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Who's Buying?

*An Analysis of Undisclosed Election Advertising and Independent
Expenditures in the 2012 Election*

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Introduction:

A functioning government depends on an informed electorate, and in this era of sound bytes and attack ads, the origin of campaign money can and should be a crucial part of a voter's decisions at the ballot box. AkPIRG is endeavoring to provide tools to know who is spending what to influence votes.

With 59 of 60 seats in our state legislature up for election next month, Alaska is facing its biggest state election in years. Of special concern is the enormous amount spent to date by outside groups.

While Alaska has established leading-edge disclosure and reporting requirements for election spending¹, the numbers reported to the Alaska Public Offices Commission still don't come close to telling the whole story.

In this report, we attempt to fill in some of the gaps in the story by analyzing public records, political advertisements, and media broadcasts in order to provide a more complete picture of independent and undisclosed spending intended to influence the 2012 election. The intent is to provide Alaskans with the tools to better understand how money is being used to influence their votes.

Oil Taxes: A Lightning Rod for Independent and Undisclosed Spending

Using a combination of public records from APOC, news reports, and our own analysis of advertisements airing on radio and television, we found that the issue of oil tax reform has attracted the vast majority of outside spending and undisclosed election focused advertising.

A Brief History of the Oil Tax Debate and it's role in the 2012 election

In 2011, Governor Parnell introduced an oil tax reform bill that would have given a large tax break to oil companies in advance of proven production that could cost the state of Alaska up to \$2 billion per year under a worst case scenario.²

That bill, HB110, passed the House. But after much debate and great deal of testimony

¹ See Appendix B: A brief description of APOC disclosure requirements

² Alaska Department of Revenue. "HB 110 Proposed Changes to the Oil & Gas Production Tax" presented at the House Finance Committee, March 26, 2011.

http://www.legis.state.ak.us/basis/get_documents.asp?session=27&bill=HB110.

and evidence gathering, the Senate proposed their own legislation, SB192, that would award slightly different tax breaks after proof of performance milestones.

The Senate, also focused on increasing production, but intended to focus on encouraging new exploration with provisions that would have given a tax break for new-field production. That bill failed to pass the House. Subsequently, a tax-cut plan put forth by the Governor in a special session contained few different ideas, received plenty of criticism, and he ultimately pulled the bill from further consideration.

Now, advocates of oil tax reform are targeting incumbent Senators in competitive races who opposed HB110³. Supporters who believe the Senate bi-partisan coalition did their jobs well are supporting them.⁴

Disclosed and Undisclosed Election Spending

Using the latest publicly available data from APOC, sample advertisements from high profile election spenders, and an analysis of more than 50 hours of radio and television broadcasts from select stations, we found that three groups have dominated independent spending and advertising in the general election to date, and all are focused on the oil tax issue. The groups are: We are Alaska, the Putting Alaskans First Committee, and the Make Alaska Competitive Coalition. Because MACC is not registered with APOC, we use their own stated fundraising goals as an estimate. For the purposes of simple comparison, we assume they have spent within their stated \$300,000 to \$500,000 fundraising goal.⁵

Table 1: Group Spending on Oil Taxes

Group Name	Expenditures to Date:
Putting Alaskans First Committee	\$291,922.24

³ Coyne, Amanda. "Election Fund Steers Cash to Alaska Senate Candidates Pledging Oil Tax Cut." *Alaska Dispatch*, June 24, 2012.

<http://www.alaskadispatch.com/article/election-fund-steers-cash-alaska-senate-candidates-pledging-oil-tax-cut>.

⁴ Bohrer, Becky. "Group Backing Alaska Senate Majority Raises, Spends Big." *Anchorage Daily News*, October 12, 2012.

<http://www.adn.com/2012/10/09/2655552/group-backing-senate-majority.html>

⁵ Coyne, Amanda. "Group Pushing for Oil Tax Breaks Has 'Elected' Not to Disclose Funding." *Alaska Dispatch*, September 18, 2012.

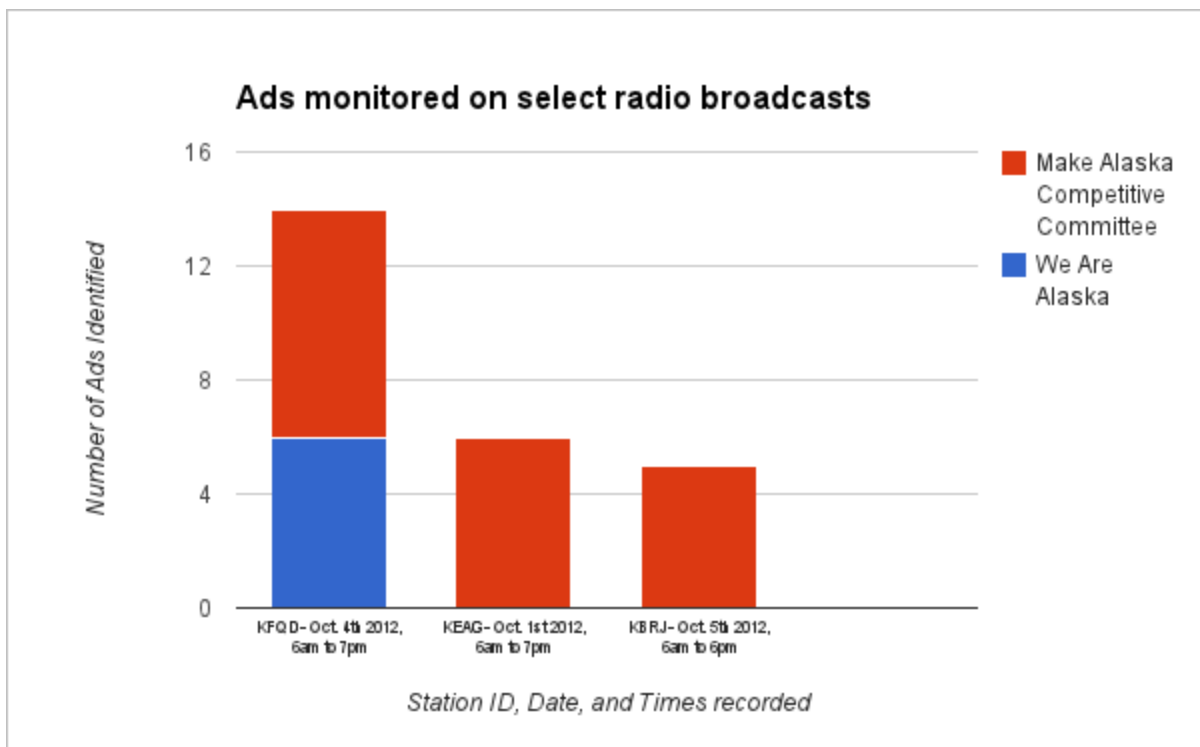
<http://www.alaskadispatch.com/article/group-pushing-oil-tax-breaks-has-elected-not-disclose-funding>.

We Are Alaska	\$83,415.83
Make Alaska Competitive Coalition	\$300,000 to \$500,000

That means that potentially the biggest independent spender around a key political issue is not currently disclosing to APOC, and the public has no way of telling who is contributing to their cause.

To establish that this organization was indeed active, and to analyze the content of their message, we monitored nearly 40 hours of radio broadcasts, counted ads around oil tax reform and the election, and made transcripts of their contents. In 3 days of recording, we counted 25 ads from MACC and We Are Alaska. You can see a result of this effort in Figure A and Appendix A.

Figure A: "Snapshot" of Oil Tax advertisements over 38 hours of radio broadcasts on 3 stations between October 1st and October 5th, 2012



What's Political?

While MACC has claimed to be only focused on issue education, we found that their ads were extremely similar, and in some cases more focused on voting and candidates, than ads by groups registered and disclosing under APOC regulations. We analyzed the

AkPIRG invites the general public to identify ads, where they were seen and heard, and which group funded them. AkPIRG will examine the group, the funding and whether or not they disclosed, as well as fact-check the ads. Since more independent groups are expected to jump into the fray, the money track and message fact-check will be intense. We hope that citizens will work to get good information and we provide these tools for further inquiry.

Appendices

Appendix A: Transcripts of all available advertisements by MACC, WAA, and PAFC

We Are Alaska – Senator Wielechowski

We Are Alaska and we're fed up with state Senators like Bill Wielechowski taxing and spending like there's no tomorrow. State government is growing out of control, adding one thousand new government jobs and billions in additional spending. And while government grows, taxes choke the lifeblood out of our economy. Oil production is declining, investments are down and jobs are disappearing. Bill Wielechowski's answer is to grab everything we can in taxes today and forget about tomorrow. When tomorrow comes, and industry can't pay for Wielechowski's bloated state government, who do you think will foot the bill? Alaska can no longer afford Bill Wielechowski. East Anchorage voters can make the right choice. Bob Roses will rein in spending and get Alaska's economy working again. November 6th vote for Bob Roses.

We Are Alaska – Senator Paskvan

We Are Alaska and we're fed up with state Senators like Joe Paskvan taxing and spending like there's no tomorrow. State government is growing out of control. Billions are being spent each year, and yet nothing is being done to control energy costs in Fairbanks. And while government grows, taxes choke the lifeblood of our economy. Oil production is declining, investments are down and jobs are disappearing. Joe Paskvan's answer? Grab everything we can in taxes today and forget about tomorrow. When tomorrow comes, and industry can't pay for Paskvan's bloated state government, who do you think will foot the bill? Alaska can no longer afford Joe Paskvan. Fairbanks voters can make the right choice. Pete Kelly will rein in spending and get Alaska's economy working again. On November 6th vote for Pete Kelly.

We Are Alaska- And We Are Concerned

We are Alaska and we are concerned about our future. Oil production is declining at an alarming rate. Decline threatens our ability to provide jobs to 35,000 Alaskans and to put over a billion dollars into Alaska's economy each year. Decline threatens state resources and could lead to a statewide income or sales tax. And if it's not addressed,

the PFD for all Alaskans will likely be reduced or eliminated. Unfortunately, some State Senators in Juneau refuse to address the issue, their answer has simply been “no”. No, to increased oil production, No to good jobs for hardworking Alaskans, No plans for the future. No plans for leadership. The good news is Alaskans have never taken “no” for an answer. Join us in saying “yes” to those candidates who will address decline and protect our future.

We Are Alaska- We Are Alaska

We Are Alaska. We are engineers, truck drivers, and welders. We are professors, architects, and pilots. We are surveyors, printers, and loggers. We are your sons, your daughters, your neighbors. We are hunters, fishermen, and hikers. We are union and nonunion workers. We are Democrats and Republicans. We responsibly develop Alaska’s resources. We put more than a billion dollars into workers’ hands and Alaska’s economy every year. We are the Alaska Support Industry Alliance, with 420 member companies and 35,000 employees. We are Alaska.

MACC- “Earn it”

So you want my vote? Then tell me what you're going to do for Alaska's Economy. What are you going to do about the state's falling oil production? Let's face it, oil pays the bills and time is running out. You want my vote? Don't give me a bumper sticker. Earn it. I'm voting for more oil more jobs, a stronger economy. I'm voting for oil tax reform.

MACC- “How Long?”

It’s happening everywhere. Government spending is skyrocketing. Here in Alaska, it’s risen 60% in the last five years. We spend 12,000 dollars for every man, woman, and child. Oil pays the tab. But for how long? Production is plummeting, and our high oil taxes drive away the investment needed to produce more oil. That’s why I'm voting for more oil more jobs, a stronger economy. I'm voting for oil tax reform.

MACC- “Junk Mail”

Great, more junk mail from politicians who don't talk about the state's number one issue of falling oil production and the impact on the state's ability to pay for our schools and roads. We need more production, but alaska's oil taxes drive away the investment needed to produce that oil. You want my vote? Start talking about real solutions. I'm voting for more oil, more jobs, a stronger economy. I'm voting for oil tax reform.

MACC- “Reality”

Here's the reality, we're losing hundreds of millions of dollars every year because of declining oil production. How do we make up the difference? A state income tax? Sales tax? Slash services? Give up our PFD's? Oil pays the bills so the burden doesn't fall on us. That's why I'm voting for more oil, more jobs, a stronger economy. I'm voting for oil tax reform. I’m Alaska’s future and I approve this message.

MACC- “Don't Worry 2”

While some politicians continue to sing “Don't Worry Be Happy,” the state is losing

hundreds of millions of dollars every year because of declining oil production. The pipeline is three-quarters empty and our oil and our taxes drive away the investment needed to produce more oil. Don't worry be happy? You're going to have to do better than that to get my vote. I'm voting for more oil, more jobs, a stronger economy. I'm voting for oil tax reform. I'm Alaska's future and I approve this message.

MACC- "Don't Worry"

With the threats to deficits and state services, some politicians are still singing "Don't Worry Be Happy." We don't have to sing along. the state is losing hundreds of millions of dollars every year because of declining oil production. Vote for more oil, more jobs, a stronger economy. Vote for oil tax reform. I'm Alaska's future and I approve this message.

PAFC Ad #1 (TV)

When it comes to Alaska's oil, we need to stand up for ourselves. So why would we cut oil company taxes before they create new jobs? That's Backwards, it's our oil. The Senate Bipartisan working group created checks and balances, accountability. You get a tax cut after you create new jobs, new production. These Senators stood up for us, so we should stand up for them.

Text appearing on screen during ad:

- no tax cuts without new production, jobs
- it's our oil
- Senate Bipartisan Working Group
- Joe Thomas
- Joe Paskvan
- Accountable
- Protect Our Oil
- Create New Jobs
- Vote Thomas, Paskvan
- Vote

PAFC Ad #2 (TV)

When it comes to Alaska's oil, we need to stand up for ourselves. So why would we cut oil company taxes before they create new jobs? That's Backwards, it's our oil. The Senate Bipartisan working group created checks and balances, accountability. You get a tax cut after you create new jobs, new production. These Senators stood up for us, so we should stand up for them.

Text appearing on screen during ad:

- no tax cuts without new production, jobs
- it's our oil
- Senate Bipartisan Working Group
- Lesil Mcguire

- Hollis French
- Accountable
- Protect Our Oil
- Create New Jobs
- Vote Mcguire, French
- Vote

PAFC Ad #3 (TV)

When it comes to Alaska's oil, we need to stand up for ourselves. So why would we cut oil company taxes before they create new jobs? That's Backwards, it's our oil. The Senate Bipartisan working group created checks and balances, accountability. You get a tax cut after you create new jobs, new production. These Senators stood up for us, so we should stand up for them.

Text appearing on screen during ad:

- no tax cuts without new production, jobs
- it's our oil
- Senate Bipartisan Working Group
- Bill Wielechowski
- Kevin Meyer
- Bettye Davis
- Vote Davis, Meyer, Wielechowski
- Accountable
- Protect Our Oil
- Create New Jobs
- Vote Davis, Meyer, Wielechowski
- Vote

Appendix B: A brief guide to Alaska election law terminology

Election “legalese”

If you're not an attorney, attempting to determine what our election laws and regulations actually mean is daunting at best. So, we've compiled a brief layman's guide to a few of the legal terms relevant to campaign disclosures and independent expenditures under Alaska Law.

- First off, under current Alaska law, "person" is kind of a catch-all term. It includes not only actual human beings (which are referred to in the law as “individuals”), but also includes labor unions, and what the law calls “groups”, and “non-group entities”.
- In case you're wondering, a “Group” means any combination of individuals acting jointly for the principal purpose of influencing the outcome of one or more

elections.

- For the purpose of election law "nongroup entity" refers to any entity that takes action to influence the outcome of an election AND also is not a business or corporation, or tied to a business or corporation. A nongroup entity might be the local homeowners association or the local ladies knitting circle.
- Finally, as mentioned above, an "individual" means an actual human being.

Independent Expenditures

As a result of the U.S. Supreme Court's decision in *Citizens United v. Federal Election Commission*, 588 U.S.6, 130 S.Ct. 876 (2010), corporations and labor unions are now able to make independent expenditures in support of or in opposition to a candidate or ballot proposition or question. In 2010 Senate Bill 284 created reporting requirements in the form of disclosures and disclaimers designed to provide the public with transparency about the persons funding these new expenditures. Citizens United does not allow for direct contributions to candidates from corporations and labor unions.

Since the doors were opened for corporations and unions to make independent expenditures in candidate campaigns, Senate Bill 284 was drafted to require as much disclosure and identification as possible from those responsible for making the independent expenditures. The purpose of the disclosure and identification requirements is so that the public can be better informed of who the responsible party or parties are behind the advertisements influencing candidate elections.

Senate Bill 284 also requires persons to open a political activities account. All persons who solicit funds outside of their general treasury funds for independent expenditures must establish a political activities account. Once established, all funds received and deposited in the political activities account will be disclosed to the public through disclosure reports filed with APOC along with the identification of the top three contributors on any political communications made.⁷

⁷ <http://doa.alaska.gov/apoc/FAQs/faq-independent-expenditure-activity.html>