CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON GOVERNMENTAL OPERATIONS

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December 16, 2011 Start: 1:09 p.m. Recess: 1:41 p.m.

HELD AT: Council Chambers

City Hall

B E F O R E:

GALE A. BREWER Chairperson

COUNCIL MEMBERS:

Inez E. Dickens Erik Martin Dilan

Domenic M. Recchia, Jr. Peter F. Vallone, Jr.

A P P E A R A N C E S (CONTINUED)

Amy Loprest Executive Director New York City Campaign Finance Board

Susan Lerner Executive Director Common Cause New York

2 CHAIRPERSON BREWER: Good

afternoon. I'm Gale Brewer, City Council Member and Chair of the Committee on Governmental Operations, and I'm delighted to be here with Seth Grossman, who is counsel to the Committee and Tym Matusov, who is the policy analyst and maybe John Russell who is around, who is the Finance person from the Finance staff, so thank you for coming to this very important hearing.

resolution that opposed the Supreme Court's interpretation of the Constitution of the case Citizens United versus the Federal Election Commission, and calls upon Congress to begin the process of undoing the harm already perpetrated by this irresponsible ruling. This decision granted corporations same first amendment rights as individuals and in effect, prohibited the government from regulating independent corporate spending on elections. The consequences of the ruling have been staggering. In the 2010 congressional elections, the first national election to be affected by the decision, spending by outside groups increased by four times from the

| previous mid-term elections, reaching 30 million. |
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| Half of this money came from just ten groups of |
| which seven did not fully disclose all of their |
| donors. This kind of anonymous spending by large |
| corporate interests seriously risks averting our |
| democratic institutions by disenfranchising the |
| average voter and corrupting our political system. |
| The resolution we hear today calls upon Congress |
| to begin the process of amending the Constitution |
| so that unlimited corporate expenditures on |
| elections are no longer sheltered as protected |
| constitutional speech. Several such measures have |
| already been introduced in Congress and the Los |
| Angeles City Council has already adopted a similar |
| resolution calling for passage of such |
| legislation. I hope that our efforts today will |
| build additional momentum in the rest of the |
| country and force Congress to act immediately to |
| save our democracy and I think maybe we want |
| to Thank Justice Stevens for his very wise words |
| calling corporations not people. I was thinking |
| to myself that you've got all of the wonderful |
| words of President Kennedy and Winston Churchill |
| and FDR, Theodore Roosevelt, and certainly, |

Justice Stevens I think is going to come within that same context of having tremendous verbiage in terms of this issue. I love what he's said about corporations are not people, and I'm sure you will read and you have read the exact words.

So without further ado, I'd like call the head of the New York City Campaign

Finance Board, Amy Loprest and anybody she wants to bring with her, and then we will hear from her and then any others who want to testify. Thank you. And Council Member Melissa Mark-Viverito is also joining us today.

AMY LOPREST: Good afternoon, chair
Brewer and members of the Governmental Operations
Committee. I am Amy Loprest, Executive Director
of the New York City Campaign Finance Board. I
thank you for the opportunity to appear today in
support of this important resolution. I'll say
this as clearly as I can. In a health democracy,
people, not money, decide elections. This simple
idea is the foundation for New York City's
groundbreaking system of public financing for city
elections created more than two decades ago. By
providing - candidates with public matching

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funds, the campaign finance program amplifies the voices of small donor contributors. It gives candidates the incentives to spend their campaign time connecting with people, instead of chasing large contributions. The system is strong because it has adapted and evolved since it was created. The Council has helped shape the program over the years by acting to curb the potential for corporate money to distort city elections and erode confidence in the democratic process. A key provision of the city's campaign finance law prohibits candidates for city office from accepting direct contributions from corporations. The 1998 ban on corporate contributions, which applied only to candidates who participated in the campaign finance program, was expanded by the Council in 2004 to cover all candidates for city office. In 2007, this Council extended the corporate ban to limited liability companies and partnerships. It is a longstanding recommendation of the Campaign Finance Board that candidates be allowed to accept contributions only from natural persons, not from organizations, including corporations and other business entities, unions

| and political committees. We have renewed this |
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| proposal time and again for the simple reason that |
| people, not corporations, unions or other |
| organizations should decide elections. Until |
| recently, the Supreme Court agreed without |
| reservation that political activity by |
| corporations is fundamentally different from |
| political activity by people. Federal law has |
| prohibited direct corporate contributions since |
| 1907. In 1990 in Austin v. Michigan State |
| Chamber of Commerce, the court upheld a state law |
| prohibiting the use of corporate treasury funds |
| for independent expenditures. As Justice Thurgood |
| Marshall wrote in the majority opinion, "Corporate |
| wealth can unfairly influence elections when it is |
| deployed in the form of independent expenditures |
| just as it can when it assumes the guise of |
| political contributions." Subsequent federal |
| legislation in accordance with the Austin decision |
| built a firewall to keep corporate soft money |
| expenditures out of elections for federal office. |
| All of this was overturned by the court's |
| misguided decision in Citizens United v. FVC, |
| which broadly invalidated restrictions on |

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2 | election-related spending by corporations.

Recognizing a first amendment right where none had previously been found, Citizens United opened the floodgates to allow massive amounts of unlimited and too often undisclosed independent spending by corporations, unions and other groups as pointed out by Chair Brewer. The decision left a heavy mark on the 2010 federal mid-term elections. Independent expenditures quadrupled from 2006 to more than \$300 million. Nearly half of that total came from groups who are not required to reveal their donors to the public. The lack of uniform comprehensive disclosure requirements for election related spending at the federal level will allow corporate actors to intensify their political activities through the 2012 presidential election, but keep them hidden behind a veil of secrecy. There is still no guaranteed right to spend anonymously however and deciding Citizens United; eight of the nine justices affirmed the Constitutionality of requirements to disclose independent spending meant to influence elections. Since the decision, 15 states have passed new disclosure laws. In New York City, voters

approved a charter amendment in November 2010 that requires disclosure of independent expenditures in city elections. The Board is nearing the end of the rulemaking process to implement the new requirement. We have received extensive input from the public on the proposed rules and appreciate contributions to the discussion made by Speaker Quinn and the Chair of this Committee, Council Member Brewer.

We are confident the rules will achieve the goal intended by the charter to ensure corporations and other actors who spend money to implement city elections conduct their activities in the open, so New Yorkers can see where the money goes before they decide how to vote. We again thank you for taking leadership on this issue and for seeking to lend out city's voice to the growing chorus of those speaking out against the court's decision in Citizens United. I'm happy to answer any questions you may have.

CHAIRPERSON BREWER: Thank you very much. We've been joined by Council Member Dilan, Council Member Lander. Council Member Lander, do you want to make any comments since it's your... I

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2 know you came a little late, so we started without 3 you.

COUNCIL MEMBER LANDER: [off mic] Thank you. Thanks very much for the opportunity and for your role and general leadership on these set of issues, and to my colleagues. I also want to add others who had reached out to my office asking to sign onto the resolution even before today include Council Members Ferreras, Palma, Dromm, Sanders, Williams and Van Bramer. So - many others will join. That testimony was wonderful. I'm so proud of our New York City Campaign Finance system. I'm proud to be an amicus in the lawsuit challenging some of the provisions of our law [phonetic], which I think are wonderful. But as you said, it's really pretty simple. The vast majority of Americans know a few things. First, they know that right now wealth is having an outsized impact on our politics in ways that do us harm so that corporations and lobbyists have too much influence on our elections, too much influence over our legislation and the idea that we should have regulations in place to at least restrict, govern

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and make those transparent are so sensible and plain that I think everyone understands why it's important, but this resolution really goes deeper than that. It goes to the question of what rights are and what freedoms are, and what government is, and government comes from the consent of the governed and the governed are individuals, and we are willing to give up some of our rights and freedoms to enable ourselves to set up a government that has rules that protect us and the rights that corporations have are given to them by government, are given to them by individuals. This Alice in Wonderland notion that somehow they have natural rights given by God or somewhere, it's outrageous. I'm so glad that there are so many people that the Speaker and the Chair and my colleagues are going to stand with the folks in Los Angeles and folks all around the country, saying we need to respect what rights really are. They belong to individuals, to people, to human beings and that thoughtful regulations... This is hardly radical to go back to the 2009 understand that we had, which already allowed a big role for wealth and government sadly, but it least to get

back there is essential. I'm very proud the City

Council is considering this resolution. Thank you

to the Campaign Finance Board for your role. [off

mic]

CHAIRPERSON BREWER: Thank you very much. We've been joined by Council Member Domenic Recchia from Brooklyn. I have a couple of questions, and then my colleagues... I wanted to know locally—hopefully our resolution and those of other states and localities will have some influence in Washington, but locally, how does this impact us if at all? This decision.

Council had already banned direct corporate contributions and New York State law had already allowed corporations to engage in independent spending, so the Citizens United decision didn't have a direct effect on our election in New York City; however, one thing that was always true and because of the decision was potentially more important, and what happened in 2010 in the midterms certainly demonstrates that, was that there might be more activity by undisclosed donors and undisclosed entities and that's why it was so

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2 important that that charter amendment get passed, so that there can be disclosure of who is spending 3 in our elections.

CHAIRPERSON BREWER: Do you have any sort of historical or even-do you have any current ideas about how if this constitutional amendment is—if we're stuck with it, are there other ways of restricting corporations besides the constitutional amendment? Are there some other ways of getting to the bottom of what we need to get to?

AMY LOPREST: Well, I think one of the things that I said in my testimony that is so important and that is so lacking is on the federal level is disclosure. I think it's very, very important. If there is going to be this kind of spending in these elections that at least the public know what is going on, and so that's why I think that disclosure is very important. one thing that can be done even without the amendment, and also the Citizens United decision also didn't overturn the prohibition on direct contributions from corporations, so that still stands intact.

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| CHAIRPERSON BREWER: Okay. Do you |
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| have any sense besides Los Angeles that there are |
| other jurisdictions that are working on this same |
| issue as we are? |

AMY LOPREST: You know I haven't had the time to do that research. I have - - from the papers that Los Angeles was working on it.

Not to my knowledge. I'm sure there probably are, but I haven't done the research.

CHAIRPERSON BREWER: Do you think that there is any role for corporations in the democratic process in terms of campaign finance if at all?

AMY LOPREST: As I said in my testimony, I really think that in a really healthy democracy people decide what happens in elections not money interest, and so I think it's very important that we focus on, as Council Member Lander said in his statement, that we focus on giving people the right to choose their own government and those are the people who should have the most prominent role in selecting a government.

CHAIRPERSON BREWER: And do you

| 2 | love Judge | Steven's | comments | as | much | as | I | do? |
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|---|------------|----------|----------|----|------|----|---|-----|

3 AMY LOPREST: They're very

4 heartening. At least one justice is right on.

CHAIRPERSON BREWER: I'm going to use it for all of my graduation speeches. I always look every year for the best quote and that is it. We've been joined by Council Member Inez Dickens. Council Member Lander?

COUNCIL MEMBER LANDER: Thanks very much. I just wonder if since you're here, you could give us a quick update on the lawsuit challenging some provisions of our law.

AMY LOPREST: Well, right now the lawsuit that it doesn't—challenges primarily—the primary challenges to the doing business regulations that the City Council passed in 2007. That case was fully briefed and argued before the 2nd Circuit Court of Appeals in November of 2010. We are still waiting for a decision from the 2nd Circuit in that case. Other portions of that law dealt with different provisions of the Campaign Finance Act, including the provisions on what we call the bonus provisions, which were affected by a different Supreme Court decision earlier this

| | | | involved | the | Arizona | Public | Financing |
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| 3 | Proqi | cam. | | | | | |

COUNCIL MEMBER LANDER: It's my understanding we're guardedly optimistic that our doing business rules will survive challenge those bonus provisions from non-participating or self-financed candidates—

[crosstalk]

AMY LOPREST: It's impossible—I'm sorry to interrupt you, but it's impossible to judge what the court will do. I think I'm cautiously optimistic that our doing business... I think I would agree. I think that certain provisions of our bonus law that deal with high spending non participants may be problematic.

COUNCIL MEMBER LANDER: Thank you.

CHAIRPERSON BREWER: Council Member

Dilan?

it on? Thank you, Ms. Loprest. I just briefly in your testimony I think everybody here on this day is included - - myself loves the program and loves the way the current program is structured.

I think everybody here on this day also has in one

| way, shape or form accepted contributions from an |
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| organized labor union, but just based on your |
| description of corporations and your feelings |
| about the roles that corporations should play in |
| the process, how do you differentiate those |
| feelings from that of the ability of organized |
| labor unions to make contributions? |

AMY LOPREST: Well, the Board has long—I mean, I'm talking about since I think the report after the 1989 elections, a long time—has made the recommendation after every election that all organization contributions should be prohibited so that only individuals directly give contributions, so that's been the Board's position for a long time.

COUNCIL MEMBER DILAN: And that would be consistent with your position, so I'm glad you answered that way. Thank you, Madam Chair.

AMY LOPREST: Mm-hmm.

CHAIRPERSON BREWER: We've been joined by Council Member Fidler. Thank you very much. We always appreciate your being here and your wonderful testimony. Thank you.

taken aback by the U.S. Supreme Court's decision.

We think that it is a completely misguided

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decision, and we were extremely pleased to receive notification of today's resolution, which we think is absolutely essential and an extremely important statement and action that we hope the City Council will take. As New Yorkers, we think that New York deserves and should always be on the forefront of protecting our democracy. Historically New York has been one of the cradles of our democracy. would point to Alexander Hamilton and John Jay, who were two of the three delegates to the Constitutional Convention, which set our current 200 plus year old Constitution and who were two of the three co-authors of the Federalist Papers, which was the seminal document which helped ratify the Constitution, published here in New York. think we have a long history of supporting the basic principles underlying our Constitution and I agree with the position in the resolution that the Citizens United decision is simply a misstatement and a misunderstanding of our Constitutional principles. It is clear that the vast majority of Americans see it that way. New York is also the home of Occupy Wall Street, which has been the - of a lot of attention and the focus of a great

| deal of public frustration with the ascendance of |
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| corporations in our system. So the resolution is |
| absolutely the right thing for New York to do. |
| New York deserves to be a national leader and stay |
| at the forefront of the movement to protect our |
| democracy. In answer to some of your earlier |
| questions, Chair Brewer, this is a national |
| movement, and one of the things that we would ask |
| you to consider is that if Congress does not move |
| quickly on this, that the City Council should |
| consider the option of placing an advisory |
| question on the New York City ballot. Madison, |
| Wisconsin, Boulder, Colorado, Missoula, Montana |
| have recently done that. There are efforts |
| underway. Los Angeles and Oakland have both |
| passed similar resolutions. There are other |
| cities. I understand it's under discussion in |
| Chicago as well as other places, but New York is |
| the largest city in the country. We are the |
| leaders, and as I said, we have a pretty unbroken |
| history of protecting our basic Constitutional |
| principles. I think that it will have a |
| tremendous impact nation-wide to have this |
| resolution passed by the City Council. I think |

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| it's always important on a local level for our |
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| elected leaders to strongly endorse the basic |
| founding principles and to restate the resolve of |
| New York City government to protect the rights of |
| natural persons in our laws, both in campaign |
| finance and in other ways. I think that a |
| statement of that sort from the City Council has |
| ramifications locally in terms of reinforcing the |
| right interpretation of our city laws. I am here |
| just to say thank you very much and we strongly |
| support this effort. We'll do everything that we |
| can to assist in its passage. |

CHAIRPERSON BREWER: Council Member Dilan?

Thank you, Ms. Lerner, for coming. You heard my earlier question to the Executive Director and now opinion... in light of the fact that for federal elections, corporate contributions aren't allowed and obviously there is separation of powers on all levels of government, but just in your opinion, how do you think they were able to render this decision on localities given that for federal elections these type of contributions are

2 prohibited?

SUSAN LERNER: You know, it's very difficult for me as a lawyer to explain some of the reasoning behind some recent U.S. Supreme Court decisions, starting with the Bush versus Gore decision, where if I had—

COUNCIL MEMBER DILAN:

{interposing] It's a little bit of politics - - .

SUSAN LERNER: --bet money, every practicing trial lawyer that I knew said, "No way the Court is going to take this as political.

They don't do political things." So I have stopped trying to get inside the minds of the majority of the Roberts' court. I don't have an explanation.

Personally, I think it's completely wrongly decided. I think that it is ideologically driven, and that's why I think we need a clarifying amendment in our Constitution to ensure that this completely misguided approach to misinterpreting our Constitution is basically stopped.

COUNCIL MEMBER DILAN: I just find it interesting because if on the federal level, these type of contributions aren't allowed to have a federal entity kind of impose a different rule

| than what the federal government has on localities |
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| is interesting to say the least. Just to speak to |
| my position on my question to the Executive |
| Director on corporate contributions, I think I |
| would consider at least entertaining—and I don't |
| like to If it were up to me, ideally, and |
| I'll be honest, I'd like to take contributions |
| from wherever, but the rules and the rules, and |
| I've certainly followed those rules in every |
| campaign that I've had but I would—and I've never |
| taken a look at it before, but In fact, in light |
| of the Board taking a consistent position on |
| corporate contributions, I would consider how I |
| view contributions for labor and the city program |
| going forward. I don't think I would eventually |
| get there, but I'd like to at least see the |
| rationale behind or at least delve into more the |
| Board's rationale as to why corporate is not |
| allowed, but labor organizations are allowed. |
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SUSAN LERNER: Well, there's actually some pretty helpful U.S. Supreme Court decisions that certainly pre-date the Roberts' court. Because when you get into the actual legal organization of different entities, there's a very

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| significant legal distinction between the way in |
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| which corporations are organized and the way in |
| which a labor union is organized. Corporations |
| are absolutely artificial, legal constructs. |
| Labor unions are associations of individual |
| people. You don't have an interposing artificial |
| legal entity, which is designed to break liability |
| between the individual and the conduct. |

COUNCIL MEMBER DILAN: So I would take that to be that your position is different from the Board's?

SUSAN LERNER: We believe that there's a difference in terms of the campaign finance regulation of unions and incorporations. We for instance differ with the Board's interpretation of how to regulate independent expenditures coming from labor unions. We think that member to member communications—and we've testified in front of the Board about this—is not something that the Board should be spending a lot of time worrying about. We have much bigger fish to fry, which was alluded to in earlier comments, which are millions of dollars of campaign advertising which comes from entities with bland,

confusing names, - - ways in which wealthy interests can hide their identity and influence our elections, and it's those sorts of independent expenditures that I believe we should be concentrating on to ensure the voter knows who is talking to them about an election campaign. When you get a mail or a phone call from your union, you know who is talking to you, and you know how you feel about that union, so you can decide whether to credit that suggestion or not.

[crosstalk]

COUNCIL MEMBER DILAN: I have to come clean and be honest and say I was playing a little bit of devil's advocate here, but I just wanted to see if positions were consistent across all lines, and it turned out that way, so I'm glad it turned out that way. I obviously believe that labor organizations should have a right to participate in the process as they currently do and I'm very supportive of that. I happen to agree with your differentiation in how both labor organizations and corporate entities are organized in that labor organizations are closer to people, but I was attempting to have at least a little bit

2 of fun here and was denied.

3 SUSAN LERNER: Sorry about that.

4 We believe in organized people. We think the

5 problem is organized money.

COUNCIL MEMBER DILAN: So do I, by the way. I just wanted to state that for the record before anybody gets the wrong idea.

Thanks.

CHAIRPERSON BREWER: We've been joined by Council Member Vallone and Council Member Comrie, and now we are hearing from Council Member Lander.

COUNCIL MEMBER LANDER: I just didn't—I appreciate the Council Member Dilan's clarification, but I just want to point out for people who don't know that Citizens United actually makes it worse in the opposite direction. I mean, there is a principle position articulated by the Campaign Finance Board, but under Citizens United, there are rules that allow free spending applied to both corporations and unions; however, they leave in place restrictions that prohibit how unions can raise political funds and let corporations do it freely, so unions are required

| to allow members to check off that they don't want |
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| their money going to political spending, but |
| shareholders are afforded no such privilege. They |
| are not allowed to say they don't want their funds |
| going to corporate spending. So in Citizens |
| United what we're specifically talking about today |
| it's totally upside down and allows corporations |
| unfettered raising and spending on politics while |
| there are restrictions on unions. |

are a lot of good government groups in Washington also. Are there efforts to try to deal with some of the consequences depending on where this turns out, and also obviously I think if you tell the American public that a corporation is a person, they would revolt. So I think that there is an understanding of this in the real conscience of America.

SUSAN LERNER: There definitely is.

CHAIRPERSON BREWER: I just want

you to comment on...

SUSAN LERNER: I cite in my testimony to a February 2011 poll, which shows that 80% of Americans disapprove of the Citizens

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United decision. This is not a left, right or center, Republican or Democratic issue. This is uniform. Natural persons instinctively recognize that they're different from corporations and we as Americans treasure our Constitutionally granted rights and we just instinctively understand that they belong to us, the people, and not we, the corporation. I think there is a tremendous ground swell and it is not restricted to any particular political persuasion. There are a number of groups at the national and the local level that are very, very concerned about this and have been doing legal research and coming up with possible ways in which to attack this problem. I think the best thinking is that a Constitutional amendment, given the fervor that Americans feel about this issue, is actually doable. I'm very appreciative of the broad language of this resolution because it allows Congress and those working on the issue at a national level to craft the most effective resolution as it goes through the Congressional process. And so there are a lot of groups and a great deal of momentum building around this issue. CHAIRPERSON BREWER: I agree and I

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| 2 | actually think given the mood of the country right |
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| 3 | now, this is the kind of issue that could |
| 4 | galvanize people because it does have such |
| 5 | implications and it's very, very easy to |
| 6 | understand. |
| 7 | SUSAN LERNER: Exactly. I think it |
| 8 | is the perfect thing to address in a |
| 9 | Constitutional amendment because these are the |
| 10 | kind of broad principles that our Constitution |
| 11 | really memorializes. |
| 12 | CHAIRPERSON BREWER: And you also |
| 13 | mentioned that you believe there are other |
| 14 | jurisdictions besides Los Angeles. Are you |
| 15 | tracking those- |
| 16 | SUSAN LERNER: [Interposing] Oh |
| 17 | yes. |
| 18 | CHAIRPERSON BREWER:or other |
| 19 | good government groups are tracking where this |
| 20 | momentum is gathering? |
| 21 | SUSAN LERNER: Yes. We have a |
| 22 | presence in 36 states, 21 states with paid staff |

and we are actively engaged in this issue at the

local and in some cases at the state level. There

may actually be some discussions among states that

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| 2 | are looking at putting this question on the |
| 3 | ballot. |
| 4 | CHAIRPERSON BREWER: Thank you very |
| 5 | much for your testimony as usual. |
| 6 | SUSAN LERNER: Thank you. |
| 7 | CHAIRPERSON BREWER: We are going |
| 8 | to conclude this hearing, but we will be voting on |
| 9 | this resolution on Monday. Thank you very much. |
| 10 | This hearing is adjourned. |
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I, Kimberley Uhlig certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature Kimberley Uhlig

Date 1/8/12