

How Alberta Compares on Money and Politics

Political, Election, and Campaign Finance in Alberta: Realities, Comparison, and Possibilities for Reform

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1) The Big Picture

“Elections are fair and equitable only if all citizens are reasonably well-informed of all possible choices and if parties and candidates are given a reasonable opportunity to present their position so that election discourse is not dominated by those with access to greater financial resources.” – Supreme Court of Canada, 1997

- Although money has always played a significant role in politics, there may be a threshold at which money becomes too important, thus endangering the foundation of democracy.
- The use of money as a resource in politics necessarily imports the unequal distribution of income and wealth among members of a modern society into the political process.
- Single-member plurality (SMP) election systems have created political cultures that are largely campaign-oriented. The term ‘political finance’ is virtually synonymous with ‘campaign finance’.
- Election campaigns devour the bulk of political spending, while the funding of party organizations’ routine, inter-election activities absorbs much less money; party competition demands large amounts of political spending.
- Since officials may be predisposed to favour policies and ideas favoured by the largest financial backers, the reliance of parties and candidates on large sums of money can stifle the diversity of opinions and quality ideas that exist in civil society at large.
- Therefore, it is argued that our ‘representative’ government is skewed to favour the highest bidder rather than the average voter.

- Although there is no direct proof of a causal relationship between fundraising and electoral success, the growth of money's influence in politics leads to other concerns:
 - the idea that large donations lead representatives to be politically indebted to these contributors,
 - the feeling of average citizens that the political system is indifferent to their interests,
 - the need to devote large amounts of a politician's time and energy to fundraising rather than governing, and
 - a sharp reduction in the diversity of mainstream political dialogue.
- Although many argue that regulating political finance is an affront to free speech, there is a global trend toward a more pragmatic idea of free expression, which accommodates the regulatory constraints necessary to ensure that democratic elections are both free *and* fair.

Issues Identified by Public Interest Alberta

- ❖ Lack of limits on campaign spending
- ❖ Inadequate limitations on size and source of political contributions
- ❖ Party processes (leadership/nomination contests) operating in absence of public rules to ensure democracy and the public interest

Consequently, money can have an inordinate and unfair influence in Alberta politics, undermining democracy and political equality.

How Alberta Stacks Up in Political Finance Legislation

2) Campaign Spending

"In the absence of spending limits, it is possible for the affluent or a number of persons pooling their resources and acting in concert to dominate the political discourse, depriving their opponents of a reasonable opportunity to speak and be heard, and undermining the voter's ability to be adequately informed of all views." – Supreme Court of Canada, 1997

Background: In the last two provincial elections, the governing PC party and its candidates outspent all other opposition parties combined by a 2:1 ratio. Although there is no conclusive evidence that spending is directly correlated with electoral success, it is a big factor, especially in Alberta with a dominant governing party and small, poorly represented opposition parties. This huge campaign spending may deter the emergence of new parties and may discourage individuals from seeking nomination, especially women and minorities. Studies have shown that women are often unable to raise the same

levels of funding as men; setting a ceiling on expenditure could help promote the ability of all individuals to participate in public life.

Alberta's Regulations: There are no spending limits in place in Alberta.

Cross-Canada Comparison:

- *Canada*
 - Limit on party spending is \$0.70 x the number of registered voters in each constituency in which they field a candidate
 - By candidate, it is \$2.07 per voter for the first 15,000 voters, \$1.04 for next 10,000, and \$0.52 for the remainder
- *Alberta and the Yukon* are the only two Canadian jurisdictions that do **not** impose limits; in the rest of the provinces, limits are typically decided using a formula like the one above, based on the number of electors. At the candidate level, these limits typically include all expenses incurred by the candidate's campaign organization and any spending done by others on their behalf during the campaign period (ex. constituency association).
- *Ontario:*
 - \$0.60/elector for party
 - \$1.08/elector for candidate
 - Larger constituencies may be granted larger limits due to travel costs
- *Manitoba:*
 - \$1.40/elector for party
 - Candidate - \$2.20/elector for divisions <30,000m² or \$3.50 for >30,000m²
- *Saskatchewan:*
 - \$673,783 (adjusted) for party
 - Candidate - greater of \$52,108 or \$5.21/elector in Northern constituencies, or greater of \$39,082 or \$2.60/elector in Southern constituencies
- *British Columbia:*
 - \$1.25/elector for party
 - \$50,000 for candidate with <25,000 voters
 - \$50,000 and \$.50/elector for >25,000 voters; when fewer than 2 voters/km², add \$.30/km² in electoral district to a maximum of 25% of the limit

Potential Reforms: Based on the precedents above, calling for a similar means of determining spending limits. Would need to study which type of allocation would work best for the Albertan context.

Questions/Critiques to Consider:

- Could spending limits potentially lead to reduced interest, knowledge and turnout?
- What would this limit need to be in order to guarantee a sufficient amount of information is getting to the public?
- Would we need to institute public funding alongside expenditure limits, or could parties make do on their own?

- Could spending limits be interpreted as a threat to freedom of expression and perhaps as a bar to the entry of new players on the political scene?

3) Campaign/Party Donations

Background: Alberta allows larger campaign and political donations than most other provinces. The largest concern right now is with the amount of corporate and union funding. In 2006, PCs received 73% of their funds from the private sector, including 1.24 million from corporations. The Liberals received 26% from the private sector, of which half was from oil and gas. In contrast, the NDP received 95% of funding from individual citizens. With these levels of private sector funding, the argument about *whose interests* our system of 'representative government' is really representing comes to the fore. Accordingly, bans on corporate/union donations are grounded in the idea that parties ineligible to vote in elections should not be allowed to try to influence the outcome through financial contributions.

Alberta's Regulations:

- Contribution by an individual/corporation/trade union/employee organization to a party, constituency association, or candidate shall not exceed \$15,000 to the party/year, and \$1000 to the constituency association (up to a total of \$5000 collectively)
- During an election, contributions shall not exceed \$30,000 to each party (including yearly contribution), \$2000 to any one candidate (\$10,000 collectively), cannot make contributions to constituency associations
- Anonymous contributions allowed up to \$50

Cross-Canada Comparison

- *Canada:*
 - Ban on contributions by corporations, trade unions and unincorporated associations to registered parties, candidates, nomination contestants, registered associations and leadership contestants
 - Individuals can make contributions of \$1100/year to registered parties, \$1100/year to entities of a party (candidates, nomination contestants, constituency associations), \$1100/year to leadership contestants, \$1100/year to independent candidates
- Most provinces (excluding NL, PEI, NS, SK, BC, YK) regulate the amount that can be contributed, ranging from about \$1,500 to \$15,000
 - *Manitoba:* \$3000/year per individual to party/candidate/association combined
 - *Ontario:* \$7,500/year to party; \$1000/year to a single constituency association, up to \$5000; \$1000/year to a single candidate, up to \$5000
 - *New Brunswick:* \$6,000/year to party or district association, same to a candidate
 - *NWT:* limit of \$1,500 to a candidate during a campaign
- Quebec and Manitoba prohibit contributions from corporations and trade unions; NWT and NV disallow trade unions
- Anonymous contributions are disallowed in several provinces (PEI, NS, NB, ON, YK)

- *Canada*: up to \$20
- *Manitoba*: up to \$10
- *Quebec & BC*: only allowed at electoral functions, up to \$50
- Others are much larger: NWT \$100, SK \$250

Potential Reforms: Reducing the amount that an individual can contribute annually, since it is double the highest amount in any other province with contribution limits. Abolishing the separate set of rules for limits during elections. Restricting or banning trade union and corporate donations. Restricting amount of anonymous contributions.

Questions/Critiques to Consider:

- Does the combination of high costs and contribution limits induce candidates to spend more and more time on raising money, possibly leaving too little time for their legislative duties? Would public funding help offset this problem?
- If Alberta is to ban or restrict corporate and union donations, will we need to have compensation for these lost funds? What is the role of trade unions/corporations in the political process, and specifically elections?
- How will these changes affect the electorate at large? Will individuals feel like they have reduced political efficacy?

4) Public Financing

Background: The idea that parties should be funded by the State is one associated with European social democracies, which pioneered this idea in the 50s and 60s. Public financing is a broad topic, encompassing the reimbursement of election expenses, annual allowances to political parties, tax credits for political contributions, and reimbursement of candidate deposits. It is usually devised to limit overall expenditures, or to compensate for limits on contributions. Goals of public funding include promoting equality in party/candidate access to resources, stimulating citizens' participation and involvement, and reducing the potential for corruption. The participation of individuals by financial giving is not widespread in most developed democracies, therefore public funding can offset the inclination to seek out wealthy benefactors, corporations and union funding.

A) Annual Allowances & Election Reimbursement

This is probably the most contentious form of public funding, and can be done in several different ways:

- Allocation
 - Equal shares to each party
 - Proportional to the votes cast (most Canadian jurisdictions)
 - Proportional to votes cast and parliamentary representation
 - Based on matching funds raised, up to a ceiling limit
- Application
 - Subsidizing election campaign-related spending
 - Subsidizing day-to-day operation of parties
 - Subsidizing research and institutional strengthening of parties

- Can be contingent on following certain rules; ex: nominating more women

Alberta's Regulations: No reimbursement of election expenses, no annual allowance for political parties.

Cross-Canada Comparison:

Annual allowance to political parties

- *Federal:* Party must have at least 2% of national vote or 5% of constituency votes from preceding election; eligible for quarterly allowance that amounts to \$1.75/vote cast for the party
- Only PEI, New Brunswick, and Quebec currently provide annual allowance
 - *PEI* – goes to each registered party with 1+ seats; based on votes for their candidates at the last general election x a fixed amount
 - *NB* – to each party in Legislature that ran 10 candidates; based on number of votes x \$1.30
 - *QC* – to all authorized parties; percentage of votes obtained x \$0.50 x number of electors in that election

Reimbursement of election expenses

- *Federal:*
 - Party receives 50% of expenses incurred based on same 2/5% requirement above
 - Candidate receives 60% of expenses incurred if he/she obtains 10% of votes
- Most provinces reimburse the expenses of parties, candidates, or both based on obtaining a certain vote percentage (more likely to reimburse candidate and not party); AB, BC, Yukon are only provinces that do neither
 - *Ontario*
 - Party receives \$0.05 per elector in any district where it had 15% of vote
 - Candidate receives lesser of 20% of expenses or 20% of expenses limit if has 15% of vote
 - *Saskatchewan*
 - Party receives 50% if has 15% of vote
 - Candidate receives 60% if has 15% of vote
 - *Manitoba*
 - Party receives lesser of 50% of expenses limit or 50% of actual expenses if has 10% of vote
 - Candidate receives 100% of childcare and disability expenses, and same as above for expenses if has 10% of vote
 - *Quebec*
 - Party that obtains 1% of vote receives 50% of expenses to a maximum of \$0.60/voter in all divisions where it ran candidates
 - Candidates receive 50% of expenses to a maximum of \$1.00 per elector if they have 15% of vote

International Perspectives:

- **United Kingdom** started a Policy Development Fund rather than direct public funding, in which an annual sum is allocated to parties based on a formula. Decided to do this out of recognition that parties are driven to concentrate their resources on campaigning and routine expenditures.
- **Germany** requires parties to have 0.5% of national vote in order to receive funds but must have first collected equal amount on their own (to an established limit). 40% is distributed according to the number of votes in last election, 60% of the subsidy is based on matching small donations (party members/individuals) with public funds. However, the amount of the subsidy is seen as being too high, so it is not dependent on voter turnout.
- **France** requires that parties nominate a certain percentage of female candidates for election or face reduced public funding
- **Best Practices:** If public subsidies are just based on the number of seats won, there is less of an emphasis on the grassroots connection. If subsidies are set at a level per vote cast, it can bolster democracy by boosting party and candidate focus on getting out the vote and combating voter apathy

Potential Reforms: Incorporate a public financing scheme based on percentage of votes cast in last election (could provide stimulus for party's to work on boosting voter turnout). Implement a reimbursement policy similar to Manitoba, which would reimburse a wider range of candidates and would include childcare/disability costs as election expenses.

B) *Tax Credit for Political Contributions*

(seen as a way to stimulate individual contributions; a 'Canadian' approach that has been used in other jurisdictions internationally)

Alberta's Regulations:

- Donations up to \$150 receive a 75% credit
- Over \$150 to \$825: \$112.50 + 50% amount over \$150
- Over \$825: lesser of \$750 or \$450 + 33.33% of amount over \$825 (maximum credit = \$750)

Cross-Canada Comparison:

- *Federal:* laws changed in 2004 to promote growth of individual contributions
 - Up to \$400 = 75% back
 - Over \$400 to \$750 = \$300 + 50% of amount by which contribution exceeds \$400
 - Over \$750 = lesser of \$650 or \$475 plus 33.33% of amount over \$750 (maximum credit = \$650)
- *Provincial:* MB and SK follow same rules as above; others vary but most provide 75% for donations up to \$100, to a maximum credit of \$500
 - *Ontario:* 75% of contributions up to \$300, over \$300:
 - \$225 + 50% of amount over \$300
 - Over \$1,000: \$575 + 33.33% of amount over \$1,000 (maximum credit = \$1,000)

Potential Reforms:

Currently, Alberta's system encourages larger donations (and thus likely donations from higher-income individuals); comparative to Canada's laws, larger donors receive a bigger 'bang for their buck.' With the threshold of \$150 for a 75% tax credit, Alberta receives fewer small donations from individuals than Canada does with a threshold of \$400 – this promotes wider participation by all income-levels, with slightly less incentive to make large-scale donations. Alberta could adopt similar legislation to Canada, Manitoba, and Saskatchewan, or at least start by increasing the maximum contribution for a 75% deduction.

C) Reimbursement of Candidate's Deposit

Alberta's Regulations: 50% returned to elected candidate, 50% to candidate that receives at least half as many votes as the elected candidate, 50% to candidate who withdraws within 48h of filing nomination; 50% to candidate who files required financial statement

Cross-Canada Comparison: Most give 100% reimbursement, usually contingent on filing required financial documents, withdrawing before close of nominations, and sometimes based on receiving a certain % of votes

- *Federal:* 100% back to candidates filing financial documents, or withdrawing before close of nomination
- *PEI, NB, SK:* 100% to elected candidate and candidate receiving at least half as many votes as elected candidate
- *ON:* 100% to candidates receiving at least 10% of votes, or withdrawing before close of nominations
- *MB & QC:* No deposit required

Potential Reforms: Removing deposit altogether; this can act as a barrier to potential candidates. Removing 48-hour timeframe between filing nomination and having to withdraw; this is unnecessary and may also be a disincentive to prospective candidates. Giving 100% reimbursement; could be based on a certain vote %, preferably lower than what candidate currently holds, and/or contingent on filing financial documents like most jurisdictions.

Questions/Critiques to Consider:

- Are taxpayers being conscripted to fund organizations that electors have chosen to desert? Have we transcended the age of the mass membership party, meaning that public funding is more necessary in order to prevent elitism in parties?
- Will the benefits of this approach outweigh the usual unpopularity of these regulations with citizens?
- Could political parties lose independence by relying on the public purse? Become less grounded in civil society?
- Is there still the incentive for parties to solicit broad-base support from individual donors and to keep these ties with the grassroots?
- Is there a way to implement these laws that would not give a disproportionate benefit to the governing party and official opposition (if it is done by seats won)?
- Should we be tying conditions to this funding, for example related to gender or minority representation?

5) Disclosure

Background: Disclosure of the identity of a contributor is seen as essential to the enforcement of any system of campaign finance; "sunshine is the best disinfectant."

Alberta's Regulations: Parties, candidates, and constituency associations are only required to provide full disclosure for contributions over \$375. Candidates must submit their reports 4 months after the polling day, at which point they are published by Elections Alberta and posted on its website.

Cross-Canada Comparison:

- o Disclosure ceilings range from \$50 (NS) to \$100 (ON, NB, NFLD, NWT, NV) to \$200 (Canada, QC) to \$250 (PEI, SK, BC, YK); Alberta's are the highest. Most have similar requirements for submitting reports.
- o Ontario is unique in that it has implemented "real time disclosure of contributions," which requires parties and leadership contestants to report any contribution that exceeds \$100 to Elections Ontario within 10 business days, who must post it online within another 10 days

Potential Reforms: Reducing contribution level necessary for disclosure. Perhaps adopting something similar to Ontario's real time disclosure, if this is deemed beneficial. Making Elections Alberta website more accessible for finding financial reports; currently they are quite frustrating to access and usually are not rotated so you have read sideways, which is a pain in the neck (literally). The Elections BC site, for example, is much more user-friendly as it uses online spreadsheets – you can also look at the scanned versions if you prefer.

(<http://contributions.electionsbcc.gov.bc.ca/pcc/>)

Questions/Critiques to Consider:

- Does the extra \$125 that Alberta allows to go undisclosed (compared to the highest of other provinces) really damage the integrity of the system?
- Does the higher ceiling allow people to donate more freely to opposition parties in a province where one party has dominated?
- Does Elections Alberta currently have the capacity to deal with these kinds of changes?

6) Third-Party Spending (advertising)

Background: Since this spring's election, Premier Stelmach has been discussing the potential for new campaign finance regulations, primarily in reaction to the Albertans for Change campaign. The exact cost of the ads - which were supported by the Alberta Building Trades Council, the Alberta Federation of Labour, the Alberta Union of Provincial Employees, the Health Sciences Association of Alberta and the United Nurses of Alberta - has never been made fully clear, but estimates have pegged it at over \$2 million, more than double the NDP and Liberal budgets combined.

Alberta's Regulations: None

Cross-Canada Comparison:

- *Federal:* If a third party spends \$500+ on advertising it must register with Elections Canada and appoint a financial agent. Third parties must submit financial reports which detail spending, disclose contributions over \$200, show which of its own funds were used, etc. Must appoint an auditor after spending \$5000, and file an auditor's report. They are limited to spending \$3,000/constituency to a maximum of \$150,000 nationally per election period.
- *Ontario:* Very similar regulation as above, but with \$100 disclosure ceiling.
- *BC:* in the process of introducing similar legislation; to apply during 4 months leading up to the campaign as well as the 28-day election period.
- *Quebec:* Third parties report contributions and expenses 30 days after polling day

Possible Reforms: Putting a cap on third-party spending, or at the very least requiring financial reports to be submitted outlining spending and fund allocation.

Questions/Critiques to Consider:

- Does this kind of legislation simply muzzle voices of dissent that the governing party doesn't want to hear?
- Although these ads were harmful to the opposition in this past election, could third-party ads prove helpful in the future? Is this just a short-term stop-gap, something to blame for the election results?
- If we ban/limit the amount of corporate/union political contributions AND restrict their spending on advertising, where do they fit?
- In BC, labour leaders are protesting the new bill, arguing that the \$150,000 cap would only be enough to buy three or four newspaper ads and a few minutes of television time.

7) Leadership and Nomination Contests

Background: During the 2006 Tory Leadership campaign, there were numerous calls for leadership campaigns to come under the jurisdiction of campaign finance laws. Since then, Premier Stelmach has assured that this will be addressed in a campaign finance reform package expected in the fall.

Alberta's regulations: Absolutely none. Candidates do not have to report contributions or expense, disclose contributors, submit financial reports. No contribution limits or expenditure limits.

Cross-Canada Comparison:

- *Federal:* Same rules for contributions as for party/candidate/constituency association. Spending limits of 20% x amount allowed in the constituency in the preceding general election. Must report contributions and expenses 4 months after selection date for nominee, 6 months after end of leadership contest for leadership contestant. Must submit financial reports with same disclosure laws. Required to submit auditor's report if expenses/contributions exceed \$10,000 for nominees and \$5,000 in a fiscal period for leadership contestants.

- *Provincial:* Most do not set a limit on contributions, but Manitoba now has a limit of \$3,000 for leadership contestants. No provinces have expenditure limits for either of these contestant groups.
 - Reporting deadlines: reporting not required in NFLD, PEI, NS, NB, QC, SK, NWT, YK, NV.
 - ON requires leadership contestants to report from the time of the official call until 2 months after the vote and then within 6 months.
 - MB and BC require leadership contestants to report 30 days after the end of the contest period.
 - Financial reports (and therefore disclosure of donors) required from leadership contestants only in ON, MB, BC. No province requires financial reports from nomination contestants.

Potential Reforms: Bringing these contests under political finance law (hopefully of the reformed variety!); therefore there will be limits on contributions and possibly expenditures as well. At least requiring reporting and disclosure for leadership contestants, potentially also nominees – we would be the first province to follow Canada's precedent in this area.

Note: While most provinces require auditor's reports from each entity required to submit a financial report, Alberta only requires this from parties, not candidates or local associations. This could also be something to consider reforming.

Questions/Critiques to Consider:

- To what extent is full financial reporting really necessary for nomination contestants? Might it just create unnecessary bureaucracy and more work for Elections Alberta?
- Would contribution limits have much impact on the fundraising power of these individuals – could it be detrimental?
- Are expenditure limits really necessary for nomination contestants? Could they help lower barriers to entering these contests?

8) Enforcement

Background: It is one thing to regulate, but quite another to ensure that regulation is effective – the key to this is supervision and enforcement. Too much enforcement can be paralyzing, as excessive reporting can deter participation; the challenge is to make it meaningful without becoming a barrier to full citizen participation. With each of the above ideas for reform, there must be consideration of how this will be enforced, what kinds of penalties will be enacted, etc. Elections Alberta may need to take on new staff and responsibilities in order to carry out some of these reforms.

Federally, the Chief Electoral Officer appoints an impartial officer – the Commissioner of Canadian Elections – who works independently of government and politics to investigate instances of non-compliance and recommend appropriate penalties. The Commissioner has 25 investigators who help carry out this work across the country; the manual of how they operate is published online.

Provincially, there seems to be less consideration of this type of enforcement; Chief Electoral Officers take on a lead role. While all Elections agencies are non-partisan, Elections BC specifically states that the Chief Electoral Officer cannot be a member of a political party, make contributions to a party or candidate, or vote in any provincial elections. They also have a minimum tenure, in order to encourage consistency within the agency, for at least two consecutive elections.

9) Concluding notes

- Each reform to the funding system should not be analyzed separately, but rather as an integral part of overall political and electoral reform. We must think about how different reforms could interact; whether they will interact synergistically or if they may have contradictory impacts
- It is important to keep the desired outcome in mind and question whether particular reforms will lead to this outcome
- When considering the effectiveness of the current regulatory regime and potential reforms, we must evaluate based on the key pillars of accountability, transparency, integrity, equity, strength of political parties, and encouragement of democratic participation