

Local Government Lobbying in 2002

Summary of 2002 Local Government Lobbying Expenditures

According to reports filed with the Office of the State Auditor (the OSA), local governments spent a total of \$5,397,580 on lobbying activities in 2002. This represents a decrease of \$359,471 or 6.2 percent from the amount spent in 2001.

Local governments reported \$5,397,580 on lobbying expenditures in 2002.

Fifty-three reporting local governments (10 *fewer* than in 2001) directly employed or hired contract lobbyists in 2002. These local governments spent a total of \$2,999,540 on staff and contract lobbyists. This was \$424,332 or 12.4 percent *less* than in 2001. Staff and contract lobbyists are paid to influence legislative, administrative, or official action of governmental units in Minnesota. These expenditures do not include dues and membership fees paid to local government organizations.

In addition to the \$3.0 million paid directly to staff and contract lobbyists, local governments paid dues of \$7,984,511 in 2002 to local government associations (hereinafter referred to as associations) that also represented their interests before the legislature. These dues represent an expenditure of taxpayer dollars.¹ These associations spent \$2,398,040 on lobbyists and lobbying in 2002. Of the \$2.4 million spent on lobbyists and lobbying, \$1,915,258 was funded exclusively through dues. In 2001, local governments paid association dues of approximately \$7.85 million, of which \$1,840,174 was spent on lobbying activities.

Payments Made to Staff and Contract Lobbyists

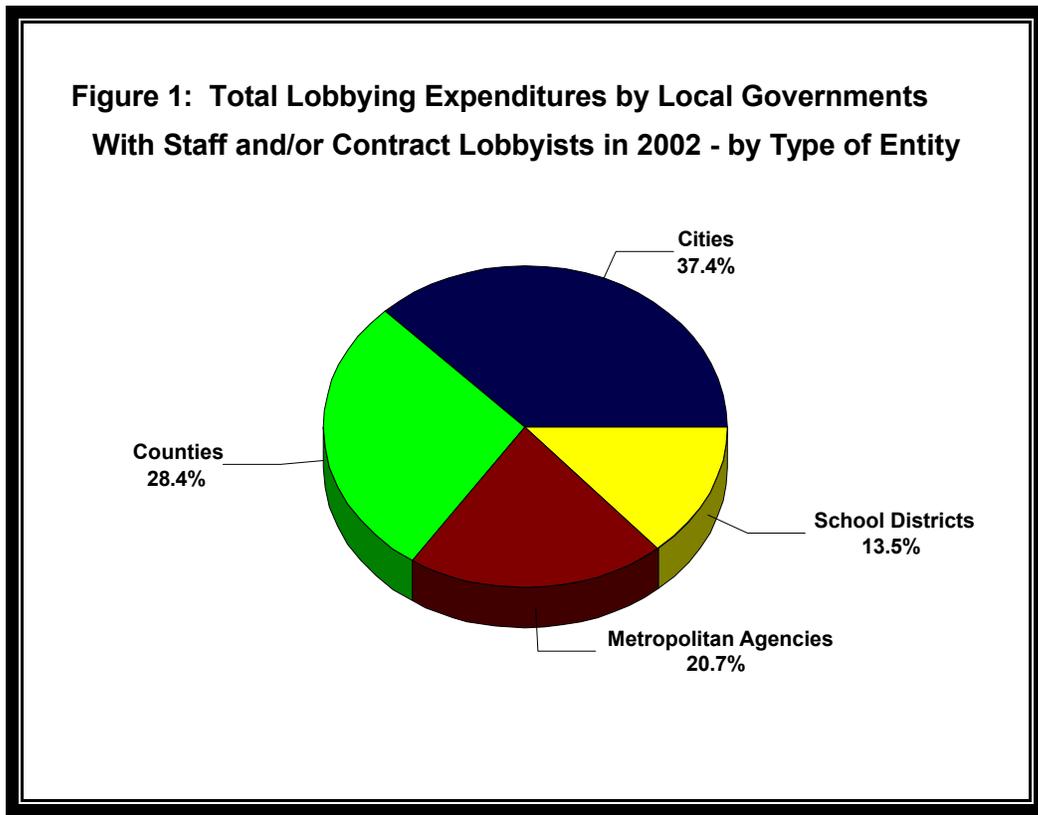
Fifty-three of Minnesota's cities, counties, school districts, and metropolitan agencies directly employed staff and/or contracted with professional lobbyists to represent their interests before the legislature. Tables 1 through 3 detail these lobbying expenditures.

Of the 53 entities reporting to have had employed lobbying staff or hired contract lobbyists in 2002:

- Twenty-six cities and city component units reported a combined total of \$1,122,175 in lobbying expenditures;
- Twelve counties reported a combined total of \$850,388 in lobbying expenditures;
- Ten school districts reported a combined total of \$405,619 in lobbying expenditures; and,
- Five metropolitan agencies reported a combined total of \$621,359 in lobbying expenditures.

¹ Dues are the main source of revenues for associations of local governments, but they also receive other public dollars.

Figure 1 shows 2002 total expenditures on staff and contract lobbyists by type of jurisdiction.



Local Governments Spending the Most on Staff and Contract Lobbyists

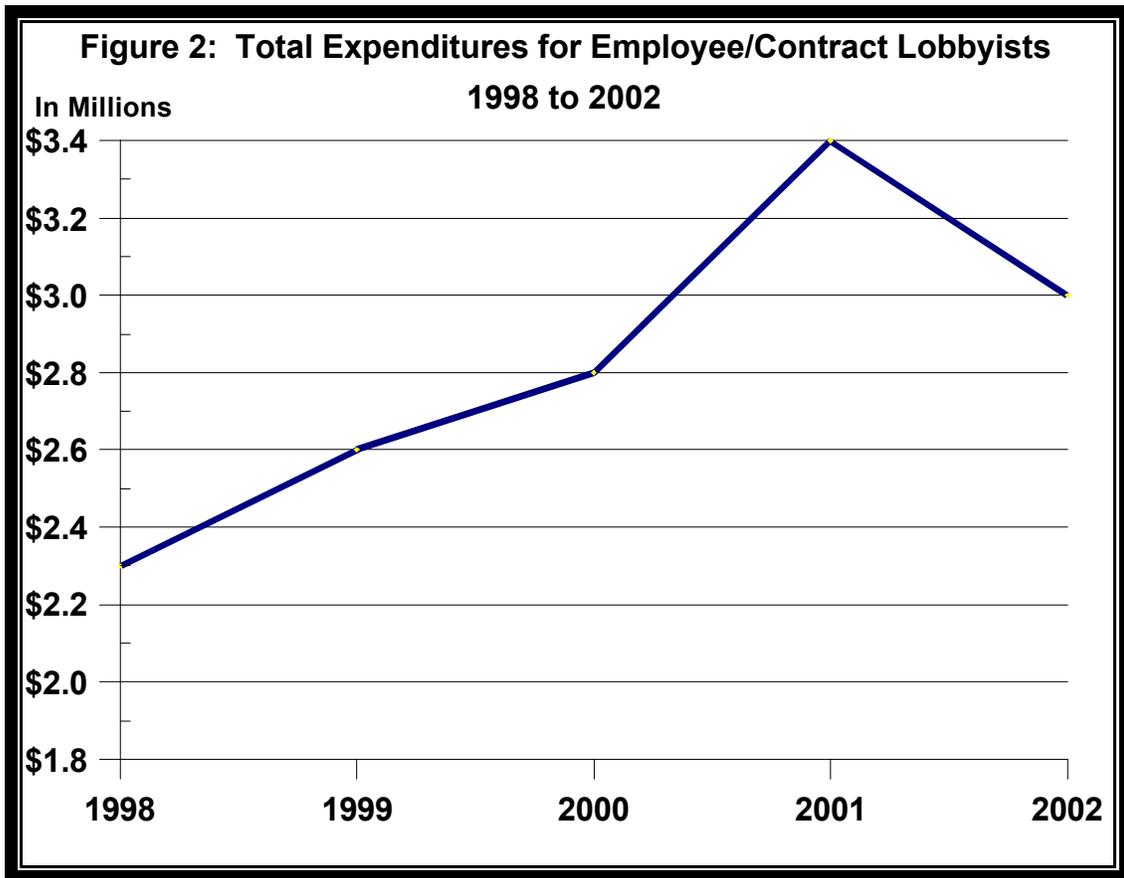
Ten of the 53 local governments that directly employed lobbying staff or hired contract lobbyists reported over \$100,000 in lobbying expenditures, for a total of \$1,650,199. These ten local governments accounted for 55.0 percent of the total amount paid to contract and staff lobbyists in 2002. The ten local governments are:

Hennepin County	\$274,135	City of St. Paul	\$130,435
City of Minneapolis	\$250,246	Ramsey County	\$121,660
Metropolitan Council	\$233,813	Anoka County	\$111,748
Metropolitan Airports Commission	\$174,535	City of Rochester	\$106,973
Minneapolis Parks & Recreation Board	\$141,643	Metropolitan Sports Facilities Commission	\$105,011

Trends in Expenditures for Staff and Contract Lobbyists

After three successive years of increases, the amount spent on contract and staff lobbyists decreased by 12.4 percent in 2002. The decrease reflects a shorter session and fewer local governments utilizing staff and contract lobbyists. The number of entities that reported having lobbying staff and/or contract lobbyists went from 63 in 2001 to 53 in 2002.

Figure 2 shows expenditures on staff and contract lobbyists for the years 1998 to 2002.

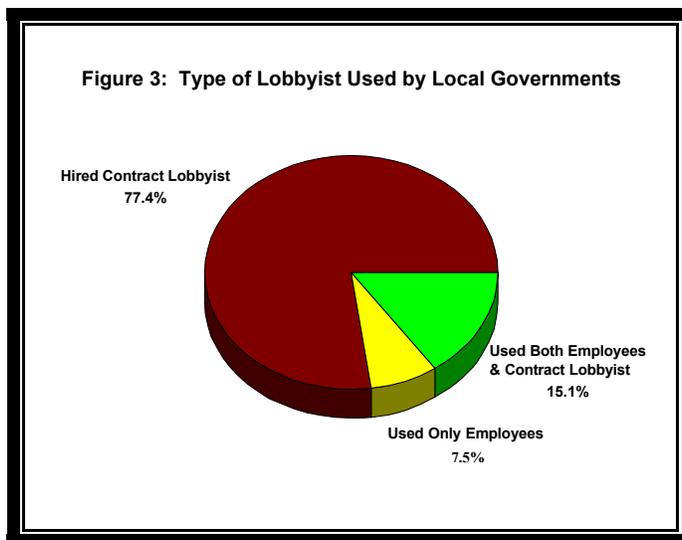


Reliance on Contract Lobbyists

The use of contract lobbyists was more common than having employee lobbyists for those governments that utilized these types of lobbying services. Contract lobbyists accounted for \$2,002,301 or 66.8 percent of the total amount spent by those governments using contract or staff lobbyists. Local governments spent an additional \$997,239 on employee lobbyists to represent the local government's interests before the legislature and state administrative agencies.

During 2002:

- 4 local units of government relied entirely upon their employees to represent them at the legislature;
- 41 units of government relied entirely upon contract lobbyists to represent their interests; and,
- 8 local units of government hired contract lobbyists and used their own employees for lobbying the legislature.



Lobbying Expenditures by Associations of Local Governments

While 53 local governments opted to hire lobbyists or use employees to lobby on their behalf, most local governments relied on various local government organizations to represent their interests at the legislature.² These local government organizations receive the majority of their funding from membership dues and other public funds. Some associations representing local governments not only lobby on behalf of their members, but also act as service organizations. Groups such as the League of Minnesota Cities and the Association of Minnesota Counties provide a wide range of services to their members. For these associations, lobbying services account for a smaller share of their overall expenditures.

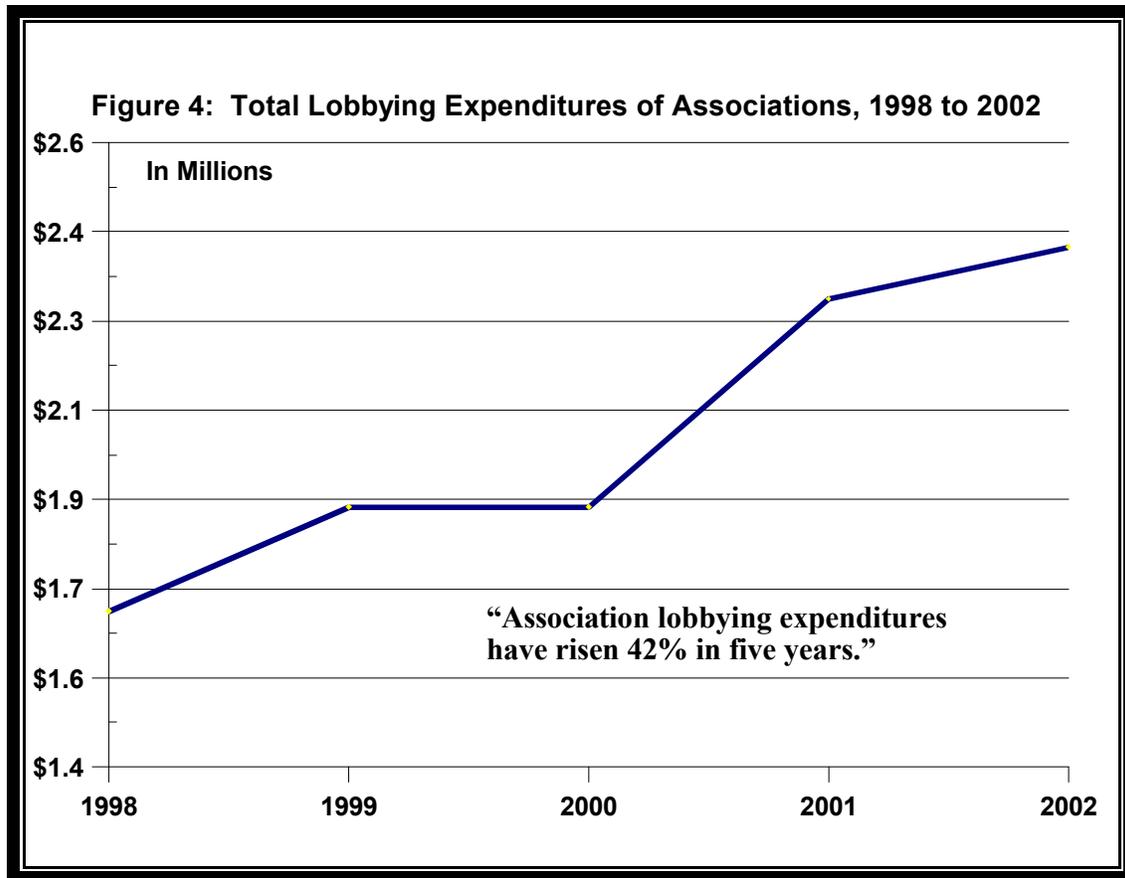
Other associations are formed for the explicit purpose of lobbying the legislature on a specific issue or range of issues for which the members share a common interest. Most of these associations hire a lobbyist or a lobbying firm to influence legislative, administrative, or other official actions at the state, regional or metropolitan level of government. The dues paid by members of these associations generally represent a percentage of the total amount paid to a contracted lobbyist. While it is expected that most member dues from these arrangements are used for lobbying, some associations reported that less than ten percent of dues were used for lobbying activities.

² The local government organizations identified in this report do not include various professional organizations that lobby on behalf of specific professional occupations within local governments. For example, Education Minnesota is registered with the Campaign Finance and Public Disclosure Board. However, because the organization does not directly represent school districts or school district management personnel, its lobbying expenditures are not included in this report.

Trends in Lobbying Expenditures by Associations of Local Governments

Twenty-eight associations representing local governments reported lobbying expenditures totaling \$2,398,040 for 2002. Of the \$2.4 million spent on lobbying, \$1,915,258 or 80 percent was funded through the dues of the association members. Total expenditures for lobbying/lobbyists by associations increased \$64,861 or 2.8 percent over 2001. Expenditures on lobbying/lobbyists by associations have risen 42 percent in five years.

Figure 4 shows lobbying expenditures by associations for the years 1998 to 2002.



Association Lobbying by Type of Entity

The associations reporting lobbying expenditures included:

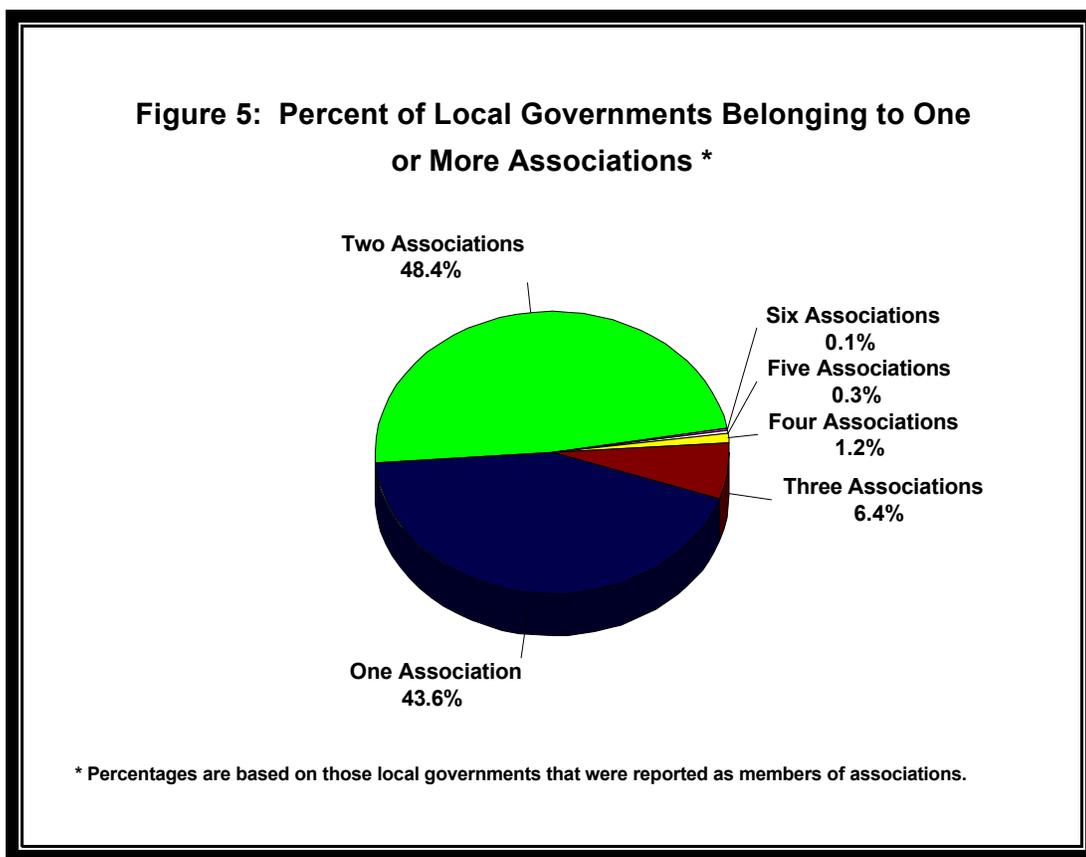
- Nine organizations that represented the interests of cities;
- Four organizations that represented the interests of counties;
- Five organizations that represented the interests of school districts;

- One organization that represented the interests of townships³
- Two organizations that represented other local government interests; and
- Seven organizations that represented more than one type of local government.

Many Local Governments Belong to Multiple Associations

More than half of the local governments (56.4 percent) paid dues to more than one association. Eight percent or 115 local governments belonged to three or more associations. While there are no restrictions regarding the number of associations to which local governments may belong, good fiscal policy would dictate that local governments evaluate whether they are receiving overlapping services.

Figure 5 details the distribution of local government memberships to associations.



³ Under Minnesota Statute § 6.76, townships are excluded from the list of local government units reporting lobbyist costs to the Office of the State Auditor. The OSA did obtain the Association of Minnesota Townships’ Annual Report of Lobbyist Principal filed with the Campaign Finance and Public Disclosure Board which indicated that the association spent an amount rounded to \$20,000. Lobbyist principals are required to report their lobbying expenditures rounded to the nearest \$20,000.

Associations with the Highest Lobbying Expenditures

Among the 28 local government organizations that lobbied the legislature on behalf of their local government members, nine organizations reported expenditures on lobbying/lobbyists in excess of \$100,000.

The organizations that reported total lobbying expenditures exceeding \$100,000 in 2002 were:

League of Minnesota Cities	\$436,368	Minnesota Association of Small Cities	\$128,860
Minnesota School Boards Association	\$318,317	Association of Metropolitan School Districts	\$123,051
Coalition of Greater MN Cities	\$316,571	North Metro Crossing Coalition	\$108,012
Association of Metropolitan Municipalities	\$136,028	Association of Minnesota Counties	\$106,887
Metropolitan Inter-County Association	\$135,077		

Lobbying Expenditures by Associations May Be Greatly Understated

While some of the reported expenditures on lobbyists and lobbying may already seem high, the State Auditor's Office believes that the actual amount spent on lobbying activities could be much higher than reported here. There appears to be a significant difference in the calculation of costs incurred depending upon how the definition of "lobbying" is interpreted when reporting costs to this office, and how a "lobbyist" is defined under Minnesota Statutes depending whether or not the lobbyist is an employee of a political subdivision.⁴ The OSA believes that the standard for reporting lobbying costs should include all the expenses incurred for activities that support lobbying and lobbyists to better show the actual costs of the lobbying effort. The following examples highlight the OSA's concern.

- **Definition of Lobbying and Lobbyist.** For example, the Coalition of Greater Minnesota Cities (hereinafter "the Coalition") is an organization that represents 72 cities in Greater Minnesota. According to the Coalitions' website, "Effective lobbying and the participation of city officials give the CGMC a strong voice at the state Legislature." It appears, therefore, that the primary purpose of the association is lobbying.

⁴ A "lobbyist" as defined in Minn. Stat. § 10A.01, Subd. 21, is a person who is paid "for the purpose of attempting to influence legislative or administrative action, or the official action of a metropolitan governmental unit, by communicating or urging others to communicate with public or local officials." This definition is broadened if the person is an employee of a local government to also include, "time spent monitoring legislative or administrative action...and related research, analysis, compilation and dissemination of information relating to legislative or administrative policies in the state or the policies of metropolitan governmental units." "Lobbying" includes not only communication, but also "any activity that directly supports this communication." Minn. Rule 4511.0100, Subp. 3.

To assist in their mission, the Coalition hired the lobbying/law firm of Flaherty and Hood, PA to perform most of its lobbying activities. According to forms filed with the OSA, Flaherty and Hood billed the Coalition \$913,830 in 2002, of which \$316,573 was classified as lobbying. Thus, according to Flaherty and Hood, over 65 percent of the services provided to the Coalition were for “non-lobbying” activities. The firm indicated in a letter submitted with the lobbying form that they excluded any costs related to “legal services, policy or technical research not related to lobbying, communication, monitoring of legislation, recruitment activities, and membership activities such as meeting and conferences.”⁵

The OSA believes that because taxpayer dollars are involved, the public has an inherent interest in knowing the amount spent by associations of local governments to influence public policies. If the primary purpose of an organization is to lobby, the OSA would argue that all of its spending furthers its lobbying effort.⁶ Therefore, costs such as correspondence, e-mail, salaries and benefits, research, analysis, compilation and dissemination of information, legislation monitoring, web sites, membership activities, conferences, should all be counted as lobbying expenditures.

- **Classification of Intergovernmental Relations Staff Time.** An additional example of what may constitute an understatement of lobbying costs is in the area of intergovernmental relations staff/policy analyst salaries and benefits. Organizations such as the League of Minnesota Cities and Association of Minnesota Counties have full-time intergovernmental relations/policy analysts staff whose primary purpose is to find issues of member concern that will be addressed in current or future legislative sessions. The amount that is currently reported as lobbying expenditures to the Campaign Finance and Public Disclosure Board and the OSA only reflects the actual time spent “attempting to influence” public policy. In actuality, the true cost to members and taxpayers is the full costs incurred to support lobbying efforts such as research, legislative monitoring, issue identification, conferences, meetings, administration and overhead including benefits paid to their salaried employees. These costs are not currently being reported to the Campaign Finance and Public Disclosure Board or the OSA. The OSA believes that a more full disclosure of the costs incurred in support of lobbying efforts would allow members and the taxpayers to know the full cost of lobbyists.
- **Classification of Legal Staff Time.** Another area where lobbying expenditures may be understated is the time legal staff allocates for reviewing or writing statutory language related to pending or proposed legislation. While attorneys may not be at the capitol lobbying, they provide important background material and analysis for the furtherance of the lobbying effort. Again, if the attorneys are not actually directly attempting to influence public policy, their time is not considered a lobbying expense.

⁵ Text taken from a letter sent by Flaherty and Hood to the State Auditor’s Office explaining what they excluded from their lobbying total. For the full letter, See Appendix 1 of this report.

⁶ Specific words and phrases are not required to classify material as a lobbying disbursement. Rather, the controlling factor is whether “the purpose of the material is tied to some action of the legislature,” even if the association may view it as educational. See Campaign Finance and Disclosure Board, Advisory Opinion 347.

Compensation Paid to Firms or Employees for Lobbying Services

In 2002, Minnesota local governments or associations of local governments paid eight firms or employees \$100,000 or more to lobby on their behalf. The 8 lobbyists receiving the largest payments from local governments or associations of local governments were:

Flaherty & Hood, P.A.	\$514,369	Rice, Michels & Johnson	\$131,643
Government & Enterprise Services	\$193,500	Kim Isenberg (employee)	\$113,752
McGrann, Shea, Anderson, Carnival, Straughn, & Lamb	\$186,011	Ronald Soberg (employee) ⁷	\$105,506
Messerli & Kramer	\$142,497	Mary Ann Campo	\$100,000

Compensation Paid to Firms for “Non-Lobbying” Activities

As stated in the earlier example, several firms, in addition to lobbying services, billed their clients substantial additional amounts for “non-lobbying” services. For example, Flaherty and Hood billed local governments and their associations \$514,369 in lobbying services and an additional \$761,795 in “non-lobbying” services. Messerli and Kramer billed \$142,497 in lobbying services and an additional \$132,003 in “non-lobbying” services. Again, these payments paid to lobbying/law firms that are designated as “non-lobbying” expenditures may represent a possible understatement of lobbying/lobbyist expenditures.⁸

Both Flaherty & Hood and Messerli & Kramer sent the State Auditor’s Office letters explaining what they considered lobbying expenditures and what they excluded. Copies of their letters are attached as Appendix 1. Table 6 of this report details payments made to employees and hired lobbyists.

⁷ Mr. Soberg is an employee lobbyist of the Duluth School District. The district received \$20,000 from the Consortium of Lake Superior School Districts for the use of Mr. Soberg’s services.

⁸ Minnesota Statutes and Rules attempt to collect information that would reflect the actual cost of supporting lobbying services. Information to be reported as a lobbying expense includes the “actual costs of publication and distribution of each publication in lobbying; other printing; media, including the cost of production, postage; travel fees, including allowances, entertainments; telephone and telegraph; and other expenses,” Minn. Stat. § 10A.04 Subd. 4; “all expenditures for advertising, mailing, research, analysis, compilation and dissemination of information, and public relations campaigns related to legislative actions, administrative action, or the official action of metropolitan governmental units in this state; and all salaries and administrative expenses attributable to activities of the principal relating to efforts to influence legislative action, administrative action, or the official action of metropolitan governmental units in the state.” Min Stat. § 10A.04, Subd. 6. See also Minn. Rule 4511.0600, subp. 5 (cost of production of materials that directly support lobbying, and general administrative and overhead are included as costs.)

Conclusion

In the role as watchdog for Minnesota taxpayer dollars, it is the State Auditors' responsibility to examine where the money goes. Many Minnesotans find it troubling that local governments spend taxpayer dollars in hopes of securing more taxpayer dollars. The lobbying activities of local governments and associations of local governments are an oversight concern because these entities are funded with taxpayer dollars. In its examination of local government lobbying, the OSA has identified some areas of concern.

The current structure and ambiguity of the lobbying/lobbyist reporting requirements for local governments and associations of local governments leads, we believe, to widespread understatement of the true cost of lobbying efforts. While the OSA believes that associations may be following the letter of the law in regards to their reporting of lobbying expenditures, the exclusion of activities that contribute to the furtherance of the lobbying effort masks the true cost of these lobbying efforts. The public should know the full costs of activities used to support lobbyists. In some cases, the way that lobbying costs are reported create the appearance of extremely high overhead and administrative costs on lobbyist contracts using taxpayer dollars.

Therefore, the State Auditor's Office recommends that lobbying expenditures for local governments and associations of local governments be more broadly defined by the legislature to include the following non-exclusive list of expenditures: all amounts paid to hired contract lobbyists, all expenditures for advertising, mailing, research, analysis, compilation and dissemination of information, public relations campaigns, all salaries and administrative expenses, web site operation costs, meetings, conferences, recruitment activities, monitoring of legislation, and media releases. Associations funded primarily by taxpayers via local government dues need to be held up to a higher level of accountability.

The Office of the State Auditor believes that local governments have a right to have their interests represented at the legislature and other bodies of government. However, in these times of fiscal difficulties, local governments may be well served to evaluate the amount they are spending on these activities. Local governments need to explore whether their level of expenditures on lobbying activities hinders their ability to fund other priorities. For example, local governments that have their own intergovernmental relations staff, and hire outside lobbyists, and belong to multiple associations, could eliminate some expenditures and still have their interests represented. Like all other local government services, lobbying activities must be evaluated against the other priorities of the local government.