



The Committee for Economic Development

Promoting Small Donor Democracy: The Value of Public Matching Programs

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Promoting Small Donor Democracy: The Value of Public Matching Programs

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Since its inception in 1942, the Committee for Economic Development (CED)

has addressed national priorities that promote sustained economic growth and development to benefit all Americans. These activities have helped shape the future on issues ranging from the Marshall Plan in the late 1940s, to education reform in the past three decades, and campaign finance reform since 2000. CED's research findings are coupled with multi-pronged outreach efforts throughout the country and abroad, achieving tangible impact at the local, state, and national levels.

CED's Trustees understand that business, government, and individuals are jointly responsible for our mutual security and prosperity. CED is deeply concerned about the changes taking place in political finance. Current fundraising practices promote a pay-to-play mentality that encourages political giving as a means of influencing legislative decision-making. Prospective donors, particularly members of the business community, are encouraged to pursue influence through contributions. Increased political spending diverts corporate resources away from job-creation, and can result in an increased focus on short-term gains over the long-term public interest. CED has long stated that a vibrant and strong economy results from business competition in the marketplace, not in the political arena.

As unwavering advocates for the free market system, CED Trustees believe firmly that business leaders must earn the public's trust. CED has stated that transparency is an essential ingredient to a well-functioning democracy and critical in a system of free and competitive elections. In 1999, CED Trustees were alarmed by large sums of money flowing into congressional campaigns and proposed a multiple match of small-dollar contributions for congressional elections in the report, *Investing in the People's Business: A Business Proposal for Campaign Finance Reform*. This position was restated in CED's 2011 report, *After Citizens United: Improving Accountability in Political Finance*.

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Introduction

In his 2012 State of the State Address, New York Governor Andrew Cuomo expressed his support for campaign finance reform “to reconnect the people to the political process and their government.”¹ The Governor reaffirmed this position in his 2013 address, and advocated a number of policy changes, including the adoption of a system of public financing for New York state elections, modeled on the public matching program used in New York City elections. These reforms, he noted, are needed to remedy the failures of the current system and “prevent the dominance of wealthy contributors and special interests” in the political process.²

The Governor’s public financing proposal mirrors CED’s policy recommendations first advanced in 1999 and restated in their most recent report, *After Citizens United: Improving Accountability in Political Finance*.³ For more than a decade, CED has advocated voluntary public financing programs that offer a multiple-dollar public match on small individual contributions. The New York City public funding system is an example of this approach. In CED’s view, this reform would enhance the vitality of our democracy. A multiple-dollar public match can have a substantial leveraging effect that would provide candidates with a strong incentive to seek out large numbers of small donations. At the same time, it would give small donors a greater sense of empowerment and encourage them to become more involved in the financing of political campaigns. It would give candidates an alternative means of accruing the resources needed to wage competitive campaigns, thereby reducing the relative influence of larger donors and private contributions that might be linked to special interests.

CED has endorsed the work of NY LEAD, a coalition of business, academic, and philanthropic leaders advocating new campaign finance legislation for New York State. CED believes their recommended public matching fund program is a necessary step in repairing a campaign finance system that does not serve the best interests of voters or of the business community.

The Value Of Candidate Competition

CED’s business leaders recognize the beneficial effects of competition. Competition is a creative force that encourages the development of enterprise value, stimulating greater availability of goods and services, economic efficiency, and, above all, innovation. Companies competing in an open, free-market setting have a strong incentive to produce value as perceived by their customers and stakeholders. Businesses also have an incentive to be responsive to consumers, since competitively supplied products facilitate consumer choice as to the products and services that will maximize their own welfare or best fulfill their preferences. The interactions and synergies generated by competition are an essential element of a properly functioning economic marketplace. Competition is a key to a vibrant and strong economy, a healthy business environment,

and robust and sustained economic development.

CED believes that competition is also valuable in the political marketplace, and that one objective of the campaign finance system should be to foster competition. Our representative democracy is grounded on the notion of citizen participation in free, open and honest elections. Elections serve as the principal means by which citizens express their political preferences and hold elected officials responsible for their actions. These basic tenets of democratic governance are best served by competitive elections. When more candidates seek office and more incumbents are opposed, voters have more choices. Voters are exposed to diverse candidate views and policy alternatives, which can make for better-informed decisions, and make the choice in casting a ballot more meaningful. While not all of those who decide to run will attract substantial support or prove to be competitive, contested elections – especially in those instances where there is a viable alternative – help voters hold officeholders accountable for their actions and encourage candidates to be more responsive to voter concerns. Moreover, competitive elections, particularly those that develop into close contests, spur voter interest and stimulate broader voter participation, which strengthens the representative character of elections and improves public confidence in the political process.

Incumbent Fundraising Creates A Barrier To Entry

Current fundraising practices do little to foster competition in the electoral process. While money is not the only factor that influences an individual's decision to seek office, it is a major consideration of most potential candidates, especially for those facing the prospect of taking on an incumbent officeholder. Incumbents typically begin a race with an established base of financial support, access to large contributions, and the capacity to raise substantial amounts of money from donors with interests linked to government actions. The expectation of facing a well-funded opponent and the uncertainty as to the ability to garner adequate campaign financing can discourage potential candidates from entering a race, or result in contests featuring challengers who lack the resources needed to effectively compete. In this way, current practices heighten the role of money as a barrier to entry, and reduce the likelihood that incumbents face adequately funded opponents.

Without access to traditional donors who constitute the principal source of funding in election campaigns, a candidate is unlikely to have the opportunity to raise the money needed to mount a viable campaign. Most candidates, particularly incumbents, focus their fundraising efforts on a relatively small group of donors, seeking to raise as much money as possible by concentrating on those who are willing to give larger amounts. Candidates have little incentive to focus their solicitations on small contributors, and those who do are typically unable to raise the sums needed to wage a viable campaign because they are unable to recruit the sizable number of small donors required to accomplish this end. Large

donors or political organizations thus provide most of the funding to candidates in almost all state and federal elections.⁴ Since these donors typically support incumbents or concentrate their donations on candidates who they think are likely to win, challengers must plausibly show they can be successful – a very high bar to surpass – before they can garner substantial support from these sources.

Consequently, the salutary effects of competition are too often lost under current campaign finance rules. Too often, incumbent candidates run for reelection uncontested. It is therefore not surprising that the result is often like the fruits of monopoly in business: the same product, delivered by entrenched interests that profit from the status quo, with little or no innovation coming from new voices with new ideas.

Current Campaign Financing Hinders Business Development And Innovation

CED Trustees are deeply concerned about the effects of current fundraising practices because they believe they do not serve the public's best interest or the interests of the business community. CED recognizes that members of the business community are often asked to participate financially in the political process and that many choose to do so. However, as CED has said before, a vibrant and strong economy results from businesses competing in the economic marketplace, not in the political arena.⁵

Current campaign fundraising practices promote a pay-to-play mentality that encourages political giving as a means of influencing legislative decision-making. The incentive structure favors the solicitation of large donors and induces rent-seeking efforts by donors or rent-extraction efforts by politicians that increase the risk of long-term interests being sacrificed for short-term gains. The demand for campaign dollars thus places pressure on members of the business community to make contributions or causes them to feel compelled to match – or exceed – the amounts being given by competing interests.

Such behavior by candidates seeking contributions and those who give entails the inherent risk of undue influence by wealthy donors and special interests on legislative deliberations. Donor influence can serve to undermine market forces by facilitating policies or regulatory requirements that diminish competition or unduly advantage particular firms or industries. The influence of money can also help sustain inefficient or outmoded businesses or subsidies that subvert and frustrate innovation that could encourage new investment and spur economic development.

New York Businesses Don't Like The Current System

Members of the business community in New York broadly share these concerns about the influence of campaign contributions in our political system. A recent survey of 300 New York State business leaders conducted by Zogby Analytics found widespread disapproval of the state's current campaign finance laws – which allow individuals to contribute up to \$60,800 to an elected official – and strong support for campaign finance reform.⁶ When asked for their views on the ways campaigns are financed, 92 percent of these business decision makers agreed that lobbyists and political donors have more influence than average voters, and nearly 70 percent felt that elected officials in New York are looking out mostly for the needs of those who finance their campaigns. They agree that some (41 percent) or a lot (37 percent) of pressure is placed on corporate leaders to make political contributions. Furthermore, they believe that corporations and members of the business community contribute to political campaigns only in order to gain access to influence the legislative process. And they do not view any influence gained from such giving as beneficial. In fact, only 15 percent of the business leaders surveyed believe that corporate contributions are good for the political process.

The Need For Reform

The vitality of our democracy depends on citizen engagement in the political process and public confidence in the legitimacy of electoral and policy outcomes. In CED's view, the current campaign finance system does not foster these essential elements of a representative system of governance. Candidates are not undertaking the type of broad-based fundraising efforts that involve a large share of the electorate in the financing of campaigns. Instead of empowering citizens and promoting broad participation by small donors, current practices emphasize the solicitation of large donations and contributions from special interests, which serves to promote perceptions of corruption and undermine public confidence in our institutions. A political process that encourages the public to believe that election outcomes or government policies are subject to the influence of the highest bidder is not in accord with the basic tenets of democratic government.

The Public Matching Alternative

Our democracy is best served by a financial system that encourages all candidates to reach out to their constituents and expand the scope of participation in the financing of campaigns. This is one way to promote well-funded and robust campaigns, a more engaged electorate, and stronger political participation. But CED recognizes that this objective will not be achieved without changing the incentive structure that animates current fundraising efforts.

CED believes that public financing can offer an effective campaign-finance alternative. Specifically CED supports a voluntary public financing system that offers a multiple-dollar public match on low-dollar donations. A system that provides three or four dollars or more of public money for every dollar contributed by an individual who contributes a low-dollar amount to a candidate would have a powerful leveraging effect that would alter fundraising behavior. Candidates who opt to participate in such a program would have a strong incentive to recruit large numbers of small donors, since the value of these contributions would be multiplied. At the same time, small donors would be given a greater sense of empowerment due to the attention they receive from candidates and the enhanced value that would make a small donation more meaningful. This would encourage a greater number of citizens to become more involved in the financing of campaigns.

A multiple-dollar public match on low-dollar donations will enable more candidates to compete for office. Candidates will be able to maximize the value of their constituent support, thereby increasing their capacity to raise the sums needed to communicate their views to the voters. For example, under a four-to-one match formula, an eligible \$100 donation would generate \$500 in campaign money with the public dollars included. A multiple match thus provides candidates with an opportunity to garner adequate resources without the need to be beholden to big-dollar donors and special interests.

A public matching approach also balances assistance for candidates with diligent stewardship of taxpayer resources. Unlike a flat grant approach, which provides full funding up to an established limit for candidates who qualify for public funding, a multiple match approach requires candidates to meet a threshold of donor support to be eligible for public dollars and then only provides funding based on the contributions a candidate receives. The allocation of public money is therefore a function of a candidate's small-donor support. A matching policy thus safeguards against the distribution of substantial sums of public money to fringe candidates or others who are not serious contenders for office.

New York Businesses Support Reform

Finally, many business leaders share our view of the value of a public matching approach. The Zogby Analytics survey of New York State business leaders revealed significant support for reforms that promote small-donor participation and for public funding as an alternative to the current campaign finance system.⁷ When asked about possible reforms to the system, 82 percent of respondents supported a system of campaign finance that would encourage candidates to finance their campaigns through a broad base of small-dollar donors. Seventy-two percent expressed support for a public campaign financing system that would give citizens the incentive to contribute small-dollar sums. Moreover, 63 percent agreed that public funding of campaigns is the best way to reduce the possibility and the perception of corruption associated with large contributions.

The New York City Experience

The benefits of the public financing approach CED advocates is evident from the experience in New York City, where candidates have the option of participating in a multiple-match, public funding program. New York City adopted a voluntary program of public financing in 1988 “to lessen the influence that big money can wield in local elections and to broaden the participation of candidates and voters in a more open and competitive electoral process.”⁸ Candidates who opt to participate in the program may qualify for public funds by agreeing to abide by spending limits established for primary, general and runoff elections, and by raising a threshold amount of money in small contributions to demonstrate a core of public support. Any candidate who meets these requirements and qualifies for the ballot is eligible to receive a public match on low-dollar donations from city residents up to a maximum total dollar amount that varies depending on the office being sought. For example, in 2009, the maximum total public money a candidate could receive was set at 55 percent of the applicable spending limit, and ranged from \$3.4 million in the race for Mayor to \$88,550 in a city council contest.⁹

When first established, public funding was provided to candidates based on a dollar-for-dollar matching formula. But the program has been revised over the years to elevate the importance of small donors by providing a multiple-dollar match on small contributions. In the 2001, 2003, and 2005 city elections, participating candidates received a four-to-one public match on the first \$250 contributed by a city resident. So each eligible contribution of \$250 was matched with \$1,000 in public funds. Prior to the 2009 elections, the formula was revised again by lowering the level of eligible contributions but offering an even higher premium. A contribution of up to \$175 from city residents was eligible for a six-to-one public match, so a contribution of \$175 was matched with \$1,050 in public funds for a total of \$1,225. This generous matching ratio gave candidates a powerful incentive to solicit small contributions from their constituents and greatly enhanced the role of small donors in the financing of campaigns.

Promoting Candidate Participation and Competition

The New York City program is designed to help “more citizens to compete for city office”¹⁰ by making resources available to enable individuals to finance campaigns. In this regard, public funding plays a valuable role in promoting electoral competition and voter choice. It offers aspirants a meaningful incentive to run for office by providing a means of raising the monies needed to communicate with voters and mount viable campaigns.

Competitive Races “Across The Board” in 2009

The importance of public matching money as a source of candidate funding in local New York City elections is demonstrated

by the 2009 experience. With the exception of the mayoral race, a significant share of the money raised by candidates came from public matching funds on contributions of \$175 or less (see Table 1). In the citywide contest for the Office of Public Advocate, more than half of the monies raised were generated through the public match. In the Comptroller and Borough President contests, one out of every four dollars came from public matching. And in the contests for the 51 City Council seats, the share was almost one out of every two dollars.

In the mayoral election, incumbent Michael Bloomberg relied on his personal wealth, as he did in prior campaigns, to self-finance his bid for office. Bloomberg spent more than \$108 million in winning reelection, which was more than ten times the sum spent by William Thompson, his Democrat challenger in the general election. Public matching funds made up more than a third of Thompson’s campaign money – he received \$3.7 million in public match on his \$6.1 million in private contributions. Thompson’s total public money was lower than what might be expected, particularly given the fact that he qualified for a bonus match rate of \$8-to-\$1 on the small contributions he received due to Bloomberg’s high level of spending. But only half of the contributions he received came from donors who reside in the city, which are the only donations eligible for matching.¹¹ Nonetheless, Thompson benefited from the public money he generated, since it provided him with resources that helped him make his case to the voters. Despite the enormous disparity in funding, the mayoral race was more competitive than the contest in 2005 and Mayor Bloomberg won reelection by a margin of less than five percent (50%-46%), or fewer than 51,000 votes out of more than one million cast.

Table 1: New York City Campaign Finance Summary: 2009 Elections

Office	Number of Candidates	Receipts			
		Private Funds	Public Funds	Total	Percent of Funding Public
Mayor	22	\$116,226,796	\$3,709,091	\$119,935,887	3.09%
Public Advocate	10	\$5,520,586	\$5,971,165	\$11,491,751	51.96%
Comptroller	10	\$14,806,008	\$5,299,334	\$20,105,342	26.36%
Borough President	15	\$4,660,094	\$1,564,039	\$6,224,133	25.13%
City Council	282	\$14,509,035	\$11,363,174	\$25,872,209	43.92%

*Based on data reported by the New York City Campaign Finance Board.

Beyond the mayoral race, a majority of the candidates at every level of election in New York City – more than 200 contenders in all – opted to participate in the public matching program.¹² However, not all of these candidates qualified for public money. Some failed to raise the requisite number of small local contributions to meet the eligibility threshold. Others failed to garner much voter support and received minor sums. This highlights the advantage of the matching approach as compared to public funding systems that award a flat grant to candidates: contenders receive funds only if they demonstrate public support and thereafter receive only as much as they merit based on their ability to attract eligible small contributions.

Prior to the 2009 elections, the New York City Council voted to revise its term-limits law to extend the number of terms for an elected official from two terms to three.¹³ This affected the context of many elections, since it allowed incumbents to seek another term and reduced the number of open seats, which are typically the most competitive races in an election cycle. Despite this change, more candidates ran for office than in 2005. There were 141 primary candidates who participated in the public matching program and 100 were on the ballot in the general election. In all, the New York City Campaign Finance Board disbursed \$27.3 million in public matching money to 139 candidates.¹⁴ Public money thus helped enhance the choices available to voters by enabling candidates to compete.

In its report on the 2009 elections, New York City's Campaign Finance Board summarized the character of the contests in this way: "Races were competitive across the board – fewer candidates ran without opposition on the ballot, five incumbent Council members were defeated, and in the mayoral race, a publicly financed candidate held the incumbent to a narrow victory despite a wide gap in resources."¹⁵

Empowering Small Donors

Empowering small donors by increasing their role and encouraging candidates to emphasize low-dollar donations is a key objective of a multiple-dollar matching system. Under New York City's rules, candidates have a strong incentive to solicit small donations and reach out to their constituents rather than wealthy interests. Those who accept public financing can take advantage of the multiplier effect that produces \$1,225 in campaign money from an individual donation of \$175. They can, in effect, raise money in large amounts without having to depend on the support of a relatively small group of major donors.

Consequently, New York City's matching program has stimulated broader citizen participation and had a significant effect on donor behavior. The multiple-match has enhanced the role of small donors and made matchable contributions more important in campaign fundraising. More than half of all contributors in the 2009 city elections were donors who gave for

the first time.¹⁶ That made 2009 the third consecutive election cycle in which more than half of those who gave were first time donors. In 2001, under the \$4-to-\$1 match, an estimated 54,070 donors gave for the first time; in 2005, 28,170 donors gave for the first time. In 2009, under the \$6-to-\$1 formula, 33,900 donors gave for the first time.¹⁷ The vast majority of these new donors made small contributions. For example, in 2009, of the more than 33,000 New Yorkers who gave for the first time, more than 80 percent contributed \$175 or less.¹⁸

More Candidate Focus On Small Donors

The large numbers of first-time givers in recent election cycles reflect the emphasis that participating candidates have placed on the gathering of small contributions. One way to assess the scope of small-donor participation in city elections is to examine the total amount given by an individual to a particular candidate. Because individuals may make more than one contribution to a candidate, the aggregate amount contributed by an individual donor to a candidate is a more accurate measure of small donor participation than a simple summary of contributions received by candidates. Further, because an individual may make a donation to more than one candidate (e.g., a donor may make a contribution to more than one City Council candidate), a better sense of small donor participation can be achieved by examining what can be called “donor-candidate pairs”: the total amount that each donor gives to each candidate.

A recent study conducted by Professor Michael Malbin of SUNY-Albany and his colleagues employs the “donor-candidate-pair” metric to examine donor participation in New York City Council races.¹⁹ Their research compared candidates who participated in the public matching program and those who did not (and therefore relied solely on private donations) in the 2005 and 2009 elections. Their analysis revealed that candidates who participated in public funding in 2005 and 2009 received a greater proportion of their funding from small donors and had substantially greater numbers of small contributors.

As Table 2 illustrates, candidates participating in public funding in the 2005 elections received 31 percent of their money from donors who gave an aggregate of \$250 or less, while privately-funded candidates received only 9 percent of their campaign monies from those who gave \$250 or less. In all, there were more than 32,000 donor-candidate pairs among candidates taking the public match, as compared to only 1,320 donor-candidate pairs among the non-participating candidates. Similarly, in 2009, candidates who chose public funding raised 37 percent of their funds from those who gave a total of \$250 or less, as compared to 15 percent for non-participating contenders. The scope of contributor participation remained high among publicly funded candidates, with 47,719 donor-candidate pairs, as compared to only 756 such pairs for the privately funded candidates. Notably, the number of donors who gave \$175 or less to publicly funded candidates was significantly greater in 2009 than 2005. This in all likelihood is a response to the drop in the size of a matchable contribution

from \$250 in 2005 to \$175 in 2009. In short, candidates changed their behavior in accordance with the matching rules and emphasized the recruitment of small donors willing to give sums up to the matchable maximum.

Table 2: Breakdown of NYC Candidate’s Aggregate Individual Contributions of \$250 or Less in the 2005 and 2009 Elections, as Percentages of Candidates’ Private Contributions.

		Percentage From Individuals whose Contributions to the Candidate Aggregated to...				
		\$1-\$174	\$175	\$176-\$249	\$250	\$1-\$250 Subtotal*
2005						
City Council Candidates						
Participating Candidates (N=123)		15%	0.2%	3%	13%	31%
<i>Number of donor-to-candidate pairs</i>		25,662	112	1,489	4,925	32,188
Non-Participating Candidates (N=9)		4%	0%	1%	4%	9%
<i>Number of donor-to-candidate pairs</i>		951	5	100	264	1,320
<hr/>						
2009						
City Council Candidates						
Participating Candidates (N=165)		21%	5%	4%	7%	37%
<i>Number of donor-to-candidate pairs</i>		39,716	3,055	2,270	2,678	47,719
Non-Participating Candidates (N=10)		7%	1%	5%	3%	15%
<i>Number of donor-to-candidate pairs</i>		155	56	352	195	756

NB: Excludes self-financing.

Source: Michael J. Malbin, Peter W. Brusoe, and Brendan Glavin, “Small Donors, Big Democracy: New York City’s Matching Funds as a Model for the Nation and the States,” *Election Law Journal* 11:1 (2012)

Comparing New York City Small Donors to Statewide and Federal Elections

The efficacy of New York City’s system is best demonstrated by viewing city elections in comparison to other elections. A recent analysis by the Campaign Finance Institute, a non-partisan research organization, compared the role of small donors as a source of candidate funds in New York City elections to other jurisdictions, including New York State elections and selected federal elections. As the figures in Table 3 make clear, the role of small donors in New York City elections is much greater than in other contests. When private contributions and the public match were combined, candidates who chose public funding in 2009 received 63 percent of their total funding in amounts of less than \$250. Candidates

Table 3: Table 3: Role of Small Donors in NYC Elections with Selected Comparisons

Jurisdiction	% from Individuals who Gave Aggregates per Candidate of...			% from Organizations		
	\$1-\$250	\$251-\$999	\$1,000 or more	Non-Party Orgs.	Party	Total
<i>New York City</i>						
2009 Participants (Private and Matching)	63	15	17	4	0	100
1997 Participants (Private and Matching)	39	18	16	25	2	100
2009 Participants (Private Only)	38	17	32	11	1	100
1997 Participants (Private Only)	28	16	19	34	2	100
2009 Non-Participants	14	17	67	3	0	100
<i>State Elections</i>						
New York*	7	5	33	45	10	100
<i>Federal Elections**</i>						
U.S. House 2008	8	11	35	36	10	100
U.S. Senate 2008	14	9	40	20	17	100
Obama 2008	24	28	28	-	-	100

*State total does not include any candidate self-financing.

**The federal election data differs from the city or state data in the following ways: (1) the donors categories are \$1-\$200, \$201-\$999, and \$1,000 or above. (2) The column labeled here as “party” is used for U.S. House and Senate elections to include all “other” sources of funds, which (unlike the state and city lines) include self-financing.

Source: Based on an analysis by the Campaign Finance Institute of data from the National Institute on Money in State Politics, New York City Campaign Finance Board, and Federal Election Commission.

who participated under the less generous match rate in 1997 received 39 percent of their funds in amounts of \$250 or less. Even with the public match excluded and only private donations considered, participating candidates in 2009 raised more than a third of their total funding from small donors as compared to 14 percent for those who did not participate in the program. Publicly funded candidates were also less dependent on PACs and other political organizations than their privately funded counterparts. Furthermore, small donors played a much greater role in New York City elections than in New York State elections (where they represented only 7 percent of candidates' funds), U.S. House elections (8 percent), or U.S. Senate elections (14 percent). Even the 2008 presidential campaign of Barack Obama, which was notable for its success in garnering small contributions, failed to match the relative share of small donor money achieved by publicly funded candidates in New York City.

A Dramatic Increase In Donor Diversity

Candidates who accept public funding conduct their campaigns in distinctly different ways from candidates in city and state elections who rely on private contributions alone. By empowering citizens, public matching not only expands the scope of participation in the financing of campaigns, but also leads to a more diverse array of donors. It thus enhances the quality of representation in the political process.

A recent report issued by the Campaign Finance Institute and Brennan Center for Justice at New York University Law School concluded that one of the primary effects of the New York City system was a “dramatic increase” in the diversity of those who made contributions to political campaigns.²⁰ This finding was based on a comparison of donors to city council candidates (who were eligible for the city matching system) in the 2009 election and donors to state assembly candidates (who were not eligible for the city matching system) from districts within the city in the 2010 election.²¹ To better understand the representativeness of the two groups, donor information was cross-matched with Census data to build a demographic profile of the neighborhoods where donors lived. This analysis revealed that donors to city council candidates were more representative of district constituents than donors to state assembly candidates. Among the most important findings:²²

- Small donors to city council candidates in 2009 came from a much broader mix of neighborhoods than did the small donors to state assembly candidates in 2010. Almost 90 percent of the city's census block groups included one or more donors who gave \$175 or less to a city council candidate. Small donors in state assembly elections came from only 30 percent of the city's census block groups.

- The neighborhoods in which city council small donors reside are more representative of the city as a whole. They encompass areas that include neighborhoods with lower incomes and higher concentrations of minority residents than those in which state assembly donors reside.
- Small donor participation in some of the city's poor African-American, Asian, and Latino neighborhoods was far more robust in city council races than in state assembly contests. For example, in financial terms, the donors from Bedford-Stuyvesant and surrounding neighborhoods were more than 11 times as important for city council candidates as they were for state assembly candidates. Contributors from Upper Manhattan and the Bronx were more than three times as important.

Those who contribute small sums to publicly funded candidates generally come from different walks of life than those who give large sums, and better reflect the characteristics of the electorate as a whole. The incentives of a multiple-matching policy have thus enhanced the quality of representation in New York City elections and encourage candidates to be more concerned with the interests of their constituents rather than an elite group of campaign donors.

Conclusion

Public campaign funding, administered by means of a multiple-match on low-dollar contributions, is an effective alternative to traditional fundraising practices. While the adoption of public matching will not address all of the problems associated with campaign funding, it offers the best available means of improving the ways campaigns are conducted. A multiple-match system changes the incentive structure of campaign fundraising, encouraging candidates to emphasize small contributions, empowering citizens of average means to play a meaningful role in the financing of campaigns, and providing candidates with the opportunity to raise the money needed to compete for elective office without having to depend on special interests or other donors seeking to influence policy decisions. It promotes broad citizen participation and engagement in the political process, resulting in a more representative and equitable system of campaign finance.

CED has long supported public funding based on a multiple-match on low-dollar contributions. CED believes that the experience of the New York City program demonstrates the value of this approach. CED will continue to work with leaders in the public and private sectors in New York and elsewhere to advance this reform and other ideas for improving campaign finance and preserving the vitality of our democracy.

Notes:

- 1 The text of the Governor's address is available at <http://www.nytimes.com/interactive/2012/01/04/nyregion/04-state-of-the-state-text.html> (accessed September 15, 2012).
- 2 Ibid.
- 3 This report is available on our website at http://www.ced.org/images/content/events/moneyinpolitics/2011/38751_citizensunited.pdf.
- 4 Michael J. Malbin, Peter W. Brusoe, and Brendan Glavin, "Small Donors, Big Democracy: New York City's Matching Funds as a Model for the Nation and the States," *Election Law Journal* 11:1 (2012). See table 7, p. 14.
- 5 See CED's previous policy statements, *Investing in the People's Business* (1999), p. 1; *Building on Reform: A Business Proposal to Strengthen Election Finance* (2005); and *After Citizens United: Improving Accountability in Political Finance* (2011), p. 4.
- 6 The poll was commissioned by CED. A summary of the principal findings and the full survey is available at <http://www.ced.org/component/blog/entry/1/840>.
- 7 Ibid.
- 8 New York City Campaign Finance Board, *Dollars and Disclosure: Campaign Finance Reform in New York City* (1990), p. 1.
- 9 New York City Campaign Finance Board, *New Yorkers Make Their Voices Heard: A Report on the 2009 Elections* (2010), p. 113. The spending limits and maximum total of public funds a candidate is allowed to receive increases when a participating candidate is opposed by a high-spending, non-participating opponent. This is contingent on the privately financed opponent reaching certain spending levels that exceed the limit imposed on the publicly funded candidate.
- 10 Ibid., p. 120.
- 11 Ibid., p. 9.
- 12 See the Campaign Finance Summary for the 2009 citywide elections prepared by the New York City Campaign Finance Board available at http://www.nycffb.info/VSApps/WebForm_Finance_Summary.aspx?as_election_cycle=2013&sm=press_12&sm=press_12 (accessed September 29, 2012).
- 13 This act, Local Law No. 51, was enacted on November 3, 2008.
- 14 New York City Campaign Finance Board, *New Yorkers Make Their Voices Heard*, p. 5.
- 15 Ibid.
- 16 Ibid., 105.
- 17 Ibid.
- 18 Ibid.
- 19 Malbin, Brusoe, and Glavin, "Small Donors, Big Democracy."
- 20 Elisabeth Genn, Michael J. Malbin, Sundeep Iyer, and Brendan Glavin, *Donor Diversity Through Public Matching Funds* (Brennan Center for Justice and Campaign Finance Institute, 2012). This report is available at http://cfinst.org/Press/PReleases/12-05-14/Study_Public_Financing_Contributes_to_Greater_Diversity_of_Participation_in_NYC_Elections.aspx (accessed September 20, 2012).
- 21 City council members and state representatives serve constituencies of roughly the same size. The study was thus able to control for the demographics and politics of the potential donor pools in the two sets of elections.
- 22 Genn, Malbin, et al., *Donor Diversity Through Public Matching Funds*, pp. 4-5.



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