

# District Development

## Contractors Dominate 2016 District Primaries Fair Elections Proposal Provides a Viable Alternative

### Executive Summary

Powerful corporate interests in real estate and construction dominate the funding of District of Columbia elections, competing for influence with every day District residents concerned with jobs, education, public safety and the cost of housing. This mini-report offers an analysis of campaign contributions during the 2016 D.C. primary election season, when the most competitive contests are underway.

There continue to be serious problems with the incentive structure of privately funded elections in the District, where elected officials responsible for awarding contracts rely on private funding to get elected. Candidates vying to serve the public are primarily funded by business interests and wealthy individuals inside and outside of the District that do not have the same needs as everyday Washingtonians. Six D.C. Councilmembers have proposed a small donor public financing system that would flip the incentive structure and allow for greater involvement in District politics of residents of every income level. The D.C. Citizens Fair Election Amendment Act of 2015 (B21-0509), dubbed “D.C. Fair Elections,” would match every dollar from District residents with \$5 of limited public funds for candidates who agree to accept only contributions of \$100 or less.

### Major Donors vs. District Voters

Business interests dominate the current campaign cycle. Incumbents in particular rely on corporations and wealthier donors who can afford to write checks for the maximum permissible amount of \$500 for Ward-level candidates and \$1,000 for at-large candidates. While federal law prohibits corporations from donating directly to federal candidates, D.C. law does not. The D.C. Council must approve large contracts with the city – creating a significant potential conflict of interest when those contractors are also campaign contributors.<sup>1</sup>

More than a third of the total contributions come from outside of the District. Donors (both corporate and individual) giving the maximum amount provided 81% of the funding for incumbents in the current contest and 58% for challengers. The maximum contribution<sup>2</sup>

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<sup>1</sup> D.C. Code, § 2-352.02. “Criteria for Council review of multiyear contracts and contracts in excess of \$1 million” (August 12, 2014) <http://dccode.org/simple/sections/2-352.02.html>

<sup>2</sup> Maximum contributions in this cycle are \$500 for ward level candidates and \$1000 for at-large candidates.

amounts are far beyond what the average District resident can afford. And they are vastly out of reach for the one-in-five D.C. residents living below the poverty line<sup>3</sup>: to “max out” by giving \$1,000 to an At-Large candidate would cost more than two weeks’ pay at the current minimum wage.

Many corporations and their related enterprises gave the maximum contributions along with their executives, board members, employees and family members of executives and board members. Incumbents received over four times more maximum contributions than challengers, on average.<sup>4</sup> Unsurprisingly, those candidates who have not publicly supported D.C. Fair Elections (B21-0509) receive more funding from identifiable business sources than candidates who support D.C. Fair Elections.

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<sup>3</sup> D.C. Fiscal Policy Institute, “DC Poverty Demographics,” (March 2009, updated April 9, 2014) <http://www.dcfpi.org/wp-content/uploads/2009/03/DC-Poverty-Demographics.pdf>

<sup>4</sup> Candidates opposed or in favor, determined from public comment or direct conversations with key staff of current councilmember or candidate.

**Source of Contributions by Candidate as of March 10th, 2016<sup>5</sup>**

<b>Candidate</b>	<b>Position on DC Fair Elections</b>	<b>Total Max Contributions</b>	<b>% of Max Contributions</b>	<b>Total Fundraising</b>
<b>Incumbents(alphabetical)</b>				
Yvette Alexander	Opposed	\$84,500	81%	\$104,770
Jack Evans	Mixed Responses	\$152,500	82%	\$187,056
David Grosso	In Favor	\$49,000	47%	\$104,886
LaRuby May	Opposed	\$161,500	88%	\$183,824
Vincent Orange	Opposed	\$189,500	86%	\$221,465
Brandon Todd	Unknown	\$204,000	88%	\$233,052
<b>Challengers(alphabetical)</b>				
Leon Andrews	In Favor	\$6,000	37%	\$16,223
David Garber	In Favor	\$37,000	31%	\$120,483
Vincent Gray	In Favor	\$47,500	61%	\$78,210
Robert White	In Favor	\$84,500	93%	\$91,025
Trayon White	In Favor	\$8,000	67%	\$11,989
<b>Incumbents Totals</b>		\$841,000	81%	\$1,035,054
<b>Challengers Totals</b>		\$183,000	58%	\$317,930
<b>Grand Totals</b>		<b>\$1,024,000</b>	<b>76%</b>	<b>\$1,352,984</b>
<b>Candidates in Favor of DC Fair Elections</b>		\$232,000	55%	\$422,816
<b>Candidates Not in Favor of DC Fair Elections</b>		\$792,000	85%	\$930,168
<b>Difference \$/Percentage Points</b>		\$560,000	30	\$507,352

**Real Estate and Contractor Conglomerates Dominate D.C. Elections**

A small group of corporate interests in real estate, construction, law and consulting provided over half of the campaign funding in the current Council election. To conduct the sector analysis, we counted contributions from businesses directly, as well as contributions from top identifiable board members, managers, employees, PACs and family members of owners and top management. We used shared addresses in the contribution records, names and/or publicly available information to identify family members of corporate donor

<sup>5</sup> Sources: Latest available D.C. Office of Campaign Finance Contributions data through March 10, 2016, and Public Citizen analysis.

leadership, and as much as possible, all three. Without a doubt, there are more sector-affiliated contributors we were not able to identify and include in the sector analysis because there was inadequate information provided in the record. Indeed, 2% of contributions came from businesses that were not possible to identify.

#### Contributions in 2016 District Elections by Sector<sup>6</sup>

<b>Sector (Inc. Employee Contributions)</b>	<b>Amount</b>	<b>% of Total from Corporate Affiliates</b>
Real Estate	\$228,871	26%
Construction	\$118,761	14%
<b>Top 2 Sectors</b>		<b>40%</b>
Law	\$76,215	9%
Consulting	\$71,944	8%
<b>Top 4 Sectors</b>		<b>57%</b>
Health	\$48,280	6%
Government	\$30,156	3%
Hospitality + Restaurant	\$27,800	3%
Energy	\$19,725	2%
Education	\$18,310	2%
Non-Profit	\$17,140	2%
Unknown Business	\$15,625	2%
Finance	\$6,975	1%
Other	\$186,875	22%
<b>Total</b>	<b>\$866,677</b>	<b>100%</b>

Of all contributions tied to a particular sector, 40% of contributions to candidates came from businesses and individuals involved in real estate and construction. If giving were truly reflective of the population of wealthy District residents, we would expect to see a larger percentage of the total giving from individuals working in major employment sectors like government and hospitality. But gifts from these sectors make up less than 6% of contributions.

<sup>6</sup> Sources: Latest available D.C. Office of Campaign Finance Contributions data through March 10, 2016 and Public Citizen analysis. Sector calculations include contributions from employees and board members for businesses as well as contributions from these individuals' family members. Sector analysis excludes contributions from people who are not employed, and from people who did not have an employer affiliation and lack a prominent public professional profile.

Some of the largest contributors have significant business dependent on District Council decision-making, from contracting to project approval, and from height limits to minimum wage.<sup>7</sup> Even where there is no direct business interest at stake, the fundraising process itself increases access to candidates and elected officials. While many corporate contributors are longtime donors, one pair of major contributors from the past election cycle – Exelon and Pepco – are notably absent thus far in this cycle.

### Top 15 Identifiable Corporate/LLP Election Contributors<sup>8</sup>

Corporation	Amount	Sector
Fort Meyer Construction	\$20,700	Construction
Willco Construction/Mansfield Equities	\$13,000	Construction
Colonial Parking	\$11,700	Real Estate
Blue Skye Construction	\$11,300	Construction
Lerner Enterprises (Sports & Real Estate)	\$8,875	Real Estate
Moore Construction	\$8,000	Construction
Douglas Construction	\$6,500	Construction
Monumental Sports	\$6,500	Other
Venable LLP	\$6,010	Law
Capitol Petroleum	\$5,700	Energy
Republic Family of Companies	\$5,500	Real Estate
Western Development Corp.	\$4,750	Real Estate
Dynamic Concepts	\$4,700	Other/Contracting
Verizon	\$4,600	Other/Telecom
Anchor Construction	\$4,000	Construction

With the exception of Venable LLP, Verizon and Dynamic Concepts, the major contributors to District elections have their brands emblazoned on construction projects and real estate throughout the District. Millions of dollars of business rests in District contracts and deals with Fort Myer Construction, which has made a comeback after a few months' debarment for defrauding the District more than a decade ago.<sup>9</sup> Fort Myer was the largest donor to

<sup>7</sup> Daniel J. Sernovitz, D.C. Council gives final approval for Advisory Board HQ Washington Business Journal, (Dec. 2, 2015) [http://www.bizjournals.com/washington/breaking\\_ground/2015/12/d-c-council-gives-final-approval-for-advisory.html](http://www.bizjournals.com/washington/breaking_ground/2015/12/d-c-council-gives-final-approval-for-advisory.html)

<sup>8</sup> Many of the largest contributors have diversified business streams in several overlapping sectors. We assigned sector based on the corporation's self-identified primary area of business.

<sup>9</sup> Editorial, *Fort Myer's Friends*, WASHINGTON POST (October 13, 2003), <https://www.washingtonpost.com/archive/opinions/2003/10/13/fort-myers-friends/938f6b3d-c017-4cd0-941e-618633eb76c8/>

District Mayor Muriel Bowser's Fresh PAC, which was abruptly dissolved after public outcry last November.<sup>10</sup> Lerner Enterprises<sup>11</sup> founder Ted Lerner is the Managing Principal Owner of the Washington Nationals and one of a dozen owners of another major contributor, Monumental Sports, which owns the Washington Capitals, Wizards, Mystics and the Verizon Center. Monumental has been in the news in the last year after Bowser pledged District funding to pay 90% of the costs of a new Mystics arena and Wizards practice facility.<sup>12 13</sup>

## Conclusion

While the data for the 2016 election is still coming in, we can already see that it reflects a strong pattern of large corporate entities funding District elections. In the current system, candidates are rewarded for spending significant time cultivating large donors. In a national study by Demos, big donors tend to be older, and are more often male and white than the average American. Big donors have been found to have very different policy priorities as well;<sup>14</sup> they tended to be less concerned about access to jobs and education and more focused on tax breaks.<sup>15</sup> Whether by interests, income, race or gender, it's clear that the group of people who fund District elections are not reflective of the diversity of the District or the needs of its middle and lower-income residents.

The U.S. Public Interest Research group found that D.C. Fair Elections (B21-0509) would empower small donors to contribute 64% of D.C. election funds, about the amount that corporations currently contribute.<sup>16</sup> Should the District pass D.C. Fair Elections, wealthy corporate leaders will continue to have outsized access to elected officials through their longstanding networks, lobbyists and continued funding of the system in smaller amounts.

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<sup>10</sup> Patrick Madden, *Fresh PAC's Biggest Donors do Business with D.C. Government*, WAMU 88.5 (October 28, 2015)

[http://wamu.org/news/15/10/28/fresh\\_pacs\\_biggest\\_donors\\_do\\_big\\_business\\_with\\_dc\\_government](http://wamu.org/news/15/10/28/fresh_pacs_biggest_donors_do_big_business_with_dc_government)

<sup>11</sup> Lerner Enterprises Website. *Lerner Family Biographies*. (June, 6 2016)

<http://www.lerner.com/newsArchives/natsLernerFamily.html>

<sup>12</sup> Elissa Silverman, *Let's Put Sunshine on the Wizards Practice Facility Deal*, WASHINGTON POST (March 18, 2016) <https://www.washingtonpost.com/blogs/all-opinions-are-local/wp/2016/03/18/lets-put-sunshine-on-the-wizards-practice-facility-deal/>

<sup>13</sup> Jonathan O'Connell, *Bowser Leonis Reach Deal for Wizards Practice Facility at St. Elizabeth's*, WASHINGTON POST (September 14, 2015)

<https://www.washingtonpost.com/news/digger/wp/2015/09/14/bowser-leonis-reach-deal-for-wizards-practice-facility-at-st-elizabeths/>

<sup>14</sup> Adam Lioz, DEMOS, *Stacked Deck : How Racial Bias in our Big Money Political System Undermines our Democracy* (December 2014) <http://www.demos.org/publication/stacked-deck-how-racial-bias-our-big-money-political-system-undermines-our-democracy-a-0>

<sup>15</sup> David Callahan and J. Mijin Cha, DEMOS, *Stacked Deck : How the Dominance of Politics by the Affluent and Business Undermines Economic Mobility in America* (February 2013)

<http://www.demos.org/stacked-deck-how-dominance-politics-affluent-business-undermines-economic-mobility-america#priorities>

<sup>16</sup> Zach Weinstein. U.S. PUBLIC INTEREST RESEARCH GROUP, *Empowering Small Donors in D.C. Elections* (June 2016)

<http://www.uspirg.org/sites/pirg/files/reports/Empowering%20Small%20Donors%20in%20DC%20Elections.pdf>

What would change is that every day people would have much more proportionate voice and role in the process.

Fair elections systems shift incentives and make it possible for candidates to prioritize everyday District residents – who cannot write big checks or hire lobbyists – and still run successful campaigns. Such systems are already broadly used by candidates across the political spectrum in New York, Maine, New Mexico and Connecticut. Montgomery County, Maryland, recently funded its new fair elections system for the next campaign cycle. In the face of candidate dependency on large contributions from corporate interests, fair elections reform offers an opportunity to change District politics for the better.

### **Methods**

Contribution data was downloaded from the D.C. Office of Campaign Finance between May 31, 2016 and June 4, 2016. Candidates included were those who have been considered competitive by District media through early June 2016.<sup>17</sup> Corporate contributors in this report include those from corporations, limited liability corporations, law firms and corporate PACs. Corporate affiliates include identifiable board members, executives, management, close associates and their family members, often identifiable both by name and shared address.

### **Acknowledgments**

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### **About Public Citizen and Democracy is for People**

Public Citizen is a national non-profit organization with more than 400,000 members and supporters. We represent consumer interests through lobbying, litigation, administrative advocacy, research, and public education on a broad range of issues including consumer rights in the marketplace, product safety, financial regulation, worker safety, safe and affordable health care, campaign finance reform and government ethics, fair trade, climate change, and corporate and government accountability.

The Democracy Is For People Campaign is a project of Public Citizen dedicated to overturning the U.S. Supreme Court's 2010 *Citizens United* ruling and putting people, not corporate interests at the heart of our elections. Public Citizen is committed to the passage of small donor public financing and transparency laws for a stronger democracy in the District of Columbia and nationwide.

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<sup>17</sup> Candidates listed are identified as worthy of discussion as contender in the [Washington Post](#), [City Paper](#), [WAMU](#) or [Washington Blade](#) by early June 2016.

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