

Party Pork in Ottawa

The trough is *deeper* than per-vote subsidies

When Messrs. Dion, Layton and Duceppe nearly topped the government this past December, they were prompted – in large part, if not solely – by the Harper government’s intention to end the per-vote subsidy to political parties.



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to defend their taxpayer entitlements at any cost.

Yet, while most of the media and public attention focused on the absurd notions of Jack Layton in cabinet and Gilles Duceppe with a veto on all coalition government decisions, the degree to which politicians

and their parties feed at the public trough

was never fully illuminated. Taxpayers may be surprised to learn that per-vote subsidies are but the tip of the proverbial iceberg.

This article examines per-vote subsidies and other pork barrel policies including campaign expense reimbursements and favourable tax treatment for political party donations.

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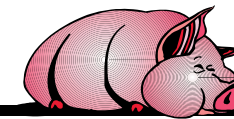


CP Images

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Of course, the subsidy cut would do more to hurt the opposition parties than the governing Tories – which reminds us of the politics behind policy calculations. Nevertheless, the announcement was both welcomed and widely supported. An Ipsos-Reid poll on December 5, 2008 showed 61% of Canadians oppose parties receiving a per-vote subsidy.

Not surprisingly, the government had a change of heart, opting for the continued comforts of Sussex Drive, instead of a battle with welfare-laden politicians sitting on the opposition benches willing



benefit themselves at the expense of the people they supposedly represent.

Per-Vote Subsidies

Bill C-24, passed in 2003, increased taxpayer-funded handouts, restricted individual contributions, and banned corporate and union donations. Any registered political party that gets at least 2% of valid votes cast in a federal election receives an annual subsidy of \$1.95 per vote, paid quarterly and indexed to inflation. The inflation adjustment factor is announced on January 31 and can be no more than a three percent increase.

The per-vote subsidy costs Canadian taxpayers about \$30-million per year.

The per-vote subsidy scheme helps existing parties but creates a situation of unfair competition for new or up-and-coming parties. As discussed below, the restrictions on private donations make it impossible for new parties to raise revenues from large donors. Similar to what happens in the case of corporate welfare, new entrants are forced to compete against their own tax dollars.

Contribution Limits

One of the factors driving the feeding frenzy is that the 2003 reforms not only prohibited union and corporate donations, they limited individual donations to \$5,000 — an amount lowered by

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the Conservatives to \$1,100. This places severe fundraising restrictions on parties and helps cement the status quo.

According to a report from the Fraser Institute, both the Reform and New Democratic parties may not have survived under the current system. When the Reform Party made its election break-

through in 1993, the party’s ten largest donors (two individuals and eight corporations) gave a total of \$301,150 (see www.elections.ca). At \$1,100 per individual donation, and no corporation donations, the total donation would have been \$2,200, or less than 1% of the original donation. Even the NDP with only 7% of the vote in 1993,

Annual taxpayer funding of federal political parties under per-vote subsidies

2009*:

Conservative \$10.15-million

Liberal Party \$7.08-million

NDP \$4.91-million

Bloc \$2.68-million

Green \$1.83-million

2008:

Conservative \$10.5-million

Liberal Party \$8.7-million

NDP \$5.1-million

Bloc \$3.0-million

Green \$1.3-million

* based on CTF estimate of October 15, 2008 election results

might have been squeezed out with no donations from corporations and trade unions.

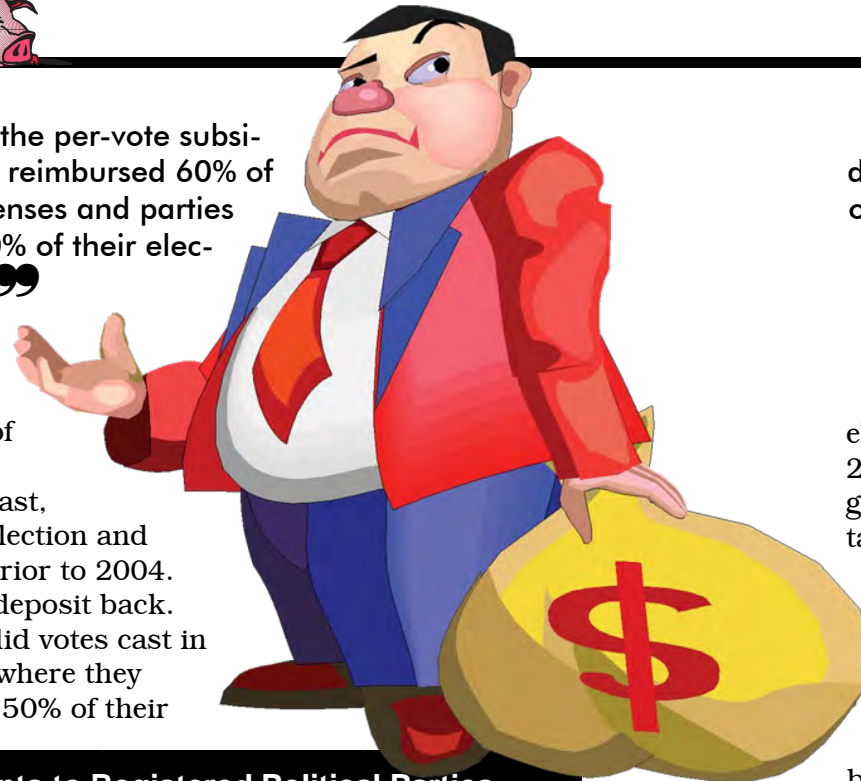
Candidate and Party Reimbursements

In addition to the per-vote subsidy, candidates are reimbursed 60% of their election expenses and parties are reimbursed 50% of their election expenses.

If a candidate gets more than 10% of valid votes cast, he or she can be reimbursed for 60% of the actual election and personal expenses they paid. This is up from 50% prior to 2004. These candidates also get their \$1,000 nomination deposit back.

Political parties that get at least 2% of the total valid votes cast in the election, or 5% of the valid votes cast in ridings where they have candidates, are entitled to a reimbursement of 50% of their

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Total Election Expenses and Reimbursements to Registered Political Parties – 2006 General Election*

| Registered political party | No. of candidates | Total paid election expenses (\$) | Authorized limit of election expenses (\$) | Reimbursement (\$) |
|------------------------------------|-------------------|-----------------------------------|--|----------------------|
| Animal Alliance Environment Voters | 1 | 3,761.89 | 68,154.97 | 0.00 |
| Bloc Québécois | 75 | 4,523,404.97 | 4,676,676.52 | 2,261,702.49 |
| Canadian Action Party | 34 | 25,766.70 | 2,150,020.88 | 0.00 |
| Christian Heritage Party of Canada | 45 | 63,257.45 | 2,617,633.05 | 0.00 |
| Communist Party of Canada | 21 | 12,061.75 | 1,234,417.80 | 0.00 |
| Conservative Party of Canada | 308 | 18,019,179.28 | 18,278,278.64 | 9,009,589.64 |
| First Peoples Nat. Party of Canada | 5 | 2,938.17 | 285,326.57 | 0.00 |
| Green Party of Canada | 308 | 910,979.08 | 18,278,278.64 | 455,489.54 |
| Liberal Party of Canada | 308 | 17,439,690.00 | 18,278,278.64 | 8,719,845.00 |
| Libertarian Party of Canada | 10 | 589.20 | 659,531.77 | 0.00 |
| Marijuana Party | 23 | 709.69 | 1,353,566.56 | 0.00 |
| Marxist-Leninist Party of Canada | 71 | 4,779.21 | 4,494,786.75 | 0.00 |
| New Democratic Party | 308 | 13,470,866.92 | 18,278,278.64 | 6,735,433.46 |
| Progressive Canadian Party | 25 | 5,777.38 | 1,555,632.40 | 0.00 |
| Western Block Party | 4 | 577.80 | 273,026.95 | 0.00 |
| TOTAL | 1,546 | 54,484,339.49 | 92,481,888.78 | 27,182,060.13 |

Source: http://www.elections.ca/content.asp?section=fin&dir=pol&document=table1_06&lang=e&textonly=false

* Most recent election for which numbers are available.

“In an election year, parties and candidates can expect to receive upwards of \$85-million from taxpayers, not including additional donations from the public — all classified as charitable, of course.”

election expenses. This is up from 22.5% before 2004. After the 2006 general election, this handout cost taxpayers about \$27.2-million.

As shown in the table on page 18, the Conservative Party is the biggest winner in the handout lottery, but the Liberal Party is close behind.

As for candidate reimbursements, Elections Canada has yet to publish final numbers from the 2006 federal election. In 2004, 837 candidates split a cool \$24.8-million. An average of \$29,672 each. Numbers for the 2006 federal election should be similar.

Currently, in an election year, parties and candidates can expect to receive upwards of \$85-million from taxpayers, not including additional donations from the public — all classified as charitable, of course.

Tax Credits

Donating to political parties or candidates gives a bigger bang to a donation dollar than giving to registered charities. Individuals may contribute \$1,100 to a registered political

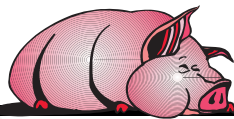


party, and a total of \$1,100 to registered associations, nomination contestants and candidates. That means one individual may contribute a maximum of \$2,200 in any calendar year.

Of course, an individual will only get part of that back. For an individual political donation of \$1,275.01, the maximum tax credit is \$650. As shown in the table on page 20, giving \$1,275.01 to a charitable organization earns a lower tax credit of \$557. That's because a person only receives a federal tax credit of 15% on the first \$200 donated to a charity, and 29% on any amount over \$200. A provincial component for contributions to a charity bumps that percentage up. Even so, to use the example of British Columbia, to receive a \$650 tax credit on a donation to a charitable organization, the contribution would have to be about \$1,595 compared

Breakdown of tax credits on political contributions

| Amount of Contribution | Tax Credit |
|--------------------------|---|
| \$.01 to \$400..... | 75% of contribution |
| \$400.01 to \$750..... | \$300, plus 50% of contributions over \$400 |
| \$750.01 to \$1,275..... | \$475, plus 33 1/3% of contributions over \$750 |
| \$1,275.01 and over..... | \$650 maximum deduction |



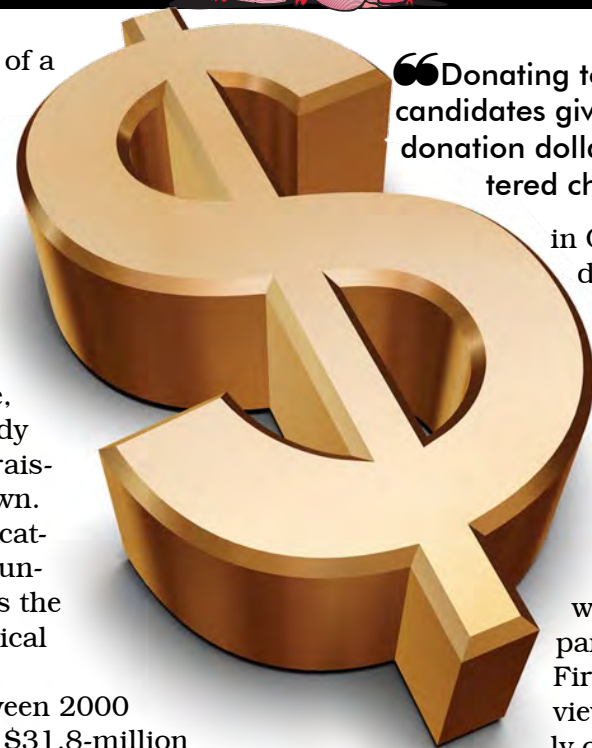
to \$1,275.01 in the case of a federal political party.

Adding it all up

According to a *Frontier Centre for Public Policy* report authored by former Canadian Taxpayers Federation director Mark Milke, since 2004, as the subsidy has gone up, party fundraising success has gone down. Ironically, the party dedicated to breaking up the country, the Bloc Quebecois is the most dependent on political pork.

Milke shows that between 2000 and 2008, the Bloc took \$31.8-million in taxpayer handouts compared to raising just \$5.7-million in voluntary individual donations, a ratio of 5.6 to 1. The Conservatives took \$97.7-million in taxpayer handouts while that party raised \$72.9-million from voluntary contributions, a ratio of 1.3 to 1. If the Bloc had not received a huge subsidy from the country it wants to destroy, it would not have been able to mount much of an advertising campaign in the last election.

Forced taxpayer donations have given \$290-million in party reimbursements and vote subsidies to politicians and their parties



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in Canada since 2003. Paradoxically, parties with falling support may linger under this system, but up-and-coming parties may never see the light of day.

Conclusion

There are four reasons why subsidies to political parties are just plain wrong. First, being forced to pay for views you oppose is morally offensive. This is especially true where Canadians are forced to pay for the campaigns of a political party dedicated to breaking up the country.

Second, should feathering the nest of politicians and political parties be a priority of government? Hospital wait lists grow and our roads need repair in every corner of the country yet our politicians spend tens of millions of tax dollars on expensive television ads attacking each other.

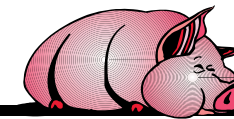
Third, support for a cause should be earned. Having to ask for and receive a contribution for any activity connects support to a cause in a meaningful way. Really, why should political party financing be any different than that of the Canadian Taxpayers Federation? The CTF generates voluntary donations from more than 60,000 Canadians and takes no taxpayer subsidy or political tax credit. And, if people don't like the CTF, they're not compelled by force to fund it.

Finally, subsidies lead to an entrenchment of established parties that lends itself to limiting free speech and democratic participation. Of course, subsidies are not the only reason (the voting system is a greater impediment), but they're a large factor prohibiting new en-

Comparing political and charitable tax credits

| Donation | Tax Credit | |
|----------|-----------------|----------|
| | Political Party | Charity* |
| \$100 | \$75 | \$20 |
| \$500 | \$350 | \$218 |
| \$1,000 | \$558 | \$437 |
| \$1,275 | \$650 | \$557 |

* Provincial portion applies British Columbia rates for illustration purposes. Rates will vary slightly from province to province.



So what do election expense reimbursements cover?

The *Ottawa Citizen* reported February 25th that recently filed financial reports from candidates in last October's election averaged \$930 each in "personal expenses."

Although there are no specific limits on the amount of personal expenses candidates can claim, the costs must be "reasonably incurred as an incidence of the election and supported by appropriate documentation," an Elections Canada candidates' guide says. They also must be below the limit on spending in each riding.

That means taxpayers could be on the hook for more than half of \$5,140 in mileage claimed by former Conservative foreign minister Maxime Bernier, \$2,425 in meals billed by B.C. Conservative MP Jim Abbott and \$1,286 in child-care costs accumulated by NDP candidate Tamara Lorincz, for instance.

Lorincz, who ran and lost in Halifax West, says she had to put her children in daycare during the campaign — at \$28 per day per child — because she and her husband do not have family in Nova Scotia.

The lack of affordable daycare, she said, was one reason she decided to run for the NDP.

Although only about one-third of all candidate-expense reports have been posted on the Elections Canada website, those that have been released total more than \$464,000 in personal expense claims. Of this total, about \$5,000 is child-care costs.

trants at a time when current party options are resulting in lower voter turn-out.

The argument in favour of taxpayer subsidies is that they prevent well-funded special interests from buying elections. The evidence for this is unclear. However, even if it were true, election-buying could easily be diminished by creating a policy of pre-election disclosure.

Simply require that candidates and parties disclose before election day — as they do for presidential elections in the United States — who their contributors are. Then, if voters are concerned about who "bought" the candidate, they can see for themselves and make a decision to support — or not support — the candidate or party on the basis of full disclosure.

This way, voters can monitor candidates and parties without having their wallets emptied by those same politicians who then throw mud at each other. Voters can do so without having to fund views with which they may disagree. And, voters can do so knowing the politicians on the ballot had to go out and earn the voluntary support of the people in their community they are seeking to govern.■

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