ISSUE ANALYSIS No. 7
November 2013

CENTER for COMPETITIVE POLITICS
Congress shall make no law...
www.CampaignFreedom.org

Do Limits on Corporate and Union Giving to Candidates Lead to "Good" Government?

By Matt Nese

Issue

Since the Supreme Court's 2010 decision in *Citizens United v. FEC*, which freed corporations and labor unions to finance independent expenditures in support of federal candidates, the issue of corporate and union spending in elections has become a frequent and impassioned topic of political discussion. Most states treat limits on corporate and union giving to candidates differently than those limits imposed on individuals donating to candidates for elected office. Historically, many states have either placed more restrictive limits, or prohibited altogether, corporations and unions from contributing directly to candidates.

Proponents of such limits argue that the political involvement of large corporations and powerful unions would overwhelm the ability of individuals to contribute meaningfully, open the door for corruption and "bought" politicians, and lead to an increase in special favors to campaign contributors.[1]

In order to determine whether these claims have merit, we examine the relationship between states with varying restrictions on direct corporate and union contributions to candidates and the non-partisan Pew Center on the States' study of the best-governed states. This analysis looks at these two variables, and provides a separate analysis for corporate and union contributions because many states have different statutes regarding limitations on one entity or the other.

Methodology

Since 1999, the Pew Center on the States has periodically published a study grading each of the 50 states on the quality of their governance and assigning each state an overall final letter grade.[2] Each grade was determined by sub-grades in four areas of government performance: information, people, money, and infrastructure.[3] Within each of these four areas, further ratings of "strength," "midlevel," and "weakness" were assigned to 20 additional variables.[4]

In order to properly rank all 50 states and distinguish between states with identical final grades, CCP relied on both the sub-grades and the 20 variables that underpinned the sub-grades.[5] After this ranking, all 50 states were then categorized according to their regulations on both corporations and union giving to state candidates. For the purposes of this analysis, corporations and unions have been analyzed separately since

1 Mark Sherman, "Court ruling opens floodgates for corporate and union campaign spending," KATU.com. Retrieved on October 24, 2013. Available at: http://www.katu.com/news/business/82261742.html (January 21, 2010); Jamie Raskin, "'Citizens United' and the Corporate Court," *The Nation*. Retrieved on October 24, 2013. Available at: http://www.thenation.com/article/169915/citizens-united-and-corporate-court?page=0,0# (September 13, 2012).

2 "Grading the States 2008 Report," The Pew Center on the States. Retrieved on October 24, 2013. Available at: http://www.pewstates.org/uploadedFiles/PCS_Assets/2008/Grading-the-States-2008.pdf (March 3, 2008).

3 *Ibid.* Pew refers to these grades as "management area" grades.

4 *Ibid.*

5 A value between 0 and 12 was given to each state's four management area grades, with an F receiving a 0, a D- 1 point, and so on, with an A+ receiving the maximum 12 points. States were then ranked according to this new score. Ties were then broken by assigning 1 point to variables receiving a "strength" rating, 0 for "mid-level," and -2 for "weakness." This methodology eliminated all ties but two: between Idaho and Ohio, and Alaska and Illinois. In both cases, the state with the more restrictive contribution limit was ranked higher in order to give the benefit of the doubt to the "reformers'" position.

many states regulate these entities differently.[6] Both corporation and union contributions have been classified according to the following:

1. States where corporations and/or unions can contribute an **unlimited** amount to candidates (green);

2. States where corporations and/or unions are **limited** in the amount they can contribute to candidates (yellow); and

3. States where corporations and/or unions are **prohibited** from contributing to candidates (red).

CHART 1: State Management Grades, Classified by Limits on Direct Corporate Giving To Candidates[7]

Above Average		Average		Below Average	
State	Grade	State	Grade	State	Grade
Utah	A-	Kentucky	B-	South Dakota	C+
Virginia	A-	Minnesota	B-	Oregon	C+
Washington	A-	Pennsylvania	B-	Montana	C+
Georgia	B+	North Carolina	B-	Nevada	C+
Missouri	B+	Tennessee	B-	Colorado	C+
Michigan	B+	South Carolina	B-	Alabama	C+
Texas	B+	Florida	B-	Oklahoma	C+
Delaware	B+	Ohio	B-	Mississippi	C+
Nebraska	B	Idaho	B-	Hawaii	C+
Indiana	B	Arizona	B-	West Virginia	C+
Iowa	B	Kansas	B-	New Jersey	C
Maryland	B	Connecticut	B-	Arkansas	C
Louisiana	B	North Dakota	B-	California	C
		New York	B-	Maine	C
		Wyoming	B-	Massachusetts	C
		Vermont	B-	Alaska	C
		New Mexico	B-	Illinois	C
		Wisconsin	B-	Rhode Island	C-
				New Hampshire	D+

Key
Unlimited
Limited
Prohibited

This chart ranks the 50 states by the grades they receive for state management in Pew's most recent "Grading the States" report, and color codes them to represent each state's restrictions on direct corporate giving to candidates. Green states impose no limits on corporate giving to candidates, yellow states limit corporate giving to candidates, and red states prohibit corporate giving to candidates.

Corporate Contribution Limits:

Chart 1 shows each state's ranking according to Pew's research and our further analysis, along with the appropriate color code for each state's limits on direct corporate contributions to candidates.

Of the 6 states with no limits on direct corporate giving to candidates, 4 score in the "Above Average" category, and 2 score in the "Below Average" category.

Meanwhile, of the 21 states that prohibit contributions from corporations to candidates entirely, only 3 score in the "Above Average" category while 10 score in the "Average" category, and 8 score in the "Below Average" category.

Furthermore, of the top five best-managed states, three place no limit on contributions from corporations to candidates (Utah, Virginia, and Missouri). Conversely, all five worst governed states limit direct corporate contributions in some manner, while three of the bottom five (Rhode Island, Alaska, and Massachusetts) prohibit direct corporate contributions altogether.

6 Jennie Drage Bowser, "State Limits on Contributions to Candidates: 2011-2012 Election Cycle," National Conference of State Legislatures (NCSL). Retrieved on October 24, 2013. Available at: http://www.ncsl.org/Portals/1/documents/legismgt/Limits_to_Candidates_2011-2012v2.pdf (June 1, 2012).

7 We classify each state's limits on direct corporate giving to candidates using NCSL's data on campaign contribution limits. Washington has different limits depending on whether a corporation is organized to do business within Washington State. For the purpose of this analysis, we use the limits as they apply to Washington corporations. In addition, the above chart classifying corporate contribution limits differs from NCSL's data by recognizing that neither Alabama nor Nebraska limit direct corporate contributions to candidates at this time. In 2013, Alabama Governor Robert Bentley signed Senate Bill 445 into law, which eliminates the state's existing $500 per election limit on direct corporate contributions to candidates. For its part, Nebraska no longer enforces any of its contribution limits, including those limits on corporate to candidate contributions.

CHART 2: State Management Grades, Classified by Limits on Direct Union Giving to Candidates[8]

Above Average		Average		Below Average	
State	**Grade**	**State**	**Grade**	**State**	**Grade**
Utah	A-	Kentucky	B-	South Dakota	C+
Virginia	A-	Minnesota	B-	Oregon	C+
Washington	A-	Pennsylvania	B-	Montana	C+
Georgia	B+	North Carolina	B-	Nevada	C+
Missouri	B+	Tennessee	B-	Colorado	C+
Michigan	B+	South Carolina	B-	Alabama	C+
Texas	B+	Florida	B-	Oklahoma	C+
Delaware	B+	Ohio	B-	Mississippi	C+
Nebraska	B	Idaho	B-	Hawaii	C+
Indiana	B	Arizona	B-	West Virginia	C+
Iowa	B	Kansas	B-	New Jersey	C
Maryland	B	Connecticut	B-	Arkansas	C
Louisiana	B	North Dakota	B-	California	C
		New York	B-	Maine	C
		Wyoming	B-	Massachusetts	C
		Vermont	B-	Alaska	C
		New Mexico	B-	Illinois	C
		Wisconsin	B-	Rhode Island	C-
				New Hampshire	D+

Key
Unlimited
Limited
Prohibited

This chart ranks the 50 states by the grades they receive for state management in Pew's most recent "Grading the States" report, and color codes them to represent each state's restrictions on direct union giving to candidates. Green states impose no limits on union giving to candidates, yellow states limit union giving to candidates, and red states prohibit unions from giving to candidates.

Union Contribution Limits:

Chart 2 shows each state's ranking according to Pew's research and our further analysis, along with the appropriate color code for each state's limits on direct union contributions to candidates.

Of the 8 states that do not limit unions' ability to contribute to candidates for state office, 5 score in the "Above Average" category, and 3 score in the "Below Average" category. Among the 15 states prohibiting contributions from unions, 2 score in the "Above Average" category, 7 score in the "Average" category, and 6 score in the "Below Average" category.

Moreover, of the top five best-governed states, three do not limit contributions from unions to candidates (Utah, Virginia, and Missouri). Conversely, all five worst managed states either limit or prohibit contributions from unions to candidates while three of the bottom five states prohibit direct contributions from unions altogether (New Hampshire, Rhode Island, and Alaska).

Conclusion

The lack of a relationship between direct corporate or union contributions to candidates and overall good governance suggests that concerns over corporate and union involvement in elections and its effects on the quality of state management are unfounded.

Pew's study grades states on an overall measure of good government, which surely has an impact on citizens. The fact that there is no relationship between a state's regulation of corporate or union contributions to candidates and the quality of management in a state strongly refutes the assumptions inherent in many of the arguments made for limiting or prohibiting campaign contributions by corporations or unions to candidates.

8 We classify each state's limits on direct union giving to candidates using NCSL's data on campaign contribution limits. In applying its limits, Indiana distinguishes between a union directly contributing to a candidate and a union contributing to a candidate through its PAC. For the purpose of this analysis, we use the limits as they apply to a union directly contributing to a candidate. As with limits on corporate contributions, Washington has different limits depending on a union's membership within Washington State. For the purpose of this analysis, we use the limits as they apply to Washington unions. In addition, the above chart classifying union contribution limits differs from NCSL's data by recognizing that Nebraska no longer enforces its limit on direct union contributions to candidates.

GUARANTEE *of* QUALITY SCHOLARSHIP

The Center for Competitive Politics is committed to delivering the highest quality and most reliable research on issues related to campaign finance, political speech, First Amendment rights, and related topics.

The Center guarantees that all original factual data are true and correct and that information attributed to other sources is accurately represented.

The Center encourages rigorous critique of its research. If the accuracy of any material fact or reference to an independent source is questioned and brought to the Center's attention with supporting evidence, the Center will respond in writing. If an error exists, it will be corrected in subsequent printings and distributions. This will constitute the complete and final remedy under this guarantee.

Published by the Center for Competitive Politics. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

The Center for Competitive Politics (CCP) is a 501(c)(3) nonprofit organization based in Washington, DC. CCP's mission, through legal briefs, studies, historical and constitutional analyses, and media communication is to promote and defend citizens' first amendment political rights of speech, assembly, and petition, and to educate the public on the actual effects of money in politics and the benefits of a more free and competitive election and political process. Contributions to CCP are tax deductible to the extent allowed by law.

124 S. West Street Suite 201
Alexandria, Va 22314
(703) 894-6800
http://www.CampaignFreedom.org