1 2 3 4 5	SCHARF-NORTON CENTER FOR C GOLDWATER INSTITUTE Clint Bolick (021684) 500 E. Coronado Rd. Phoenix, AZ 85004 P: (602) 462 5000/F: 602-256-7045 cbolick@goldwaterinstitute.org	CON	STITUT	TONA	FILED RECEIVED	2 1	Lopgi copy 2008	الما والمائية
6	Attorney for Plaintiffs				CLERK US T DISTRICT	OF	ANIZONA B DEF	1
7	IN THE UNITED S	TATI	ES DIST	TRIC	T COURT			
8	DISTRICT OF ARIZONA							
9								
10	JOHN MCCOMISH, NANCY MCLAIN,	)						
11	KEVIN GIBBONS, FRANK ANTENORI,	)						
12	TONY BOUIE, AND DOUG SPOSITO,	)	$\mathbb{C}V$	'08	1550	)	PHX	ROS
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14	Plaintiffs,	)	Civil .	Action	n No.			
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17	JAN BREWER, in her official capacity	)	CIVIL	_ KIG	HTS COM	JLA	MN I	
18	as Secretary of State of the State of	)						
19	Arizona; and GARY SCARAMAZZO, ROYANN J. PARKER, JEFFREY L.	<i>)</i>						
20	FAIRMAN, DONALD LINDHOLM and	<i>)</i>						
	LORI S. DANIELS, in their official	<i>)</i>						
21	capacity as members of the	)						
22	ARIZONA CITIZENS CLEAN	)						
23	ELECTIONS COMMISSION,	)						
24	,	)						
25	Defendants.	)						
26		)						
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## INTRODUCTION

- 1. Plaintiffs seek to have the "matching funds" provisions of the Arizona Clean Elections Act (the "Act"), A.R.S. § 16-901 *et seq.* declared unconstitutional facially and as applied to them, and to have the Court permanently enjoin Defendants' enforcement of the Act under the First and Fourteenth Amendments to the U.S. Constitution.
- 2. This lawsuit has been inspired by the recent decision of the United States

  Supreme Court in *Davis v. F.E.C.*, 554 U. S. \_\_\_\_\_ (2008). There, the Court determined that a campaign finance regulation, which creates a "drag" on the exercise of First

  Amendment rights, "cannot stand unless it is 'justified by a compelling state interest."

  The Court further held that the goal of "leveling" electoral opportunities is not a compelling state interest. And the Court struck down a campaign finance regulation that created an incentive structure whereby "the vigorous exercise of the right to use personal funds to finance campaign speech produces fundraising advantages for opponents in the competitive context of electoral politics." The Court based its

reasoning, in part, on *Day v. Holahan*, 34 F. 3d 1356, 1359–1360 (8th Cir. 1994), which struck down the Minnesotan predecessor of the Arizona Clean Elections Act.

3. Under Davis and Day, the matching funds provisions of Arizona Clean Elections Act unconstitutionally chill free speech by imposing a significant discriminatory burden on supporting a traditional candidate that would not otherwise exist and also by skewing electoral competition in favor of candidates who participate in the Act's scheme of government-subsidized campaign speech. The burden consists primarily of the subsidies the "Clean Elections" system showers on "participating" candidates to "equalize" campaign contributions and expenditures which benefit Plaintiffs and other traditional candidates. And the discrimination predominantly arises from the fact that, even though "participating" candidates receive subsidies to "equalize" independent expenditures that benefit traditional candidates, no corresponding benefit accrues to traditional candidates when independent expenditures are made to the benefit of "participating" candidates.

must be struck down.

JURISDICTION AND VENUE

unconstitutional "drag" on the exercise of First and Fourteenth Amendment rights which

4. As did the campaign finance regulations struck down in *Davis* and *Day*, the

matching funds provisions of the Arizona Clean Elections Act cause the vigorous

discriminatory fundraising advantages for their opposing government-subsidized

candidates. Moreover, the Clean Election Act's actual purpose of equalizing the

coercive speech chilling and discriminatory effects. The Act thus creates an

financial resources of candidates is not a compelling state interest that can justify its

exercise of free speech rights by Plaintiffs and their supporters to produce

5. Plaintiffs bring this action pursuant to 42 U.S.C. §§ 1983 and 1988 to vindicate rights violated under color of state law, and seek relief under 28 U.S.C. §§ 2201 and 2202, and 42 U.S.C. § 1988.

6. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1343(a)(3) and (4).

7. Venue properly lies with this Court under 28 U.S.C. § 1391(b).

#### **PARTIES**

- 8. Plaintiff John McComish is a citizen of the United States, a resident of the State of Arizona, and the current Arizona State House of Representatives Majority Whip, who is running for reelection in Legislative District 20.
- 9. Plaintiff Nancy McLain is a citizen of the United States, a resident of the State of Arizona, and a current member of the Arizona State House of Representatives, who is running for reelection in Legislative District 3.
- 10. Plaintiff Kevin Gibbons is a citizen of the United States, a resident of the State of Arizona, a licensed and practicing attorney, and a candidate who is running for election to the Arizona State Senate in Legislative District 18.
- 11. Plaintiff Frank Antenori is a citizen of the United States, a resident of the State of Arizona, Vice President of the Pima County Public Library Advisory Board, and a candidate who is running for election to the Arizona State House of Representatives in Legislative District 30.

- 12. Plaintiff Tony Bouie is a citizen of the United States, a resident of the State of Arizona, Chairman and CEO of Halo Cups, Inc., and a candidate who is running for election to the Arizona State House of Representatives in Legislative District 6.
- 13. Plaintiff Doug Sposito is a citizen of the United States, a resident of the State of Arizona, Owner of Dasco Quality Inc. Custom Design Build Residential Construction Company, and a candidate who is running for election to the Arizona State House of Representatives in Legislative District 30.
- 14. Defendant Jan Brewer is the Secretary of State of the State of Arizona, and is sued in her official capacity. As Secretary of State, Brewer's office is the repository for all campaign-finance reports filed pursuant to the Arizona Citizens Clean Elections Act, and is responsible for setting campaign contribution and spending limits. A.R.S. §§ 16-924, 16-941(B), 16-958, and 16-959.
- 15. Defendants Gary Scarmazzo, Royann J. Parker, Jeffrey L. Fairman, Donald Lindholm, and Lori S. Daniels, and any individuals subsequently appointed, are members of the Arizona Citizens Clean Elections Commission (the "Commission"), and

are sued in their official capacity. The Commission is granted rulemaking and enforcement authority under the Act. A.R.S. §§16-955-57.

#### **GENERAL ALLEGATIONS**

- 16. The Act, A.R.S. § 16-940 *et. seq.*, was a ballot initiative written and sponsored by special-interest groups and was approved by a slim majority of Arizona electors in the November 3, 1998 general election. On December 10, 1998, Governor Jane Dee Hull issued a proclamation declaring this measure to be law.
- 17. The Act creates a system of "matching funds" government campaign subsidies for statewide and legislative elected offices within the State of Arizona, and creates the Commission, a bureau of unelected individuals granted broad enforcement and regulatory powers that extend not only to all candidates who choose to "participate" in the government campaign subsidy system, but even to all candidates who do not wish to run a government-subsidized campaign.

- 18. Plaintiffs are a diverse coalition of legislators and candidates, who may disagree on politics, but who share the recent experience of being victims of the Act's matching funds provisions.
- 19. Plaintiffs are committed to enforcing the First and Fourteenth Amendments.

  And they intend to expose how the Act's matching funds provisions create a much worse electoral system than would otherwise exist.

## A. Decoding the Act's Matching Funds Provisions.

- 20. The "matching funds" provisions of the Act, namely A.R.S. § 16-952 (A), (B) and (C), determine the amount of government subsidies "participating" candidates will receive when expenditures or contributions are made to the benefit of "traditional," privately-supported candidates, such as Plaintiffs.
- 21. In essence, the Act distinguishes between matching funds given to "participating" candidates, which are triggered during the primary election season and the general election season, and it further differentiates between matching funds triggered by expenditures or contributions directly made by traditional, private-

supported candidates, and matching funds triggered by expenditures made to the benefit of traditional candidates by independent organizations or groups, such as political action committees. In each category, matching funds are triggered only after a certain dollar threshold of expenditures or contributions for the benefit of a traditional candidate is reached.

- 22. More specifically, during a primary election season, A.R.S. § 16-952(A) authorizes the Commission to subsidize the "participating" candidate with "matching funds" in amounts that purportedly equalize *expenditures* made by traditional candidates above a certain threshold amount, which is called the "primary election spending limit."
- 23. Likewise, during the general election season, A.R.S. § 16-952(B) similarly authorizes the Commission to subsidize the "participating" candidate with "matching funds" equal to the amount of unspent contributions received by the traditional candidate during the "primary season" that exceed a certain threshold, which is called

the "general election spending limit," plus "matching funds" that purportedly equal to contributions made to traditional candidates during the general election cycle.

- 24. In short, A.R.S. § 16-952(A) bases "matching funds" given to participating candidates on *expenditures* made by traditional candidates above the "primary election spending limit," whereas A.R.S. § 16-952(B) bases "matching funds" on *contributions* given to traditional candidates above the "general election spending limit."
- 25. Both A.R.S. § 16-952(A) and (B) base the amount of "matching funds" to participating candidates on a formula that is essentially dollar-for-dollar subtracting only 6% "for a nonparticipating candidate's fund-raising expenses" from expenditures or contributions that trigger matching funds.
- 26. Once the respective primary or general election "spending limit" threshold has been met by a traditional candidate, A.R.S. § 16-952(C) also authorizes the Commission to give the "participating" candidate "matching funds" equal to the value attributed to expenditures made by *independent organizations* to support a competing candidate or to oppose the "participating" candidate.

## B. The Act's Matching Funds Provisions Create a "Drag" on the Exercise of First and Fourteenth Amendment rights.

- 27. A.R.S. § 16-952(A) was applied to Plaintiff Tony Bouie in the Republican on August 13, 2008, after he filed an expenditure report indicating that he had spent \$31,731.69. This caused Bouie's expenditures to exceed the "primary election spending limit" of \$19,382.00, thus triggering a "matching funds" subsidy to his opponent, Carl Seel, in the amount of \$11,171.61. Bouie now faces the reality that his electoral competitor will now receive nearly a dollar for every dollar Bouie spends on promoting his campaign and getting his message out, and also for every dollar spent by an independent organization which is entirely outside of Bouie's control.
- 28. All Plaintiffs are similarly situated to Plaintiff Boule in that, since April of 2008, each has similarly triggered matching fund subsidies to opposing candidates in their respective primary elections under A.R.S. § 16-952(A). Should they prevail in their primary elections, each Plaintiff reasonably anticipates triggering matching fund subsidies for opposing "participating" candidates in the general election based on unspent primary contributions or new contributions above the general election

spending limit. And even if they do not prevail in their primary or general elections, each Plaintiff presently intends to run for statewide elected office again as traditional candidates, which will subject them to the Act in the future.

- 29. Simply put, the Act's matching funds provisions have undermined the legitimacy of Arizona's political process by unjustifiably and coercively chilling free speech and discriminating against traditional candidates.
- 30. In particular, Plaintiffs have found themselves increasingly reluctant to engage in campaign speech or to promote their campaign as they approached the "primary election spending limit," which triggers matching funds. This is because traditional candidates become increasingly fearful that they will lose control over their campaign tactics and strategies if the promotion of their campaign causes an unexpected independent expenditure to be made that triggers equally unexpected matching funds to one or more opposing subsidized candidates.
- 31. Independent expenditures are seldom as effective in supporting a candidate's campaign as expenditures made directly by the candidate. As a general

rule, therefore, Plaintiffs are placed at a relative competitive disadvantage when independent expenditures trigger matching funds for opposing participating candidates. This is because Plaintiffs have no control over independent expenditures that the Commission deems benefit them, but their subsidized opponents will have absolute control over the related matching funds that are triggered by such independent expenditures. Additionally, Plaintiffs feel compelled to conserve money for damage-control in anticipation of poorly-conceived independent expenditures backfiring after they trigger matching funds to their opponents. That money would otherwise have been spent on exercising their right to campaign speech, promoting their political ideas and educating the public.

32. Additionally, after matching funds have been triggered, Plaintiffs have found themselves even more reluctant to engage in campaign speech or to promote their campaign than would be the case in the absence of the Act. This is because they are very conscious of the fact that the opposing participating candidate will receive nearly one dollar for every dollar they raise and spend, and also nearly one dollar for every

dollar someone independently spends to support their campaign. The Act's matching funds provisions thereby impose a cost on the exercise of campaign speech rights that would otherwise not exist.

- 33. Furthermore, Plaintiff McComish, who is in an electoral contest involving multiple subsidized candidates, feels especially constrained in his exercise of First Amendment rights because the Act's matching funds provisions generate vastly disproportionate support for his opposing subsidized candidates. For example, for every dollar McComish spends promoting his campaign, nearly one dollar goes to each of McComish's subsidized opposing candidates. Confronted by three subsidized candidates, the Act's matching funds provisions would cause—and have caused—nearly three dollars to be spent opposing McComish for every dollar spent to support him.
- 34. The Act's matching funds provisions not only create a "drag" on the exercise of First Amendment rights as discussed above, they also establish a discriminatory legal framework that, on its face and as applied to Plaintiffs, systematically causes

competitive electoral processes to generate more speech and more effective speech to the benefit of subsidized candidates than to the benefit of traditional candidates.

- 35. For example, campaign fundraising costs substantially exceed 6% of the gross amount of contributions received. By failing to adjust matching funds to reflect . the actual fundraising costs incurred by traditional candidates in the determination of matching funds, A.R.S. § 16-952(A) and (B) ensure that government-subsidized opponents will almost always have more financial resources than privately financed candidates.
- 36. The independent expenditure matching funds provision, A.R.S. § 16-952(C), also skews electoral competition in favor of subsidized candidates. It requires the payment of matching funds to subsidized candidates who face traditional opponents whenever an independent campaign expenditure is made that either opposes the subsidized candidate or supports the traditional candidate. By comparison, no benefit whatsoever accrues to a traditional candidate, when independent expenditures are made to oppose a traditional candidate or otherwise to support a subsidized candidate.

37. The combined chilling and discriminatory effect of the Act's matching funds provisions is so great, that the provisions penalize Plaintiffs, other traditional candidates, and their supporters for choosing not to participate in the Act's subsidy program and for refusing to submit to the Act's scheme of strict contribution and expenditure limitations, which, standing alone and apart from the illusory option of choosing to run as a traditional candidate, would be clearly unconstitutional.

# C. The Act's Matching Funds Provisions Undermine the Legitimacy of the Electoral Process.

38. It is easy for special interests to game the Act's matching funds system. For example, special interests are free to promote two or more candidates, encouraging one to run as a "traditional" candidate and the others to run as "participating" candidates. When this happens, and there are reports that it does happen, special interests can multiply the speech impact of their independent expenditures by buying advertisements supporting their preferred traditional candidate, which then results in waves of matching funds going to each of their preferred subsidized candidates.

- 39. Additionally, special interests are free to similarly multiply the speech impact of their independent expenditures by spending money on ineffective, confusing or damaging advertisements, which the Commission may classify as supportive of a traditional candidate or opposing a subsidized candidate, but which are actually intended simply to trigger matching funds to the preferred subsidized candidate.
- 40. Given the ease with which the matching funds system can be gamed, and is reputedly gamed, the Act's matching funds provisions are not narrowly tailored to protecting against corruption or the appearance of corruption because they have caused or threaten to cause greater distrust of the legitimacy of the political process than would exist in their absence.

## COUNT I

## (FOURTEENTH AMENDMENT-EQUAL PROTECTION)

41. Plaintiffs incorporate and reallege each and every allegation contained in Paragraphs 1 through 40 of this Complaint as if set forth fully herein.

- 42. Under the Fourteenth Amendment to the U.S. Constitution and 42 U.S.C. §
  1983, Plaintiffs have the right to enjoy the equal protection of laws, especially where,
  as here, unequal treatment under the law burdens the exercise of the fundamental right
  to free speech under the First Amendment.
- 43. A.R.S. § 16-952 *et seq.* creates two classifications of candidates for public office in Arizona: those who "participate" in the Clean Elections system by accepting government financing, and those who do not participate in the system, choosing instead to run "traditional," privately supported campaigns. These provisions then treat candidates differently with respect to direct expenditures, independent expenditures or contributions made on their behalf, based solely on their status as a subsidized or traditional candidate.
- 44. There is no compelling, important, substantial or legitimate state interest that justifies A.R.S. § 16-952(C)'s discriminatory distribution of benefits and disadvantages from independent expenditures based on a candidate's status as a traditional or subsidized candidate. Nor is such discrimination a least restrictive,

narrowly tailored, direct, proportionate or rational means of advancing any legitimate state interest.

- 45. There is no compelling, important, substantial or legitimate state interest that justifies A.R.S. § 16-952(A) and (B) giving subsidies to participating candidates which substantially exceed the effective purchasing power of the traditional candidate's triggering direct expenditure and/or contribution. Nor is such discrimination a least restrictive, narrowly tailored, direct, proportionate or rational means of advancing any legitimate state interest.
- 46. The Act's matching funds provisions, A.R.S. § 16-952(A), (B) and (C), facially and as applied, violate Plaintiffs' right to equal protection of the law under the Fourteenth Amendment and 42 U.S.C. § 1983.
- 47. Plaintiffs have directly suffered, will continue to suffer or are imminently threatened with suffering irreparable injury to their right to equal protection of the law under the Fourteenth Amendment to the U.S. Constitution and 42 U.S.C. § 1983 by virtue of the Act's matching funds provisions.

#### COUNT II

#### (FIRST AND FOURTEENTH AMENDMENTS-FREE SPEECH)

- 48. Plaintiffs incorporate and reallege each and every allegation contained in Paragraphs 1 through 40 and 42 through 47 of this Complaint as if set forth fully herein.
- 49. Under the First and Fourteenth Amendments to the U.S. Constitution, 42 U.S.C. § 1983, *Buckley v. Valeo*, 424 U.S. 1 (1976), and its progeny, including *Randall v. Sorrell*, 126 S. Ct. 2470 (2006), *Federal Election Commission v. Wisconsin Right to Life, Inc.*, 127 S. Ct. 2652 (2007), and *Davis v. F.E.C.*, 554 U. S. \_\_\_\_\_ (2008), a state cannot chill individuals or groups from exercising their right to freely speak through coercive or punitive means.
- 50. The Act's matching funds provisions ensure that when Plaintiffs, other traditional candidates, and their supporters exercise their First and Fourteenth Amendment rights to campaign speech, doing so produces substantial fundraising advantages for opposing or disfavored candidates. This chills free speech by creating a coercive and punitive "drag" on the First Amendment rights, which can only be sustained if it is narrowly tailored to serve a compelling state interest.

- 51. There is no compelling, important, substantial or legitimate state interest that justifies the burden placed by A.R.S. § 16-952 (A), (B) and (C) on the free exercise of First Amendment rights. Nor is placing such a burden on the free exercise of First Amendment rights a least restrictive, narrowly tailored, direct, proportionate or rational means of advancing any legitimate state interest.
- 52. The Act's matching funds provisions, A.R.S. § 16-952(A), (B) and (C), facially and as applied, violate Plaintiffs' right to free speech, as well as that of other traditional candidates and their supporters, under the First and Fourteenth Amendments and 42 U.S.C. § 1983.
- 53. Plaintiffs have directly suffered, will continue to suffer or are imminently threatened with suffering irreparable injury to their free speech rights under the First and Fourteenth Amendments to the U.S. Constitution by virtue of the Act's matching funds provisions.
- 54. Plaintiffs have also suffered, will continue to suffer or are imminently threatened with suffering reasonably foreseeable irreparable injury arising from the

Act's violation of the rights of Plaintiffs' supporters, including independent organizations, who wish to exercise their campaign speech rights to the benefit of Plaintiffs under the First and Fourteenth Amendments to the U.S. Constitution.

## COUNT III

#### (ENTITLEMENT TO DECLARATORY RELIEF)

- 55. Plaintiffs incorporate and reallege each and every allegation contained in Paragraphs 1 through 40, 42 through 47, and 49 through 54 of this Complaint as if set forth fully herein.
- 56. For reasons including but not limited to those stated in this Complaint, an actual live controversy exists between Plaintiffs and Defendants, which parties have genuine and opposing interests, which interests are direct and substantial, and of which a judicial determination will be final and conclusive.
- 57. Plaintiffs are therefore entitled to a declaratory judgment that Defendants' actions are unconstitutional, as well as such other and further relief as may follow from entry of such a declaratory judgment.

#### COUNT IV

#### (ENTITLEMENT TO INJUNCTIVE RELIEF)

- 58. Plaintiffs incorporate and reallege each and every allegation contained in Paragraphs 1 through 40, 42 through 47, 49 through 54, and 56 of this Complaint as if set forth fully herein.
- 59. For reasons including but not limited to those stated in this Complaint, as a direct and proximate result of Defendants' actions against Plaintiffs, Plaintiffs have no adequate legal, administrative, or other remedy by which to prevent or minimize the continuing and/or threatened irreparable harm to their constitutional rights. They have a likelihood of success on the merits of their constitutional claims. And the public interest and equities favor entry of a court order barring enforcement of the Act's matching funds provisions.
- 60. Plaintiffs are, therefore, entitled to a preliminary and permanent injunction prohibiting Defendants from committing the above-described violations of their constitutional rights, as well as such other and further relief as may follow from entry of such injunctive relief.

### REQUEST FOR RELIEF

Plaintiffs pray for judgment and ask this Court for the following:

- A. A declaration that §§ 16-952(A), (B) and (C) of the Arizona Citizens Clean Elections Act, and any Commission rules promulgated in furtherance thereof, violate the right to equal protection under the law under the Fourteenth Amendment to the United States Constitution;
- B. A declaration that §§ 16-952(A), (B) and (C) of the Arizona Citizens Clean Elections Act, and any Commission rules promulgated in furtherance thereof, violate the right to free speech under the First and Fourteenth Amendments to the United States Constitution;
- C. An Order that preliminarily and permanently enjoins Defendants from further implementing and performing their duties in administering and enforcing the above-referenced provisions;
- D. An award for Plaintiffs' reasonable attorneys' fees and costs pursuant to 42 U.S.C. § 1988; and

1	1616 W. Adams, Suite 110	1616 W. Adams, Suite 110					
2	Phoenix, AZ 85007	Phoenix, AZ 85007					
3	Donald Lindholm	Lori Daniels					
4	Member, AZ Citizens Clean Elections	Member, AZ Citizens Clean Elections					
5	Commission	Commission					
6	1616 W. Adams, Suite 110	1616 W. Adams, Suite 110					
7	Phoenix, AZ 85007	Phoenix, AZ 85007					
8	Finally, I certify that on the same date and time, I served by certified U.S. Postal						
9							
10	mail pursuant to F.R.C.P. 5.1(a)(2) and/or A.R.S. § 12-1841 a Notice of Filing and a						
11							
12	copy of this Complaint upon:						
13							
14	Terry Goddard	Jim Weiers					
15	Office of the Attorney General	Speaker of the House of Representatives					
16	1275 West Washington Street	1700 W. Washington					
17	Phoenix, AZ 85007	Room 221					
		Phoenix, AZ 85007					
18	Tim Bee						
19	Senate President						
20	1700 W. Washington						
21	Room 204						
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