



Campaign Finance Reform Luncheon
Wednesday, February 15, 2006
12:00 to 2:00 p.m.

Bank of America Building
Bay Room (52nd Floor)
555 California Street
San Francisco, CA 94104

Agenda

I. Open and Welcoming Remarks

A.W. Clausen, Chairman & CEO (Retired), Bank of America
Phil Ting, Assessor-Recorder, San Francisco

II. Overview of CED and *Building on Reform: A Business Proposal to Strengthen Election Finance*

Charles E. M. Kolb, President, Committee for Economic Development (CED)

III. Overview of California Clean Money Campaign and Keynote Introduction

Ted Williams, Chairman, California Clean Money Campaign

IV. Keynote Address

Debra Bowen, Senator, 28th District (D-Redondo Beach)

V. Panel Discussion

Moderator: John Diaz, Editorial Page Editor, San Francisco Chronicle

- *Loni Hancock, Assemblymember, Assembly District 14*
- *Bob Harris, Vice President of Environmental Affairs, Pacific Gas and Electric Co.*
- *Robert Stern, President, Center for Governmental Studies (CGS)*

VI. Questions & Answers

VII. Concluding Remarks

Paul Turner, Senior Program Manager, The Greenlining Institute

CED would like to thank the **Richard and Rhoda Goldman Fund** for their support of today's campaign finance reform discussion. CED's recently released report, ***Building on Reform: A Business Proposal to Strengthen Election Finance***, is available at www.ced.org.

I. Open and Welcoming Remarks

CLAUSEN: Good afternoon, ladies and gentlemen. I'm Tom Clausen, retired CEO of Bank of America, former President of the World Bank, former this, former that, including former Trustee of CED, Committee for Economic Development, who is the sponsor of this event. We have two cosponsors: The California Clean Money Campaign and The Greenlining Institute. And so I welcome you all to this discussion on campaign finance reform. It's not unusual to talk about finance in a financial building, named for one of my former employers. I'm not here because of that, however. It's only appropriate that we talk about campaign reform this noon and have a discussion on that important issue. California just experienced in the last three years three of the most expensive campaigns in the history of California and it's cost everybody here money. It's cost people in the State of California contributions. And the electorate public is getting a little tired of that, so it's only appropriate that we talk about campaign reform and expense control caps at our luncheon meeting today. I read someplace that in our last election there were eight propositions that cost \$300 million to support and none of those eight passed, because they were not approved by the voters. That's terribly expensive and seems to be one of many things in need of reform in our electoral system. We'll be talking about that today—talking about some of the ailments, but also making recommendations. I assume that everyone has a copy of the brochure put out by CED about the problems of campaign financing and why we need campaign reform. Before I sit down I want to recognize and ask the Assessor/Recorder of San Francisco, Phil Ting, to come up here and give us a welcome from the City of San Francisco. [Applause]

TING: Thank you very much, Mr. Clausen. I just want to welcome you on behalf of the City and County of San Francisco. I can't think of a more important issue or something that's more pertinent to be discussing at any time. I come from the nonprofit world as well as from the real estate world and during my nonprofit experience I worked on a number of issues in terms of voting rights and making sure that people who were language minorities or people of color who had been disenfranchised in the past had access to the polls. In fact it doesn't really matter if we can tear down and make sure that all the rights are given and all the rights are bestowed on people if they don't actually turn up on election day and if they're not engaged in our civic process. And I think for any of us who are in public office we know how difficult it is to raise money, but then also how even more difficult it is once you raise money to engage people in that civic process. And as someone who's a newly elected official and someone who had to do it for the very first time, I can't tell you how difficult it is. My joke is, you know, you start with your list of friends, you start making phone calls and ask them to help you out and then as you get closer to the election you have fewer and fewer friends 'cause they don't want to return your calls, you know, they assume every time you call them it's not for something social but it's asking them for solicitation. So just in order for me to get some of my friends back, I'm going to fully support any kind of campaign financial reform. They're probably sick of hearing my phone calls and hearing from people from my various campaigns. But in all seriousness, we know that something's wrong. We only have 50% of the electorate on a good day that comes out to vote. We have fewer and fewer people engaged in our civic process, and we've been given the feedback over and over again that campaign contributions, transparency, oversight into this process again is constantly a concern. So I fully support

all the efforts of the Greenlining Institute, with CED and all the efforts on behalf of the various assembly members at the State trying to reform and overhaul the system, as well as locally what we've been doing here in San Francisco I think is very exciting. I look very much forward to adding to this discussion, being a participant, but also being an ally and a partner in the future. So thank you very much again for having this discussion.

[Applause]

II. Overview of CED and Building on Reform: A *business Proposal to Strengthen Election Finance*

KOLB: Phil, Tom, thank you very much. My name is Charlie Kolb. I'm the President of the Committee for Economic Development, and on behalf of our trustees and our staff we are very pleased to be here with you in San Francisco to discuss a very important issue for the country and for the state. So on behalf of our staff and trustees I want to welcome you and thank you all for coming. Before I continue though I want to thank our host, CED trustee Tom Clausen, as you know, retired Chairman and CEO of Bank of America. And we are very grateful to Tom to continue serving as an honorary CED trustee — Tom, you're not a former CED trustee; we will never let you become a former CED trustee; an honorary CED trustee — and for his continued support of our work in many areas, not only money in politics but also education reform. In fact, we were here in this same room last September to discuss the work that CED is doing on school finance reform. I also want to extend a special thanks to Tom's assistant, Nancy Rilett, who has helped us both in September and today in orchestrating these lunches. It's with generous support from the Richard and Rhoda Goldman Fund that we're able to be in San Francisco today to host this discussion with you.

While much of the conversation today will focus on what's happening in California, I also want to give you some background on the work that the Committee for Economic Development has been doing around the country on campaign finance reform. And our plan is to be going around the country, bringing together business and policy leaders to discuss these issues over the next year, so we expect to be holding similar forums in Chicago, New York City, Austin, Texas, and Los Angeles. I'd also like to thank today's cosponsoring organizations, the California Clean Money Campaign and the Greenlining Institute. We have worked with both of these great organizations before and it's a real pleasure again to be with Susan Lerner and Paul Turner and we look forward to continuing the relationship.

I'd now like to recognize a few CED trustees who are with us today, in addition to Tom. It's very good to see Walter Shorenstein, the Shorenstein Company here. Walter, thank you for joining us. Also, Harold Williams, former head of the Securities and Exchange Commission and also the Getty Museum and Trust in Los Angeles. Harold, thank you again for joining us both here and at our discussion with the Governor's Commission on School Finance after this lunch. And also Curt Yeager, the former head of the Electric Power Research Institute, is with us. So thank you all for honoring us with your presence. I'd also like to thank my friend, Debra Bowen, who is here, and Debra has agreed to keynote today's forum. I think I may be right on this. I'm probably the only person in the room who has known Debra for three decades. If my memory is correct, Debra, we met in

1976. We were both students at the University of Virginia, School of Law. I think I was one year ahead. It's a real honor to have known Debra for 30 years and I'm just really proud of all the great work that she is doing in this state and that she has done as a member of the Assembly, as a senator who chairs the Senate Ethics Reapportionment and Constitutional Amendments Committee and, as many of you know, she was very active as the Chair of the Energy, Utilities and Commerce Committee a few years ago. She's running for Secretary of State. I don't vote here but having known her for 30 years I'll tell you, she's just a wonderful, wonderful person. So Debra, thank you for being with us. I always thought when we got for lunches about a year or two ago we'd find a way to collaborate and we've made it happen. So thanks again.

Now a little bit about the Committee for Economic Development. We're based in Washington. We're a national, independent nonpartisan, bipartisan nonprofit think tank, a public policy organization. We are fortunate to have some 200 senior business executives and university presidents who are on our board. And for really more than 60 years we have studied and provided recommendations to policymakers on a wide variety of economic and social issues. As our former Board Chairman likes to say we're the group that helped bring you the Marshall Plan, which was one of the early projects we took on in the late forties, and more recently we are the business group that helped bring you campaign finance reform. We came out in favor of ending soft money, increasing the hard money limits and worked very closely with Senators McCain and Feingold and Congressman Shays and Meehan.

We've issued three reports, which I'll just mention briefly, because they're part of a series of efforts that we're undertaking on the broader theme of money and politics. In 1999, we issued our first report on campaign finance reform called *Investing in the People's Business: A Business Proposal for Campaign Finance Reform*. That was followed in 2002 by another report which focused on judicial selection, ways to improve judicial selection, in the forty states around the country, where people who are running for judicial office or incumbents are able to raise large sums of money from the individuals, law firms and other interests that appear before them. I think when Debra and I were in law school at the University of Virginia School of Law that would have been called an appearance of a conflict or maybe even an outright conflict of interest. But that's what happens in about 40 of our states. The third report came out in 2005 and that was a sequel to the first campaign finance reform report. It was called *Building on Reform: A Business Proposal to Strengthen Election Finance*. And what we identified in that report was a need to clamp down on so-called 527 committees to strengthen reform and strengthen the Federal Election Commission, which basically is nonfunctional or dysfunctional, and then to take a look at strengthening and bolstering the Presidential Financing System. Now I happen to think that the McCain/Feingold bill worked. It did what it was intended to do by eliminating soft money and providing incentives for smaller dollar contributors to become involved in politics. But as McCain has said, it did not fix the problem. And right now we are in the middle – if you happen to live in Washington or you read the national newspapers, we've got a few problems. And CED is going to continue work on this.

We're about to launch another project at the end of the month. We were trying to find a title for it. The first title used the word "dysfunctional." We're currently calling it *Making Washington Work*, if that's possible, and this project will involve the same approach that we take of getting business leaders and academic leaders around the table. And our

experience has been that when the voice of business speaks out — and it's not always easy to get them — but when the voice of business speaks out you are more likely to get meaningful change if you can bring them in as an ally. We've been able to do that on campaign finance reform, as many of you in the room know, we're doing it around the country including in this state on early education reform and we're also trying to do it in the context of the federal budget, which is out of control and also broken. But there's an opportunity now to take advantage of some of the scandals that you've heard about with Mr. Abramoff, with Mr. Delay, the wonderful thing called The K Street Project. Do you all know what the K Street Project is? I happen to be a Republican and I worked in the first Bush Administration and in the Reagan Administration and from the get-go I thought that this was a bad idea. The K Street Project basically has members of Congress telling lobbyists who they should and should not hire. I'll defend their First Amendment rights to do that but I think as a matter of policy in politics it's a bad idea. The members of Congress work for you and me and they shouldn't be telling anybody in the private sector or threatening people in the private sector as to who they should hire or not hire.

Now John McCain some years ago said to me in one of our events that the issue here, the money issue in politics or fixing the money issue in politics was a gateway issue. It's kind of like what they said about gateway drugs, you know, marijuana was the gateway drug. Okay, it's the same issue. And his point was until you fix the way in which money enters into the political system you are not going to get the people's business done. There is a reason why there's a stalemate in Washington around the budget deficit. There's a reason why, notwithstanding what everyone is saying about the demographic problems we face as a nation, that Medicare, Medicaid and Social Security have not been fixed. And the reason they need fixing is because of the demographic situation that we face as an aging nation. There's a reason why we haven't gotten tax reform or the alternative minimum tax has not been fixed or environmental sustainability continues to remain off the agenda, and it has to do with the way in which money enters our system. Revolving door, ethics in government, redistricting, they are all symptomatic of the same problem. What you are doing in California will play a major role.

California has often been a bellwether state for this country and so what we need to do here is a real squeeze play from, both the national level and the state level, to bring people together in a thoughtful bipartisan, nonpartisan way with the business community and other allies to help drive the system to reform. John McCain told me that the politicians are addicted to soft money, okay? Well we fixed the soft money part of it. President Bush said in his State of the Union Address that the country's addicted to oil. I was on a panel last week in Washington and another economist from Brookings said that the country's addicted for foreign capital, basically, to underwrite our deficit. Well what we know about addicts is they don't cure themselves. They do not reform themselves. They need some sort of external intervention to change the status quo.

We're going to try and do that, from our perspective, with this Washington project. We are very interested in, and supportive of, what is happening in this state with Assembly Bill 583 and the debate that's happening in this state. We're very pleased that states like Arizona and Connecticut and Maine have already enacted clean money bills. This is all part of a very important part of our democracy. As we go around the world lecturing other countries about democracy we need to get our own house cleaned up. And we haven't done that yet and if we are to be credible we have to start at home and there's no better

place to continue this work than in this great state of California. So on behalf of CED we thank you in this room for your interest in these issues, for what you are doing. I hope you will consider us not only a friend but an ally, a partner and a strategist, because we all have an interest in getting this right. So I've gone way off script but I thought it was important to tell you why we do these things and why we will continue to work on these issues.

It's now my pleasure to introduce a friend, colleague, partner, Ted Williams, who is the Chair of the California Clean Money Campaign. And before joining the campaign, as some of you know, Ted served for 28 years as the CEO of Bell Industries, which is the nation's sixth largest distributor of electronic components to electronics equipment manufacturers. Ted, I also think you were one of the endorsers of that first CED report, which had more than 300 corporate and university endorsers around the country. So I thank you for that. Ted's also involved on several boards and he has received many awards, including the Yitzhak Rabin Award from Americans for Peace Now. So Ted, we are delighted to be working with you again and very much look forward to staying in touch as we continue these efforts in the State of California. So please welcome Ted Williams.

[Applause]

III. Overview of California Clean Money Campaign and Keynote Introduction

WILLIAMS: Thank you very much. You know, I'd like to make a quote from President Eisenhower, his last speech when he left office. He said, "Every gun that is made, every warship launched, every rocket fired signifies in the final sense a theft from those who hunger and are not fed, those who are cold and not clothed. This world in arms is not spending money alone. It's spending the sweat of its laborers, the genius of its scientists and the hopes of its children." Now, more than 40 years later, military spending even prior to 911 took more than 50% of our discretionary budget and currently, at \$558 billion plus another 85 billion estimated for the Iraq war, brings the total to \$643 billion, which is close to 60% of our discretionary budget. The next biggest items in the budget are education followed by healthcare, both of which get less than \$50 billion each. What kind of security do we offer our children when the combined expenditure for education and healthcare is less than one-fifth of the military expenditure? And the future of our country lies in the hands of our children. Many years ago it became apparent to me that if we could just reduce military spending there would be money available to solve the problems of healthcare, the environment, education, tax and equities, just to mention a few things. Consequently I spend many years in an effort to reduce military spending. While even at the end of the Cold War, spending remained at approximately the same levels. I finally came to the conclusion that I had been working on the symptoms rather than the cause of the problem and that nothing would be fixed until we got the special interest money out of the electoral system.

Let me give you a few examples. We are the only industrial country without universal healthcare. Our cost per capita is the highest in the world under the aegis of the insurance companies, whose GNA is between 25 — 30% compared to Medicare's 4%. Our failure to pass a single payer health plan has resulted in our having over 40 million people in this country who have no medical care. The insurance companies and HMOs are among the most powerful lobbies in Washington. Let's take the environment. The threat of global warming is a reality that most scientists accept, yet for years a powerful coalition of auto manufacturers, oil, gas and coal companies and electric power producers has worked to

slow efforts to control global warming pollution. Together these industries import more than \$300 billion into the coffers of federal candidates and parties since 1990. So far they have succeeded in stalling international efforts to control global warming. The U.S. Congress has yet to ratify the 1997 Kyoto Protocol Global Climate Change Treaty and President Bush has announced that the U.S. will not follow the terms of the treaty. Let's take the pharmaceutical industry, one of the biggest contributors to federal politicians and their political parties. In 1999, the same year that the consumer spent \$111 billion for retail pharmaceutical drugs, *Fortune* magazine ranked the pharmaceutical industry as the most profitable in the nation. I have heard it said that the ten largest drug companies in the Fortune 500 earned 50% of the profits of the Fortune 500 companies, yet the drug makers pay lower taxes than most industries, thanks to billions of dollars in special tax breaks that they received, and the drug companies are fighting fiercely to defeat proposals that would extend the federal Medicare program to include coverage of prescription drugs. Overall, the industry contributed \$13.8 million to candidates and parties in the 2000 election. That's 52% more than it gave in the 1996 election and it's still going up.

I could go on and on with more examples, but if we look objectively at why nothing gets fixed, just follow the money and hopefully you will come to the same conclusion that I have: there's nothing more important than getting publicly financed elections. So how does clean money work? Candidates for public office can choose to become either participating clean money candidates and be willing to forego private fundraising in order to receive public funds, or they can choose to be nonparticipating candidates relying on their own private wealth or the private sector to finance their political campaigns. For a clean money candidate to qualify for public funds he or she must show broad public support for their electoral district. That support is determined by obtaining a specified number of signatures and \$5.00 contributions. Once the candidate submits the requisite signatures and \$5.00 contributions just from his district, he or she is freed from the arduous task of fundraising. Sufficient funds are supplied to provide a competitive primary election and if selected as the party nominee to run for general election. Public funding levels for clean money candidates approximate the expenditures reported in recent elections. In cases where nonparticipating candidates exceed clean money expenditure limits, additional funds would be given to provide clean money candidates to stay competitive.

In summary, the clean money system seeks to level the playing field by keeping clean money candidates competitive. And what about the cost of public financing? Bob Stern is an experienced analyst of statewide campaign finance cost. He estimates the cost of public financing to be less than 2 cents a day for each eligible voter in California. The California Clean Money Campaign likes to say that the cost per year is less than the price of a movie ticket. Anyway, 2 cents a day to promote democracy is a very reasonable price to pay. And what does it say about our country when the role of special interest money determines which candidates will run for public office and which candidates will win? The result is a plutocracy, not a democracy, which ultimately the power of money provides access and in some notable cases, legislative outcomes. In Arizona Clean Money barely passed with 51% of the vote and it now enjoys a 64% approval rating.

We know that we cannot bring about this change by ourselves and we have formed a coalition with a number of other organizations in the state that support public financing of elections. If you're interested in improving healthcare, get interested in clean money. If

you're interested in preserving the environment, get interested in clean money. If you're interested in solving the state budget crisis, get interested in clean money. Our motto is that public financing of campaigns is the reform that makes all other reforms possible. We are not reinventing the wheel. As Charlie said, in Maine, Vermont, Connecticut and Arizona they already have passed laws implementing publicly financed elections. If we are successful in passing a similar initiative in 2006, California would provide the leadership for the entire country to do the same. I'd like you to join me and the California Clean Money Campaign to make certain that elections are publicly financed and that politicians, politically elected officials, are accountable to us, the people, and not to wealthy special interests. You know, the current national scandals have illuminated the need for the grassroots people in this state and they're crying for change. And we would like all your support.

It is now my pleasure to introduce State Senator Debra Bowen. She's one of those elected officials whose responsibility to her constituents has been primary. She's focused much of her efforts on restoring confidence in California's electoral process as well as fighting for open government, absolute necessities if we are to maintain a democracy. In addition, she's helped to protect California consumers as well as their privacy. She's been a leader in protecting California's environment and energy resources. She's made California's women and children much safer. The fact is, I'm so impressed with her accomplishments that even though I graduated from the University of Michigan, I forgive her for attending the other Michigan university. And now that AB583 for Publicly Financed Elections has cleared the Assembly, largely due to the leadership of Loni Hancock, let me introduce the person who we know will provide the same leadership that's necessary to pass through the Senate. Debra?

[Applause]

IV. Keynote Address

BOWEN: Thank you very much for that gracious introduction and thank you, Charlie, for 30 years of friendship. And I do think there is something about attending the University of Virginia School of Law that has a profound impact on one's commitment to the idea and ideals of democracy. I was back in Charlottesville again in January, went to Monticello and began thinking about the roots of our country and of our democracy and about what life was like under King George. There were no pacts, there were no independent expenditure committees, there were no trade unions arguing about whether or not they should be limited in their expenditures. King George decided everything and there was no avenue for redress. So Charlie, you said that it was time for reform, if indeed it can be done, and what I have to say to you all today is it must be done. We have no choice. Our democracy is the most amazing system ever conceived for self-governance. And it was a difficult birthing. You know, when the Constitution came into being, when voting first began as the way of determining self-determination. You had to be white, male and own at least 50 acres of property to be able to vote. So they didn't really trust that this system would work entirely, and maybe there were some politics in it too, I'm not really sure. But we've had to make some significant changes along the way and even in California the road to changing some of that has been difficult.

I don't know how many of you are from California but you probably don't know that the first time the Constitutional Amendment went on the ballot to give California women the right to vote it won in 56 of California's 58 counties, and it was defeated only in Oakland and – in Alameda and San Francisco Counties, where the *San Francisco Chronicle* opined against giving women the right to vote at great length, being, I believe, unduly influenced by the power and money of the liquor industry, which was fearful of the power of the Women's Christian Temperance Union and afraid that booze and gambling would be put to an end should women be given the franchise. So we do have a dynamic system and we must continually look at what is happening and make changes and reform. And we do tend to be scandal driven. I was thinking on my way here that one of my very first memories of the political process and of politics – and I have to tell you that I grew up in Illinois and cast my first vote on a lever voting machine. But one of my first memories was the story of Secretary of State of Illinois, Paul Powel, who died in office in 1970 and in the process of sorting out the personal effects in his hotel room the following was among the inventory: \$800,000 in cash in shoe boxes and filing cabinets, 49 cases of topnotch whisky, 14 transistor radios and 2 cases of creamed corn. That part I really can't explain. [Laughter] But at that time graft and corruption were still, in many states, very much a part of the ordinary conduct of business and we had virtually no disclosure laws anywhere, there was no requirement that anybody say where campaign money was coming from. It wasn't really until the seventies that we began even to do the gateway reform – and I like that term “gateway issues” – of disclosing who had a hand through campaign contributions in the electoral process.

We have a long ways to go in that regard. We still do not have in California adequate disclosure of who is contributing to initiative campaigns and all of us saw in a very expensive set of campaigns, both in time, energy and money, and lost opportunity — I think it's really important to point out that much of what we lost last fall wasn't just the money that was spent, it was the opportunity to really work on pressing issues confronting California. We still don't know who paid for some of the initiative campaigns. One of the gateway issues that I think we have to confront is how we finance initiatives. The first step will be disclosure of who is paying to qualify an initiative for the ballot. I carried a bill last year that would have done that, would have required the top five funders to be listed on the petition so that if you got a petition that was signed by people who love the ocean you could know in exactly what way they loved the ocean. Unfortunately the Governor vetoed the bill, saying that it — providing the voters with more information so that they could make an informed decision before they signed a petition outside of Costco — would make it more difficult for the people of California to gather signatures and qualify measures for the ballot. And what I have to say about that is if knowing who's paying for it makes it more difficult to qualify, let's make it more difficult to qualify. [Applause] Thank you. You will actually see that as an initiative I think on the ballot in November, a disclosure provision, and this is actually the proper use of the initiative process, which Hiram Johnson began in 1911 to counter the power of the railroads, which basically had a lock on the Legislature and the Governor, and they were a monopoly and their rates were stifling business and commerce. The true use of the initiative process is the check or balance. It should not be something where you decide well I want a bond measure for \$2 billion to benefit something I'm working on and I figure for \$5 million I can get it done. That's not what we want to see in our initiative process. So that is a gateway issue.

Campaign finance is really another critical gateway issue. People are so disengaged and cynical about the electoral process right now. A recent study by the Pew Foundation says that only 48% of Americans have confidence that their vote will be counted as it was cast and that is a recipe for disaster in our democracy. People think that money dictates everything, that their opinion on a bill, their email, their \$10 that they could afford doesn't matter because there's so much money coming from big interests, and they check out. And we try to encourage voter registration. We want a system that is robust and in which every eligible citizen is registered to vote, can vote, votes only once — and this is a big issue for me from Illinois — that their vote is counted as it was cast, which is another significant confidence issue in our democracy and another gateway issue. I don't care whether you're a Democrat, a Republican, a Green Party member, Peace and Freedom, American Independent, a Cal or a Stanford football fan. I don't even care if you went to Michigan. I don't care whether you read the *Chronicle* or the *Mercury*. You must be concerned about the number of people who are simply checking out of our democracy and of this great idea of self-governance. The ballot is the way that we transfer power legitimately without bloodshed in a democracy. It is a very powerful thing. And when we get voter turnouts that are only 40 or 50% and we get 52% of Americans telling us that even when they cast a ballot they are not certain it will be counted as it was cast, we have some real work to do. And again, we have no choice. This is work we absolutely must undertake. We must ensure that people have confidence in the processes of democracy, that their voice will be heard, that it's not about 49 cases of good whisky or a mysterious two cases of creamed corn — which really I'm going to be worried about that for the rest of the week — and focusing on how candidates raise money and spend money as they run for office is critical. I cannot tell you how much I would love to run for office statewide in California in a system in which I am spending 80% of my time talking to people about ideas and policies and only 20% on the mechanics of the campaign and fundraising. It would be an entirely different experience and like Phil Ting, I might actually have friends who return my phone calls again. So we need to deal with the initiative, we need to deal with the funding, the fundraising, the perception that money controls everything, and this is not a perception that is good for the business community either. The idea that CED has of returning the power to individuals I think is of profound importance to the future of our democracy.

The one other gateway issue that I'd like to speak briefly about this afternoon has to do with that question about whether people believe their vote will be counted as it was cast. Much of this concern stems from Florida in 2000 and Ohio in 2004. People are still looking at what happened, they're looking at the film, they're remembering the film of the long lines in Ohio, they are remembering the scenes of people holding up punch cards in Ohio or in Florida and they are concerned. We have shifted, in an effort to get ourselves away from punch cards, very rapidly to a system that relies heavily on direct recording equipment or electronic touch screen voting systems, which have turned out to be really unreliable. I think if most of you as business people bought an IT system like that for your company and had that kind of results with regard to security and reliability, at the very least you would be seeking a new CIO. And we are basically beta testing, at best, electronic voting machines in the states that are using it. We know there are a long list of errors. In North Carolina, for example, there was a precinct where over 7,000 people voted but only 3200 people had their votes counted because the server was set to hold a maximum of 3200 votes. Ohio last week redid an election for a bond measure to deal with the 911 system. It had to be redone because more people were counted as having cast their votes on electronic voting equipment than were registered to vote in the jurisdiction in

question. So they've just gone through an entirely new election. We spend more money, more energy auditing nickel slot machines than we do auditing voting equipment and voting systems. We invest more in ensuring that people are not getting ripped off at the slot machine than we do in assuring that the results of our elections reflect the votes that were cast on election day. So that's another thing that we really need to change. It takes, at this point, democracy sometimes takes technical knowledge in addition to a belief in what should happen and that is particularly true with computers, it's been true with farming, with fishing, with all of the Internet kinds of attacks. And beginning tomorrow my Elections Committee will be taking a look at the testing of the voting equipment that we use to determine whether or not it's really adequate to start changing that Pew number and restoring confidence in democracy. This stuff is not rocket science. It's computer programming. It is complicated but it is not impossible and in California, of all places, these are things that we absolutely can and must accomplish. We can have a system of voting in which people really do believe that their vote is counted and it takes dealing with all of these gateway issues simultaneously. It takes dealing with the money that goes into campaigns, it takes disclosure in the initiative process, it takes setting up audit procedures and protocols to ensure that elections are run in a fair, open and transparent manner. I met with Dr. Robert A. Pastor, who chairs the Carter Baker Commission in December of last year, and we had a very interesting conversation. He told me that many of the election protocols in this country would never stand up if we were helping assist an emerging democracy in creating an election system. So we do far better in telling everyone else how to conduct democracy and elections than we do in actually doing it ourselves. Some of that is historical accident. We didn't set out to have a single voting system and as a result we have many, many different systems, depending on what county, what city, what township in Michigan, what state you're in, and it becomes very difficult for an ordinary citizen to observe the process. It's simply not transparent in the way that we need it.

So we have a lot of work to do but I think we need to keep this one thought in mind: democracy is an amazing and extremely resilient means of government. It is the only mechanism for governance that has been proven over time and that is sustainable. It can be challenged, questioned, poked and prodded, it can withstand fraud and scandals, so long as the response is to look at the system and for people to come together regardless of how they want the results to turn out, figuring that in an election you win some and you lose some. But the key is that if you're on the losing side you have confidence that you get to come back the next time and make your case to your fellow citizens again. That's what we need to do. These gateway issues are really critical. I beg of you as business people, engage in all of these issues. Your future as a citizen, your children's future, your future in business is at stake here. There is nothing less than everything in our democracy at stake right now. Thank you so much.

[Applause]

KOLB: Debra, thank you so much. Mr. Jefferson would be proud. I think Senator Bowen has a few minutes for our Q&A and so let's open the floor up. And yes, please tell us who you are.

FSPKR: My name is Terry Baum. I was the Green candidate for Congress in San Francisco in 2004. And I'm wondering what you think of instant runoff voting, which we have in San

Francisco, as a way of having people feel that they have more choice and also of allowing the possibility of other parties to grow without fear of spoiling elections.

BOWEN: Great. Actually, I think the principle is bigger than just instant runoff voting, so let me first answer the question, which is that I carried last year a bill, SB569, that would have allowed any county or city in San Francisco – or in California – to conduct elections via instant runoff voting. So I think it's something that we need to do, but we have this idea that the winner take all majority vote is the only way to conduct elections and it isn't. Everything that we do has pros and cons. If you go to a multidistrict system, which some places use, multimember districts, the cost of campaigning may be greater but it ensures minority representation or you're more likely to have minority representation within the district. So when people are thinking about this, I think it pays to think in big Jeffersonian democracy kinds of terms. Instant runoff voting has proven to work very well in the cities that have adopted it and I'm supportive.

KOLB: Other questions? I just want to underscore something that you said in your remarks and in closing. This is really important for the business community. In our first report in 1999 we, on the very first page, asked and answered the question why would a group of business leaders get engaged in something like campaign finance reform. And what we found at the time was that every time the words "special interest" came up, which is not exactly a positive, it's not good to be called a special interest, that it was giving the business community a black eye. And again, for those of you who are part of this coalition who are interested in this issue, again I urge you to reach out to people in the business community. We'll be more than pleased to help at CED because it's an important part and in some instances a new part of the coalition. As one of my friends likes to say, it's a "man bites dog" story. You know, people thought the business community liked the system the way it was, but there are, and I know there are people in this state who don't like the system. So a question for Senator Bowen.

FSPKR: Yeah. Actually, I have a question for you, Mr. Kolb. I'm Bonnie Allen from the California Clean Money Campaign. And I've been involved with people who went to Sacramento and lobbied Assembly people and I talked to Democrats and Republicans. And we have not been successful in getting a single Republican on board in any way, shape or form. And as a Republican yourself, maybe you could help us bridge that divide. I firmly believe this is a bipartisan issue.

KOLB: I was going to refer this to Debra but...[laughter] I don't know when you tried this, but I think the time may be changing and that we may be reaching a tipping point, which in part is why CED's going to continue in this area. I think the combined effect of — Well there's two things going on, three things. There's the Abramoff/Delay K/Street Project, which has not been good for Republicans. The second thing is the environment in the country for the business community over the last three or four years has not been good. I mean, business has been on defense, they've been having to deal with corporate scandals, responding to Sarbanes-Oxley. You look at the same polls that Pew conducted, that Debra cited, and others have done and business leaders are not held in high esteem. The third thing I'd point out, and I can say this I think as a Republican, the atmosphere in Washington – I'm not sure what it's like in Sacramento but it can't be as bad as Washington – but if you're a Republican businessperson in Washington there are lots of incentives for you to either be silent or not to criticize or not to think your own views. And

if you step up to the plate and voice a different view or ask the wrong question, it's a good thing not to go hunting with the Vice President. [General laughter] That may be changing now and I think part of what we've done for 60 years is to bring the voice of business to these issues, and it hasn't been particularly easy in the last four or five years but I do think it's changing. Because more and more people in the business community understand that, as Senator Bowen said, everything they want to achieve personally, professionally, you know, in the business community, is up for grabs if we don't get this right. So do you want to comment?

BOWEN: You know, I think it's human nature to want to change the rules of the game to favor you — my first campaign finance reform bill I introduced in 1993 and I remember it well because, you know, I was a freshman legislator and I went through my whole bill package with, it was then Speaker Willie Brown, with his people, and I didn't tell them about one bill that I was going to introduce and it was my campaign finance reform bill, because I wanted to, if anything, to have to seek forgiveness rather than permission. And, you know, it's just — people who know how to work the system and know the rules are afraid of change and they don't know how they'll fare in change. So that's human nature. I think change is difficult. And that has affected our ability to do things like permanent absentee ballots, which was a partisan vote in California, it was a partisan vote. And why? So some of it is — you know, you all can help change that in this room.

KOLB: Again I want to thank you, Debra, for being with us this afternoon.

[Applause]

KOLB: I'm now going to turn the proceedings over to John Diaz, who is the Editorial Page Editor of the *San Francisco Chronicle*. And John is going to lead and moderate a panel discussion among Assemblymember Hancock, Loni, who is with us, Bob Harris, from Pacific Gas & Electric Company, and also Bob Stern, who is the President of the Center for Governmental Studies. So if I may ask my colleagues to come up and John, the floor is yours. Thank you. Thank you all.

V. Panel Discussion

DIAZ: Good afternoon. I'm John Diaz, the Editorial Page Editor for the *San Francisco Chronicle*. And let the record show that I've been in this job since 1996, which was well after that editorial against women's suffrage that Senator Bowen alluded to. In fact, when I took over the Editorial Page in 1996 the *Chronicle* had not endorsed a Democrat for President with one exception, in the last half century. So I'm not unaccustomed to going in public and having to answer for the *Chronicle's* past. But anyway, good afternoon. And as we've been hearing today, the California Assembly made a bit of history when it voted 48 to 21 to create a system of public finance for state offices. That was certainly a significant moment for campaign finance reform in California. But the bill remains a long way from becoming law. Governor Arnold Schwarzenegger has not said whether he would sign or veto the measure if it reached his desk, and there is a big question about whether it will get there. The State Senate is left with the work of addressing some of the issues and the questions and loose ends that remain with a bill that passed the Assembly. In fact, one *Los Angeles Times* political columnist compared the Assembly vote to social

promotion, where a student is allowed to pass and move to the next higher class without really earning it.

Well we're very fortunate to have with us today three panelists who are distinctly qualified to answer these and other questions about Assembly Bill 583, the California Clean Money and Fair Elections Act. Let's start with the author of the bill to my left. Loni Hancock is serving in her second term as Representative of the East Bay's 14th Assembly District, which you have a beautiful view of out this window. Ms. Hancock has a long and distinguished career in public service. She was first elected to the Berkeley City Council, taking office in 1971, and went on to become the first woman mayor of the city, serving two terms. She was appointed by President Clinton to lead the Western Regional Office of the U.S. Department of Education, where she helped launch many of Clinton's education initiatives. She has also been very active through the years in working in the private sector on community improvement projects.

Bob Harris is Vice President of Environmental Health, Safety and Technical Services for P.G.& E. One of his responsibilities is making sure the utility stays in compliance with local state and federal regulations. His long record of public service includes many roles: Commissioner for the Port of Oakland, Chair of the United Negro College Fund's Bay Area Advisory Board, and appointments to advisory boards for both the Federal and State Environmental Protection Agencies. He is a community leader who has been recognized with countless awards throughout the nation.

Finally, Bob Stern is what I would call the "go to" guy for anyone who wants to tap either the institutional memory or the latest thinking on campaign finance reform, ethics, the initiative process, or just about anything else having to do with public policy in California. He is President of the Center for Governmental Studies, a nonpartisan research organization based in Los Angeles. He was a principal co-author of the Political Reform Act of 1974 – that was Proposition 9 – and served as general counsel for the California Fair Political Practices Commission from 1975 to 1983. He has testified before more legislative committees than I could begin to count in Sacramento and Washington, D.C., and is a frequent writer and commentator on good government issues. As you can see, we could not have assembled a better group to talk about the financing of political campaigns in California. Let's get started with the author of the plan to dramatically change the way politics are financed in California, Assemblywoman Loni Hancock.

HANCOCK: Thank you very much, John. You know, all of us have our "how we got here" stories. I liked Debra's and Charlie's and Ted's and everybody's that we've heard today. I have to say I too entered the Assembly three years ago as a naïve freshman and realized after I put forward a bill and had many good people on both sides of the aisle look me in the eye and tell me it was great public policy and then they'd name the places they wouldn't get campaign contributions if they voted for it. That, the subtle influencing of policy by the fact that we spend so much time raising money in Sacramento and I think it's the same way in Washington, the fact that it just sort of subtly skews what is considered possible and realistic. And of course recently, as the scandals multiply right here in California – I mean, you don't have to read the national papers even. I think if you came from San Diego, we have Duke Cunningham, we have one of their council members, two council members resigning, one of them actually in prison. We have two Governors of different parties whose fundraising has scandalized the state, and we recently spent about \$300

million on a series of initiatives, not one of which passed, in the last special election, taking up, as Debra said, not only money but time, energy, goodwill, just to stay at ground zero. So I introduced, after my first term in the Legislature, a bill for the public financing of elections. The only way that I could see to actually take the influence of money out of election campaigns was to do that. And come to find out that this was not inventing the wheel. This has been done. It has been in place for the last six years in the state of Maine and in the state of Arizona. It is bipartisan in those states. It works in those states. People like it. Voter turnout is up, voter confidence in government is up, a broader diversity of candidates are running.

So my bill, AB583, is essentially the Arizona and Maine system scaled up to meet California numbers and some of California's very, very unique situations. And it has been, I have to tell you, a great adventure to have this bill finally pass over to the State Senate. I raised it two years in a row. The first year we got it out of the Elections Committee but couldn't get it out of the Appropriations Committee. This year we had real trouble getting it out of the Elections Committee. We did, we had support from the Appropriations Chair, Judy Chu, we were able to get it out of the Appropriations Committee with intent language written in. That's John's social promotion, I believe. Because I really worked very closely with the Speaker of the Assembly, Fabian Nunez, who was very supportive of the bill, and we realized that this is an idea not only whose time has come but the more you talk about it, the more people understand that this isn't a utopian good government notion. No. This is something that is working for real people in other states in the United States right now, that we can do it here. People begin to think about how it would affect their lives and their experience of either being elected or being people who advocate for things and want to influence legislators. And they all tend to like it. So were able, with that intent language written in, to get the bill passed with every Democrat in the State Assembly voting for it except one.

I have to say three Republicans, at least, have come up to me, one before then and one after then and one right on the floor came up and whispered in my ear, "Oh, I can't vote for it today. But you're right, we've got to do something about this." And another one who told me that he would like to support it but he was going to wait 'til after filing closed because he didn't want another Republican running against him. And another one who had said he's actively considering it. So I believe this is something that we can have and need to have a very honest and very rigorous conversation about. The bill is now in the Senate Rules Committee. I am hoping — We have taken the intent language out of it so it's again the bill itself. Amended it out. But what we really want is to get it referred, frankly, to Senator Bowen's Elections Committee because she is the best there is and we know that she has been a supporter of the bill, she's a co-author of the bill, she's introduced important election reforms in other areas, and have a full hearing, an informational hearing on the bill, so that we can bring people up from — both Republicans and Democrats — from the state of Arizona and have them talk hopefully to the Governor, to both the Democratic and Republican caucuses and really go through with us how it works here. I think that it will be a very, very exciting time. You know, in Connecticut really, Connecticut became the first state to actually enact legislatively public financing and they did it because a Republican Governor called upon a Democratic Legislature to do it. They worked together and they passed it in a bipartisan way. So I think that we can do that.

And let me say I think this also, this is an extremely important step in taking back democracy. You know, there was a few months ago a Public Policy Institute poll where Mark Baldassare asked the question that has been worrying him, that in recent years both public respect for the governorship and for the Legislature has just plummeted. And he asked some probe questions and over 74% of the respondents answered yes when asked: the Legislature operates for a few special interests, not for people like me. And especially in a large diverse state like California, where we are held together by many times very fragile bonds of trust and mutual respect, it is a very dangerous thing for people to feel the government runs for a few special interests, not for people like me. The Jeffersonian dream is for people, each and every one of us. So I think we need clean money. I would be grateful for your help. This has been a great partnership. Let me tell you, the Clean Money Campaign has been fabulous, the League of Women Voters, the Greenlining Institute. It's just been an extraordinary effort and we need to continue it for the next few months, add some redistricting legislation to it, initiative reform, as Senator Bowen said, and really, this is the infrastructure of our democracy, folks. We'll hear a lot about bricks and mortar, we hear a lot about our human infrastructure, our education system. The infrastructure of our democracy counts a lot too, so thank you so much for being here and for caring about it.

[Applause]

DIAZ: Thank you, Assemblywoman Hancock. When we get to the Q&A I'm going to be interested in following up on your comment about the subtlety of campaign contributions. I'm just curious what is subtle about the influence of campaign donations in Sacramento. But first I want to get the perspective of Bob Harris. As Vice President for P.G.& E., you have the perspective of the private sector's look at what goes on and the possible influence of campaign contributions. Bob Harris.

HARRIS: Thank you very much for this opportunity. I don't know why I was really chosen because I don't do this kind of work in terms of governmental relations with P.G.& E. Let me start by simply saying that my views are my views, and not necessarily those of P.G.& E. I think I was chosen primarily because Susan Lerner and I worked together on a lot of other issues and I am noted for having viewpoints on issues and this is no different. So by no means attribute my viewpoints to those of my employer, although they may occasionally be the same. [laughter] I feel very strongly about participating in the democratic process. Voting is really the lynchpin of democracy. I believe that different voices ought to be heard in that democratic process. I had the occasion in 1985 to appear in the United States Supreme Court and argue a case on the theory that the First Amendment applies in a negative sense also to a corporation. I said that to really let you know that my view is universal. It's universal in the sense that I think the marketplace of ideas really ought to be a marketplace of ideas and that you ought not eliminate some voices, allow other voices, but everybody ought to have a chance to participate in the marketplace of ideas and in that marketplace of ideas, hopefully good decisions will be made.

Now we've heard some good comments this afternoon, I think all of which I agree with. But I want to make it quite clear that most politicians, certainly all that I know personally, are very honest people. And I've made lots of contributions, matter of fact, thousands and thousands of dollars, personal contributions, that is, to politicians, never asking any favor or never even trying to seek a favor. So I don't want anybody to be confused that most

politicians are out to collect contribution funds and then willing to go and do whatever it is that you want them to do. I just haven't had that experience myself. What I do think is important here is that if we are to preserve for generations yet unborn the political process in such a way that they feel comfortable in participating in that process, we ought to have a process that is perceived as fair. While I do not profess to be an expert in terms of Assemblywoman Hancock's legislation, I do know that I have worked with her personally, my employees worked with her personally during her tenure in the Legislature and even before that when she was a local elected official. And we have found that there are many instances where political contributions have absolutely nothing to do with a politician.

But unfortunately, that may not be the case universally because of what we've seen in the news recently. But again, I just wanted to make the point that it is important for us to have a process, whatever that process may be, that allows all voices to be heard and not just some. And if some people, if it is true, can buy influence in the legislative process, that hurts everybody. It is not good for business, it's not good for the community, it's not good for civil rights groups, it's not good for environmental groups, it's not good for anybody. We all need to be in a position so that we can openly and freely go to our elected officials and argue our case to them, they listen to all side of an issue, and then make what I hope would be a learned decision, uninfluenced by how much money that I may receive from Paul or somebody else. But this is what I fundamentally believe is good public policy that's going to be in the interests of this local community or this state or this nation. So let me conclude by saying that public financing, to the extent that it is done correctly, clearly could be beneficial to everyone, to the extent — and I'm not certain how much business or other special interests may spend. I suppose it's a matter of public records because you file campaign disclosure forms — But to the extent that those expenses do not have to be made in terms of the electoral process, it leaves a lot of money that could be invested perhaps elsewhere doing something that is promoting the social good of society. So for that reason alone, it just seems to me that it makes good business sense, good common sense, to support a system that will allow those of us who may have to spend money, certainly me personally, in order to help people get elected, would leave money for us to do other things with. So from that perspective, I'm very supportive of campaign reform and I look forward to any questions you may have later.

DIAZ: Thank you Bob Harris.

[Applause]

DIAZ: One of the themes that we're hearing a lot here today, both in Senator Bowen's keynote as well as from the panel so far, is that what we're talking about here is not some procedural argument or esoteric system, but basically this is about the health of our democracy, whether it's campaign finance reform or the initiative process or counting all the votes. And I can't think of anyone who spends more time thinking and working on these issues than Bob Stern from the Center for Governmental Studies (CGS).

STERN: Thank you very much, John. Thanks for the kind words. Bob said that his views didn't necessarily reflect the views of his organization. I'm hoping that my views do reflect my organization, although one of my employers, Harold Williams, is on our Board of Directors and he's here. He'll let me know, I'm sure, if it does not. I think that this decade could be the decade of public financing. Thirty-five years ago when I started doing this I

said eventually we will have public financing campaigns, eventually it will happen, the American people will realize that it will be necessary to pay for the elections – for campaigns – just as they pay for the ballots, just as they pay for the voting machines. The public pays for those things. It used to be, by the way, the parties paid for the ballots. And then the public said you know, that's not right, we should pay for it. And I think eventually that's going to happen.

CGS is going to be issuing a report later this month called *Keeping It Clean: Public Financing in American Elections*, and I put some outlines of the report on the table over here. If you're interested in getting it, contact us at CGS.org, go on our website, sign up for our e-bulletin. We'll let you know when it comes out. But we're reviewing all the public financing programs across the country in the states and localities. And this has been, even five years into the decade, it has been the decade of public financing and we're hoping it will be even more. San Francisco, the Mayor right now has on his desk an ordinance calling for public financing of campaigns for mayoral elections. As Loni said, Connecticut passed a measure last year. Portland, Oregon passed a measure last year. Albuquerque's voters by 70% passed public financing last year, New Mexico, North Carolina, Los Angeles are considering it. New Jersey also passed something last year. So it's happening in jurisdiction after jurisdiction. Voters and politicians are passing public financing reforms.

Now I think there are four lessons that I want to talk about very briefly. When I'm asked why will public financing pass in most jurisdictions, I say unfortunately the answer usually is scandal, scandal, scandal. That's why it passes. That's why it passed in Connecticut, that's why it passed in New Jersey — because there were scandals involving the governors of those states and certainly that's what happened with Watergate Reform Act and other reforms in the seventies. It was scandal and I think it's unfortunate. We know that there are problems, we know that there are solutions, and yet unfortunately the politicians don't usually respond without a scandal. Now Loni has gotten her bill through the Assembly. I'm very, very impressed with that. I think she deserves great credit on that. We'll see how far it gets. I mean, she's surprised me so far, I hope you'll surprise me some more. But it does take scandals for a legislative body to pass reforms.

In California though, my second point is fortunately we have an alternative to the Legislature. We have the initiative process and many of these public financing measures have been passed by initiative. Arizona, Maine and Albuquerque all passed by initiatives. The California Nurses Association has filed an initiative with public financing and they're saying they're going to qualify it for November. So we may be voting on public financing, either through Loni's bill or through the California Nurses Association initiative.

Thirdly, campaign contributions in my mind, most campaign contributions, are given to public officials for two reasons, either fear or access. Fear because interests are concerned that if they don't make campaign contributions, their rivals will and public officials play on that fear. There was a famous, infamous senator in the State Senate several years ago. When you came into his office he had a computer screen and he would say, hmm, let's see who's given to me today, and he would talk to you about that. And that was the first thing he would say, even though you were there to talk about legislation. Now he's not there anymore and he was indicted – [General laughter] – but not for that reason. But there are several public officials who play on that fear and that's why business and that's why many

interests give, because they're afraid not to give. Secondly, access. Most campaign contributions in my view, 90% of them, are given not for election purposes but for governmental purposes, to influence what the government is doing. Now there's 10% that comes from the friends that Phil was talking about, they do come from friends, but it's only about 10%. Most of it comes because people want access. Several years ago I called up the California Medical Association. I said, "You know, I've noticed that you've given to every single incumbent but one, you've given to the most liberal Democrat, you've given to the most conservative Republican, you've given – in fact you gave to both sides before an election and then what you gave on one side and the person lost you gave to the person who won after the election. Could you tell me why you're giving to the most liberal of the Democrats, the most conservative of the Republicans?" And I said, "You gave to every one of them but one." And they said, "Well who didn't we give to?" They had the question, "Who didn't" – so I told them who they didn't give to. They said, "Well we'd better give to that person." [General laughter] So I said, "Okay, now I've answered your question, you answer my question. Why have you given to every single one?" They said three words: "Losers don't legislate." They're giving for governmental purposes. They were not giving for election purposes. And unfortunately that's where, particularly with our situation, where there's very few competitive districts, that's why people are giving campaign contributions and part of it's because of fear that they're giving.

Finally, what I've found in looking at all these reforms is that you need to go back and check those reforms and make sure they're working. Nobody has written a perfect campaign finance law and I add not even I have written a perfect campaign finance law. They all need to be reviewed after a few years and fixed because people find out about how to deal with them. The first few years of the honeymoon, the first few years everybody basically complies. They're worried about enforcement, they're worried about doing something wrong, but after a few years people learn how to use the system.

So those are the four points I want to make. But again, I think this could be the decade of public financing. I think by the time of the 100-year anniversary of Hiram Johnson we may have dramatically changed the state again.

DIAZ: Thank you, Bob Stern.

[Applause]

VI. Questions and Answers

DIAZ: Before we go to the audience Q&A I wanted to ask Assemblywoman Hancock one of the concerns or unresolved issues that people have with this bill and it goes on the premise that once a clean money bill is passed it's not as if the special interests are suddenly going to take their briefcases and go home and say well we'll just let good public policy prevail and chips fall where they may. I mean, they're still going to want to be very involved in elections as well as lobbying. And one of the concerns with your bill is how can you regulate the influence of independent expenditures in a political campaign which the candidate does not control that could be made on a candidate's behalf or wealthy candidates, which the court rulings have pretty severely restricted the ability to put any kind of restraints on.

HANCOCK: Yeah, thanks, John. The way we deal with this is right out of Maine and Arizona so again, it isn't rocket science, it's kind of what they developed in these other states. And that is that if you have an independently wealthy candidate or independently funded candidate - this is a voluntary system; Clean Money is voluntary, used in a bipartisan way by over 50% of the election campaigns in Maine and Arizona, builds up more and more with every election as people find out that it is - there is an exchange of ideas then and also that voters like the fact that you're running clean and are accountable only to them, not to any particular interest groups. But the way it works is, let's say I choose not to use clean money and I'm going to go out and get all the money I possibly can. Bob on the other hand has chosen to be a clean money candidate and he goes out and gets a large number of small contributions from individual people living in the district he will represent, so statewide if he's running for governor or an assembly district, and he will then get a lump sum of money to run his campaign that will be adequate for him to communicate with the voters and he won't have to spend any more time raising money. He will be out talking to the people that he seeks to represent. I will raise money. And let's say I raise more than the base amount of money that Bob was given from the public fund. Bob will be matched, dollar for dollar, what I raise over the base up to five times the base. The same thing will happen should I have some friends that want to do an independent committee expenditure against Bob. They are required to report immediately and within 24 hours he will be matched, dollar for dollar, from the public fund. And we cap it at five times the base amount because number one, we don't want to spend public money unnecessarily and that five times the base amount would take care of over 90% of any race that's ever been run in California. We had one situation where one of my colleagues, who ran against a millionaire was badly outspent and lost, thought that he could not support public money. We then did the math and it turned out under public money he would have actually gotten slightly more money than he was able to raise with ceaseless fundraising and that made him into a co-author, which was very gratifying. The only race we can find that that doesn't impact was the Poisner/Ruskin race in which Poisner spent 7 million and Ruskin spent about 2 million and Poisner lost in that race anyway. So we think that when you have dramatic overspending like that, there's a point where the voters just shut down.

DIAZ: Bob, I'm interested in your analysis because one of the characteristics of independent expenditures often is not only does it tend to be some of the dirtiest, as you see in the campaign, but they often times come in late. And what good does it do a candidate to be matched dollar for dollar for an independent expenditure when it may be the last week in the campaign and even if they're matched dollar for dollar they can't buy the TV time in that.

HARRIS: Well of course that's the way it would be today also, even without public financing. If it comes in late you may not be able to buy the TV time. An interesting story was in Arizona where the Democratic accepted clean money, the Republican didn't. The Republican went to Texas to fundraise and every dollar the Republican candidate for governor raised in Texas was matched to the Democrat and she was just sitting there saying keep on raising the money because you're raising it for me too. And the independent expenditures are a real problem. You cannot stop independent expenditures. The interesting thing, John, is that you can't quite do it at the last minute now because you have so much early voting going on, so many people are voting absentee, that you can't. Secondly, the independent expenditures will only occur in the very competitive races. Nobody's going to spend money in San Francisco opposing a Mark Letto, you know, when he's running for office,

because, you know, he's going to win. Unfortunately, it's only in the very few competitive races we have where you'll have the independent expenditures. But the Hancock bill says that it will match the money and it will match it obviously once it's disclosed. As I say, it won't be so much at the last minute now because of the absentee voting.

HANCOCK: Could I just add one thing?

DIAZ: Of course.

HANCOCK: Because of the quick turnaround time, what we're hearing again from elected officials in Arizona is that now, as Bob pointed out, you have to save money in case there's an independent expenditure that you don't anticipate for the end and if you think you're in a race where that might happen, because it's so competitive, well you save out some of your public money. But even so, Mark Spitzer, the Republican statewide elected official in Arizona, who's become kind of a spokesperson for this along with John McCain, said that he actually felt better because he knew if there was ever an independent expenditure against him, within 24 hours you have to have the strategy but you don't have to have the money because you know the money's coming.

DIAZ: Yes, Peter Schrag.

SCHRAG: I want to follow up with a question.

DIAZ: Peter is a former Editorial Page editor. What was the *Bee's* position on that woman's suffrage?

[Laughter]

SCHRAG: I don't recall, actually, but it passed the same year as the referendum initiative, and it was actually very close statewide. Anyway, I can't remember what our position was, even though I look like I might remember. But I don't. What I wanted to ask, I wanted to follow up on your question about independent expenditures. A lot of independent expenditures are not particularly targeted to a particular candidate. They are issue expenditures, whether it's on gun control or it's on abortion or whatever it is, and it doesn't mention the candidate. It simply says if you're against – if you're for choice you're a baby-killer, whatever it is. How do you deal with that?

HANCOCK: You know, I think that's a free speech issue and that happens now, it is going to be able to happen in the future and the good news is that you're able to deal with it not from a position of having to raise a lot of money against it, but we do deal with the sham issue ad thing, Bob, and maybe you could talk about it.

HARRIS: If you don't mention the candidate's name, it's not covered. But if you don't mention the candidate's name, frankly the voters may not make that connection. It's a less effective ad when you don't mention the candidate's name. Issue ads are covered if you mention the candidate's name, but if you're just doing category of candidates it's not covered by the bills. But it has not been a problem in the states that have it, Maine and Arizona. Now, California of course is always on the cutting edge so, you know, Peter's a campaign consultant. No, he's not, but – [Laughter]

DIAZ: Let's go to a question over here. And please identify yourself, if you would.

FSPKR: My name is Terry Baum, Green candidate for Congress in San Francisco in 2004. One thing I'm very concerned about is what sanctions, what punishments are there, when people break the laws? Because what I've noticed is even when we have good laws; in other words, like the sanctions for breaking federal campaign laws are a fine. For example, when I was running against Nancy Pelosi she was fined for breaking a campaign finance law but what difference does that make to her, that she had to pay \$20,000? So in other words, let's say somebody didn't report their expenditure within 24 hours, therefore the other person didn't get the money, and the person who didn't report the expenditure won the election. What recourse do we have to hold them accountable?

HARRIS: California's Political Reform Act has had a long time provision that says if you're found guilty of violating the Political Reform Act the judge can also impose a sentence. You cannot run for office for the next four years. So in your case, Nancy Pelosi wouldn't have been allowed to run for office again. Now Arizona has the death penalty. Arizona lets the Clean Elections Commission actually throw a winner off the Legislature and they just did that, they just ruled against a member of the Legislature and said you are no longer a member of the Legislature and the courts upheld it. Now the problem in California is we couldn't do that because the California Constitution says the Legislature is the judge of its members. But we can say that you can't run for office again, and that's a pretty severe penalty.

DIAZ: Bob, has that penalty ever been imposed? Because it seems like after every election we'll write two or three stories about candidates who violated this or that law and –

HARRIS: Well all – yeah, all people who have won who have been charged with any sorts of violations have resigned their office. So usually what happens is if you've been charged with a violation you will resign your office. And usually they don't run again.

DIAZ: Let's see if we can get in at least one more question. Yes?

FSPKR: Thank you. Joanne McKray, Common Cause. Message for Loni Hancock. Are you familiar with the details of the CNA measure and if so, how does it stack up against 583?

HANCOCK: You know, I have sort of skimmed it so I'm not really familiar with all the details of it. In terms of candidates' elections it is pretty much identical to my bill. It takes those ideas, puts them into an initiative. It adds some initiative reforms, however, including disclosure in large print of who's behind things and it also prohibits corporate contributions to initiative campaigns.

HARRIS: I understand it's a work in progress, that the CNA has not quite decided — I've been hearing that they're taking out the corporate contribution bans.

HANCOCK: Oh, maybe so. I don't know.

HARRIS: And it's very similar to her bill. It actually gives more money to candidates than her bill does.

HANCOCK: Yeah, one of the things that we want to have hearings to do is to talk about the exact base amounts that are realistic, you know, all of the kinds of things that are coming out now. I have loved taking this through the legislative process, member by legislative member, committee by committee. People often have a hard time focusing in the Legislature until they're going to be called upon to vote on something soon. And the suggestions that I've gotten and the amendments we've made make the bill better, better and better. That's why I'm really hoping that we can have this full hearing in the Senate and then go on to a conference committee. Because the more we think about it, the more we will fine tune it and the better bill we will have. One of the drawbacks of an initiative is that it takes another vote of the people to change it most of the time, which is very cumbersome, since you know that almost any piece of legislation is a work in progress. So it would be great if California could be the second state to legislate the Clean Money system.

DIAZ: Yes?

FSPKR: Hi. I'm Gail Slocum, former Mayor of Menlo Park. And when I ran for City Council — obviously it's a very small city but I think these principles hold. To be a challenger of an incumbent you usually have to spend more than the incumbent. And you mentioned, Mr. Stern, earlier the concern about the uneven playing field, that we don't have very many competitive districts in California. And so I'm very supportive of the idea of public financing but I'm concerned to hear how that ties in with redistricting reform so that, you know, you can actually have a fair fight that's a level playing field. And maybe Poisner might have won spending that much money if it had not been a Democratically carved district. And what happens to the challenger, who really may need to spend more to get name ID and to kind of have a real competition against an incumbent, when there isn't necessarily a level playing field right now?

HANCOCK: Well you have to realize that right now incumbents do win most of the time, period, full stop, with clean money, without clean money, with people depending on contributions that may be given for governmental reasons, not election reasons, as Bob Stern suggested. If you're a challenger you can elect not to take clean money if you want or, since probably a challenger is not going to win unless there is deep dissatisfaction with the incumbent on some issues, real issues, you can get clean money from a broad base of support and then you can spend all of your time talking with voters about why you think the incumbent needs to be replaced instead of trying to explain to donors why gee whiz, maybe you really have a chance and know you're not going to get even half as much money anyway for the same uphill fight.

DIAZ: Bob Stern, did you want to weigh in?

STERN: Well I think Loni has answered the question very well. There have been proposals giving challengers more than incumbents but it would never pass the Legislature. [General laughter]

DIAZ: Great. Well in the interest in keeping things on schedule, I think we'll wrap up at this point. It's certainly an issue that is going to continue to consume a lot of attention in Sacramento. I can tell you our Editorial Page, among other newspapers in the state, is going to be keeping close track of it. I want to thank Loni Hancock, Assembly member

from District 14 and the author of this Clean Money bill, Bob Harris, the Vice President for Environmental Affairs from Pacific Gas & Electric Company, and Bob Stern, the President of the Center for Governmental Studies. Thank our panelists today.

[Applause]

VII. Concluding Remarks

TURNER: And let's thank our moderator as well, John Diaz. Thank you very much for your moderation. I know some of us have to hurry up and get back to work so I'm going to make these final conclusions very brief. I just want to say on behalf of The Greenlining Institute how much we appreciate our association with the Committee for Economic Development. We worked hand in hand with them in passage of the McCain/Feingold bill; CED working on the business community, Greenlining Institute working with the minority and civil rights groups, and we helped convince the Minority Caucuses in Washington that they should be for campaign finance reform, as the Democrats were going to use the Minority Caucus to block Shays Meehan. But through our efforts and working with CED we were able to turn that around and get that through the House. I want to close with just this one illustration. I was in Sacramento attending a reception, a business reception, and I was standing next to a chief lobbyist for a California based company, a Fortune 500 company. And then the Governor showed up at the reception. And as the Governor gave his remarks and came off the podium people pressed towards the Governor to shake his hand and introduce themselves. And as he approached us I turned to the lobbyist and I said, "Well I guess you don't have to run over there and meet the Governor. You can set up an appointment with him any time." And he said, "Well I've come to learn that as many times as I shake the Governor's hand it doesn't put money in my pocket." And I said, "Well it puts money in his pocket." And he said, "Well that's why I'm running the other way." And that's something we don't want to happen to other businesses as we move forward because we're tired of business having to run the other way whenever politicians come around. What we're talking about in terms of clean money is really liberating to the business community and it's about time we get back on the issues of how do we increase the business climate for all businesses in California, not just for those who give the big contributions and have their narrow interests focused on by politicians. Part of this event today was to outreach to the business community and also to the foundation world. I want to say again how important it was that CED and Greenlining were able to get involved in this work because a foundation took the lead role in supporting us to do this work, and that's going to be needed again if we're really going to make this decade the decade of public financing. I trust all of you will work with us in that effort. So thanks again for coming today and enjoy the rest of your day.

[Applause]

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