

STRENGTHENING DEMOCRACY: PUBLIC FINANCING OF ELECTIONS

A Policy Brief by the Center for State Innovation

October 2008

DISCUSSION

Election outcomes are determined increasingly by which candidate is able to raise the most money. In a political environment where campaigns are becoming increasingly expensive and fundraising is consistently correlated with electoral success, politicians are forced to spend much of their time in office raising money, and are perpetually beholden to those constituents who have the financial resources to provide substantial contributions.

One solution to this problem is to even the political playing field through publicly financed elections. Under a public financing system, qualified candidates voluntarily accept public money on the condition that they also agree to accept spending rules and limits. By providing candidates with the financial resources needed to be competitive, adequately funded public financing can help break the link between private fundraising and electoral success.

Candidates who wish to receive public funds do so voluntarily. To receive funds, they must demonstrate their viability by collecting a number of small qualifying contributions and complying with spending rules and limits. The Supreme Court has ruled that restrictions on campaign spending are restrictions on free speech. However, the Court has also said that it is legitimate to make public funding conditional on the acceptance of spending limits. Consequently, public financing of elections has become one of the few means that states have to limit the impact of money on the political process.

The benefits associated with the public financing of elections extend to constituents, candidates, and officeholders alike. Public financing (1) increases the number and diversity of candidates for public office, (2) encourages candidate interaction with low- and moderate-income communities, (3) increases competition among candidates by leveling the fundraising playing field, (4) reduces the time candidates and officeholders spend fundraising, and (5) reduces or eliminates the need for private fundraising, decreasing real or apparent conflicts of interest for elected officials.

However, public financing of elections only works if candidates receive enough money to run competitive races. This means both having real financial support for the system and spending limits that permit candidates to be effective in campaigning. Without these provisions, candidates accepting public financing are likely to be outspent by privately financed opponents.

COSTS

There are a number of ways in which public funds can be used to finance elections, including block grants, matching funds, refunds, vouchers, credits, and the provision of free or reduced-cost services. Because public financing comes in many “flavors,” it is difficult to get a uniform cost estimate. As a point of comparison, a report from six leading clean election organizations estimates that the cost of fully funding

About CSI

The Center for State Innovation (CSI) believes every state can achieve shared prosperity, environmental sustainability, and efficient democratic government. We offer evidence-based, outcome-measured, fiscally prudent strategies for doing so.

A non-partisan, not-for-profit institution, CSI provides many types of assistance to state executives interested in implementing progressive policies.

To learn about CSI's Policy Briefings, Strategy Academies, and other services offered at no cost, visit www.stateinnovation.org.



1180 Observatory Drive • Madison, WI 53706
608.890.2400 • www.stateinnovation.org

elections at the national level would amount to just 0.04% of the current federal budget. At the state level, the cost of running Maine's public election system in 2004 amounted to \$2.58 per voting age citizen per year, while the cost in Arizona was just \$2.28 per voting age citizen per year.

It is not so much that one type of public financing is cheaper than another or that public financing is inherently cheaper than private funding (though it may be). What matters most is the security and source of funding. Funding is most secure when provided through a dedicated funding mechanism that is less vulnerable to self-interested tampering on the part of incumbent officeholders. Sources for this type of funding include, but are not limited to, administrative and civil penalties paid by candidates for violation of campaign finance laws, candidate-filing fees to appear on the ballot, and qualifying contributions raised by candidates participating in full public financing programs, as well as direct expenditure of public monies.

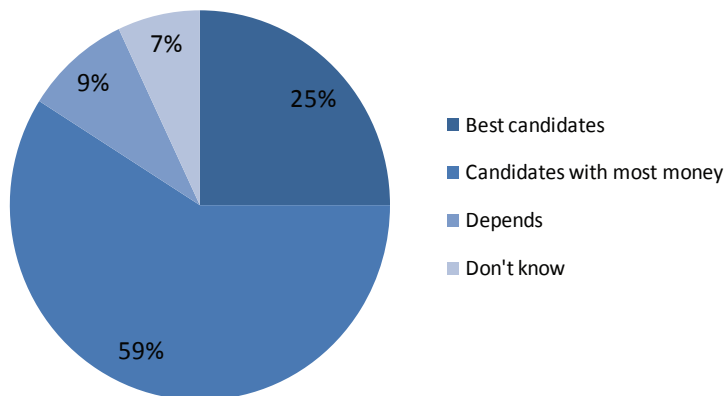
PUBLIC PERCEPTION

There is evidence of deep dissatisfaction with the influence of money on election outcomes, and strong support for the use of public financing as a remedy. A 2007 Fox News/Opinion Dynamics poll revealed that only 25 percent of respondents felt that the best candidates win elections, whereas 60 percent felt that elections go to candidates with the most money (See chart below).

At least at the national level, there is a significant amount of public support for the adoption of some form of publicly financed elections. A 2006 Lake Research Partners and Bellwether Research poll reported that 74 percent of Americans said they would support a proposal for voluntary public financing of federal elections. Moreover, 57 percent said that they "strongly supported" the proposal, while only 16 percent opposed it. Indicative of the degree of consensus on this issue, 80 percent of Democrats, 78 percent of Independents, and 65 percent of Republicans supported the measure. Finally, the poll showed that respondents were far more willing to support a candidate advocating public financing than one who did not, regardless of party.

CHART

In general, do you think the best candidates win the elections or is it the candidates who raise the most money that get elected?



Source: 2007 Fox News/Opinion Dynamics Poll

TALKING POINTS

Don't the funding restrictions associated with public financing violate the First Amendment?

No. In *Buckley v. Valeo*, the Supreme Court ruled that mandatory spending limits are an unconstitutional restriction on free speech. The Court held, however, that it is not a violation of the First Amendment to make the voluntary acceptance of public funds conditional on a candidate's promise to accept spending limits.

Isn't public financing just 'welfare for politicians'?

No. Public funding is not easy money. Under most public funding systems, candidates are required to demonstrate their legitimacy by first collecting sufficient qualifying contributions to demonstrate a substantial level of public support. While incumbents often benefit, so do legitimate candidates without personal fortunes.

Won't public financing encourage fringe candidates?

No. As noted in the "Costs" section, because of the need to collect qualifying contributions prior to accepting public funds, a public finance system only provides resources to candidates who can demonstrate their ability to secure a broad base of support.

Doesn't public financing force taxpayers to give money to candidates they don't support?

No. Taxpayer dollars are not used to support a candidate; rather, they are used to support a system. Because publicly financed elections encourage the expansion and diversification of the candidate pool, adopting a public funding system actually makes it more likely that voters will find a competitive candidate whose interests match their own.

Won't public financing require a tax hike?

No. As noted above, there are a variety of ways in which publicly financed elections might be funded, meaning that the adoption of public funding is not inherently tied to a tax hike. For instance, as described below, the Connecticut public financing system is funded through the sale of unclaimed property that has been reverted to the state Treasurer's office.

Can public funding really control campaign costs?

Maybe. Because candidates have to accept spending limits in order to be eligible for public funding, the likelihood of reducing election costs goes up with the number of candidates that participate in the public financing system. But this requires enough funding to make public financing attractive to candidates. Moreover, the goal of public financing is not to remove money from politics entirely, but rather to replace private money that causes corruption or the appearance of corruption with public money that supports a healthy democracy.

If public financing deters individual contributions, isn't it effectively limiting political participation?

No. Publicly financed elections actually encourage political participation by enabling more people to run for elected office. This is in addition to the expansion and diversification of the candidate pool, which is itself the result of the lower barriers to entry associated with publicly financed elections.

Won't public financing protect incumbents?

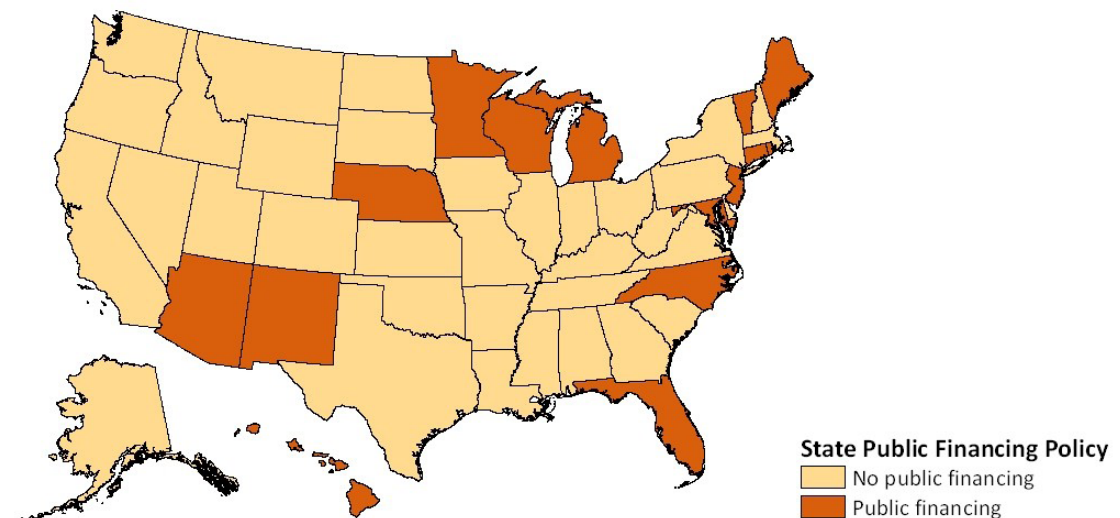
It depends. Whether publicly funded elections protect incumbents depends on the level at which spending levels are set. Incumbents are only protected when spending limits are set too low. Spending limits need to be set high enough to allow contenders to launch a campaign able to overcome the advantage incumbents often have as a result of name recognition.

Won't public financing simply encourage donors to contribute through other, non-candidate channels?

No one knows. The proliferation of funding outside traditional, regulated channels through issue advocacy and soft money contributions is a legitimate concern. Because publicly financed election systems in the states are both relatively new and not especially widespread, it is difficult to determine whether or not they have actually led to an increase in non-candidate contributions. That being said, indirect contributions are the lesser of two evils and there are also a number of means through which they can be controlled, including stronger disclosure laws and laws prohibiting coordination with outside groups.

WHO ELSE IS DOING IT?

According to a report by Common Cause ten states have some form of public funding system for gubernatorial races: Arizona, Connecticut, Florida, Hawaii, Maine, Maryland, Michigan, Nebraska, New Jersey, and Vermont. Nine states provide public funding for legislative and/or statewide office candidates: Arizona, Connecticut, Florida, Hawaii, Maine, Minnesota, Nebraska, Rhode Island, and Wisconsin.



SPOTLIGHT ON INNOVATION

Connecticut: In 2005, Governor Jodi Rell championed a campaign reform program which culminated in the passage of a law to provide public funds for all statewide and legislative campaigns in 2008. The 2005 Connecticut Public Act 5 not only established spending limits for candidates accepting public funding, but it also banned campaign contributions from lobbyists and contractors, as well as the use of 'ad books' (advertising space purchased in program books by businesses and individuals) for fundraising purposes. The public financing program is funded through the sale of unclaimed property that has been reverted to the state Treasurer's office.

WHAT CAN YOU DO?

Policies related to public financing have been adopted through public referenda and via state legislatures. Model legislation is available through Public Campaign. The Brennan Center for Justice also has an extensive guide with tips and issues to consider when writing reform legislation. Governors can also facilitate implementation through their role in the budget process. For example, according to U.S. PIRG the public financing program in Maine was initially funded with money made available after the Governor cut \$2 million in administrative costs.

RESOURCES

Policy Reports

Brennan Center for Justice

- “Breaking Free with Fair Elections: A New Declaration of Independence for Congress”
www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/BREAKING%20FREE%20FOR%20FAIR%20ELECTIONS.PDF
- “Subsidizing Political Campaigns: The Varieties and Values of Public Financing”
www.policyarchive.org/bitstream/handle/10207/8730/subsidizingpolitical.pdf?sequence=1
- Writing Reform
www.brennancenter.org/content/resource/writing_reform_2008/

Center for Governmental Studies

- “Investing in Democracy: Creating Public Financing of Elections in Your Community”
www.cgs.org/images/publications/investingindemocracy.pdf

Common Cause

- “Public Financing in the States”
www.commoncause.org/site/pp.asp?c=dkLNK1MQlwG&b=507399

Public Campaign

- Annotated Model Legislation for CLEAN MONEY/CLEAN ELECTIONS REFORM
www.publiccampaign.org/modelbill

U.S. PIRG

- Funding Clean Elections
www.uspirg.org/uploads/ox/GP/oxGPaTDMJTpKdsxgW7vIHw/Funding-Clean-Elections.pdf

Opinion Polls

Lake Research Partners and Bellwether Research

- “Bipartisan Poll Shows Strong Support for Public Financing and Voters First Pledge”
www.campaignmoney.org/polling

FOX News and Opinion Dynamics

- FOX News/Opinion Dynamics Poll (March 2007)
www.foxnews.com/projects/pdf/032907_foxnewspoll.pdf

State Legislation

Connecticut Legislation

- Press Release from Office of Governor Rell
www.ct.gov/governorrell/cwp/view.asp?A=1761&Q=307172
- 2005 Connecticut Public Act 5
www.cga.ct.gov/2005/ACT/Pa/pdf/2005PA-00005-RooSB-02103SS3-PA.pdf