009 election season.<sup>106</sup>

Palma's close relationship with SEIU didn't end in 2007, however. She managed to receive *twenty times* the legally limited contribution from SEIU, who skirted campaign finance restrictions by donating \$51,675 to her legal defense fund. According to the *New York Post*, individuals, corporations, and unions are ordinarily limited to \$2,750 donations to a council candidate per cycle. By routing its cash through the defense fund, 1199 was able to give Palma an amount greater than all of her other campaign contributions combined, effectively paying her CFB fine without jeopardizing her eligibility for public matching funds.<sup>107</sup> Palma is currently still a City Council member.

SEIU, an influential force in New York politics, has been able to exert so much influence on the City Council that it managed to steer campaign law in its favor. Council Speaker Christine Quinn allowed the City Council to get away with dramatically limiting contributions that were allowed from parties "doing business with the city," with a significant exception for public-sector unions like the SEIU.<sup>108</sup>

### **Failure to Return Public Funds**

Despite the fact that candidates who face easy election seldom need the extra funds and at the close of election season may return extra money back to the taxpayers, candidates seldom show such restraint. In October 2009, the *New York Post* reported on a number of candidates, both successful and unsuccessful in their bids, who chose to keep the money after the campaigns were over.

City Council candidate Inez Dickens, a Democrat, accepted the maximum allowable in matching funds to beat her Republican opponent, despite the fact that no Republican had won her Harlem

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105 *Ibid.* 82.

106 Azi Paybarah, "After Fine, Palma Will Reject Matching Funds," *The New York Observer*. Retrieved on July 19, 2011. Available at <http://www.observer.com/2007/after-fine-palma-will-reject-matching-funds-0> (October 17, 2007).

107 Editorial, "Labor's artful dodgers," *New York Post*. Retrieved on July 19, 2011. Available at [http://www.nypost.com/p/news/opinion/editorials/labor\\_artful\\_dodgers\\_74Dc9AfQSZCz23TFW1v77H](http://www.nypost.com/p/news/opinion/editorials/labor_artful_dodgers_74Dc9AfQSZCz23TFW1v77H) (June 7, 2010).

108 *Ibid.*

district “in modern memory.”<sup>109</sup> In her previous run, she had easily won re-election with 81% of the vote.<sup>110</sup> In early 2011, Dickens was found to have owed \$100,000 in back-property taxes dating to 2009 and had been “cited repeatedly for unsafe conditions in Harlem apartment buildings she owns” as well as having been “hiding assets to dodge taxes,” according to *New York Daily News*.<sup>111</sup>

For his 2009 campaign, City Councilman Mathieu Eugene accepted \$20,132 in matching funds, though apparently his opponents were of such little concern to him, he couldn’t recall their names.<sup>112</sup>

In all, the *New York Post* counted at least 20 candidates who were coasting toward victory that nonetheless accepted a total of \$482,527 in taxpayer-funded matching grants.<sup>113</sup>

Similarly, NBC reported in April 2011 that out of 140 candidates who accepted matching funds from the New York Campaign Finance Board during the 2009 election cycle, only one returned the entire balance and a paltry 11 returned any money at all. Out of \$27.3 million in matching funds, candidates had paid back just over \$51,000 as of April 1, 2011.

NBC reported: “Despite the low refund rate, lots of candidates had surplus cash in their campaign accounts after election night. A review of expenditure records shows both winners and losers chose to spend money on all sorts of goods and services – rather than refund taxpayers.”

New York City public advocate Bill de Blasio, for example, used his surplus cash to pay for nine parking tickets and a \$1,083 trip to Puerto Rico. As of July 2013, he had not paid back any of the \$2.2 million dollars in matching funds he received in 2009.<sup>114</sup>

Likewise, New York City Comptroller John Liu spent more than \$20,000 on “three volunteer and victory dinners.” NBC New York reported that “according to Campaign Finance Board rules, candidates are only allowed to use public matching funds for one, small post-election volunteer party.” Liu’s campaign countered that no public funds were spent on the events, but campaign rules don’t require candidates to keep separate books for each category, making analysis difficult.

A few weeks after he lost the mayoral race to Michael Bloomberg, Bill Thompson spent \$5,219 throwing himself a fundraiser at Francesco and Giovanni’s Pine restaurant in the Bronx. As of April 1, 2011, Thompson had not paid back any of the more than \$3 million in public funds his campaign received from taxpayers.<sup>115</sup>

109 Sally Goldenberg and David Seifman, “Council members’ matches burn city,” *New York Post*. Retrieved on July 19, 2011. Available at: [http://www.nypost.com/p/news/local/council\\_members\\_matches\\_burn\\_city\\_yx2CjwcRAsxjOKVVdCRsnN](http://www.nypost.com/p/news/local/council_members_matches_burn_city_yx2CjwcRAsxjOKVVdCRsnN) (October 2, 2009).

110 *Ibid.*

111 Erin Einhorn et al., “Dirty little secrets: City Council members have skirted laws, bent rules and abused their power,” *New York Daily News*. Retrieved on August 9, 2011. Available at: <http://www.nydailynews.com/new-york/dirty-secrets-city-council-members-skirted-laws-bent-rules-abused-power-article-1.122011> (March 20, 2011).

112 *Ibid.* 109.

113 *Ibid.* 109.

114 New York City Campaign Finance Board’s online Campaign Finance Summary database for Bill de Blasio’s 2009 Public Advocate campaign shows \$2,251,389 in “Public funds received” and \$0 for “Public funds returned.” “de Blasio, Bill (2009): Public Advocate,” New York City Campaign Finance Board. Retrieved on May 29, 2013. Available at: [http://www.nycclf.info/VSApps/CandidateSummary.aspx?as\\_cand\\_id=326&as\\_election\\_cycle=2009&cand\\_name=de%20Blasio,%20Bill&office=Public%20Advocate&report=disb](http://www.nycclf.info/VSApps/CandidateSummary.aspx?as_cand_id=326&as_election_cycle=2009&cand_name=de%20Blasio,%20Bill&office=Public%20Advocate&report=disb) (2013).

115 Chris Glorioso, “Candidates Who Take Public Funds Rarely Pay Back Taxpayers,” *NBC New York*. Retrieved on



Instead of ending corrupt practices, public matching funds have created even more opportunities for them—at the taxpayer’s expense.

### Slush Fund Abuse

Others who have accepted matching funds for their campaigns have been investigated for unsavory behavior indicating the “clean election” tag may be anything but when it comes to New York City politics. The reform community says public campaign financing promises not only “cleaner” elections, but also “cleaner” elected officials. Neither claim has been borne out by New York’s experience. Not only have publicly funded candidates gamed the election system time and again, but, once elected, they have continued to abuse public funds (particularly discretionary “slush funds”) at the taxpayer’s expense.

#### *Lawrence Seabrook*

Councilman Lawrence Seabrook, known informally by some as “Cash and Carry Larry,”<sup>116</sup> was charged with a litany of abuses dating back to at least 2003 in a mammoth 66-page, 13-count federal indictment in February 2010.<sup>117</sup> Seabrook, who was re-elected in 2009 with a phenomenal 90.3% of the vote, accepted \$16,542 in public funds from the CFB for that campaign.<sup>118</sup>

Seabrook’s charges, almost too numerous to mention in the confines of this report, include allegedly accepting bribes, extorting money and other questionable behavior that netted him approximately \$200,000 in “illegal rent, expenses and payoffs,” including extorting a Bronx boiler company executive who collected a \$283,000 Yankee Stadium contract with Seabrook’s alleged assistance.<sup>119</sup>

Seabrook’s indictment refocused attention on the City Council’s “slush fund” issue, a long-standing practice whereby the council allows its members to direct public funds into favorite non-profit groups, often run by friends and relatives. Seabrook himself appeared to be one of the worst offenders, according to investigators, funneling over \$1 million into non-profit organizations to benefit his girlfriend and close relatives, in violation of city laws.<sup>120</sup> The non-profits apparently then gave \$530,000 to his family and mistress.<sup>121</sup> Seabrook was convicted on 9 of 12 counts and was sentenced to five years in prison.<sup>122</sup>

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July 19, 2011. Available at: <http://www.nbcnewyork.com/news/local/Candidates-Who-Take-Public-Funds-Rarely-Pay-Taxpayers-Back-119099959.html> (April 1, 2011).

116 Celeste Katz, “Bronx Councilman ‘Cash and Carry Larry’ Seabrook In Trouble Again,” *New York Daily News*. Retrieved on July 19, 2011. Available at: <http://www.nydailynews.com/blogs/dailypolitics/2010/06/cash-and-carry-larry-seabrook.html> (June 25, 2010).

117 Alison Gendar and Larry McShane, “Bronx City Council member Larry Seabrook hit with laundry list of corruption charges,” *New York Daily News*. Retrieved on July 19, 2011. Available at: [http://articles.nydailynews.com/2010-02-09/local/27055793\\_1\\_list-of-corruption-charges-indictment-bagel](http://articles.nydailynews.com/2010-02-09/local/27055793_1_list-of-corruption-charges-indictment-bagel) (February 9, 2010).

118 *Ibid.* 82, p. 135.

119 *Ibid.* 117.

120 Greg B. Smith, “New York City Council chicanery knows no bounds: Slush fund scandal stretches beyond Seabrook,” *New York Daily News*. Retrieved on July 19, 2011. Available at: [http://articles.nydailynews.com/2010-02-11/news/27055954\\_1\\_slush-fund-nonprofits-discretionary-funds](http://articles.nydailynews.com/2010-02-11/news/27055954_1_slush-fund-nonprofits-discretionary-funds) (February 11, 2010).

121 Greg B. Smith, Frank Lombardi, and Adam Lisberg, “Indicted Councilman Larry Seabrook a no-show; sources say associate Arroyo is targeted in probe,” *New York Daily News*. Retrieved on July 19, 2011. Available at: [http://articles.nydailynews.com/2010-02-12/news/27056010\\_1\\_nonprofits-slush-fund-state-funds](http://articles.nydailynews.com/2010-02-12/news/27056010_1_nonprofits-slush-fund-state-funds) (February 11, 2010).

122 Robert Gearty and Ginger Adams Otis, “Former city councilman Larry Seabrook sentenced to five years for

### *Discretionary Fund Scandals*

Seabrook was one of the City's most egregious offenders, but he certainly wasn't the only one. Two aides to ex-Councilman Kendall Stewart pleaded guilty to stealing \$145,000 from nonprofits the Councilman controlled. Stewart, a Brooklyn Democrat, steered hundreds of thousands of dollars to the groups. (He was not charged, but lost a bid for re-election in November, partly because of the scandal). In November 2012, the CFB ordered Stewart to pay back \$136,940 in matching funds and levied a \$60,888 fine for his myriad violations of campaign finance rules and regulations.<sup>123</sup>

Richard Izquierdo, nephew of Councilwoman Maria del Carmen Arroyo (D-Bronx), was indicted for stealing from affiliates of several nonprofits. Arroyo and her mother, New York State Assemblywoman Carmen Arroyo, allegedly steered hundreds of thousands of city and state dollars into the non-profits run by Izquierdo and the Councilwoman's sister.<sup>124</sup> He pleaded guilty to embezzling \$115,000, some of which he contributed to his grandmother's campaign, and spent 10 months in prison.<sup>125</sup> Neither Assemblywoman Arroyo nor Councilwoman Arroyo was charged with a crime.<sup>126</sup>

Councilman Erik Dilan of Brooklyn used his position to funnel \$187,000 in discretionary funds (over the course of several years) to a group run by his wife.<sup>127</sup> Dilan ran for U.S. Congress in 2012, but was defeated in the Democratic primary.<sup>128</sup>

In similar fashion, Councilman Hiram Monserrate, another "clean" candidate, allegedly "directed more than \$400,000 in city funds to an organization run by top aides."<sup>129</sup> About \$300,000 went to Libre, an organization led by Monserrate. According to the *New York Times*, "about \$100,000 of that money was used improperly to pay members of the group to do work that advanced [his] unsuccessful 2006 Senate campaign."<sup>130</sup> The organization in question never registered as a charity and failed to

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misappropriation of funds," *New York Daily News*. Retrieved on June 7, 2013. Available at: <http://www.nydailynews.com/new-york/larry-seabrook-sentenced-years-misappropriation-funds-article-1.1235667#ixzz2VYGyGTld> (January 8, 2013).

123 Nathaniel Herz, "Ex-Councilmember hit with \$200k bill from Campaign Finance Board," *The New York World*. Retrieved on May 30, 2013. Available at: <http://www.thenewyorkworld.com/2012/11/15/ex-councilmember-hit-with-200k-bill-from-campaign-finance-board/> (November 15, 2012).

124 *Ibid.* 120.

125 Jennifer H. Cunningham, "Disgraced grandson of state Assemblywoman Carmen Arroyo, sprung from prison, promptly lands gig with new nonprofit," *New York Daily News*. Retrieved on May 30, 2013. Available at: <http://www.nydailynews.com/new-york/bronx/politically-connected-ex-felon-lands-gig-nonprofit-article-1.1343029#ixzz2Unitrap> (May 13, 2013).

126 Ray Rivera, "Two Accused of Embezzling \$200,000 From South Bronx Nonprofit Group They Headed," *New York Times*. Retrieved on May 30, 2013. Available at: <http://www.nytimes.com/2009/06/11/nyregion/11embezzle.html> (June 10, 2009).

127 Robert Gearty, Benjamin Lesser, and Greg B. Smith, "Brooklyn pol put \$187G of your dough into wife's nonprofit," *New York Daily News*. Retrieved on July 22, 2013. Available at: <http://www.nydailynews.com/new-york/brooklyn-pol-put-187g-dough-wife-nonprofit-article-1.280266> (April 22, 2008), p. 1.

128 Moses Jefferson, "Velazquez victorious: Congresswoman easily wins Democratic primary," *The Brooklyn Paper*. Retrieved on July 22, 2013. Available at: [http://www.brooklynpaper.com/stories/35/26/dtg\\_velazquezwins\\_2012\\_06\\_29\\_bk.html](http://www.brooklynpaper.com/stories/35/26/dtg_velazquezwins_2012_06_29_bk.html) (June 27, 2012).

129 Opinion, "Itemized conflicts," *New York Daily News*. Retrieved on August 9, 2011 Available at: <http://www.nydailynews.com/opinion/itemized-conflicts-article-1.278010> (April 28, 2008), p. 1.

130 Colin Moynihan, "Monserrate Gets 2 Years in Prison for Misusing City Funds," *The New York Times*. Retrieved on July 22, 2013. Available at: [http://www.nytimes.com/2012/12/12/nyregion/hiram-monserrate-gets-2-years-in-prison-for-misusing-city-funds.html?\\_r=0](http://www.nytimes.com/2012/12/12/nyregion/hiram-monserrate-gets-2-years-in-prison-for-misusing-city-funds.html?_r=0) (December 11, 2012).



file tax returns for two years.<sup>131</sup> In late 2012, Mr. Monserrate was sentenced to two years in prison for his illegal abuse of city funds.<sup>132</sup>

*Dan Halloran*

In May 2013, Councilman Dan Halloran was arrested and accused of facilitating State Senator Malcolm Smith's attempt to buy the Republican nomination for New York City's mayoral race. Halloran offered \$20,000 in Council funds to one co-conspirator in return for future campaign contributions.<sup>133</sup> Republicans suspected Sen. Smith, a senatorial Democrat, was primarily interested in filling his "war chest" with CFB matching funds.<sup>134</sup> Meanwhile, Councilman Halloran was also accused of accepting bribes from a consultant in exchange for \$80,000 in discretionary funds.<sup>135</sup> Halloran received \$149,155 in public funds during his 2009 campaign.<sup>136</sup>

### **Fraudulent Disclosures, Personal Use of Taxpayer Funds, and Criminal Conspiracy**

*Pedro Espada, Jr.*

In December 2008, the CFB won its case against former City Council member and then Senate Majority Leader Pedro Espada, Jr. regarding improprieties in his 2001 campaign for Bronx Borough President. CFB found, among other violations, that Espada had not properly disclosed the use of corporate contributions and had repeatedly failed to provide full disclosure of campaign expenditures. He was summarily denied public matching funds due to the violations, but during the post-election audit, the CFB discovered additional violations, including the campaign's acceptance of in-kind contributions from entities controlled by Espada, such as Soundview Health Care Network, whose employees had been reimbursed for their contributions to his campaign.

The Board found 22 violations of campaign finance laws and assessed \$61,750 in penalties. After months of legal wrangling during which Espada unsuccessfully sued CFB and demanded payment to his campaign of the \$173,000 in matching funds he was originally qualified for, Espada paid the penalties in August 2009.<sup>137</sup>

*Miguel Martinez*

Former City Councilman Miguel Martinez was granted \$128,786 in public matching funds for his 2001 campaign. During routine audits by CFB, he failed to disclose documentation that justified his

<sup>131</sup> *Ibid.* 129, p. 1.

<sup>132</sup> *Ibid.* 130.

<sup>133</sup> Colleen Curry and Aaron Katersky, "New York State Senator Tried to Bribe Way to Mayor's Race, Feds Say," *ABC News*. Retrieved on May 31, 2013. Available at: <http://abcnews.go.com/US/york-politicians-busted-rig-nyc-mayors-race/story?id=18862661> (April 2, 2013).

<sup>134</sup> Ed Cox, "Letter: Public financing fuels corruption," *Times Union*. Retrieved on May 30, 2013. Available at: <http://www.timesunion.com/opinion/article/Letter-Public-financing-fuels-corruption-4529514.php> (May 19, 2013).

<sup>135</sup> Jillian Rayfield, "New York City bribery scandal gets twistier," *Salon*. Retrieved on May 30, 2013. Available at: [http://www.salon.com/2013/04/12/new\\_york\\_city\\_bribery\\_scandal\\_gets\\_twistier/](http://www.salon.com/2013/04/12/new_york_city_bribery_scandal_gets_twistier/) (April 12, 2013).

<sup>136</sup> Figure obtained from "Public funds received" in New York City Campaign Finance Board's online Campaign Finance Summary database. "Halloran, Daniel J (2009): City Council," New York City Campaign Finance Board. Retrieved on May 29, 2013. Available at: [http://www.nycffb.info/VSAppls/CandidateSummary.aspx?as\\_cand\\_id=1309&as\\_election\\_cycle=2009&cand\\_name=Halloran,%20Daniel%20J&office=City%20Council&report=disb](http://www.nycffb.info/VSAppls/CandidateSummary.aspx?as_cand_id=1309&as_election_cycle=2009&cand_name=Halloran,%20Daniel%20J&office=City%20Council&report=disb) (2013).

<sup>137</sup> *Ibid.* 82, pp. 89-90.

use of public funds. The CFB issued a draft audit report finding that that the campaign had been unable to document any qualified expenditures and would have to repay all the public funds received. Then, the campaign subsequently produced documents that appeared to have been fabricated, “including apparently altered invoices, discrepancies in signatures, and false endorsements of checks.”

The CFB fined Martinez \$44,780 and demanded he return all \$128,786 in received public funds. Martinez sued, but CFB won the case in December 2008. Martinez later pleaded guilty to federal corruption charges alleging that he converted over \$100,000 in taxpayer funds to personal use through various illegal schemes in which he approved and submitted fabricated documents to the City. He was sentenced to five years in prison.<sup>138</sup>

#### *Michael Roth*

CFB audited Michael Roth, 2005 City Council candidate, who received \$20,392 in public funds, and found that he converted \$17,223 for personal use. CFB claimed he made eighty expenditures from campaign funds totaling \$8,035 that were unrelated to his election, such as payments for groceries, gas, car expenses, and MetroCards. After the election, Roth spent an additional \$9,188 on airline tickets to Florida, tickets to tourist attractions in Florida, restaurant bills, MetroCards, and phone bills.

The Board assessed \$20,000 in penalties against him in December 2008 for failing to prove that the expenditures were campaign-related and for knowingly making fraudulent expenditures. After the CFB received a judgment against Roth in June 2010, he repaid all the public funds.<sup>139</sup>

#### *Sheldon Leffler*

Veteran City Councilman Sheldon Leffler was convicted in New York Supreme Court in November 2003 on charges of “attempting to defraud the CFB of \$38,000 in public funds” during his 2001 bid for Queens Borough President. According to Queens real estate executive Rita Stark, she and Leffler schemed to divide a \$10,000 contribution from her into clean elections-compliant \$250 contributions to qualify for the \$4 to \$1 match in public funds. The Board noticed “irregularities” in the campaign’s documentation and Leffler was denied public funds and was indicted on 13 counts of criminal conspiracy, attempted grand larceny, forgery, and filing of false documents. He was found guilty on seven counts, was sentenced to five years of probation, ordered to pay a \$5,000 fine, and serve 540 hours of community service.<sup>140</sup>

#### *Straw Donors*

John C. Liu, a WFP-backed Democrat, was elected City Comptroller in 2009. In May 2013, two of Liu’s former aides were found guilty of using fraudulent “straw donors” to help Liu’s publicly financed campaign capture additional tax dollars. The straw donors were reimbursed under the table,

<sup>138</sup> *Ibid.* 82, pp. 90-91.

<sup>139</sup> *Ibid.* 82, p. 92.

<sup>140</sup> *Ibid.* 73, p. 8.



and the campaign was able to use the contributions to secure matching funds at the 6:1 rate.<sup>141</sup> Liu's 2009 campaign received a total of \$1,355,065 in public funds.<sup>142</sup> To date, Liu has denied any knowledge of the scheme, and he has not been officially accused of any wrongdoing.<sup>143</sup> Liu is currently paying back suspected straw donations as his 2013 mayoral campaign seeks to distance itself from the scandal.<sup>144</sup> At press time, it was revealed that the CFB is considering denying Liu's campaign any matching funds due to his campaign's involvement in the straw donor scandal.<sup>145</sup>

On June 17, 2013, a trial date was set for Albert Baldeo, a former candidate for City Council.<sup>146</sup> He was arrested in 2012, and accused of implementing a straw donor scheme to defraud the city of public matching funds during his 2010 campaign. According to one FBI investigator, Baldeo reported contributions to the CFB that were "nothing more than funds drawn from his own bank account, disguised as donations from others."<sup>147</sup> The deceit served both to launder the illegal contributions and to make the campaign eligible for more public funds. He has also been charged with obstruction of justice.<sup>148</sup>

### *Christine Quinn*

Following the publication of a *Wall Street Journal* article<sup>149</sup> reporting on Council Speaker Christine Quinn's trips with a political action committee, her campaign acknowledged that both Quinn, a Democratic mayoral candidate, and her finance director, Annie Weir, made over \$6,600 in unreported expenditures out of their own pockets. During trips with the Gay and Lesbian Victory Fund, Quinn and Weir organized and attended campaign fundraisers and failed to report their own contributions to these events.<sup>150</sup>

The Gay and Lesbian Victory Fund, Quinn's second largest political bundler, paid for Quinn and Weir to attend and speak at several events. However, Quinn and Weir used the travel opportunities

141 Benjamin Weiser, "Two Former Liu Associates Are Found Guilty in Campaign-Finance Scheme," *The New York Times*. Retrieved on May 31, 2013. Available at: [http://www.nytimes.com/2013/05/03/nyregion/former-liu-associates-convicted-in-fund-raising-case.html?\\_r=0](http://www.nytimes.com/2013/05/03/nyregion/former-liu-associates-convicted-in-fund-raising-case.html?_r=0) (May 2, 2013).

142 Figure obtained from "Public funds received" in New York City Campaign Finance Board's online Campaign Finance Summary database. "Liu, John C (2009): Comptroller," New York City Campaign Finance Board. Retrieved on May 29, 2013. Available at: [http://www.nycffb.info/VSAppls/CandidateSummary.aspx?as\\_cand\\_id=FI&as\\_election\\_cycle=2009&cand\\_name=Liu,%20John%20C&office=Comptroller&report=disb](http://www.nycffb.info/VSAppls/CandidateSummary.aspx?as_cand_id=FI&as_election_cycle=2009&cand_name=Liu,%20John%20C&office=Comptroller&report=disb) (2013).

143 *Ibid.* 141.

144 Jill Colvin, "John Liu Refunds Tainted Campaign Contributions," *Politicker.com*. Retrieved on June 7, 2013. Available at: <http://politicker.com/2013/05/john-liu-refunds-tainted-campaign-contributions/> (May 15, 2013).

145 Michael Howard Saul, "Campaign Finance Board's Staff Seeks to Deny Liu Public Funds," *The Wall Street Journal*. Retrieved on August 5, 2013. Available at: <http://online.wsj.com/article/SB10001424127887323681904578642553021398018.html> (August 2, 2013).

146 "Trial date set for Guyanese politician accused of US campaign fraud," *Caribbean 360*. Retrieved on June 17, 2013. Available at: <http://www.caribbean360.com/index.php/news/780958.html#axzz2WVqHCBMN> (June 17, 2013).

147 William K. Rashbaum, "Democratic Party Official in Queens Faces Corruption Charges," *The New York Times*. Retrieved on: June 19, 2013. Available at: <http://cityroom.blogs.nytimes.com/2012/10/24/queens-district-leader-surrenders-on-corruption-charges/> (October 24, 2012).

148 *Ibid.*

149 Michael Howard Saul, "New York City Mayoral Candidate Quinn Raised Money on Paid Trips," *The Wall Street Journal*. Retrieved on July 17, 2013. Available at: [http://online.wsj.com/article/SB10001424127887324688404578541754288372608.html?mod=WSJ\\_NY\\_LEFTTopStories](http://online.wsj.com/article/SB10001424127887324688404578541754288372608.html?mod=WSJ_NY_LEFTTopStories) (June 12, 2013).

150 Michael Howard Saul, "Quinn Reveals New Travel Expense Issue," *The Wall Street Journal*. Retrieved on July 16, 2013. Available at: <http://online.wsj.com/article/SB10001424127887324348504578608263068946972.html> (July 16, 2013).

to host campaign fundraising events, independent of the Gay and Lesbian Victory Fund.<sup>151</sup> Quinn and Weir did not report their related expenditures. Responding to *The Wall Street Journal* report on Quinn's trips with the PAC, her campaign amended its financial reports to "reflect any costs associated with fundraising that happened distinct from Victory Fund appearances." The amended reports show \$3,460.79 for the fundraisers went unreported, along with another \$1,737.98 for hotels and \$1,462.80 for transportation.<sup>152</sup>

Tara Malloy, a former CFB lawyer currently working for Campaign Legal Center, commented, "Quinn is getting basically an in-kind contribution from this group at least insofar as she's not simply promoting their agenda but also using it to raise her own profile and to fundraise."<sup>153</sup>

Campaign officials said the lapse was unintentional and the unreported contributions were attributable to the difficulties of record keeping amid a massive mayoral campaign. Dick Dadey, Executive Director of Citizens Union and prominent supporter of tax-financed campaigns, remained suspicious of the campaign's intentions. "I could understand someone who has never run for office before and is not familiar with the rules, but if anyone should be, it is the City Council speaker," he said, adding, "They should have known the rules and complied with these obvious requirements."<sup>154</sup>

*The Wall Street Journal* reported considerable "confusion...between the events that were ostensibly to help the Victory Fund and those directly aimed at helping Ms. Quinn's campaign."<sup>155</sup> It is possible that Quinn and Weir were confused themselves, and believed their expenses were not campaign-related, despite raising \$20,000 for the campaign. However, it would be surprising to learn the City Council speaker (in her fourth city campaign) and her finance director could be oblivious to these "obvious requirements."

As a publicly financed candidate, Quinn agreed to a cap on her total campaign spending. This cap has left her hamstrung in responding to rivals' attacks, and her poll numbers have dwindled as her campaign tried to pace its spending throughout a long campaign.<sup>156</sup> The previously unreported expenditures uncovered by *The Wall Street Journal* will now count toward this limit.

According to *The Wall Street Journal*, two complaints have been filed against Quinn's mayoral campaign, which the CFB will address in its final audit.<sup>157</sup> Consequently, any decisions about penalties or further investigations will likely be made well after the 2013 election. In the meantime, Christine Quinn is expected to receive millions of dollars in taxpayer funds in her bid to become the Big Apple's next mayor.<sup>158</sup>

151 *Ibid.*

152 *Ibid.* 150.

153 *Ibid.* 149.

154 *Ibid.* 150.

155 *Ibid.* 150.

156 Celeste Katz, "More Slams On Christine Quinn -- And Anthony Weiner -- Ahead In NY Mayor's Race?," *New York Daily News*. Retrieved on July 17, 2013. Available at: <http://www.nydailynews.com/blogs/dailypolitics/2013/07/more-hits-for-christine-quinn-and-anthony-weiner-ahead-in-ny-mayors-race> (July 1, 2013).

157 *Ibid.* 150.

158 Kate Taylor, "Quinn's Coiffers Reach Goal for Mayoral Primary," *The New York Times*. Retrieved on July 17, 2013. Available at: <http://www.nytimes.com/2012/01/06/nyregion/christine-quinn-reaches-goal-in-mayoral-primary-funds.html> (January 5, 2012).



### Summary of New York City “Clean Elections” Candidates Investigated for Abuses of Taxpayer Funds, 2001 - 2013<sup>159</sup>

(Disbursement figures do not include current/ongoing campaigns.

Candidates listed in order of mention.)

Candidate/Office Holder	Office	Abuse Description	Disbursements (Lifetime)
Brad Lander (D)	City Council	WFP/DFS Collusion	\$177,100
Debi Rose (D)	City Council	WFP/DFS Collusion	\$265,225
Jimmy Van Bramer (D)	City Council	WFP/DFS Collusion	\$172,672
Jumaane Williams(D)	City Council	WFP/DFS Collusion	\$154,740
Daniel Dromm (D)	City Council	WFP/DFS Collusion	\$129,471
S.J. Jung (D)	City Council	WFP/DFS Collusion	\$107,333
Bill de Blasio (D)	Public Advocate	WFP/DFS Collusion	\$2,394,274
Fernando Ferrer (D)	Mayor	SEIU Illegal Coordination	\$7,232,993
Annabel Palma (D)	City Council	SEIU Illegal Coordination	\$115,888
Inez Dickens (D)	City Council	Accepted Unnecessary Funds	\$193,188
Mathieu Eugene (D)	City Council	Accepted Unnecessary Funds	\$109,742
John Liu (D)	City Comptroller	Possible Violation of Expenditure Rules; Failure to Return Surplus Funds; “Straw Donor” Scandal	\$1,355,065
Bill Thompson (D)	Mayor	Possible Violation of Expenditure Rules; Failure to Return Surplus Funds	\$4,805,450

159 “Disbursements (Lifetime)” figures are calculated from data available on the NYC Campaign Finance Board website ([http://www.nyccfb.info/VSAppls/Webform\\_finance\\_Summary.aspx?as\\_election\\_cycle=2007B](http://www.nyccfb.info/VSAppls/Webform_finance_Summary.aspx?as_election_cycle=2007B)) using the NYC CFB’s published data for “public funds received,” which includes primary, general, and run-off elections. For the purposes of the above chart, the “Disbursements (Lifetime)” column reports the sum of all “public funds received” in all NYC campaigns that a candidate has ran in as a publicly financed candidate. Because this data corresponds to the total public funds ever disbursed by the CFB to each candidate, it does not account for funds that were returned to the city after disbursement, whether voluntarily or through fines/penalties. Additionally, the CFB frequently updates its online data. Due to these updates, and the incompleteness of the published data at the time of this report’s original September 2011 release, many of the above figures have been updated to match the CFB’s most current published data. The given figures match CFB data as of July 15, 2013.

Larry Seabrook (D)	Non-Election-Related	Indicted on Multiple Counts of Corruption	\$406,618
Kendall Stewart (D)	Non-Election-Related	Former Aides Pled Guilty to Stealing \$145,000 in “slush fund” Scandal	\$415,497
Maria del Carmen Arroyo (D)	City Council	Colluded with Relative to Steal Public Funds	\$44,665
Erik Dilan (D)	City Council	Funneled Funds to Group Ran by Wife	\$188,830
Hiram Monserrate (D)	City Council	Indicted for Abuse of City Funds	\$251,790
Dan Halloran (R)	City Council	Used Council Funds to Make Bribes in Scheme to Fix GOP Mayoral Nomination	\$149,155
Pedro Espada, Jr. (D)	Bronx Borough President	Violated 22 Campaign Finance Laws	\$0 (Candidate’s funding request denied)
Miguel Martinez (D)	City Council	Stole \$100,000 in Discretionary Funds; Indicted and Pled Guilty to “Slush Fund” Corruption	\$128,786
Michael Roth (R)	City Council	Converted Over \$17,000 in Campaign Funds for Personal Use	\$20,392
Sheldon Leffler (D)	Queens Borough President	Attempted to Defraud CFB of \$38,000 through Forgeries	\$306,534
Albert Baldeo (D)	City Council	Arrested for Attempt to Defraud CFB through “Straw Donor” Scheme	\$0 (Candidate’s funding request denied)
Christine Quinn (D)	Mayor	Failed to Report Campaign Expenditures and In-Kind Contributions in Possible Attempt to Evade Spending Cap	\$106,659
<b>Total Tax Dollars Granted to New York City “Clean Elections” Candidates Who Were Investigated for Abuses Between 2001 and 2013:</b>			<b>\$19,232,067</b>



## V. Conclusion

No matter how you slice it, the evidence is clear that tax-financed campaign systems have failed to produce “clean” candidates or “clean elections” in Arizona, Maine, and New York City. With or without government funding, sleazy politicians have continued looking for ways to cheat, abuse, or take advantage of the system, often absconding with taxpayers’ money. Elected officials who run as “clean candidates” have proven every bit as human as their traditionally financed peers, consistently contributing to corruption, waste, and scandal in all three locales. Despite the steep cost of running these programs, and the vocal support of the politicians who benefit from them, the experiences of Arizona, Maine, and New York City demonstrate very little in the way of positive results. Each system has bred new and creative forms of corruption, while failing to successfully remedy old methods.

It bears mentioning that there is noticeably far more corruption in New York City than in Arizona and Maine. This may be a reflection of the systemic difference between the three programs; Arizona and Maine’s programs offer a fixed subsidy to participants while New York City’s invites candidates to seek additional money by offering a 6:1 match for each small dollar contribution. Accordingly, one may conclude that the occurrence of corruption seems to increase substantially in concert with an increase in the amount of money that is granted to participating candidates, ostensibly to keep them “clean” and competitive.

With the sheer volume of corruption issues in Arizona, Maine, and especially New York City, from slush fund abuse to union-related corruption and collusion during campaigns, proponents of “matching funds” systems will have a tough argument to make in order to advocate passage of similar systems in other states or municipalities. Politicians are particularly clever people, adept at finding unique advantages through loopholes and exploiting free money granted to them by taxpayers. As long as taxpayers agree to grant them such advantages, many political leaders will continue to work tirelessly to gain advantages through them and game any new election system they are confronted with.

Ultimately, so-called “clean election” programs have failed to bring a new brand of politician to Arizona, Maine, and New York City. Elected officials have continued looking for ways to abuse their power for personal gain. Corruption is an unfortunate reality in these locales, and many publicly funded candidates have participated in – and exacerbated – the problem. Regardless, one thing is certain: tax-financing programs have not prevented participant politicians from cutting corners and lining their pockets when running for office *and* once in office. However, these programs *have* made elected officials’ misdeeds much more expensive for taxpayers. Whether its embezzlement, fraud, bribery, or straw donor schemes, for any number of abuses, tax-financing programs have failed to provide a remedy. For these reasons, euphemistically named “clean election” programs should not be viewed as a solution to eliminating or even diminishing corruption among politicians.





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