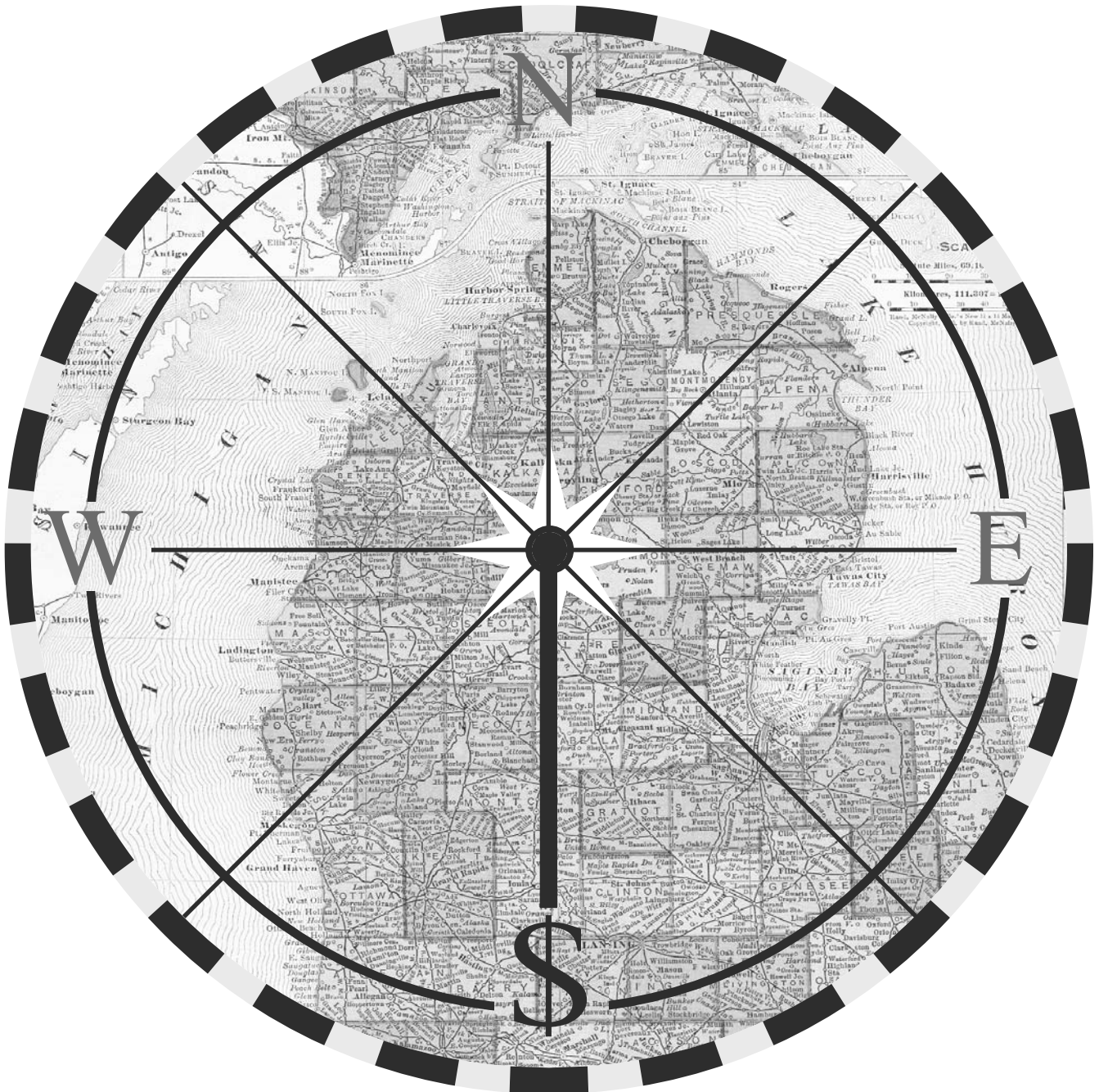


A Citizen's Guide to Michigan Campaign Finance

2002





The Michigan Campaign Finance Network is a nonprofit, nonpartisan organization that conducts research and public education on campaign finances in the state of Michigan and the relationship between campaign contributions and election outcomes and matters of public policy.

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This report was researched and written by Barbara R. Moorhouse and Richard L. Robinson with David Hogg and Christopher Moorhouse. Document design by Cathy Turley. Cover art includes an 1895 Michigan map.

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Michigan Campaign Finance Network

1310 Turner Street, Suite B, Lansing, MI 48906

Phone: (517) 482-7198 Email: mcfn@mcfn.org Web: www.mcfn.org

Michigan Campaign Finance

2002

Contents

Index of Tables	2
Introduction.....	3
Governor.....	6
Secretary of State.....	8
Attorney General.....	9
Senate	10
House of Representatives	12
Appellate Judiciary	14
Political Parties	16
Political Action Committees.....	18
Systemic Problems and Remedies	20
Appendix A. Michigan Campaign Finance Network Television Issue Ad Study	24
Appendix B. 2002 Gubernatorial Primaries.....	25
Appendix C. Top Contributors to Unsuccessful Statewide Candidates–2002.....	26
Appendix D. Alphabetical List of 2002 Major-party Legislative Candidates	27
Key to Legislative Candidates' Campaign Finance Summaries.....	29
Appendix E. Summary of Senate Candidates' Campaign Finances–2002.....	30
Appendix F. Summary of House Candidates' Campaign Finances–2002	32
Appendix G. Top Contributors to Winning Senate Campaigns–2002 Cycle.....	38
Appendix H. Top Contributors to Winning House Campaigns–2002 Cycle	43
Appendix I. Top Contributors to Winning Appellate Judiciary Campaigns–2002	57
Appendix J. Top 150 Political Action Committees–2002	58
Appendix K. Legislators' Leadership PACs–2002.....	61
Appendix L. Top Individual Contributors to Political Committees–2002.....	62
Letter to Readers.....	63

Index of Tables

Table 1. Michigan Campaign Finance Summary–2002 Elections.....	4
Table 2. Michigan Contribution Limits	5
Table 3. Federal Contribution Limits.....	5
Table 4. Gubernatorial General Election Campaign Finance Summary–2002	7
Table 5. Gubernatorial Issue Ad Sponsors–General Election, 2002	7
Table 6. Granholm/Posthumus Campaign Finance Summary–2002 Election Cycle.....	7
Table 7. Top Private Contributors, Jennifer M. Granholm for Governor	7
Table 8. Secretary of State Campaign Finance Summary–2002	8
Table 9. Top Contributors, Terri Lynn Land for Secretary of State.....	8
Table 10. Attorney General Campaign Finance Summary–2002.....	9
Table 11. Attorney General Issue Ad Sponsors–2002	9
Table 12. Top Contributors, Mike Cox for Attorney General	9
Table 13. Profile of Michigan Senate Campaigns–2002	10
Table 14. Most Expensive Senate Races–2002	11
Table 15. Profile of Michigan House Campaigns–2002	12
Table 16. Most Expensive House Races–2002	13
Table 17. Supreme Court Campaign Finance Summary–2002	14
Table 18. Supreme Court Issue Ad Sponsors–2002.....	14
Table 19. Court of Appeals Campaign Finance Summary–2002.....	15
Table 20. Michigan Republican State Committee Campaign Finance Summary–2002 Cycle	16
Table 21. Top Contributors, Michigan Republican State Committee–2002 Cycle	16
Table 22. Michigan Democratic State Central Committee Campaign Finance Summary–2002 Cycle ..	17
Table 23. Top Contributors, Michigan Democratic State Central Committee–2002 Cycle	17
Table 24. Top 30 Michigan Political Action Committees–2002	19

Introduction

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More than \$76 million was raised by candidates or spent by their supporters for independent expenditures and issue advocacy in the 2002 Michigan state elections. Almost half that amount was spent on the gubernatorial campaigns. Independent expenditures and issue ads accounted

in many of the most competitive state elections, the majority of money raised and spent on behalf of the candidates comes from a very narrow, well-funded base of support—either extremely wealthy individual contributors or well-funded interest groups. Michigan’s campaign finance law is very accommodat-

Caucus PACs

Each party caucus in each chamber of the legislature has a single political action committee (PAC) that is governed by a unique set of rules. These are the only four PACs in Michigan for which there is a limit on incoming contributions — \$20,000 per year from any individual, PAC or party committee. However, in spite of that restriction, the caucus PACs are four of the largest in the state, ranking first (House Republicans), second (Senate Republicans), seventh (House Democrats) and tenth (Senate Democrats).

In many of the most competitive state elections, the **majority of money** raised and spent on behalf of the candidates **comes from a very narrow, well-funded base of support** — either extremely wealthy individual contributors or well-funded interest groups.

for almost one-third of overall spending and 80 percent of the total spent for the gubernatorial general election. Even though the Supreme Court race was not hotly contested, non-candidate spending was nearly half the total (see Table 1).

Money is a critical factor in the outcome of elections. In the 2002 Michigan state elections, the candidate with the most financial support won 93% of the elections. This closely parallels 2000, when the candidates with the most financial support won 95% of the time.

It can be argued that money raised and spent on behalf of a candidate is a measure of the breadth of support for that candidate. That probably is true in some races, particularly those that are not competitive. However,

ing to this pattern of narrow and deep support.

Candidate Committees

Each candidate must have a campaign committee that files regular campaign finance reports, before and after elections and annually in non-election years. All contributions to the candidate committees are subject to limits except for contributions from the candidate and his/her spouse and from the legislative caucuses’ political action committees. For those candidates who raise more than \$1000, all contributions and expenditures must be reported. Candidates who plan to raise less than \$1000 can file for a waiver that excuses them from filing reports of contributions and expenditures.

A second unique rule allows the caucus PACs to spend without limit on their candidates. This spending usually comes in the form of in-kind contributions (where the PAC pays for campaign services such as staff, mailings or broadcast advertising) rather than direct contributions of cash to the candidate’s committee. These contributions can dominate the overall spending in a race.

Independent Expenditures

The political parties, caucus committees and a small handful of PACs also support select candidates by making unlimited independent expenditures. This is a method for bypassing contribution limits to the candidate’s campaign committee and infusing big money into a campaign.

Although independent expenditures must be disclosed along with the contributions to the committee making them, there are no limits on contributions to the committees. In contrast to federal campaign finance law where there are caps on contributions to PACs and political party committees, there are no such limits for state committees.

Furthermore, the standard of separation between a committee making an independent expenditure and a candidate committee is weaker under state law than federal law. A federal committee making an independent expenditure is prohibited from coordinating with a federal candidate's committee. Under state law, coordination between committees is allowed as long as the candidate's committee does not control the committee making the independent expenditure.

Issue Advocacy

Another method of providing large-scale financial support to a candidate is to engage in so-called issue advocacy. Not only

are there no contribution limits in effect for issue campaigns, there is no financial disclosure of the activity because the communications technically are not considered to be express election advocacy. And, whereas unions and corporations are prohibited from giving money to candidates, PACs or parties for express electoral activity, they are free to fund the parties and other committees without limit for issue campaigns. Issue ads were a staple of Michigan's 2000 Supreme Court campaigns and the 2002 gubernatorial election.

The issue ad loophole is a relic of the U.S. Supreme Court's 1976 *Buckley v. Valeo* decision. The Court ruled that unless political ads contain words that directly exhort a voter, such as "vote for," "defeat," "elect" or "support," they are protected issue speech, and, therefore, not subject to contribution limits or disclosure. Michigan's 2002 gubernatorial campaigns featured such "issues" as "Dick Posthumus. He's not on your side;" and, "It's extreme, it's liberal, it's Granholm." There is no campaign

finance record of the spending for those ads, nor the contributors who paid for them.

The Bipartisan Campaign Reform Act of 2002 (BCRA), commonly known as McCain-Feingold for its Senate sponsors, established a new standard for differentiating issue advocacy from express advocacy in federal campaigns. Under BCRA, any broadcast political advertisement in the weeks immediately preceding an election that features the name or image of a candidate is express advocacy, and subject to the rules thereof.

Depending on the U.S. Supreme Court's ruling in regard to challenges to BCRA, a precedent will be set that either provides or denies Michigan a possible mechanism to impose limits and accountability on the millions of dollars of political spending that currently occurs in a regulatory vacuum.

Table 1. Michigan Campaign Finance Summary—2002 Elections

Race	Candidate Receipts	Independent Expenditures	Television Issue Ads	Total
Gubernatorial primaries (five candidates)	\$14,123,053	\$1,220,362	\$1,850,000	\$17,193,415
Gubernatorial general	4,717,849	4,003,375	9,800,000	18,521,225
Secretary of State	2,788,869	370,190	-	3,159,059
Attorney General	2,051,408	80,105	985,000	3,116,513
State Senate (including primaries)	14,044,258	2,149,788	-	16,194,046
State House (including primaries)	12,740,556	2,323,231	-	15,063,786
Supreme Court (two seats)	958,427	30,691	840,000	1,829,118
Court of Appeals (11 seats)	1,008,228	834	-	1,009,062
Total	\$52,432,647	\$10,178,577	\$13,475,000	\$76,086,224

Source: MCFN analysis of Bureau of Elections campaign finance data and MCFN issue ad study.

Table 2. Michigan Contribution Limits

Contribution From:	To:							
	MI House Candidate	MI Senate Candidate	Statewide Candidate	Political PAC	Independent PAC	Caucus PAC	Party Committee	Issue Ad Campaign
Period:	2 Years	4 Years	4 Years	n/a	n/a	Annual	n/a	n/a
Individual	\$500	\$1,000	\$3,400	Unlimited	Unlimited	\$20,000	Unlimited	Unlimited
Political PAC	\$500	\$1,000	\$3,400	Unlimited	Unlimited	\$20,000	Unlimited	Unlimited
Independent PAC*	\$5,000	\$10,000	\$34,000	Unlimited	Unlimited	\$20,000	Unlimited	Unlimited
Caucus PAC	Unlimited	Unlimited	\$34,000	Unlimited	Unlimited	\$20,000	Unlimited	Unlimited
County/District Party	\$5,000	\$10,000	\$34,000	Unlimited	Unlimited	\$20,000	Unlimited	Unlimited
State Party	\$5,000	\$10,000	\$68,000	Unlimited	Unlimited	\$20,000	Unlimited	Unlimited
Corporations	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Unlimited
Unions	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Unlimited

* To achieve independent status, a political action committee must be organized six months prior to the election it seeks to impact, and in one calendar year it must have 25 unique contributors and it must support at least three candidates within the contribution limits in effect for a political PAC.

Table 3. Federal Contribution Limits

Contribution From:	To:						
	U.S. House Candidate	U.S. Senate Candidate	Presidential Candidate	PAC	State/Local Party Committee	National Party Committee	Issue Ad Campaign
Period:	Election	Election	Election	Year	Year	Year	n/a
Individual	\$2,000	\$2,000	\$2,000	\$5,000	\$10,000	\$25,000	Unlimited
PAC	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$15,000	Unlimited
Party Committee	\$5,000	\$5,000	\$5,000	\$5,000	Unlimited	Unlimited	Unlimited
Corporations	Prohibited	Prohibited	Prohibited	Prohibited	\$10,000	Prohibited	Prohibited
Unions	Prohibited	Prohibited	Prohibited	Prohibited	\$10,000	Prohibited	Prohibited

Federal limits as defined by Bipartisan Campaign Reform Act of 2002.

Levin Amendment:

Any individual, PAC, corporation or union, may give up to \$10,000 to any state or local party committee for voter registration and get-out-the-vote activity that is not subject to other limits.

Federal Individual aggregate limits:

\$37,500 per two-year election cycle to candidates

\$57,500 per two-year election cycle to national party committees and PACs, as follows:

- \$20,000-\$57,500 to all national party committees, depending on how much is given to PACs,
- Maximum \$37,500 to all committees other than national party committees

Governor

both Democrat Jennifer Granholm and Republican Dick Posthumus accepted public funding for their 2002 gubernatorial general election campaigns. As a condition for taking \$1.125 million each from the taxpayers, the candidates were obligated to limit their campaign committee spending to \$2 million.

However, that doesn't mean spending in the race was limited to \$4 million or close to it.

The state political parties and the Michigan Chamber of Commerce spent at least \$13.5 million for independent expenditures and television "issue ads" extolling the virtues of their respective favorites and impugning the other candidate. Approximately \$10 million of that amount paid for issue ads that were not disclosed on any campaign finance report.

Campaigning through non-candidate committees provides three main benefits. First, it allows a candidate's supporters to spend beyond the limits imposed on candidates who accept public financing.

Secondly, it accommodates very large contributions. Whereas individuals can give a maximum of \$3,400 to a gubernatorial candidate's campaign committee and political action committees (PACs) can give a maximum of \$34,000, contributors can give without limit to the parties and PACs, who, in turn,

can make unlimited independent expenditures.

Finally, the issue ad loophole allows corporations and unions to support candidates with money from their treasuries. Corporations are not allowed to

because the ultimate source of the money is able to maintain anonymity. Issue ads must carry a disclaimer stating who paid for the ad, but the organization identified in the disclaimer does not have to report the sources of its money.

The state political parties and the Michigan Chamber of Commerce spent at least \$13.5 million for independent expenditures and television "issue ads" extolling the virtues of their respective favorites and impugning the other candidate. Approximately \$10 million of that amount paid for issue ads that were not disclosed on any campaign finance report.

use business proceeds to make direct contributions to candidates, parties or PACs, while unions and nonprofit corporations are not allowed to use dues monies. Both corporations and unions can establish PACs to which their employees, members or supporters may contribute. The PACs, in turn, can make independent expenditures and direct contributions to candidates and other political committees

However, when a communication does not explicitly exhort the viewer, listener or reader to vote for or against a candidate, it is considered to be issue advocacy. Campaign finance rules, including the prohibition against union and corporate treasury funds, do not apply to issue ads. The most virulently negative opposition advertising is normally funded in this way, arguably

The overall amount raised by the candidates' committees, \$9.14 million by Granholm and \$4.74 million by Posthumus, is comparable to the total amount raised by John Engler and Geoffrey Fieger in 1998. Engler raised \$6.29 million and Fieger had \$6.17 million (\$5.4 million of his own money).

The number of contributions to the respective candidates' committees provides some measure of the breadth of support for each. Granholm had some 27,000 contributions. Posthumus had fewer than 8,000.

Table 4. Gubernatorial General Election Campaign Finance Summary–2002

Candidate	Candidate Receipts		Indep. Expend.		Total Resources	Party Resources		Votes Received	% of Vote	\$ / Vote
	Public	Private	Party IE	PAC IE		Amount	%			
Dick Posthumus (R)	\$1,125,000	\$1,098,115	\$3,494,542	\$265,624	\$5,983,281	\$3,494,542	58.4%	1,506,104	47.4%	\$3.97
Jennifer Granholm (D)	1,125,000	1,369,734	203,799	39,410	2,737,943	203,799	7.4%	1,633,796	51.4%	1.68
\$8,721,224										

Source: MCFN analysis of Bureau of Elections campaign finance data

Table 5. Gubernatorial Issue Ad Sponsors–General Election, 2002

Sponsor	Issue	Amount
MI Republican State Committee	Support Posthumus /Oppose Granholm	\$1,500,000
MI Chamber of Commerce	Support Posthumus/Oppose Granholm	\$1,100,000
MI Democratic State Central Committee	Support Granholm/Oppose Posthumus	\$7,200,000

Source: MCFN issue ad study

Table 6. Granholm/Posthumus Campaign Finance Summary–2002 Election Cycle

Candidate	Candidate Receipts		Indep. Expend.		Total Resources	Party Resources	
	Public	Private	Party IE	PAC IE		Amount	%
Dick Posthumus (R)	\$2,122,479	\$2,620,790	\$3,494,542	\$265,624	\$8,503,435	\$3,494,542	41.1%
Jennifer Granholm (D)	1,125,000	8,015,320	203,799	39,410	9,383,529	203,799	2.2%
\$17,886,964							

Source: MCFN analysis of Bureau of Elections campaign finance data

Table 7. Top Private Contributors, Jennifer M. Granholm for Governor

\$599,153 (7.5% of total private contributions)

Contributors	Amount
Jennifer Granholm for Attorney General.....	\$300,000
Democratic Governors Assn.–MI	34,000
Intl. Brotherhood of Electrical Workers / IBEW COPE.....	34,000
MI Concrete Paving Assn. PAC	34,000
MI Education Assn. / MEA PAC	34,000
MI Trial Lawyers Assn. / Justice PAC.....	34,000
United Food & Commercial Workers Local 951 PAC.....	33,853
MI Laborers Political League	33,450
Operating Engineers Local 324 PAC	31,850
EMILY's List	30,000

Source: MCFN analysis of Bureau of Elections campaign finance data

Secretary of State

the money story for the secretary of state campaign is exceedingly simple. The candidate with the most money won, and raising the money was a family affair. Republican Terri Lynn Land had \$2.46 million in financial support, a 3.5:1 money advantage over her opponent, Melvin Butch Hollowell. Land's family put up \$2.17 million, 88 percent of the total. The political parties were involved minimally.

Ms. Land and her husband, Dan Hibma, gave the campaign committee \$1.77 million. Of that amount, \$985,726 was reported as

loans from Mr. Hibma. The campaign ended the election cycle owing him that amount.

The second largest money source for the Land campaign was the West Michigan Leadership Caucus (WMLC), of which Ms. Land was treasurer at the beginning of the election cycle. The PAC raised \$559,000, 97 percent of which was contributed by Ms. Land's father, Paul Land. Her husband also gave the PAC \$15,000 and Ms. Land put in \$1,500. WMLC gave \$34,000 directly to the Land campaign and made \$360,000 worth of independent expendi-

tures supporting Ms. Land. Given the closeness of the PAC's financiers to the candidate, this case tests even Michigan's weak standard of separation between a committee making independent expenditures and a candidate committee.

This election was much more expensive than previous secretary of state campaigns. In 1998, Republican Candice Miller had total receipts of \$824,000 and Democrat Mary Lou Parks had \$52,000. In 1994 Miller had \$278,000 and Democrat Richard Austin had \$390,000.

Table 8. Secretary of State Campaign Finance Summary—2002

Candidate	Candidate Receipts	Indep. Expend.		Total Resources	Party Resources		Votes Received	% of Vote	\$ per Vote
		Party IE	PAC IE		Amount	%			
Land, Terri Lynn (R)	\$2,092,829	\$2,513	\$359,880	\$2,455,222	\$ 2,513	0.1%	1,703,261	55.0%	\$1.44
Hollowell, Melvin Butch(D)	696,040	7,797	0	703,837	66,280	9.4%	1,331,441	43.0%	0.53

Note: The only minor party candidate who reported raising campaign money was Ray Ziarno (Green Party) who raised \$9,719.

Source: MCFN analysis of Bureau of Elections campaign finance data

Table 9. Top Contributors, Terri Lynn Land for Secretary of State

\$1,866,323 (89% of total contributions)

Contributor	Amount
Candidate & spouse funds (91% from spouse).....	\$1,770,323
West MI Leadership Caucus (Land).....	34,000
MI Manufactured Housing RV & Campground Assn. PAC.....	12,500
Kent County Republican Party.....	10,500
DeVos, Doug & Maria.....	6,800
Keeler, Miner & Mary	6,800
Land, Paul & Judy	6,800
Lucas, Roger & Mary	6,800
Young, William & Vivienne	6,800
Auto Dealers of Michigan PAC.....	5,000

Source: MCFN analysis of Bureau of Elections campaign finance data

Attorney General

the attorney general election was the closest statewide race, both in terms of votes and money. It was also a rare case of a winner defeating a better funded opponent. Republican Mike Cox was a plurality winner, defeating Democrat Gary Peters by 5,200 votes out of more than three million cast. In reported money, Peters had a 16 percent advantage over Cox, \$1.14 million to \$987,000. Each candidate also benefited from approximately \$500,000 in unreported issue advertising.

The parties each reported a relatively modest \$66,000 in support of their candidates. The Republican Party appeared to contribute an additional \$34,000 to Cox through former senator Matt Dunaskiss' leadership PAC. The party gave \$35,000 to Dunaskiss for Michigan on October 31st, the only contribution it received during the reporting period, and Dunaskiss' PAC made its \$34,000 contribution the next day.

While the two campaigns had relatively equal amounts of "issue" support, the sources were

of different types. The Michigan Chamber of Commerce spent about \$485,000 for television issue ads, while the Michigan Democratic Party spent approximately \$500,000 for issue ads. None of this spending is disclosed on any campaign finance report. (See Appendix A.)

Candidate fund raising for this election was less than the 1998 attorney general campaigns when Republican John Smietanka had total receipts of \$1,514,000 and Democrat Jennifer Granholm had \$976,000.

Table 10. Attorney General Campaign Finance Summary—2002

Candidate	Candidate Receipts	Indep. Expend.		Total Resources	Party Resources		Votes Received	% of Vote	\$ per Vote
		Party IE	PAC IE		Amount	%			
Cox, Mike (R)	\$ 915,042	\$3,289	\$68,374	\$ 986,705	\$66,289	6.7%	1,499,066	48.9%	\$0.66
Peters, Gary (D)	1,136,366	7,797	645	1,144,809	66,158	5.8%	1,493,866	48.7%	0.77

Source: MCFN analysis of Bureau of Elections campaign finance data

Table 11. Attorney General Issue Ad Sponsors—2002

Sponsor	Issue	Amount
Michigan Chamber of Commerce	Support Cox/Oppose Peters	\$485,000
Michigan Democratic Party	Support Peters/Oppose Cox	\$500,000

Source: MCFN issue ad study

Table 12. Top Contributors, Mike Cox for Attorney General

\$193,000 (21% of total contributions)

Contributor	Amount
Dunaskiss for Michigan.....	\$34,000
Republican National State Elections (RNC).....	34,000
West MI Leadership Caucus (Land).....	34,000
MI Republican State Committee.....	25,000
Blue Cross/Blue Shield of MI / BCBSM PAC.....	18,000
Candidate & spouse funds.....	13,700
MI Assn. of Realtors / REALTORS PAC.....	10,500
Dykema Gossett PAC.....	10,000
Miller Canfield PAC.....	7,600
Meijer PAC	7,000

Source: MCFN analysis of Bureau of Elections campaign finance data

Senate

Table 13. Profile of Michigan Senate Campaigns—2002

Candidates

Total raised by candidates: \$11,600,839
 Average*: \$184,140
 Median*: \$141,522
 Most money raised by a winner: \$736,295 (Stamas—36th)
 Least money raised by a winner: \$51,549 (Scott—2nd)
 Average raised by winners: \$227,191
 Average raised by unsuccessful candidates*: \$73,888

Party/Caucus Independent Expenditures

Total party/caucus independent expenditures (IE): \$1,884,317
 Number of candidates supported by party/caucus IE: 24
 Average party/caucus IE**: \$75,373
 Median party/caucus IE**: \$34,781
 Most party/caucus IE supporting a candidate: \$319,313 (Toy—6th)

Elections Results

Number of seats: 38
 Number of winners with funding superiority: 34
 Number of incumbents seeking re-election: 9***
 Number of incumbents re-elected: 9
 Number of incumbents with funding superiority: 9
 Number of candidates with waivers (<\$1,000 raised): 13

* Amounts raised include direct and in-kind contributions and other receipts. Candidates who filed waivers were not considered in the calculation of the average or median raised. Candidates who filed waivers were considered in the average for unsuccessful candidates

** Only candidates who benefited from independent expenditures were considered in the calculation of the average and median independent expenditures.

*** The 10th incumbent who sought re-election was defeated in the primary.

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Money was crucial in Michigan's 2002 senate elections, as 34 out of 38 winners had more financial backing than their opponents. Help from a caucus PAC and/or the state party sometimes outweighed what the candidate raised on his/her own. Most of this party money went to just nine candidates and accounted for 63 percent of their resources. This

party and caucus spending was unrestrained by limits. The caucus PACs are not subject to spending limits, and contributions to the parties are not subject to limits. The parties can turn unlimited contributions into unlimited independent expenditures.

The vote differential was less than ten percent in only seven races, and in five of those (and

three others where the margin was wider) at least one party poured more than \$100,000 into the effort. Combined party/caucus support exceeded \$100,000 for both candidates in the 34th District, where Gerald Van Woerkom (R) won the closest senate race by a plurality vote.

In each of the five most expensive races, all won by

Republicans, the winning candidate received more than \$250,000 in party and caucus support. In three of those races, total spending topped \$1 million. Tony Stamas (36th) was the top recipient of party and caucus support with \$681,000, which allowed him to build a four-to-one money advantage on his way to winning the second-closest Senate election of 2002.

Of the three Democrats who were backed by more than \$100,000 from their party and caucus, only former state senator and congressman Jim Barcia

(31st) was a winner, taking more than 60 percent of the vote. Barcia was one of only four candidates who defeated a better-funded opponent.

Michael Switalski (D-10th), Virg Bernero (D-23rd) and Jud Gilbert (R-25th) also defeated better-funded opponents. Switalski and Gilbert each had to overcome significant spending from the opposing party and caucus, \$179,000 and \$149,000, respectively. Bernero was the only candidate to defeat a better-funded opponent in both the primary and general election.

When caucus contributions and loans from the candidate are taken out of the equation, Senate Majority Leader Ken Sikkema (R-28th) led all 2002 candidates in fund raising with \$340,000. Sikkema had no primary opponent and won his general election by a three-to-one vote margin. He contributed \$100,000 from his campaign committee to the Republican Party.

Complete campaign finance summaries for all major-party candidates are displayed in Appendix E. Top Contributors to winning campaigns are in Appendix G.

Table 14. Most Expensive Senate Races—2002

Dist	Candidate	Candidate Receipts	Party/ Caucus Contrib.	Indep. Expend.		Total Resources	Party Resources		% of Vote
				Party IE	PAC IE		Amount	%	
36	T. Stamas (R) A. Neumann (D)	\$ 736,295 185,773	\$ 443,963 8,713	\$ 237,293 34,781	\$ 3,608 4,435	\$ 977,196 224,989 1,202,185	\$ 681,256 43,494	69.7% 19.3%	51.1% 48.9%
29	W. Hardiman (R) S. Pestka (D)	447,581 506,332	138,334 10,000	114,540 7,341	4,395 205	566,516 513,878 1,080,394	252,874 17,341	44.6% 3.4%	53.8% 44.7%
20	T. George (R) E. LaForge (D)	585,988 229,454	237,175 31,940	187,526 46,568	7,228 2,731	780,742 278,753 1,059,495	424,701 78,508	54.4% 28.2%	56.5% 43.5%
34	G. VanWoerkom (R) R. Shrauger (D)	381,044 185,952	223,140 10,000	180,503 160,814	5,974 314	567,521 347,080 914,601	403,643 170,814	71.1% 49.2%	49.5% 48.3%
6	L. Toy (R) E. DeHart (D)	417,848 120,473	255,483 0	319,313 18,653	316 58	737,477 139,184 876,661	574,796 18,653	77.9% 13.4%	54.2% 45.8%
23	P. DeWeese (R) V. Bernero (D)	382,326 262,407	1,521 40,000	0 5,428	2,193 1,432	384,519 269,267 653,786	1,521 45,428	0.4% 16.9%	46.6% 53.4%
19	M. Mortimer (R) M. Schauer (D)	244,200 276,477	5,471 2,500	34,767 12,691	2,890 218	281,857 289,386 571,243	40,238 15,191	14.3% 5.2%	44.9% 55.1%
7	B. Patterson (R) G. Mans (D)	442,104 71,526	2,574 4,400	54,580 0	158 1,504	496,842 73,030 569,872	57,154 4,400	11.5% 6.0%	56.3% 43.7%
31	M. Green (R) J. Barcia (D)	259,171 157,219	0 10,000	0 101,201	2,083 410	261,254 258,830 520,084	0 111,201	0.0% 43.0%	39.5% 60.5%
Totals — top 9 races		\$ 5,892,170	\$1,425,214	\$1,515,999	\$ 40,152	\$ 7,448,321	\$2,941,213	39.5%	n/a
Totals — all 38 races		\$11,600,839	\$1,499,687	\$1,884,317	\$165,038	\$13,650,194	\$3,384,004	24.8%	n/a

House of Representatives

Table 15. Profile of Michigan House Campaigns—2002

Candidates

Total raised by candidates: \$9,964,573
 Average*: \$54,155
 Median*: \$43,364
 Most money raised by a winner: \$260,717 (Nofs—62nd)
 Least money raised by a winner: \$6,845 (Hood—11th)
 Average raised by winners: \$68,640
 Average raised by unsuccessful candidates*: \$21,567

Party/Caucus Independent Expenditures

Total party/caucus independent expenditures (IE): \$1,881,780
 Number of candidates supported by party/caucus IE: 36
 Average party/caucus IE**: \$52,272
 Median party/caucus IE**: \$48,461
 Most IE supporting a candidate: \$114,050 (Nofs—62nd)

Elections Results

Number of seats: 110
 Number of winning candidates with funding superiority: 102
 Number of incumbents seeking re-election: 57***
 Number of incumbents re-elected: 56
 Number of winning incumbents with funding superiority: 55
 Number of candidates with waivers (<\$1,000 raised): 35
 No major party opposition: 1

* Amounts raised includes direct and in-kind contributions and other receipts. Candidates who filed waivers were not considered in the calculation of the average or median. Candidates who filed waivers were considered in the average for unsuccessful candidates.

** Only candidates who benefited from independent expenditures were considered in the calculation of the average and median independent expenditures.

*** A 58th incumbent who sought re-election was defeated in the primary.

m Michigan's 2002 house elections followed a pattern similar to that seen in 2000. Ninety-three percent of the winners had more financial backing than their opponent, and in the most competitive races, the parties and the caucus campaign committees weighed in with big money. In the ten most expensive races, the caucuses and the parties provided 47 percent of the cash. That party and caucus spending was unrestrained by limits. The caucus PACs are not sub-

ject to spending limits, and contributions to the parties are not subject to limits. The parties can turn unlimited contributions into unlimited independent expenditures.

Although there were more than twice as many open seats in 2002 as in 2000, the overall amount raised by house candidates was down by 21 percent, from \$12.55 million to \$9.96 million (Republicans—\$6.07 million, Democrats—\$3.90 million). This time there was competition for

contributor dollars from senate races and key statewide races. Direct and in-kind contributions from the parties and caucuses to candidates were down by \$900,000, from \$1.62 million to \$720,000, even though the caucus PACs' fund raising was down only slightly. On the other hand, the caucus PACs gave \$900,000 more to their state parties than in 2000. Party independent expenditures supporting house candidates were up slightly from \$1.79 million to

\$1.88 million (Republicans—\$1.23 million, Democrats—\$650,000).

Nine Republicans received more than \$90,000 in party and caucus support, with Mike Nofs (62nd District) at the top of the list with \$273,000. Laurie Stupak, an unsuccessful candidate in the 108th District, was the top recipient among Democrats with \$78,000. Eight other Democrats received more than \$50,000 in party and caucus financial support.

Eight candidates defeated better-funded opponents—Daniel Paletko (D-17th), Kathleen Law, (D-23rd),

Aldo Vagnozzi (D-37th), Jack Hoogendyk (R-61st), incumbent Jim Howell (R-94th), Jennifer Elkins (D-97th), Matthew Gillard (D-106th) and Tom Casperson (R-108th).

Three incumbents who had no primary opponent and captured more than 60 percent of the vote in the general election raised more than three times the House average with no party or caucus help. They are Appropriations chairman Mark Shulman (R-39th, \$172,000), Health Policy chairman Stephen Ehardt (R-83rd, \$199,000) and Speaker Rick Johnson (R-102nd, \$161,000).

There were three plurality winners in the house elections. In all three cases, it is plausible that the third-party candidate tipped the outcome. Libertarians were the third candidates in the 17th and 23rd Districts, where Democrats Daniel Paletko and Kathleen Law won. In the 51st District, where Republican David Robertson unseated incumbent Democrat Pat Lockwood, the third candidate was a Green.

Complete campaign finance summaries for major party candidates are in Appendix F. Top contributors to winning candidates are in Appendix H.

Table 16. Most Expensive House Races—2002

Dist	Candidate	Candidate Receipts	Party/ Caucus Contrib.	Indep. Expend.		Total Resources	Party Resources		% of Vote
				Party IE	PAC IE		Amount	%	
62	M. Nofs (R)	\$ 260,717	\$ 159,038	\$ 114,050	\$ 687	\$ 375,454	\$ 273,088	72.7%	53.2%
	T. Dearing (D)	80,560	5,628	46,871	446	127,877	52,499	41.1%	46.8%
						503,331			
91	D. Farhat (R)	198,155	104,727	100,226	22,483	320,864	204,953	63.9%	50.8%
	N. Frye (D)	84,985	14,285	45,848	187	131,020	60,133	45.9%	49.2%
						451,884			
52	G DeRossett (R)	227,517	4,922	104,362	566	332,445	109,284	32.9%	53.4%
	P. Byrnes (D)	90,649	821	1,177	156	91,982	1,998	2.2%	46.6%
						424,427			
106	D. Wyman (R)	129,459	70,761	98,020	37,930	265,409	168,781	63.6%	49.3%
	M. Gillard (D)	101,205	17,933	44,266	15	145,486	62,199	42.8%	50.7%
						410,895			
32	D. Acciavatti (R)	142,228	8,204	90,590	6,133	238,951	98,794	41.3%	56.3%
	J. Hertel (D)	98,767	3,647	29,836	106	128,709	33,483	26.0%	43.7%
						367,660			
51	D. Robertson (R)	129,166	49,922	61,030	15,610	205,806	110,952	53.9%	49.9%
	P. Lockwood (D)	77,575	875	31,311	336	109,222	32,186	29.5%	48.4%
						315,028			
24	J. Brandenburg (R)	158,153	13,815	53,495	7,576	219,224	67,310	30.7%	53.6%
	F. Benson (D)	38,878	2,513	52,798	184	91,860	55,311	60.2%	43.3%
						311,084			
108	T. Casperson (R)	100,639	4,922	0	149	100,788	4,922	4.9%	51.8%
	L. Stupak (D)	165,052	45,000	33,845	149	199,046	78,845	39.6%	48.2%
						299,834			
37	V. Knol (R)	81,202	4,922	68,879	25,922	176,003	73,801	41.9%	47.5%
	A. Vagnozzi (D)	97,447	548	24,503	43	121,993	25,051	20.5%	52.5%
						297,996			
97	D. Coker (R)	139,771	99,726	38,558	1,006	179,335	138,284	77.1%	49.4%
	J. Elkins (D)	55,621	4,704	61,908	101	117,630	66,612	56.6%	50.6%
						296,965			
Totals — top 10 races		\$2,457,746	\$616,913	\$1,101,573	\$119,785	\$ 3,679,104	\$1,718,486	46.7%	n/a
Totals — all 110 races		\$9,964,573	\$721,364	\$1,881,780	\$253,582	\$12,099,935	\$2,603,144	21.5%	n/a

Appellate Judiciary

Supreme Court

The Supreme Court election was the least competitive statewide election in 2002, both in terms of votes and campaign fund raising. Incumbent Republican nominees Elizabeth Weaver and Robert Young, Jr. each had an overwhelming money advantage over the Democratic nominees, J. Martin Brennan and Maggie Drake. Weaver and Young also decisively won the election, each tallying more than two-to-one vote margins over both Brennan and Drake. Of the three minor-party nominees on the bal-

lot, only Green candidate Donnelly Hadden raised money—\$5,915. Libertarian nominee Michael Donahue was the top vote getter among the minor-party candidates with 329,587 votes.

The 2002 campaigns ended a trend of dramatically increasing costs for winning Supreme Court campaigns. From 1994 to 2000, the average winning candidate campaign committee had more than quadrupled from \$284,000 to \$1.3 million.

Party independent expenditures, which totaled \$1.88 million in 2000, were much smaller this time—\$1,943 each for the Republican nominees and \$7,797 each for the Democratic nominees.

While unreported “issue advertising” related to the campaigns dropped dramatically compared to 2000, when it probably topped \$7 million, the Michigan Chamber of Commerce was again a major presence in the campaign. The Chamber spent roughly \$840,000 extolling the qualities of the incumbents and their work on the bench, despite the candidates’ own overwhelming financial advantage. That is nearly as much money as the Republican nominees’ raised, and more than ten times the amount raised by the Democrats. Neither of the parties engaged in issue advertising.

Top contributors to the campaigns of Justices Weaver and Young are shown in Appendix I.

Table 17. Supreme Court Campaign Finance Summary—2002

Candidate	Nom. Party	Candidate Receipts	Indep. Expend. Party IE	Indep. Expend. PAC IE	Total Resources	Party Resources Amount	Party Resources %	Votes Received	\$ per Vote
Elizabeth Weaver (I)	R	\$280,440	\$1,943	\$ 15	\$ 282,383	\$1,943	0.3%	1,376,180	\$0.51
Robert P. Young, Jr. (I)	R	622,413	1,943	8,899	624,356	1,943	0.2%	1,356,008	0.78
J. Martin Brennan	D	11,549	7,797	2,296	21,642	7,797	36.0%	522,426	0.04
Maggie W. Drake	D	44,025	7,797	0	51,822	7,797	15.0%	617,858	0.08

Source: MCFN analysis of Bureau of Elections campaign finance data

Note: Candidates run on the nonpartisan ballot but are nominated by parties

Table 18. Supreme Court Issue Ad Sponsors—2002

Sponsor	Issue	Amount
MI Chamber of Commerce	Support Young, Weaver	\$840,000

Source: MCFN issue ad study

Court of Appeals

The Court of Appeals races were typical of previous years in many respects. All nine incumbents who sought reelection were winners. Seven of them were unchallenged, and six of those seven filed waivers, raising and spending less than \$1,000.

In the 1st District, incumbents Chris Murray and Michael Talbot won reelection in a three-way contest for two seats. Both incumbents had twice as much money as challenger Cynthia Hathaway.

Also in the 1st District, Karen Fort Hood defeated James Chylinski for an open seat, despite Chylinski having a 40 per-

cent money advantage. Hood succeeded her father, who was not eligible for reelection because he had reached age 70.

The open seat in the 4th District was a record setter in terms of fund raising. Term-limited state senator Bill Schuette raised \$502,640 in winning a three-way primary and defeating James Cavanagh in the general election. Schuette raised as much money as the other 13 Court of Appeals candidates on the November ballot combined and had better than a five-to-one money advantage over Cavanagh. He broke the previous Court of Appeals fund raising record of \$398,000 set by Martin Doctoroff in 1998.

Schuette's candidacy may signal the beginning of a new trend as the effect of term limits takes hold for legislative and executive

offices. He was one of two term-limited senators—along with Christopher Dingell who won a seat in Wayne County's 3rd Circuit—who ran successfully for a judgeship.

While Schuette did not transfer any funds to his judicial campaign from his senatorial committee, the potential for such an occurrence seems to have moved the Supreme Court to proactively address such a possibility. The Court is seeking public comment on a revision to the Judicial Canons that would prohibit candidates from transferring funds to a judicial committee from any pre-existing campaign committee for another office.

Top contributors to winning Court of Appeals campaigns that raised money are shown in Appendix I.

Table 19. Court of Appeals Campaign Finance Summary—2002

Candidate	Candidate Receipts	Indep. Party IE	Expend. PAC IE	Total Resources	Party Resources	Votes Received	\$ per Vote
1st District (one open seat)							
James R. Chylinski	\$123,044	\$ 0	\$273	\$123,317	\$ 0	179,318	\$0.69
Karen Fort Hood	87,908	0	0	87,908	0	290,493	\$0.30
1st District (two seats, two incumbents)							
Cynthia Hathaway	31,350	0	0	31,350	0	237,232	\$0.13
Chris Murray (I)	79,209	0	273	79,482	0	262,016	\$0.30
Michael Talbot (I)	65,503	0	273	65,776	0	319,629	\$0.21
2nd District (three seats, three incumbents)							
Mark Cavanagh (I)	waiver	0	0	waiver	0	473,734	\$0.00
E. Thomas Fitzgerald (I)	waiver	0	0	waiver	0	456,149	\$0.00
Henry Saad (I)	27,800	0	0	27,800	0	357,823	\$0.08
3rd District (two seats, two incumbents)							
Richard Bandstra (I)	waiver	0	0	waiver	0	428,990	\$0.00
Jane Markey (I)	waiver	0	0	waiver	0	437,580	\$0.00
4th District (two seats, two incumbents)							
Richard Griffin (I)	waiver	0	0	waiver	0	464,124	\$0.00
Patrick Meter (I)	waiver	0	0	waiver	0	411,310	\$0.00
4th District (one open seat)							
James Cavanagh	90,773	0	0	90,773	0	287,274	\$0.32
Bill Schuette	502,640	0	15	502,655	0	349,055	\$1.44

Political Parties

The state parties played a major role in financing selected election campaigns in 2002. Exploiting the fact that there are no limits on contributions to the parties, they reported raising \$16.8 million in their state election accounts.

A significant amount of that money turned into large independ-

ent expenditures: \$3.7 million supporting the gubernatorial candidates (Republicans—\$3.5 million), \$1.3 million supporting Senate candidates and \$1.6 million supporting House candidates.

The parties campaign finance reports do not show their large expenditures for so-called issue advertising. The Michigan

Campaign Finance Network conducted an independent analysis of the parties' television advertising that showed them spending nearly \$11 million just for the November gubernatorial election. The Republicans reported \$2.2 million of the \$3.7 million they spent. The Democrats reported nothing of the \$7.2 million they spent.

Table 20. MI Republican State Committee Campaign Finance Summary—2002 Cycle

Receipts	2002 Cycle	2000 Cycle	1998 Cycle*
Individuals	\$5,652,652	\$7,837,682	
Candidate Committees	371,975	39,500	
PACs	987,706	767,855	
Caucus Committees	1,509,172	0	
PACs—Leadership	381,847	106,600	
State/Local Party Committees	433,965	41,425	
State Contributions (subtotal of above)	9,337,318	8,793,062	7,595,465
Federal Party Committees	893,569	10,371,706	2,649,950
Other Receipts	285,918	951,025	732,966
Total Receipts	\$10,516,805	\$20,115,793	\$10,978,381
Expenditures			
Direct	492,979	621,264	423,450
In-kind	420	99,296	79,730
Independent	5,444,604	3,146,176	466,426
Get Out the Vote (GOTV)	45,051	666,339	6,132
Nonfederal Share of Joint Activities	3,439,399	13,889,328	3,420,404
Total Expenditures	\$9,422,452	\$18,422,402	\$4,396,142
Debt	\$984,053	\$700,000	\$12,475

* State contribution detail is not available for 1998.

Source: MCFN analysis of Bureau of Elections and FEC campaign finance data

Table 21. Top Contributors, MI Republican State Committee—2002 Cycle

\$4,824,841 (45.9% of total contributions)

Contributors	Amount
MI House Republican Campaign Committee.....	\$895,800
Republican National Committee—state elections	642,700
MI Senate Republican Campaign Committee	613,372
Richard M. Devos Sr.	525,000
Mr. & Mrs. Jay Van Andel.....	500,000
The (Posthumus) Leadership Fund	455,000
MI Republican State Committee—federal account	418,100
Robert M. Thompson	375,000
National Republican Congressional Committee.....	239,869
Candice S. Miller for Michigan	160,000

Source: MCFN analysis of Bureau of Elections campaign finance data

In the financial summaries for the parties shown below, there is a large expenditure line in each election cycle for the nonfederal share of joint activities. This line covers administrative expenses, generic voter drive expenses, fund raising expenses for joint state-federal events and issue advocacy. These expenses are not reported to the

Bureau of Elections, but they are shown in the state parties' federal accounts and they are reported to the Federal Election Commission.

The parties reported fund raising in 2002 is similar to the last non-presidential election cycle in 1998. The Democrats' total receipts were up by \$1.4 million to \$6.3

million. The Republicans' total was down by \$460,000 to \$10.5 million. Both parties' reported receipts and expenditures were off dramatically from 2000 when a flood of federal soft money was transferred into the state parties for issue advertising related to the presidential, senatorial and 8th Congressional District campaigns.

Table 22. MI Democratic State Central Comm. Campaign Finance Summary—2002 Cycle

Receipts	2002 Cycle	2000 Cycle	1998 Cycle*
Individuals	\$701,743	\$1,273,455	
Candidate Committees	431,050	371,713	
PACs	1,951,760	2,559,488	
Caucus Committees	744,007	416,164	
PACs—Leadership	223,275	71,260	
State/Local Party Committees	114,709	89,179	
State Contributions (subtotal of above)	4,166,544	4,781,258	3,404,373
Federal Party Committees	2,096,979	14,173,219	1,472,620
Other Receipts	0	0	0
Total Receipts	\$6,263,523	\$18,954,477	\$4,876,933
Expenditures			
Direct	1,714,186	2,076,446	324,497
In-kind	208,375	135,096	66,426
Independent	1,506,242	837,996	2,287,114
Get Out the Vote (GOTV)	0	0	0
Nonfederal Share of Joint Activities	3,221,864	14,566,252	2,461,361
Total Expenditures	\$6,650,667	\$17,615,790	\$5,139,397
Debt	\$134,683	\$0	\$0

* State contribution detail is not available for 1998.

Source: MCFN analysis of Bureau of Elections and FEC campaign finance data

Table 23. Top Contributors, MI Democratic State Central Committee—2002 Cycle

\$4,430,127 (70.7% of all contributions)

Contributor	Amount
Democratic National Committee.....	\$881,209
Democratic Senatorial Campaign Committee	862,100
MI Education Assn./ MEA PAC.....	676,870
MI House Democratic Fund	420,657
Democratic Governors Association Michigan.....	397,000
Democratic Congressional Campaign Committee	348,670
MI Senate Democratic Fund.....	323,350
MI Trial Lawyers Assn. / Justice PAC.....	229,900
United Auto Workers / UAW MI Voluntary PAC	158,000
Generations PAC (Kwame Kilpatrick).....	132,370

Source: MCFN analysis of Bureau of Elections campaign finance data

Political Action Committees

michigan's top 150 political action committees (PACs) raised \$32.9 million in the 2002 election cycle—\$8.9 million more than the same committees raised in the 2000 cycle. This group includes 15 committees that were organized during the 2002 cycle.

The legislative caucuses' PACs were fund-raising leaders. The House and Senate Republican Campaign Committees placed first and second, while the House and Senate Democratic Funds finished seventh and tenth, respectively. Three of the four caucus PACs also borrowed heavily. The Senate Republicans ended 2002 with \$900,000 in debt, the House Republicans owed \$850,000 and the House Democrats owed \$390,000. The Senate Democrats reported no debt.

The majority of PACs are organized and operated by trade or business associations, labor unions, businesses, ideological interest groups or politicians (leadership PACs), and they are financed by a relatively broad base of contributors. In contrast, several others are dependent on exceptionally large contributions from just a few persons. In turn, these PACs spend the majority of their funds on independent expenditures, thereby circumventing contribution limits to candidates. Several examples illustrate the pattern:

- Greektown entrepreneurs Jim Papas and Ted and Maria Gatzaros gave \$910,000 to

Citizens for Responsible Leadership. The PAC made independent expenditures of more than \$1 million supporting former governor Jim Blanchard in the Democratic gubernatorial primary.

- Betsy and Dick DeVos, Elsa Prince Broekhuizen (Mrs. DeVos' mother) and Helen and Richard DeVos, Sr. (Mr. DeVos' parents) gave \$635,000 to the Great Lakes Education Project (GLEP). GLEP spent more than \$700,000 supporting and opposing candidates, including independent expenditures of more than \$425,000 in legislative primaries (top beneficiary: Michelle McManus in the 35th District Republican primary—\$88,000).

- Paul Land gave \$540,000 to the West Michigan Leadership Caucus, which spent \$420,000 supporting the secretary of state campaign of Terri Lynn Land, his daughter

- Six individuals—C. Michael Kojaian, Ruth Merillat, John C. Kennedy III, Michael Timmis, Peter Cook and Robert Powers—gave Right to Life (RTL) of Michigan two-thirds of the \$350,000 it raised. RTL made independent expenditures of \$335,000, including \$238,000 supporting Dick Posthumus and opposing Jennifer Granholm in the gubernatorial campaign.

The timing of contributions and independent expenditures can undermine transparency in campaign financing because of an anomaly in Michigan law. In

special elections, any independent expenditures that are made within 45 days of the election must be reported within 48 hours. In contrast, during regular election campaigns, late independent expenditures do not have to be reported until the spending committee's next regular report is due. Both Citizens for Responsible Leadership and the Great Lakes Education Project made hundreds of thousands of dollars in independent expenditures to impact the primaries that were not reported until October, ten weeks after the election. In addition, some of GLEP's independent expenditures for the primaries were not paid until December and not reported until its January 2003 report. Voters had no way to know how much was spent by these groups until the elections were old news.

One PAC distinguished itself as the most deficient in reporting. Generations PAC, Detroit Mayor Kwame Kilpatrick's leadership fund, raised and spent more than \$300,000 during the election cycle. However, on Election Day it was four reports and 15 months behind in reporting and showed only \$20,000 raised. It did not report the remainder of its financial activity until six months after the election, and at press time for this report, it is delinquent by four months in filing its January 2003 report.

The complete list of the top 150 PACs is found in Appendix J. Legislators' leadership PACs are shown in Appendix K.

Table 23. Top 30 Michigan Political Action Committees—2002

2002			
Rank	Committee Name	2002 Cycle	2000 Cycle
1	House Republican Campaign Committee	\$2,115,762	\$2,242,628
2	Senate Republican Campaign Committee	1,676,683	1,138,771
3	MI Education Assn. / MEA PAC	1,426,278	1,294,494
4	Citizens for Responsible Leadership (Gatzaros/Papas)	1,372,661	n/a
5	Great Lakes Education Project (DeVos family)	1,258,269	n/a
6	The (Posthumus) Leadership Fund	1,234,850	934,504
7	MI House Democratic Fund	946,430	1,083,366
8	United Auto Workers / UAW MI Voluntary PAC	832,915	454,091
9	MI Trial Lawyers Assn. / Justice PAC	822,235	1,122,222
10	Senate Democratic Fund	791,300	325,346
11	MI Assn. of Realtors / REALTORS PAC	676,726	620,473
12	Blue Cross / Blue Shield of MI / BCBSM PAC	653,829	450,034
13	MI Regional Council of Carpenters PAC	595,344	431,707
14	MI Beer & Wine Wholesalers Assn. PAC	576,986	500,547
15	West MI Leadership Caucus (Paul Land)	559,016	35,455
16	Intl. Brotherhood of Electrical Workers / IBEW COPE	452,525	401,375
17	Democratic Governors Association—Michigan	435,000	n/a
18	DTE Energy Co. PAC	386,246	341,338
19	Auto Dealers of Michigan PAC*	380,992	n/a
20	Detroit Auto Dealers / DAD PAC	364,300	368,000
21	Right to Life of MI PAC	347,200	192,189
22	Comerica Bank PAC	336,905	260,436
23	Generations PAC (Kwame Kilpatrick)**	333,600	290,194
24	Ann Arbor PAC (Tom Monaghan)	325,785	739,755
25	Common Cents North (Rick Johnson)	317,965	n/a
26	MI State Medical Society / MI Doctors PAC	314,952	346,438
27	Burton Leland Leadership Fund	301,895	17,050
28	MI Health & Hospital Assn. / Health PAC	301,704	316,345
29	Miller Canfield PAC	285,265	191,908
30	MI Laborers Political League	273,269	205,767

* All contributions from 4/21–12/31/02 were from Detroit Auto Dealers and Michigan Auto Dealers.

** January 2003 report not filed at press time.

Systemic Problems and Remedies

Accountability is inadequate

the current campaign finance reporting system in Michigan fails in numerous ways to provide for timely public oversight of political fund raising. In many instances, voters can't tell who is financing a political campaign until long after the election, and in some cases they will never know.

In non-election years, elected officials raise hundreds of thousands of dollars from interest groups while making public policy that determines clear winners and losers. Much of the time, though, the public cannot tell who has given what to whom until long after a policy debate has gone cold. Because elected officials only file campaign finance reports once in non-election years, the public has almost no timely opportunity to see whether interest groups' campaign contributions are affecting public policy.

The following examples illustrate several symptoms of a failed system of accountability.

Delayed reporting of independent expenditures

When a political party or PAC makes an independent expenditure within 45 days of a state special election, it must be

reported within 48 hours. However, during regular elections, any such independent expenditures made after a pre-election campaign finance report has been filed are not reported until weeks after the election. This is a non-trivial gap in campaign finance accountability because there are no limits on independent expenditures and no limits on contributions to the committees that make them. In 2002, these independent expenditures ran into the hundreds of thousands of dollars in several of the state's most competitive elections.

In the Democratic gubernatorial primary, a new PAC called Citizens for Responsible Leadership raised over \$900,000 from just two households and made independent expenditures of more than \$1.2 million supporting former governor Jim Blanchard and opposing Jennifer Granholm. Yet, at the time of the pre-primary report, the PAC accounted for only \$350,000 of its independent expenditures. Seventy percent of its spending wasn't properly reported until ten weeks after the election.

Similarly, in the Republican senatorial primary in the 35th District, the Great Lakes Education Project's pre-primary report showed spending of \$12,000 supporting Michelle McManus and opposing David Mead. Yet, when the PAC filed its October and January reports, it finally disclosed that it had spent an additional \$76,000 to help McManus.

Policy remedy: All independent expenditures related to any state elections should be reported electronically in real time.

Late filing of regular campaign finance reports

Currently, the sanctions for late reporting and non-reporting of campaign finance activity do not appear to be sufficient to motivate compliance with the law.

Detroit Mayor Kwame Kilpatrick's leadership fund, Generations PAC, raised at least \$334,000. But, at the time of the 2002 election the PAC was four reports and 15 months in arrears in its reporting. This made it impossible to tell who was financing the PAC's efforts to affect election outcomes.

Early in the election cycle, the Burton Leland Leadership Fund was used as a vehicle to make independent expenditures in excess of \$200,000 supporting the Detroit mayoral candidacy of Gil Hill. The PAC failed to file its October 2001 report until December 2001, seven weeks late and five weeks after the election, and thereby effectively concealed its spending and the identities of its contributors before the election. More than \$225,000 of its funds came from just four households.

As this report goes to press, there are at least three notable committees owing reports. Sen. Buzz Thomas (D-4th) is five months late with his post-general election report. The Southeast

Michigan Business Network PAC is ten months and two reports in arrears. Team McNamara, the leadership PAC of former Wayne County executive Ed McNamara, is four months late with its January 2003 report; however, it has been granted a good cause waiver for the report because its records have been seized as part of a federal investigation.

Policy remedy: Sanctions should be more severe for committees that fail to file reports on time. The current fines are an easy price to pay to avoid reporting political contributions until after an election. It would be more effective to eliminate caps on fines, or to base fines on a percentage of the contributions that are not reported on time, with the percentage escalating the longer the report is overdue and for repeat offenses. Or, perhaps political committees that are grossly behind in reporting should be prohibited from raising and spending money.

Non-reporting of soft money and issue advertising

In contrast to federal campaign finance law, under which now-banned soft money contributions to the political parties' federal committees had to be reported to the Federal Election Commission, there is no requirement to report soft money contributions to the state parties. This means that there is no disclosure of contributions from union and corporate treasuries to the state parties.

Soft money contributions are the financial fuel for so-called issue advertising campaigns. In the 2002 gubernatorial general election campaign, roughly \$10 million, more than half of all spending, paid for television issue ads sponsored by the political parties and the Michigan Chamber of Commerce. None of this spending appeared on any campaign finance report, so there is no public record of who provided these millions to the parties and the Chamber.

Some of the state's television broadcasters add another layer of obfuscation to this problem by holding records of "issue advertising" out of their political public files, thereby defying the public's right to know what is being spent by whom in a political campaign. This is despite the fact that they have a trust responsibility to serve the public interest as holders of publicly granted broadcast licenses. Broadcasters are not compelled to conceal this information, but almost a third of the state's television license holders choose to do so (see Appendix A).

In terms of the volume of money and the total circumvention of disclosure, this is the most serious accountability gap in Michigan campaign finance law.

Policy remedy: Soft money contributions to the state political parties should be reported to the Bureau of Elections and posted publicly. All political

advertisements that include the name or image of a candidate during the weeks preceding an election should be treated as independent expenditures subject to the rules thereof.

Too infrequent reporting

In non-election years, office holders only file one campaign finance report at the end of the year. The circumstances of a prominent current lawmaker illustrate the shortcomings of this infrequent reporting.

Senate Appropriations chairwoman Shirley Johnson (R-13th) won reelection to her second term in the Senate in November 2002. Term limits mean that she cannot run again in 2006.

Despite that, her campaign committee remains active. One capitol news service has published notices for Sen. Johnson's fund raising events in the early months of 2003.

This fund raising allows Sen. Johnson to repay debt. Her campaign committee ended 2002 with \$198,000 of debt, including \$123,000 owed to her husband and herself.

This is of interest to the public because of Sen. Johnson's key role in writing the state's budget. Her constituents and the citizens of Michigan deserve the opportunity to see whether the budget bills running through her committee reflect the interests of

the public or of the contributors who cannot help to elect her, but can help to eliminate a six figure debt to her household. This information should be available as the controversy of determining budget winners and losers plays out, not ten months after the fact.

Policy remedy: Contributions to candidate and political committees should be reported in real time or within two business days of receipt so voters have the opportunity to observe whether there is a correlation between political contributions and public policy. A threshold amount of new contributions could trigger the reporting requirement so record keeping would not become onerous.

Likewise, political expenditures should be reported in real time. This would allow observers to track aggregated contributions from interest groups, and it would provide timely oversight of ways in which elected officials use regulated funds.

The example of Sen. Johnson also invites the question of whether term limited elected officials should be required to close their campaign committees once they are of no further use toward the purpose for which they were organized. State judges must effectively close down their campaign committees after an election. Other term limited elected officials could be required to do the same, or at least stop fund raising.

No effective contribution limits

While there are limits on contributions to candidate campaign committees, they are easily circumvented. Individuals can make unlimited contributions to the political parties and PACs, which, in turn, can make unlimited independent expenditures.

Electoral success is tightly correlated to having a financial advantage, and when a candidate's financial advantage is based on the spending of one person or a small cabal, democracy is subverted.

Policy remedy: Contribution limits should be established for the political parties and PACs, just as there are in federal campaign finance law. Also, there should be an aggregate contribution limit capping what any individual can give to all committees, so that limits on giving to one committee are not circumvented by a proliferation of committees.

Gubernatorial public financing is a broken system

Michigan's gubernatorial public campaign financing system was designed to put a premium on small contributions by providing a two-to-one public match for contributions up to \$100 in

the pre-primary period. This factor of multiplying small contributions combined with spending limits for those who accept public funding was designed to assist viability for candidates who do not have large-scale financial backers and diminish the role of special interest groups. In theory, campaign investments from any source would be smaller and so, too, would any expectation of a return on campaign investment. The marketplace of ideas would be more diverse and robust. The logical extension of the theory is that the successful candidate would have greater independence from rich ideologues and special interests.

The 2002 campaigns showed that the theoretical design has been defeated. In both the primary and the general elections, spending from sources other than the candidate committees was a huge factor—the dominant factor in the general election. Spending limits have pushed money into campaign auxiliaries with no contribution limits to constrain wealthy individuals and interest groups.

Policy remedy: While the gubernatorial public financing system helps the viability of candidates and adds diversity to the debate, it is critical for its future success that it exists in the context of a system of limits and accountability. Otherwise, in spite of the public's investment, wealthy individuals and largely anonymous interest groups dominate the financing of campaigns.

If, under a system of limits and accountability, candidates are unable to project their message adequately, spending limits could be increased. But, clearly, limits and accountability should precede any increase in the spending cap.

Judicial independence appears to be compromised

Polling conducted for the Michigan Campaign Finance Network in February 2002 showed that 88 percent of Michigan voters believe that it is important that judges are independent of the influence of campaign contributors. Alarming, the same poll shows that 80 percent believe that campaign contributions do influence the decisions that judges make.

A study released in 2002 by the National Institute on Money in State Politics showed that 86 percent of cases that came before the Michigan Supreme Court from

1990 to 1999 involved a litigant or counsel who had made a campaign contribution to at least one of the justices who heard their case.

The 2002 Supreme Court race was much less expensive than 2000, but still the average amount raised by a winner's campaign committee was \$450,000. All told, the seven current justices have raised more than \$8 million, and four of them have benefited from an additional \$4 million of issue advertising sponsored by the Michigan Chamber of Commerce in the last two election cycles. There is no public record of who gave the Chamber that \$4 million.

Regardless of whether campaign contributions influence the decisions that judges make, and the data suggest that they do not, there is a perception problem. Faith in the rule of law depends on a shared belief in equal justice for all. Judicial campaign fund raising undermines that shared belief.

Unlike legislators and elected executives, judges have no constituents. They serve only the law. No contributor has a right to expect a return on investment from a campaign contribution to a judge.

Policy remedy: Michigan should establish a voluntary full public funding system for Supreme Court campaigns to protect the appearance as well as the reality of judicial independence. Public funding has been endorsed by both the American Bar Association and the State Bar of Michigan. Also, given the new height of campaign fund raising that was reached in 2002 for a Court of Appeals seat, public funding should extend to all appellate court campaigns.

In order to provide for an adequate public funding system, Michigan should move to a negative taxpayer check-off system—where the default is to contribute to the campaign fund unless the taxpayer checks a box to decline.