MONEY IN POLITICS: ACTION IN THE STATES

Introduction

While considerable media and public attention has been focused on campaign finance at the federal level, many campaign finance reformers have shifted their attention to the states as they recognize that the state and local levels are the arena where voters retain the most influence and where political action is possible.\(^1\)\(^2\)

The focus of this paper is to highlight components of effective campaign finance reforms at state and local levels that may be in effect, pending or recommended since the *Citizens United* decision in 2010, as part of the broader effort to expand political opportunity, promote voter engagement and revitalize trust in government as responsive to the public interest. Areas covered in this paper include: disclosure; coordination; small donor funded elections; Pay-to-Play; and, oversight and enforcement – with oversight and enforcement as the necessary ingredients of all effective reforms.

There is no silver bullet in the battle to combat the threat of undue influence on our political system and the fight to ensure that the voice of voters is heard and matters. Campaign finance reforms are a necessary but insufficient response to this chronic problem. It is important to keep in mind the following caveats from the Brennan Center - that solutions must evolve over time to keep pace with persistent attempts to override them and that no single measure will resolve the issue:

\[\text{To be sure, as with any regulatory regime, determined players likely will find new ways to evade both the letter and the spirit of even strengthened coordination rules. Just as political tactics evolve, even the best-designed system will have to evolve, too . . . The ability of the few super-rich to dominate politics, even if not in coordination with campaigns and not by bribing officials outright, is a crisis for a nation that seeks to conduct truly fair elections in which all citizens have an equal opportunity to participate.}\]

Impact of Federal Rules on Local and State Campaign Finance Regulations

Laws governing campaign finance in the states are as varied as the states themselves. For that reason, general guidelines for effective campaign finance regulation are listed, with specific state examples where applicable along with resources for readers to find information about individual states.

Post-election data since 2010 clearly reveal that Supreme Court decisions related to campaign finance have led to a torrent of cash flooding state and local elections and made campaign finance laws in many states vulnerable to legal challenge. It’s important to note that the changes reach beyond legislative and congressional races to gubernatorial,\(^4\) attorneys general,\(^5\) secretaries of state,\(^6\) judicial,\(^7\) \(^8\) mayoral\(^9\) and city councilor\(^10\) contests. Some states have repealed or rewritten laws to comply with new federal rules, while others have chosen not to enforce laws.\(^11\)\(^12\)

Majority opinions of the Roberts Court in the relevant cases overturning campaign finance law rested on two, key assumptions: 1) that prompt disclosure of expenditures would allow voters to make informed decisions about issues, candidates and elected officials,\(^13\) and; 2) that outside groups would operate independently from campaigns and candidates as a hedge against the “corruptive threat” of money in elections.\(^14\) The reality has proven quite different.\(^15\)

Disclosure
The Supreme Court in *Citizens United* affirmed disclosure as a primary antidote to money in politics. Yet, disclosure is poorly regulated and is increasingly vulnerable to legal challenge as having a “chilling effect on free speech.” The Federal Election Commission (FEC) has the authority to compel disclosure, but has not acted. Likewise, Congress could pass disclosure legislation, but has failed to do so. This leaves action in the states.

Since 2010, a growing percentage of the money in elections comes from Super PACs and outside spending groups claiming ‘social welfare’ status. Over half of this outside money is not subject to donor disclosure requirements. There are no limits on the amount of money these groups can spend on elections as long as the outside money is not directly contributed to candidates or political parties and money spent is not done in direct coordination with candidates or parties.

Expanding and strengthening donor disclosure requirements continues to be one of the most viable and important areas for reform at the state level. With 35 states operating with disclosure laws that are less stringent than federal regulations, there is much room for improvement.

**What makes Disclosure Regulation Effective?**

Effective disclosure regulations would include most to all of the provisions listed below. Please note that operationally, the use of “timely” in the first two bullets is intended to mean prior to elections and “in real-time.”

- Timely reporting of contributions
- Timely reporting of expenditures
- Entity must identify responsible human & address
- Easy accessibility by the public through a searchable, campaign finance database and electronic filing system
- Whistle-blower protections
- Anonymous reporting of violations
- Reporting of gifts
- Contributor’s employer & occupation
- Disclosure of top contributors of independent expenditures, electioneering communications and ballot question spending through TV, internet and print ads and identify the individuals or entities who are the top contributors.

A [50 state analysis](#) of disclosure rules conducted by the *National Institute on Money in State Politics* found that only [15 states](#) made an “A” for laws that are at least as strong as federal regulations. An [interactive map and state “report card.”](#) created by The National Institute on Money in State Politics, provides grades for all 50 states along with grading criteria, methodology, detailed findings and a comparison with 2013 results.

**Coordination**

The assumption of the majority Justices in the *Citizens United* case that there were sufficient safeguards against coordination between outside groups, candidates and parties has proven flawed. Close scrutiny has revealed that outside groups are often run by individuals closely associated with candidates and campaigns who work in concert with them to coordinate campaigns.

A 2014 report from the Brennan Center, *After Citizens United: The Story in the States*, details how “Unlimited outside spenders are working “hand in glove” with candidates who have every incentive to look after their interests if elected.” The report provides recommendations that could be generally applied to all states, based on a comprehensive review of 15 states with widely different practices. Coordination regulations in these 15 sample states are then categorized as: Strong, Moderate, or Weak.
The qualifying statement and recommendations below are taken directly from the Brennan Center report:  

*These recommended reforms — which address the most obvious problems and do not preclude further ideas — come as a package. Some of the elements already appear in some form in existing local, state, or federal rules. But, as our review of constantly evolving collaboration tactics shows, any jurisdiction seeking to quell potentially corruptive coordination on a meaningful scale needs to embrace a comprehensive approach.*

- Make laws apply to a realistic universe of spending.
- If a candidate raised money for a group, treat all spending by that group on behalf of the candidate as coordinated.
- Provide sensible “cooling off” periods before a candidate’s former advisers may staff a group that is permitted to make unlimited expenditures to promote the candidate’s election.
- Treat as coordinated any spending to promote the election of a candidate that reproduces material produced by the candidate’s campaign.
- Treat as coordinated any spending to promote the election of a candidate, when the spender uses a consultant who has also served the candidate in a position privy to related campaign information.
- Publish scenario-based examples of what constitutes prohibited coordination and what does not.
- Ensure adequate enforcement and deterrence.
- Allow use of firewalls under appropriate circumstances as evidence that an outside group’s spending was truly independent.

**Contributions and Expenditures**

The 2010 *Citizens United* decision relates to spending in elections. The ruling removed the ban on independent expenditures and spending for electioneering communications by corporations and unions, allowing them to spend unlimited sums on ads and other means advocating for the defeat or the election of individual candidates. This ruling invalidated state laws prohibiting or limiting corporate and union expenditures. While *Citizens United* addressed federal law, its impact trickled-down to impact expenditure regulations in 24 states.

The 2014 *McCutcheon v. FEC* decision involved contributions. This ruling removed caps on “aggregate” spending, i.e., contribution limits related to the number of candidates and political parties for donors. *McCutcheon* allows donors to give to as many candidates and parties as they want. However, base contribution limits – the amount one donor can contribute per candidate – remain. Given the recent trend in Supreme Court rulings, advocates of limits are justifiably concerned that state contribution limits are next on the chopping block.

All but six states have limits on contributions of varying degrees, from contribution limits for individuals, parties, PACs, corporations and unions or outright prohibitions on contributions from corporations and/or unions. A comprehensive, state by state chart of contribution limits for 2013-2014 from the National Conference of State Legislatures provides useful, detailed information.

**Pay-to-Play**

In the political context, Pay-to-Play refers to campaign contributions from those seeking government contracts to public officials and candidates responsible for awarding contracts. Political spending by government contractors is common practice. Hundreds of billions of government dollars are at stake as private contractors vie for lucrative contracts to provide goods and services for government agencies. Scandals at the federal, state and municipal level demonstrate how expected, entrenched and pervasive this issue is. A 2015 Brennan
Center report ⁴⁰ points out that government contractors, affiliates and principals are major contributors of disclosed money; we have no insight into their contributions to dark money groups. Lack of transparency is an issue for all contributions, but as the Brennan Center report points out, it is particularly troubling in contract situations since they could influence awards of public money for government services, thereby threatening the integrity of the contract award process, and the public’s trust that taxpayer dollars will be awarded based on merit, not the size of donor checks.⁴¹

Pay-to-Play laws have been implemented by the Federal Government, Municipal Securities Rulemaking Board and the Securities and Exchange Commission and 15 states.⁴² But taking a cue from a Supreme Court that has ruled against many of the nation’s campaign finance laws, lawsuits from contractors and political parties are mounting, threatening to weaken or end pay-to-play safeguards.⁴³

SEC rules related to Wall Street, and state laws in Connecticut, Illinois and New Jersey are examples of the strongest and most effective rules in effect as of this writing. Components of effective pay-to-play restrictions are listed below:

- “define government contractors as not just the business itself, but also its owners and senior management combined;
- restrict contributions well before contract negotiations begin and well after termination of the contract; and
- mandate that contractors themselves document and certify compliance among their senior management.” ⁴⁴

Oversight and Enforcement of Campaign Finance rules at State and Local Level

“The reality is that the FEC, the Federal Elections Commission, the IRS and the Department of Justice are not enforcing the laws on the books and if they would enforce the laws on the books, a number of the issues that would go away or at least would be more manageable.” ⁴⁵

Ultimately, even the strongest campaign finance regulations will fail if oversight and enforcement practices are weak. At the federal level, ensuring compliance with campaign finance regulations is the primary responsibility of the Federal Election Commission (FEC). However, the FEC is widely viewed as ineffective because of its partisan make-up.⁴⁶

The Justice Department may also become involved with investigations of alleged violations, and the IRS plays a role in terms of guidelines related to “social welfare” organizations.⁴⁷

It is also important to note that different levels of government at the national, state and local level fall under different oversight and enforcement agencies. Strong enforcement at one level is no guarantee of effective overseer or enforcement at another.

Fortunately, guidelines for oversight and enforcement practices equal to the critical tasks of monitoring campaign finance money and investigating and enforcing regulations are in place in several states⁴⁸ that serve as models. Those guidelines include:

- Establish a single, independent agency responsible for oversight and enforcement of both House and Senate
- Mandate random audits of percentage of campaign disclosures by state Boards of Elections
- Mandate specific audits in cases of suspicious activity by Boards of Elections
- Vest oversight agencies with investigative authority
- Give oversight agencies the power to assess meaningful penalties
- Give oversight agencies authority to recommend that criminal charges be pursued by the Attorney General

**Small-donor, publicly financed elections**

Elections in the US have become exorbitantly expensive and essentially limited to wealthy candidates, backed by big money donors. Small-donor, publicly funded elections are viewed by advocates as a direct way to shift the influence of money from mega-donors to individual voters and broaden the field of candidates who run for office to include those without substantial personal wealth or a network of established mega-donors.49 50

**Twenty-five states**51 offer some form of public funding system for elections. How those funds are collected and distributed vary from state to state. Citizen-funded elections are viewed by advocates as a way to redirect the attention of political candidates to individual citizens and the concerns of constituents, increase voter engagement and involvement, expand and diversify the candidate pool and promote issue based campaigns.52 53

A review of state public funding efforts reveals a mixed record of results. Some states such as Arizona, Maine and North Carolina have had portions of their public financing systems struck down. Maine and North Carolina have organized to fight cuts and jurisdictions like Montgomery, Maryland are adopting small donor matching systems that can serve as models for state level programs.

Elements that are most likely to result in the positive outcomes listed above are evident. The system of public funded elections that has evolved in New York City over the past two decades, offers a “proven blueprint for success”.54 The key elements of the NYC model are:

- A distinctive, small-donor, multiple match system.55 56  
  Provides a matching ratio for small donor contributions ($175 or less), that is greater than 1:1 and applies the largest matching ratio to the lowest matchable amount.
- Eligibility criteria  
  Must meet a “qualifying threshold” based on small-donor donations ($175 or less) only. Donations over $175 do not count toward the qualifying threshold.
- Voluntary expenditure limits  
  Candidates opting into the system agree to expenditure limits set by the program.
- Accurate and timely disclosure requirements  
  Both participating and non-participating candidates must file frequent, timely disclosure statements57 that are available to the public.

In February 2015, Governor Andrew Cuomo included a small-donor, public financing system based on the NYC model, as part of the clean elections reform package 58 proposed for the state.

**Additional Resources: Interactive Tools**

1. [Spotlight on Your State](#)  
   The [State Template of Campaign Finance Regulation](#) lists critical campaign finance regulations that are important to transparency and clean elections. Completing the workbook page for your state can help you understand what is currently in place within your state and gaps. Use the state template worksheet for...
for your state to “fill in the blanks” of campaign finance regulations within your state. The Massachusetts Template has been completed for your use as a reference.

2. **The State Integrity Report Card**
   The State Integrity Report Card is a project of the The State Integrity Investigation project, sponsored by the Center for Public Integrity, Global Integrity and Public Radio International. Go to the [site](http://america.aljazeera.com/articles/2014/11/5/big-money-prevailsin2014withoutsidespendingplayingstarringrole.html) to see your state’s grade on the state by state Corruption Risk Report Card. After landing on your state’s report card, be sure to Read the Story Behind the Grade, that follows the report card for additional information. Please note that the site is scheduled for an update in Fall 2015.

3. **National Conference of State Legislatures 2013 Chart of state limits on contributions to Candidates**
   The 2013 chart of state limits on contributions is an easy to read chart showing state level limits on contributions as of 2013.

4. **MapLight**
   MapLight researches and compiles data about the sources of campaign contributions in U.S. elections. It provides transparency tools that connect data on campaign contributions, politicians, legislative votes, industries, companies, and more to show patterns of influence. These tools give insights into how campaign contributions affect policy so users can draw their own conclusions about how money influences our political system.

5. **Open Secrets, The Center for Responsive Politics**
   Open Secrets is a highly respected, award winning resource that provides current, comprehensive and objective tracking of federal campaign contributions, lobbying data and analysis.

6. **SunLight Foundation**
   The Sunlight Foundation is a national, nonpartisan, nonprofit organization that uses the tools of civic tech, open data, policy analysis and journalism to make our government and politics at the national, state and local level more accountable and transparent to all.

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7 For a comparison regarding how judgeships are determined outside of the US, see: [http://billmoyers.com/2014/10/30/dark-money-fueled-judicial-elections-corrupt-judiciary/](http://billmoyers.com/2014/10/30/dark-money-fueled-judicial-elections-corrupt-judiciary/)
The maximum contribution remains $2,600 for a candidate participating in a general election special favors that may be given in return. Kennedy concluded. “This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages.”

See SCOTUSblog for additional information: http://www.scotusblog.com/case-files/cases/doe-v-reed/

Additional information on arguments related to a “chilling effect” of disclosure on free speech can be found here: http://sunlightfoundation.com/blog/2010/03/08/apples-and-oranges-campaign-finance-transparency-laws-should-remain-untouched-by-the-supreme-court/

The Federal Election Commission is widely viewed as ineffective because of its partisan make-up of an equal number of Republicans and Democrats, voting along party lines. There is no non-partisan mechanism for breaking ties. Likewise, Congress has become increasingly polarized over the past several congressional cycles and has failed to pass disclosure legislation.

Buckley v Valeo: “[D]isclosure requirements deter actual corruption and avoid the appearance of corruption by exposing large contributions and expenditures to the light of publicity. This exposure may discourage those who would use money for improper purposes either before or after the election. A public armed with information about a candidate's most generous supporters is better able to detect any post-election special favors that may be given in return.” Found at: http://www.thisnation.com/library/buckley.html

See an opinion piece on the impact and possible outcomes of the McCutcheon decision, go to: http://www.pubintegrity.org/article/flood-of-secret-campaign-cash-its-not-all-citizens-united


http://www.brennancenter.org/analysis/super-pacs-gobbling-democracy

The 2014 Massachusetts law requires disclosure of sources no more than 7 days after making an expenditure, such as an ad, and every 24 hours within 10 days of election: https://malegislature.gov/Bills/188/House/H4197/History

See a comprehensive report on the issue of judicial elections, see: http://www.brennancenter.org/sites/default/files/legacy/JAS-NPJE-Decade-ONLINE.pdf


"The First Amendment protects political speech; and disclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way." Kennedy concluded. "This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages.”


http://www.publicintegrity.org/2013/05/16/12652/lax-state-rules-provide-cover-sponsors-attack-ads

http://www.publicintegrity.org/2013/04/22/14611/mccutcheon-decision-explained-more-money-pour-political-process


http://www.followthemoney.org/research/institute-reports/scorecard-essential-disclosure-requirements-for-independent-spending-2014/

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http://www.publicintegrity.org/2013/04/22/14611/mccutcheon-decision-explained-more-money-pour-political-process


http://sunlightfoundation.com/blog/2013/10/10/33323/rising-money-from-pacs-and-501c4s-


Election contributions are required:

N.Y., Admin. Code § 3

http://www.stateintegrity.org/


http://www.huffingtonpost.com/craig-holman/pay-to-play-restrictions_b_6152124.html

The federal government, the Municipal Securities Rulemaking Board and the Securities and Exchange Commission, 15 states and dozens of localities have implemented pay-to-play laws, rules or ordinances that restrict campaign contributions from government contractors. These include federal statute 2 U.S.C. 441c, MSRB Rule G-37, California, Connecticut, Hawaii, Illinois, Indiana, Kentucky, Louisiana, Nebraska, New Jersey, New Mexico, Ohio, South Carolina, Vermont, Virginia, West Virginia, and several dozen localities ranging from Los Angeles and San Francisco (CA), Philadelphia (PA), Newark (NJ), to New York City (NY). Many other states and localities have established special disclosure requirements for government contractors.

Updated: 01/13/2015: “The federal government, the Municipal Securities Rulemaking Board and the Securities and Exchange Commission, 15 states and dozens of localities have implemented pay-to-play laws, rules or ordinances that restrict campaign contributions from government contractors. These include federal statute 2 U.S.C. 441c, MSRB Rule G-37, California, Connecticut, Hawaii, Illinois, Indiana, Kentucky, Louisiana, Nebraska, New Jersey, New Mexico, Ohio, South Carolina, Vermont, Virginia, West Virginia, and several dozen localities ranging from Los Angeles and San Francisco (CA), Philadelphia (PA), Newark (NJ), to New York City (NY). Many other states and localities have established special disclosure requirements for government contractors.” For a description of key components of these pay-to-play laws, see Appendix B: “pay-to-play Restrictions on Campaign Contributions from Government Contractors, 2012”:

http://www.huffingtonpost.com/craig-holman/pay-to-play-restrictions_b_6152124.html

The Federal Election Commission is widely viewed as ineffective because of its partisan make-up. Congress and the State Integrity Project report that the FEC has failed to pass disclosure legislation. The FEC has failed to pass disclosure legislation that would help to reduce the influence of special interests in elections. The FEC has not taken action to require disclosure of pay-to-play laws, rules or ordinances that restrict campaign contributions from government contractors. The FEC has failed to implement the pay-to-play restrictions that are in place in many states and localities. The FEC has failed to take action on the pay-to-play restrictions that are in place in many states and localities.

http://ivn.us/2013/04/11/senate-hearing-finds-no-enforcement-of-key-campaign-finance-laws/


The State Integrity Investigation Corruption Risk Report includes a grade for “Ethics Enforcement Agencies”.

http://www.stateintegrity.org/

http://www.opensecrets.org/resources/dollarocracy/04.php


https://www.brennancenter.org/sites/default/files/legacy/publications/Small_donor_report_FINAL.pdf; P. 14


The City established a special fund—the New York City Campaign Finance Fund—to pay for the system. See, New York City, N.Y., Admin. Code § 3-709: http://www.nyccfb.info/act-program/CFACT.htm#709.


http://ivn.us/2013/04/11/senate-hearing-finds-no-enforcement-of-key-campaign-finance-laws/


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https://www.brennancenter.org/sites/default/files/legacy/publications/Small_donor_report_FINAL.pdf; P. 14


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There were 16 reporting periods during the 2009 election cycle. Two weeks prior to an election, daily disclosure of expenditures and contributions are required: http://www.ilcampaign.org/wp-content/uploads/2014/07/Small-Donor-Matching-Funds-The-NYC-Election-Experience.pdf

https://www.brennancenter.org/issues/new-york-public-financing

Most recent data available at writing of this paper.