



The Power of Special Interests

Campaign Finance and Electricity Deregulation in Maryland

A report by
Public Campaign
Maryland Common Cause
Progressive Maryland Education Fund

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The cost to fill a gas tank has never been higher, the housing market is in crisis, and a majority¹ of Americans believe the country is in a recession. Pocketbooks are tight across the country. And this year, Marylanders are facing the extra burden of a sharp increase in the cost of electricity spurred by legislation passed in 1999 that deregulated and privatized the electric utility industry.² Baltimore Gas & Electric (BG&E), which serves more than half³ of Maryland's 2.08 million households⁴, received a windfall of \$1.15 billion⁵ as its customers saw their annual utility rates rise by an average of \$743 per household⁶.

Lest anyone argue that this is a short term burden on Maryland ratepayers, BG&E announced another rate increase planned for June, adding roughly \$100 more to the average household energy bill, and bringing the total rate increase for BG&E customers to 85% since deregulation.⁷ Looking forward, the long term windfall for the electric utility through 2036 is estimated at \$5 billion.⁸ If anything, the burden on Maryland ratepayers is only getting heavier

More than the increase in costs, deregulation is also harmful to the environment. Before deregulation, utility companies had incentive to encourage conservation. They had motivation to invest in efficiency measures instead of dealing with the regulatory and political red tape of building new power plants, or buying extra power on the interstate spot market. But after deregulation, companies have no incentive. They've sold off their power plants or formed separate companies. The concern now is solely how much power goes through the wires.⁹

Nine years have passed since the electricity deregulation bill became law and problems with the legislation still persist. At the end of February, the Maryland Public Service Commission called on executives of the electric utility industry to appear at a hearing to discuss the dramatic increase in rates and what can be done for consumers. Constellation Energy, the parent company of BG&E, had refused to meet with the Maryland Public Service Commission regarding the rate hikes.¹⁰ The state then filed a lawsuit against Constellation at the end of February. Under catch-up legislation passed in 2006, Constellation is required to pay consumer credits to soften the rate increase. This lawsuit was a pre-emptive strike to a lawsuit that will soon be filed by Constellation saying the credit requirement is unconstitutional.¹¹

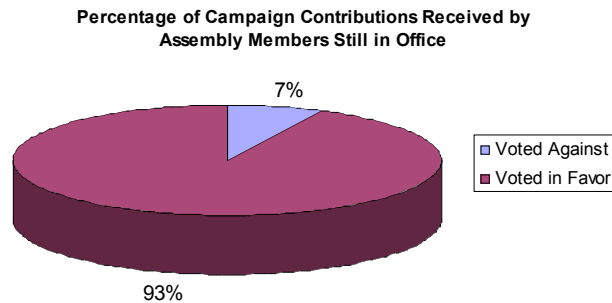
Electric Utility Industry Largesse

While the electric utility industry representatives refuse to meet with the Commission, they aren't shy about communicating to legislators—they just prefer to do it with campaign cash. The electric utility industry has donated heavily to legislative candidates over the past ten years. Candidates and slate committees in Maryland have received more than \$1 million in campaign contributions since 1998 from electric utility companies, their employees, and Political Action Committees (PACs). Lobbyists representing energy companies in Annapolis have given an additional \$114,000.¹²

The return on their investment, in the form of the electricity deregulation legislation, has netted them a monopolist's windfall thanks to increases in monthly electric bills.

Follow the Money

There are presently 88 members of the General Assembly who were in office when the energy deregulation bill was passed in 1999—65 of whom voted in favor of the legislation. Those who voted on that bill have received at least \$280,000, combined, in campaign contributions from the electric utility industry since 1998.¹³ Those who voted “yes” received 93 percent of that total.



Source: Analysis by Public Campaign of data provided by the Institute on Money in State Politics and the Maryland Institute for Policy Analysis and Research at University of Maryland, Baltimore County.

Lawmakers who voted for the legislation and are still in office, on average, received more than five times the amount of money from electric utilities compared to those who voted against it.

Mirroring federal elections, a majority of these donations from the electric utility industry are being made in amounts of \$1,000 or more. Just 17 percent of the donations made by the industry have come in amounts under \$250. Indeed, 17 donations of \$5,000 or more totaling \$155,000 were donated directly to Maryland’s Democratic and Republican State Central Committees.¹⁴

Senate President Mike Miller (D), who steered the electric utility boondoggle through the Assembly, has received more than any other legislator from electric utilities, with at least \$39,000 in contributions from the industry since 1998. Sen. Thomas Middleton (D), who now chairs the powerful Finance Committee, received at least \$23,600 in campaign contributions.¹⁵

Another major engineer of the legislation was former Senator Thomas Bromwell (D),¹⁶ who will begin serving time in prison this summer for accepting bribes for legislative favors. In transcripts released by the FBI, Sen. Bromwell bragged about his connections to powerful interests in Maryland, including Baltimore Gas & Electric.¹⁷

Unfortunately for Marylanders, only the power companies—now monopolies in their respective service zones—have benefited. Constellation Energy made \$935 million in profits in 2007, a 33 percent increase from 2006.¹⁸ In fact, executives for Constellation Energy (the parent company of BG&E) have been rewarded handsomely at the expense

of working families in Maryland. Mayo Shattuk, Constellation Chief Executive Officer and Chairman of BG&E, made \$11.8 million in salaries and bonuses in 2006 and in exercising other options, made over \$40 million.¹⁹

Power for all Marylanders

Legislators don't seek office to spend all of their time raising money. These are good public servants caught in a bad system. Candidates for statewide offices and the General Assembly have to keep up with the ever-increasing cost of running for office in Maryland. They have to dial for dollars from the wealthy elite able to fund campaigns. When legislation like deregulation passes and so much money has flowed into campaign coffers from the industry it benefited, Maryland residents become concerned about the access and influence big campaign contributions buy.

Sen. Paul Pinsky and Del. Jon Cardin have introduced legislation that would level the political playing field in Maryland: Clean Elections, or full public financing of elections.

Clean Elections campaign reform is law in Arizona, Maine, New Mexico, New Jersey, North Carolina, Vermont, and Connecticut as well as Portland, Oregon and Albuquerque, New Mexico. Clean Elections cuts the ties between special interest money and public policy by allowing participating candidates to run for office without seeking large contributions from insider lobbyists and well heeled special interests. Clean Elections candidates qualify for a grant to run their campaign by collecting a set number of small contributions (usually \$5). Once qualified, candidates must adhere to strict spending limits and forgo all private fundraising for their campaign. Clean Elections candidates are accountable to the voters who elected them, not the well heeled special interest contributors who would have financed their campaign.

In a poll conducted in October 2007 for the Progressive Maryland Education Fund by Gonzales Research & Marketing Strategies, 72 percent of Maryland voters—across party lines—supported a system of public financing. The voters, and their pocketbooks, are ready for a system that benefits everyone and not just campaign contributors.

Methodology

Industry campaign contributions cited in this report are a combination of data provided by the Institute on Money in State Politics (<http://www.followthemoney.org>) and the National Center for the Study of Elections, a research center within the Maryland Institute for Policy Analysis & Research at the University of Maryland, Baltimore County (http://mdelections.umbc.edu/campaign_finance). Campaign finance data was provided to these organizations by the Maryland Board of Elections. The aggregate data in the report includes donations from executives, board members, corporate entities, and corporation political action committees (PACs).

By Maryland law, corporations, individuals, and PACs are able to contribute directly to candidates running for elective office. Also included in the aggregate total of money received are slate committees, victory funds, and the state parties.

Lobbyist donations were derived from cross-referencing the lobbying database of the Maryland State Ethics Commission and data from the Institute on Money in State Politics.

¹ POLL: Public Sees Recession; Stimulus Plan Draws Skepticism, ABCNEWS.com, February 4, 2008. Available online at <http://abcnews.go.com/PollingUnit/Economy/story?id=4235393&page=1>.

² The Electric Utility Industry Restructuring Act was signed into law by Governor Paris Glendening in April 1999, after passing both chambers in the General Assembly. It passed the house by a 95-36 margin and the Senate 34-13. Available online: <http://mlis.state.md.us/1999rs/billfile/hb0703.htm>.

³ BG&E Facts and Figures:

<http://www.bge.com/portal/site/bge/menuitem.b41824993bc9ae28ec8f1457025166a0/>

⁴ According to the U.S. Census. Available online:

<http://www.census.gov/acs/www/Area%20Sheets/Area%20Sheet%20MD.doc>

⁵ Interim Report of the Public Service Commission of Maryland to the Maryland General Assembly. Part II: Stranded Costs, CTC Payments, and Nuclear Decommissioning. January 17, 2008

⁶ "BGE bombshell could become story of the year," *Baltimore Sun*. March 19, 2006.

⁷ "BGE Rate to Climb Higher in June," *Baltimore Sun*. January 23, 2008.

⁸ Interim Report of the Public Service Commission of Maryland, Op. Cit

⁹ Who's Got the Power? Electricity Deregulation and Campaign Finance in Maryland State Government, report by Progressive Maryland, May 2007. Available online:

<https://progressivemaryland.org/public/documents/reports/2008/ElecDeregAndCampaignFinance0705Final.pdf>.

¹⁰ State Briefs, *washingtonpost.com*, February 25, 2008.

¹¹ MD Aims Lawsuit at Utility, *Baltimore Sun*, March 1, 2008.

¹² Some lobbyists may lobby on behalf of more than one client in Annapolis.

¹³ Source: Analysis by Public Campaign of data provided by the Institute on Money in State Politics and the Maryland Institute for Policy Analysis and Research at University of Maryland, Baltimore County

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Assembly OKs bill to choose power, *Baltimore Sun*, April 3, 1999.

¹⁷ "I'm a Rain Maker," *Baltimore Sun*, March 21, 2007.

¹⁸ Data gathered from Fortunate 500 website. 2006 data available at

<http://money.cnn.com/magazines/fortune/fortune500/2006/snapshots/358.html> and 2007 data available at

<http://money.cnn.com/magazines/fortune/fortune500/2007/snapshots/358.html>.

¹⁹ Company profile available online at <http://finance.yahoo.com/q/pr?s=ceg>.