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METROPOLITAN DESK

FREE-FOR-ALL: A special report.; ALBANY IS FAILING IN EFFORT TO LIMIT CAMPAIGN DONORS

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More money than ever is pouring into New York campaigns, but the system of regulating these funds to curb their influence on politics and policy has all but broken down.

Porous laws, feeble enforcement and a political class increasingly adept at sidestepping the rules have left the system with few constraints, even by comparison to those of other states and the Federal Government, according to a review of campaign documents and interviews with elected officials and others.

New York has rejected many of the laws adopted elsewhere, from bans on donations by corporations and labor unions to publicly financed campaigns. And while these changes have not always been effective, New York's weakness stands out.

An analysis of this year's contests, the most expensive in state history, shows a virtual free-for-all of donating and spending.

The financier Ronald O. Perelman channeled more than $200,000 on two days last August to Gov. George E. Pataki's campaign, using a common loophole, one never challenged, to give more than seven times the limit for an individual donor. A Long Island company, Silverite Construction, gave at least $20,000 in state and local donations over the legal limit, just as it was awarded a $97 million state contract. It was not punished.

Last spring, a Kentucky-based manufacturer of computer printers, Lexmark International, donated $45,000 to three Republican committees while it was trying to defeat a bill that threatened its business. The legislation died in the Republican-controlled State Senate. The money "helps you get someone's attention," said a company spokesman, Jim Joseph.

There are even fewer controls on how politicians spend donations. Assemblyman Dov Hikind, a Brooklyn Democrat, used $100,000 of campaign contributions to pay lawyers who defended him in a criminal bribery case. Assemblyman Anthony S. Seminerio, a Queens Democrat, had his campaign buy a $25,000 Ford Crown Victoria for his full-time use. The campaign of State Senator Guy J. Velella, a Bronx Republican, bought an alarm system for his home. And State Senator Serphin R. Maltese, a Queens Republican, took a two-week trip to Italy, paid for with campaign funds.

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"The New York State campaign finance laws are atrocious," said John D. Feerick, dean of the Fordham Law School, who led a state commission in the 1980's that recommended more stringent campaign finance laws, only to be rebuffed by the Legislature. "And if anything, it seems pretty clear to me that things have gotten worse."

Even Governor Pataki has declared the campaign finance laws "dreadful." He made his pronouncement during his re-election campaign, in which he set a record by spending nearly $20 million, much of it collected from donors with business before the state.

Not only are New York's laws weaker than many other states', but so is enforcement. In California, New Jersey and many other states, special agencies police the campaign finance laws, but New York gives the job to the politically paralyzed State Board of Elections, whose focus is overseeing registration and balloting, not following the money.

The board collected roughly $20,000 in fines in 1997 for campaign violations. Its counterpart in California collected more than $650,000 in fines that year.

In New York, politicians sometimes seem to mock public-disclosure rules, which experts see as a check against misdeeds. Mr. Pataki used to file his campaign contributors listed alphabetically by first name, making analysis difficult. This fall, his campaign submitted a list of nearly $4 million in expenditures in type so small that much of it was, for all practical purposes, unreadable. The state plans to put the records on computer next year, long after other states.

The officials who have retained these Watergate-era laws -- Mr. Pataki and the Legislature -- have also been skilled at using them to insure that they have more money than their challengers. It is not an accident that state legislators in New York have among the highest rates of re-election of any in the nation.

Meanwhile, few areas under the state's purview have grown as fast as campaign spending. New York's race for governor this year cost $40 million, up from $32 million in 1994. Legislative campaign committees raised more than $8 million, roughly double the total in 1994. Over all, candidates and political committees in New York have spent more than $200 million on state and local campaigns over the last four years.

Ways to Get Around Rules on Donations

Like so many others, Mr. Perelman, the financier who controls Revlon, easily skirted the limits on donations.

By law, a corporation's donations to all state and local candidates and political committees can generally not exceed a total of $5,000 annually. And a gubernatorial campaign can accept no more than $28,000 from an individual contributor in a general election.

So how can one person give more than $200,000? In Mr. Perelman's case, he divided it among more than 40 corporations that he controls, each of which gave $5,000. In doing so, he also got around a rule that limits individuals to an aggregate maximum of $150,000 a year in donations.

The state has never deemed this practice illegal even though some other jurisdictions prohibit it. Mr. Perelman's spokesman, Jim Conroy, did not respond to repeated requests for comment.

That is not the only way around corporate limits: Just like on the Federal level, corporations can donate unlimited amounts of so-called soft money, which political parties can legally use only for "party building" activities, like get-out-the-vote drives, but not for candidates' campaigns.

The Board of Elections, though, does not monitor how the state parties handle soft money. In fact, the Republican State Committee has raised $7.5 million in soft money since 1995 and transferred most of it to a Federal political account in Washington, putting it outside the jurisdiction of the state board.

What's more, corporations are able to violate the $5,000 limit without much risk of being punished. Board officials concede that they have no idea how many corporations break the law because they do not monitor campaign reports for local candidates, even though that money is covered by the law.

If all else fails, ignorance is an acceptable defense. The board routinely declines to recommend punishment for violators if they say they did not know about the law.

"The whole New York campaign finance law is so riddled with abuses that there are effectively no restrictions whatsoever," said State Senator Franz S. Leichter, a Manhattan Democrat, who has long crusaded to change the system.

A small group of states put no limits on contributions. But some of those, including Texas, bar all contributions from corporations and unions.

New York is even more lenient with unions than it is with corporations. Unions are held to the same contribution limits as individual donors, allowing them to become major players in Albany. Since 1995, for example, the state teachers union has donated $1.25 million to the committees run by the legislative leaders.

Efforts to restrict contributions by unions have been repeatedly blocked by the Democrats, who traditionally benefit more from labor's largess.

Unlike a growing number of states, New York allows fund-raising by legislators while they are in session. It is common in Albany for lobbyists to attend fund-raisers at night where they contribute to the same legislators they buttonhole about bills during the day. More than 200 such events were held in the state capital this year.

The top lobbying firm in Albany -- Wilson, Elser, Moskowitz, Edelman & Dicker -- contributed nearly $100,000 at these events in the last two years, records show.

"To me," said Kenneth L. Shapiro, head of the firm's Albany office, "it's a convenience to do it in Albany where everyone meets."

Terse Law Allows Leeway in Spending

The state law governing the spending of campaign donations is terse yet expansive. "Contributions received by a candidate or a political committee may be expended for any lawful purpose," it says. "Such funds shall not be converted by any person to a personal use which is unrelated to a political campaign or the holding of a public office or party position."

With those guidelines, politicians can justify virtually any expenditure. Most campaign money is spent on traditional items, like advertising, staff and polling. But some legislators, particularly those who easily win re-election, spend money in ways that might surprise contributors -- and would seem to be illegal in other states.

Many legislators lease cars year-round -- including in nonelection years -- then charge the cost to their campaigns and drive the vehicles on personal as well as political or governmental matters. Assemblyman Seminerio went further and spent $25,000 in campaign money last year on the Ford Crown Victoria.

"As an Assembly person, I'm on like 24 hours," he said.

If he still has the car when he leaves the Assembly, he said, he will reimburse his campaign for its value at that time.

When Assemblyman Hikind was indicted last year on charges of receiving bribes from a social-services group, he hired a prominent defense lawyer, Gustave H. Newman, and paid him with $100,000 in campaign funds. Mr. Hikind, who was acquitted on all the charges, did not respond to three telephone messages seeking comment.

Senator Velella, the Bronx Republican leader, said he bought a $5,981 alarm system for his home this year after a disgruntled Republican candidate threatened him and his wife. He said using campaign funds was appropriate because the threats were related to his job as Senator.

In 1994 and 1995, Senator Velella spent $30,000 in campaign money to hire lawyers to prevent the release of a grand jury report on a school board election. He said the report was unfair to him and his father, Vincent, an elections commissioner in New York City. Neither man faced charges, and the report was quashed.

The State Board of Elections did not question these expenditures or seek more information on them.

Nor did it question the $2,250 in campaign money that Senator Maltese spent to go to Italy for a two-week trip sponsored by the New York Conference of Italian-American Legislators. The Senator's spokeswoman, Victoria Vattimo, said Mr. Maltese met with Italian officials to "further relations between the United States and Italy."

Few Investigations Approved by Board

In New York, the job of overseeing politicians' money is in the hands of the politicians themselves.

The State Board of Elections is run by four commissioners, two Democrats and two Republicans. Because it takes a majority to approve an investigation, the board rarely examines the conduct of prominent elected or party officials. The Republicans have blocked investigations into the propriety of the Republican State Committee transferring millions of dollars to the Pataki campaign. The Democrats have similarly prevented inquiries into party matters.

Last year, 30 or so campaign finance complaints were filed, and the board investigated only a handful, officials said. The board rarely initiates its own inquiries because it does little more than insure that candidates and committees have filed on time and done their math correctly. Unlike its counterparts in other states, it does not conduct rigorous audits.

"We do everything that we can do under the law," said Thomas R. Wilkey, the board's executive director.

In the recent campaign for state attorney general, the eventual winner, Eliot L. Spitzer, a Manhattan Democrat, ran into sustained criticism from his rivals over whether he was receiving illegal financial assistance from his father. Two Democratic candidates filed complaints with the board in the summer, three months before the election.

The board has yet to consider the complaints, although in the final days of the campaign, Mr. Spitzer acknowledged that he had failed to disclose help from his father.

In many states, election authorities can levy fines for a variety of offenses. In New York, the law permits fines only for breaking disclosure rules, and the board is required to ask a judge to actually impose such penalties.

Even when the judges do, the fines are routinely ignored. In 1997, the board got $27,000 in fines imposed, and collected $7,000, said Lee Daghlian, a board spokesman. The remaining $13,000 or so that it received in 1997 came from fines imposed in earlier years that were paid after the board hired a collection agency, he said.

For other infractions, like violating donation limits, the board's only option is to refer cases to local district attorneys. The district attorneys rarely if ever follow up, usually saying they are too busy with more serious offenses, like violent crime.

"By and large, they don't do anything," Mr. Wilkey said of the district attorneys.

In the absence of enforcement by the state, Federal prosecutors have stepped in. The United States Attorney in Brooklyn is conducting at least four investigations of donations on the state level.

The donations from Silverite Construction, the Long Island company, are a case study in the system's weakness. In 1997, the company gave at least $25,000 in state and local donations, far exceeding the $5,000 annual limit. Some of that money ended up in the coffers of the Republican State Committee around the time that state transportation officials awarded Silverite a $97 million project.

Federal prosecutors began investigating the donations after The New York Times reported on them in March 1998. The Board of Elections later notified Silverite that it had made illegal contributions and told the company to have the money refunded.

Silverite has not complied, but the board cannot punish it. Nor does it have the authority to require the candidates and committees that received the money to return it.

A lawyer for Silverite, Anthony Lombardino, did not respond to two phone messages seeking comment.

All the board can do is refer the matter to the local district attorney, which it has not yet done. And if it does, action is unlikely, if the past is any guide.

William J. Fitzpatrick, the District Attorney in the Syracuse area, acknowledged that district attorneys have little interest in campaign finance enforcement. Mr. Fitzpatrick, a Republican, who is president of the New York State District Attorneys Association, said he and other district attorneys favored giving the Board of Elections more power to do the job on its own.

"The deterrent factor here is probably nonexistent," Mr. Fitzpatrick said. "It's just something that we probably don't give enough attention to."

Changes Elsewhere, But Few in Albany

While some attempts at campaign finance reform have gained ground in Washington and other state capitals, there has been little success in Albany. In the early 1990's, the state set some new contribution limits but did not crack down on the many ways around them. Last year, after years of debate, Governor Pataki and the Legislature agreed to try to make the state's campaign finance records more accessible by putting them on computer and the Internet.

The Democratic-controlled Assembly has passed measures in recent years that restrict soft money, set lower contribution limits and improve disclosure. But those bills have died in the State Senate, where the Republican majority has shown no interest in changing the system. "The system by and large is working well," Senator Maltese, who is chairman of the Senate Elections Committee, said earlier this year.

The Assembly Democrats accuse Republicans of blocking change, but the Democrats have not promoted the issue, either.

California, Maine, Massachusetts and Arizona passed campaign finance reform plans through referendums, but that is not an option under the New York Constitution. In New York, the Governor and the Legislature generally must approve all referendum questions.

One sign of the weakness at the state level was the move by New York City in the late 1980's to establish its own voluntary campaign finance system, which has far stricter limits, enforcement and disclosure rules.

At the heart of many of these new reform plans, and the one in place in New York City, is an attempt to reduce the pressure on candidates to raise money, which supporters say leads to the kind of inappropriate arrangements between elected officials and contributors that hurt the public's faith in government. Under the plans, candidates receive government grants if they agree to spending limits and raise a threshold amount in donations.

Depending on the level of government financing, such a policy in New York would probably cost from $20 million to $100 million, out of a $70 billion state budget. The Assembly has approved such a plan, but Republicans are opposed, saying taxpayers do not want their money used for politics.

Mr. Pataki says he fears that more restrictions might violate free-speech rights, but at a minimum he could follow the lead of other states and improve disclosure rules, requiring politicians to detail donors' occupations and employers, as well as whether the donors do business with the state.

"Clearly, the process by which the public can find out who gave to what campaigns should be simplified," said Brian Backstrom, vice president of Change New York, a conservative advocacy group.

Senator Leichter, who is retiring this month after spending three decades in Albany lambasting the influence of money on politics, said he believed that sweeping proposals would fail because of a lack of consensus.

He said the state should instead focus on closing loopholes in the laws and improving enforcement.

"In all of the years that I have been in Albany, I have never seen big money dictate the extent of legislative and governmental action as it does today," he said. "But I leave Albany somewhat optimistic. Maybe things have really reached a point where they are so bad that change can be made."