

Ending Pay to Play: The Need for Political Finance Reform in Alberta

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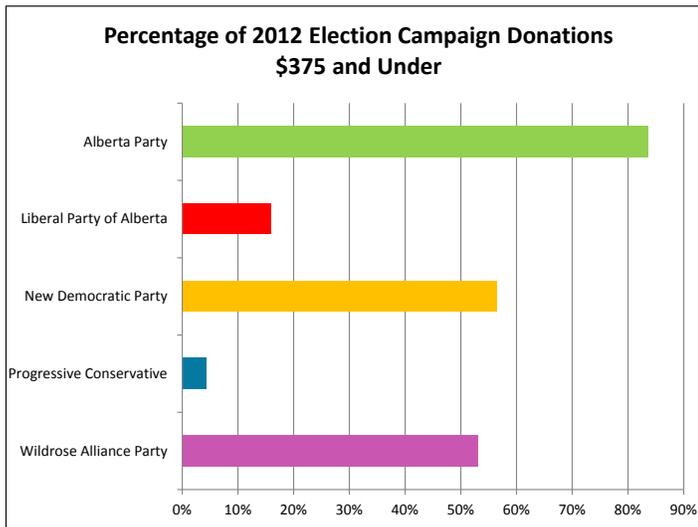
Starting at least with the 1992–2006 Klein government, the recently defeated 44-year Progressive Conservative (PC) dynasty received campaign donations from Alberta’s most wealthy citizens and profitable corporations, including a long list of party favourites that donated to the ruling PC party year after year.¹

In one notable case an Edmonton billionaire and his colleagues provided a “bulk donation” of \$430,000 to the PC party in the waning days of the hard-fought 2012 election.² Elections Alberta investigated the case in 2013 but found allegations of wrongdoing to be “unfounded.”³ As *National Post* journalist Jen Gerson aptly observed at the time, “If this isn’t illegal, there’s a problem in Alberta with what’s legal.”⁴

While that case was noteworthy for its brazenness, the 2012 election overall illustrated that changes to the rules around money in Alberta politics are desperately needed.

As Chart 1 shows, small donors (those contributing under the legal disclosure limit at the time of \$375) accounted for just 4% of all donations to the ruling Progressive Conservatives in the 2012 election period.

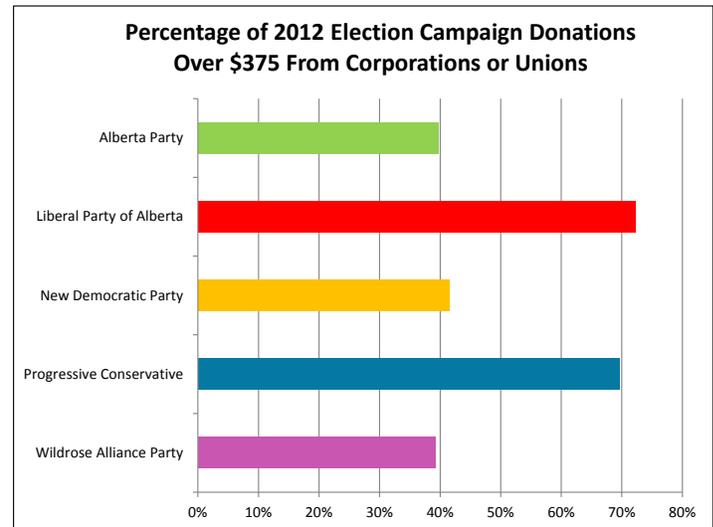
CHART 1



The Liberal party, which was the official opposition when the 2012 writ was dropped, received just 16% of its donations from small donors. The NDP and Wildrose had much greater balance between small and large donors, receiving 57% and 53% of their revenue, respectively, from donations of less than \$375. Almost 84% of the Alberta Party’s donations were below the disclosure threshold, but it should be noted the party raised less than \$40,000 in total during the 2012 election period.

Chart 2 shows that corporate and union donations played a similarly significant role in party fundraising during the 2012 election.

CHART 2



Just under 70% of all donations over the disclosure threshold of \$375 to the PCs in the 2012 election period came from corporations, totalling more than \$1 million in the three-month period. The Liberal party saw over 72% of its disclosed donations come from corporations or unions, although this is also a reflection of the party’s rather anemic fundraising machinery. The other main parties in the 2012 race also received roughly 40% of disclosed donations from corporations or unions, with the Wildrose benefitting from just over \$750,000 in corporate donations, and the NDP receiving almost \$128,000 from unions.

Because the election period for the recent 2015 provincial election is not yet over (it officially ends July 5th), a similar breakdown is not yet available. However, Elections Alberta party disclosure documents for the first quarter of 2015 show the continuing influence of large donors and corporate and union donations. The PC party received over \$630,000 from corporate donors during this three-month period, compared to \$151,000 in individual donations of \$251 or over (the disclosure threshold was lowered from \$375 to \$250 by former-premier Redford in 2012). The NDP received just over \$60,000 from unions and \$161,000 in donations from individuals of \$251 or over. The Liberals received \$6,400 from corporations and \$75,000 in individual donations over the disclosure amount. The Wildrose Party received almost all of its donations from individuals (\$110,000). And, finally, the Alberta Party was fairly evenly split between corporate and individual donations, of \$35,000 and \$52,000, respectively.

“PAY TO PLAY”

The concept of “pay to play,” where corporations and the wealthy make sizeable political donations with the expectation of securing regulatory or policy outcomes that will benefit their interests, is well-established in the literature on party and campaign finance. Although it can be difficult to draw a direct line from any one donation or contributor to any one policy or regulatory outcome, Albertans could be forgiven for assuming that the tens of thousands of dollars donated annually by wealthy oil and gas corporations and executives over the years had some impact on the PC government’s historic reluctance to regulate the industry or increase royalties. Whether it is accurate or not, the mere suspicion and possibility of this kind of quid pro quo does serious damage to the integrity of Alberta’s democratic institutions and Albertans’ faith in them.

Both the newly elected NDP government and official opposition Wildrose Party promised in their respective 2015 election campaign platforms to make significant changes to political finance and accountability measures.⁵ The NDP promised to ban corporate and union donations, and the Wildrose Party pledged to “phase out large corporate and union donations.”

While eliminating corporate and union donations would undoubtedly be a significant and long-overdue improvement – and it is widely assumed that the change will be one of the first pieces of legislation introduced by the new government – much more substantive changes to the province’s political finance rules, including at the municipal level, must be made to truly address the undue influence of money in Alberta’s electoral system. More than that, even reforming political party finance rules more generally is merely a start, as progress on broader changes for democratic reform is also needed.

To start, the NDP must shred the social contract between the government and wealthy Albertans, oil, gas and coal companies, sports teams, beer and telecommunication companies, developers and public institutions, banks and credit unions, and so forth. Wealthy individuals and companies that have enjoyed insider status with the PCs for so many years will have to find their feet and learn to play with rules that are fair for all Albertans.

The following is an initial list of changes that should be made to the Alberta Election Act and the Election Finances and Contributions Disclosure Act to begin the journey down the long road towards positive and democratic changes in Alberta’s political culture.

CHART 3: Individual Contribution Limits in Alberta, Select Provinces, and Federally

	AB	BC	SK	MB	ON	QC	Federal
Non-Election Year	\$15,000	No limit	No limit	\$3,000	\$9,975	\$100 to each party	\$1,500
Campaign Period	Additional \$15,000	No limit	No limit	No additional	Additional \$9,975	Additional \$100 to each party	No additional

1. PLACE STRICT LIMITS ON INDIVIDUAL DONATIONS TO POLITICAL PARTIES

Currently, Alberta citizens and corporations can contribute to a political party \$15,000 in any calendar year, \$30,000 during an election year less any amount contributed to that party in that calendar year, an additional \$10,000 to political candidates, as well as \$5,000 maximum to constituency associations during non-election years.

Chart 3 compares individual contribution limits between Alberta, select provinces, and federally. While it is a step in the right direction that Alberta already limits the amounts that can be donated to parties and candidates (Saskatchewan and British Columbia have no such limits), \$30,000 during an election year and \$15,000 during non-election years simply invites an image of impropriety, and is far beyond the means of the vast majority of Albertans.

Alberta should maintain the current personal disclosure rules for donations greater than \$250 and should follow or improve upon Manitoba’s maximum contribution limit of \$3,000 per year from individuals or the federal limit of \$1,500 in a calendar year, with no additional contributions during election years. Perhaps \$1,200 would be even more appropriate.⁶ Existing loopholes that enable bulk donations should also be closed.

2. BAN ALL CORPORATE AND UNION DONATIONS TO POLITICAL PARTIES

Political finance rules that allow corporate and union donations exclude the majority of Albertans and small businesses who cannot imagine let alone reach the \$30,000 donation limit in an election year to political parties.

As the NDP (and Wildrose) promised in its election platform, the most obvious first step should be to ban corporate and union donations to political parties. As shown in Chart 4, such bans are already in place in Manitoba, Nova Scotia, Québec, and federally. Alberta should also include restrictions on in-kind donations of services by union and corporate employees (“book-offs”) during election campaigns.

3. INSTITUTE LIMITS ON HOW MUCH POLITICAL PARTIES CAN SPEND

Provinces have typically addressed the problem of money in politics in two ways: limiting the amount that can be donated to political parties, and/or limiting how much parties can spend both before and during campaigns.

CHART 4: Corporate and Union Contribution Limits in Alberta, Select Provinces, and Federally

	AB	BC	SK	MB	ON	QC	Federal
Non-Election Year	\$15,000	No limit	No limit	Ban	\$9,975	Ban	Ban
Campaign Period	Additional \$15,000	No limit	No limit	Ban	Additional \$9,975	Ban	Ban

As Chart 5 illustrates, Alberta is the only province we looked at in detail that does not impose spending limits on the amount political parties and candidates can spend during both election and non-election years (PEI is the only other province that does not impose party spending limits).

Alberta should follow the lead of the other provinces by imposing reasonable limits on party and candidate spending and allow for slightly higher spending limits (or perhaps public subsidies) for candidates in remote and/or northern locations. For example, parties and candidates could be limited in how much they are able to spend per eligible voter in each riding, including specific limits on advertising.

4. LIMIT THE AMOUNT THAT CAN BE DONATED AND SPENT DURING PARTY LEADERSHIP RACES

Alberta also has no limits on how much can be donated to political party leadership campaigns, although candidates are required to disclose to Elections Alberta the donations received.⁷ There are also no limits in Alberta on how much a candidate can spend during such contests. The lack of rules is troubling given the fact that on three occasions since just 2006, the winner of a party leadership contest has automatically become premier.

5. CREATE A SYSTEM OF FULL PUBLIC DISCLOSURE OF DONATIONS TO POLITICAL PARTIES

Better public disclosure of political contributions has obvious benefits for the public interest because interested parties can scrutinize who is donating, when, and how much. Reform efforts should include providing increased funding to support Elections Alberta’s ongoing modernization efforts to have pre-election and election donations reported electronically, through a publicly accessible, searchable database and disclosure system, including the requirement of reporting prior to the election.

6. PROVIDE PUBLIC FUNDING TO SUPPORT CITIZEN-FUNDED ELECTIONS

Alberta already has generous provincial tax credits for individual donations made to parties and candidates, and this approach to supporting political parties should be maintained.⁸ Ideally, the public purse should provide candidates \$4 for every \$1 they receive in small contributions so that ordinary people – not just special interests – can support a candidate. In order for political parties to support themselves and run modern campaigns without large individual and corporate/union donations, direct public

CHART 5: Party Spending Limits in Alberta, Select Provinces, and Federally

	Party spending limits prior to election period	Party spending limits during election period	Candidate spending limits during election period
AB	No limit	No limit	No limit
BC	\$1.1 million in 60 days prior	\$4.4 million during writ period	\$70,000
SK	No limit	\$984,587 (\$3.82 x names on voters list)	\$57,110 in south (\$3.82 x names on voters list); \$76,146 in north (\$7.59 x names on voters list)
MB	No limit	\$1.92 x CPI = spending per name on voters list	\$2.91 X CPI = spending per name on voters list
ON	\$.80 per elector	\$1.28 per elector; plus additional \$9,310 for northern ridings	\$1.28 per elector; plus additional \$9,310 for northern ridings
QC	\$.67 per elector	\$.67 per elector; total spending of \$8 million maximum	\$.72 per elector; \$.20 in north
Federal	No limit	Calculated by number of electors, number of candidates fielded, adjusted for inflation. Approximately \$21 million per party in 2011	\$2.1735 for each of first 15,000 electors; \$1.092 for each of next 10,000 electors; \$.546 for each remaining elector

CHART 6: Public Funding for Parties in Alberta, Select Provinces, and Federally

AB	Tax credit for political donations
BC	Tax credit for political donations
SK	Tax credit for political donations
MB	Tax credit for political donations \$1.25 for every vote 50% reimbursement of campaign expenses up to \$600,000
ON	Tax credit for political donations Candidates: reimbursed 20% of expenses when 15% popular vote achieved Parties: \$.05 for each vote in ridings where 15% popular vote achieved
QC	No tax credit for political donations \$2.50 subsidy for every \$1 raised by party up to \$20,000, \$1:\$1 match for next \$200,000 Subsidy rates double for election year
Federal	Tax credits for political donations Per-vote subsidy phased out April 1, 2015

funding should be made available to political parties. One way to do this is by linking funding to election results. Ontario, for example, reimburses a proportion of candidate and party expenses when 15% of the popular vote is achieved in a general election. Chart 6 compares other public funding options.

Alberta could also follow the lead of Québec, which has reformed its political finance laws to combat corruption by imposing strict spending limits on parties, political donations, and legislating that free advertising in the media must be provided equally to all parties during election periods.

Québec has gone even further by explicitly affirming the principle of fairness in election financing by providing direct state subsidies to political parties, similar to federal per-vote subsidies (above a certain vote percentage threshold) implemented by Jean Chrétien in 2003 when union and corporate donations were banned at the federal level. These public subsidies were subsequently phased out by the Harper Conservatives and ended on April 1, 2015.

7. REFORM THIRD-PARTY SPENDING RULES

The 2015 election featured complaints by “third parties” wanting to advertise during the election after new rules brought in on January 1, 2013 forced registration and disclosure when expenditures exceed \$1,000. Those wishing to advertise during elections who are not candidates or political parties must register. Once they register, third-party advertisers are subject to a series of rules, including spending limits of \$15,000 during non-election periods, and double that during an election period. Some third-party advertisers argued that the rules were too sweeping because they included a broad range of media (“broadcast, print, electronic or other media”) in its restrictions, and therefore discouraged basic democratic debate during elections.⁹

Alberta needs to refine the rules around third-party advertising

during election and non-election years, particularly in light of concerns raised during the 2015 election. Third-party advertising during elections should be allowed, but there needs to be more thinking and consultation about what limits are reasonable to ensure that moneyed interests cannot unduly influence an election.

CONCLUSION

Alberta’s government has a historic opportunity to reform the rules that have for too long favoured those with deep pockets. Given the consensus that exists between the government and official opposition to ban corporate and union donations, it should act immediately to do so. While this in itself would be a major victory for democracy, it is crucial that the government does not stop there, but rather works to fundamentally reform Alberta’s political culture in the public interest.

ENDNOTES

1. The financial disclosures to political parties can be found on the Alberta Elections website.
2. On April 16, 2012, Daryl Katz submitted one bank draft to the PC party of \$430,000 and a list of 17 donors.
3. Elections Alberta. 2013. Decision Relating to Investigation into Campaign Contributions Now Posted on Website. Elections Alberta, 1 May.
4. Gerson, Jen. 2013. “Daryl Katz’s \$430,000 Bulk Donation to the PCs Makes a Mockery of Alberta’s Election Finance Laws, Opposition Says.” *National Post*, 1 May.
5. Wood, James, and Trevor Howell. 2015. “Wildrose, NDP vow to change political donation rules, while Prentice defends them.” *Calgary Herald*, 2 May.
6. Public Interest Alberta has suggested \$1,200 per year donation limits. See: Public Interest Alberta. 2015. *A Just and Fair Alberta For All: Priorities for Change*. Edmonton: Public Interest Alberta.
7. The PC party in the 2014 race imposed its own limit on leadership candidates of \$30,000.
8. Currently, donors in Alberta receive provincial tax credits for contributions to candidates and parties. Donors receive 75% of the first \$200 contributed, 50% of the next \$900 and 33% of the next \$1,200. Over \$2,300 there is no further subsidy.
9. Ibrahim, Mariam. 2015. “Alberta labour group to shutter ad campaign site.” *Edmonton Journal*, 7 April.



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