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## **Vermont Legislative Research Shop**

### **Minnesota's Public Campaign Finance Program**

#### **How does it work?**

Minnesota's partial public campaign finance program, administered by The Minnesota Campaign Finance and Public Disclosure Board, allows eligible candidates to receive up to half of their campaign funding from the state government. For to qualify for this funding they must qualify by being a member of a major or minor party, collect a certain number of \$50 donations, win the primary election, and agree to the campaign expenditure limits.

The goal of the program is to provide confidence to citizens that the state government is curbing the influence of private and large donors and limiting the overall campaign expenditures of candidates. Additionally the program is also an attempt to promote first-time candidates to run for office by helping them cover some of the expenses that may otherwise prevent them from running competitive campaigns.

In addition to the public financing program, the Public Contribution Refund Program (PCR) gives Minnesotans who make contribution(s) to a Minnesota political party or a candidate for state office or legislature, the ability to apply for a refund of a portion of the contribution amount. Only contributions to those who sign an agreement with the MN Campaign and Public Disclosure Board (formerly the Minnesota Ethical Practices Board) and observe the campaign spending limits are eligible for a refund. The maximum refund a contributor can receive is \$50 for single persons and \$100 for married couples. Only one refund with a single application per year can be claimed - that filing cannot be amended. This refund program is in no way affiliated with the state income tax form; a claim can be filed immediately after making the contribution.<sup>1</sup>

#### **How is it funded?**

The funding for the public subsidy program comes from two sources:

1. Minnesota residents may choose to assign \$5 to any established political party by checking a box on the state income tax form, or the homeowner or renter refund return form. Selecting the check-off does not increase the individual's tax payment; it just directs money from the state general fund to a chosen political party (Democratic-Farmer-Labor, Independent, Green or Republican Party).
2. In addition, the legislature appropriates \$1,250,000 from the State General Fund to the general account of the State Elections Campaign Fund each election year.

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<sup>1</sup> The Campaign Finance and Public Disclosure Board, "Agency Profile," <http://www.mmb.state.mn.us/doc/budget/profiles/campaign.pdf>, accessed 23 February 2009.

The party account funds (from the tax check-off) are distributed after the primary election to the qualifying nominees of each party. The general account funds (the \$1,250,000) are distributed after the primary election to qualifying candidates of a major political party. General account funds are distributed in equal shares, by office. A candidate who is unopposed in both the primary and general election may not receive direct public subsidy payments. Party account funds not paid to an unopposed candidate are paid to the candidate's political party. Ten percent (10%) of the money in each party account is paid to the state committee of that party in monthly payments.<sup>2</sup>

### Spending Limits

Candidates who file a public subsidy agreement (PSA) declaring their intent to participate in the public funding program must abide by spending limits.<sup>3</sup> The spending limits for the 2006 election can be found in Table 1 (statewide contests are held in even numbered years, every 4 years, during nonpresidential election years).

<b>Table 1: Minnesota Spending Limits</b>		
<b>Office</b>	<b>Election Year</b>	<b>Non-Election Year</b>
Governor/ Lt. Governor	\$2,393,800	\$478,800
Attorney General	\$399,000	\$79,800
Secretary of State	\$199,500	\$39,900
State Auditor	\$199,500	\$39,900
Senate	\$59,900	\$12,000
House of Representatives	\$30,100	\$6,000

Source: [http://www.cgs.org/images/downloads/cgs\\_mn\\_final\\_081808.pdf](http://www.cgs.org/images/downloads/cgs_mn_final_081808.pdf) accessed 24 February 2009

**According to the Minnesota Campaign and Finance Disclosure Board, the Spending Limit includes the total of:**

1. Monetary campaign expenditures,
2. In-kind campaign expenditures (excluding certain political party support),
3. Unpaid campaign expenditures.

**First Time Candidates are eligible for a 10% first-time candidate spending increase if the following conditions are met:**

1. The candidate is running for the particular office for the first time, and
2. The candidate has not previously run for any other office (including local offices) whose territory now includes a population that is more than one-third of the population in the territory of the new office.

The first time spending increase is available during each year of the election cycle, not just the election year.

**Candidates in a Closely Contested Primary Election are eligible for a 20% spending increase if the following conditions are met:**

1. The candidate had one or more opponents in the primary election

<sup>2</sup> Jeffrey Sigurdson, Public Subsidy Program, Minnesota Campaign Finance and Disclosure Board

<sup>3</sup> Minnesota Campaign Finance and Public Disclosure Board, "Public Subsidy Issues," [http://www.cfboard.state.mn.us/issues/public\\_subsidy.pdf](http://www.cfboard.state.mn.us/issues/public_subsidy.pdf), accessed 23 February 2009.

2. The candidate won the primary election
3. The candidate received fewer than twice as many votes as any one of the opponents in the primary.
4. The closely contested primary spending increase is available for use only after the primary election.<sup>4</sup>

### Contribution Limits

In addition to the public funding program, Minnesota imposes limits on the amounts that may be contributed to candidates, parties and other committees. The contribution limits vary by year (election versus nonelection years), by office and are adjusted for inflation. Tables 2 and 3 show the 2006 – 2007 contribution limits. Contribution limits for political parties are set at 10 times the amount of individual or PAC limits. Corporations are banned from making any direct contributions.

<b>Table 2: Contribution Limits from individuals, political committees and political funds (excluding political party units) and from the candidates personal fund</b>			
<b>Office</b>	<b>Individual, Political Committee or Fund Contribution Limit 2006</b>	<b>Individual, Political Committee or Fund Contribution Limit 2007 (non-election year)</b>	<b>Candidate's personal funds contribution limit 2008 and 2009</b>
Governor/Lt. Governor	\$2,000	\$500	<b>\$20,000</b>
Attorney General	\$1,000	\$200	<b>\$10,000</b>
Secretary of State, State Auditor	\$500	\$100	<b>\$5,000</b>
Senate	\$500	\$100	<b>\$5,000</b>
House of Representatives	\$500	<b>\$100</b>	<b>\$5,000</b>

<b>Table 3: Contribution Limits for Political Party Units (including party caucuses in the legislature, state party, party units in legislative districts, congressional districts, counties, municipalities, and precincts, and terminating principal campaign committees in aggregate)</b>		
<b>Office</b>	<b>Contribution limit 2006</b>	<b>Contribution limit 2007</b>
Governor/ Lt. Governor	\$20,000	\$5,000
Attorney General	\$10,000	\$2,000
Secretary of State, State Auditor	\$5,000	\$1,000
Senate	\$5,000	\$1,000
House of Representatives	\$5,000	\$5,000

Additionally, Minnesota has aggregate contribution limits, which are listed in Table 4. These limits apply to the aggregate of all contributions and loans from lobbyists, political committees, political funds, and individuals who contribute or loan more than one-half the yearly contribution limit.

<sup>4</sup> Minnesota Campaign Finance and Public Disclosure Board, "Contribution Limits - Calendar Years 2008 And 2009," [http://www.cfboard.state.mn.us/campfin/Limits/Contrib\\_Limits\\_2008\\_2009.pdf](http://www.cfboard.state.mn.us/campfin/Limits/Contrib_Limits_2008_2009.pdf), accessed 23 February 2009.

<b>Table 4: Aggregate Contribution Limits</b>	
<b>Office</b>	<b>Aggregate limits 2006*</b>
Governor/Lt. Governor	\$478,800
Attorney General	\$79,800
Secretary of State, State Auditor	\$39,950
Senate	\$12,000
House of Representatives	\$6,000
<b>*These limits do not increase for first time candidates, candidates in a contested primary or first time candidates in a contested primary and are applicable regardless of whether the candidate signed a public subsidy agreement.</b>	

### Effectiveness

There are a number of ways to assess the effectiveness of Minnesota’s public financing program, including: the relative success of publicly financed candidates, participation rates, levels of electoral competition, the vulnerability of incumbents, campaign spending levels, and public attitudes about government and the role of money in elections.

#### Electoral Success of Publicly Finance Candidates

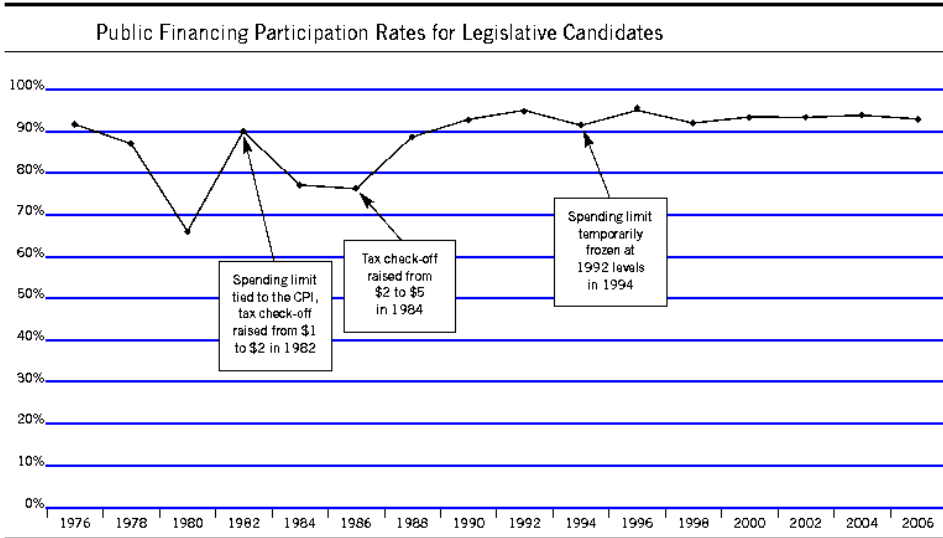
The success of publicly-financed candidates compared to private candidates is a non-issue for most races in Minnesota, because almost all candidates sign a public subsidy agreement (i.e., they participate in the public funding program; see Figure below). Yet there are a few contests that do involve publicly-financed candidates running against privately financed candidates. In those cases, candidates who sign public financing agreements do well compared to non-participating candidates—except when they run against non-participating incumbents who spend large sums of money in defense of their seats.<sup>5</sup>

#### Participation Rates

Historically, the Minnesota Public Financing Program has had very high participation rates (see Figure 1), higher than the “Clean Election” programs in Arizona and Maine (see Figures 2 and 3 for participation rates of state house and senate candidates by chamber and by political party). And, 2006 represented an historic high for participation in the Minnesota Public Financing program. Table 5 provides some specific numbers for Minnesota, showing the number and percent of state house and senate candidates who participated in the public financing program broken down by party.<sup>6</sup> Table 6 shows the amounts paid out.

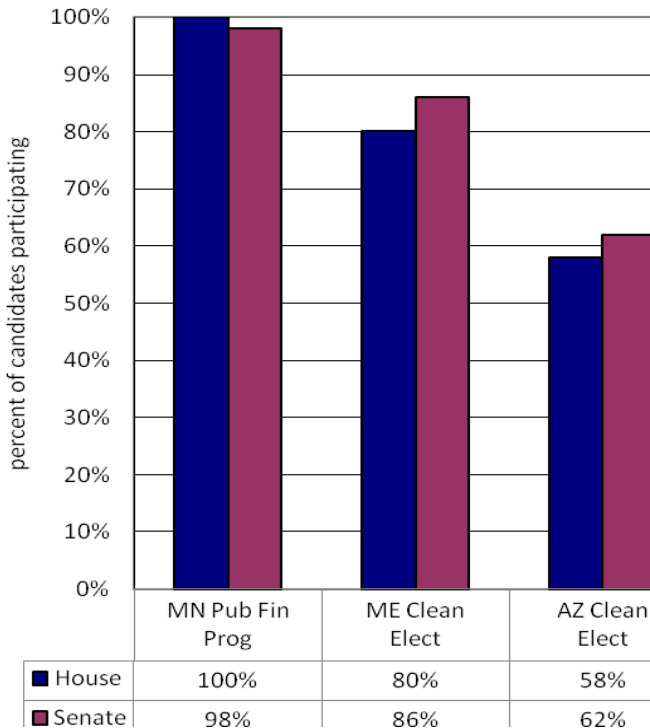
<sup>5</sup> Anna Meyer, “Public Campaign Financing: Minnesota Damming Big Money in the Land of 10,000 Lakes,” [http://www.cgs.org/images/downloads/cgs\\_mn\\_final\\_081808.pdf](http://www.cgs.org/images/downloads/cgs_mn_final_081808.pdf), accessed February 26, 2009.

<sup>6</sup> State of Minnesota Campaign Finance and Public Disclosure Board “2006 Campaign Finance Summary” Pg. 8. [http://www.cfboard.state.mn.us/campfin/Summary/CFSM\\_06.pdf](http://www.cfboard.state.mn.us/campfin/Summary/CFSM_06.pdf) accessed 26 February 2009



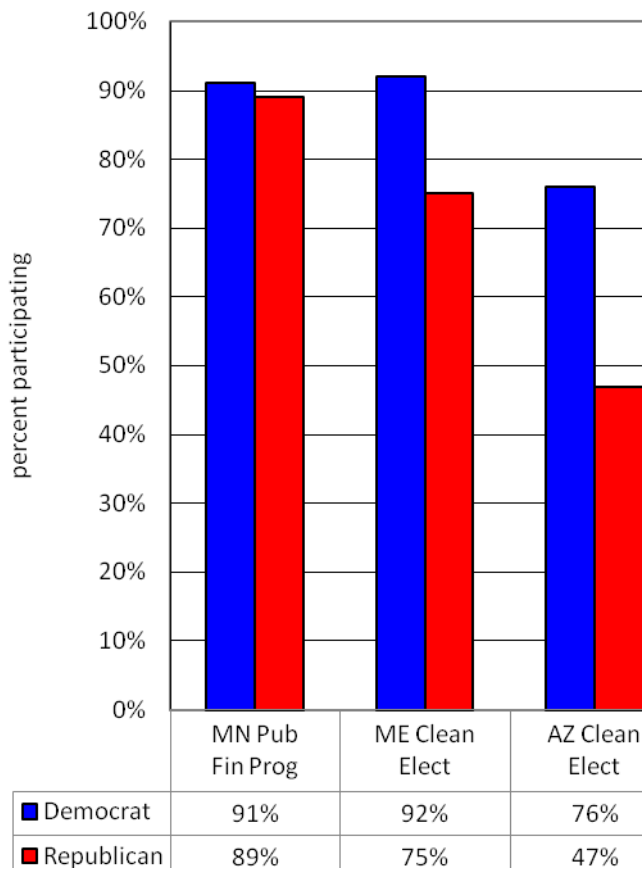
Source: Minnesota Campaign Finance and Public Disclosure Board, "Brief History—Minnesota Statutes Chapter 10A, Ethics in Government Act." December 2006. Available online: [http://www.ctboard.state.mn.us/campfin/Informal\\_Chronology\\_Campaign\\_Finance.pdf](http://www.ctboard.state.mn.us/campfin/Informal_Chronology_Campaign_Finance.pdf).

**Figure 1: Percent of Legislative Candidates who participated in the Public Funding Program, 1976 to 2006. (Source: see bottom of chart.)**



**Figure 2: Percent of state house and senate candidates participating in public funding programs by state for 2006.**

**Sources:** State of Minnesota Campaign Finance and Public Disclosure, Maine Ethics Commission, and Arizona Citizens Clean Election Commission.



**Figure 3:** Percent of state house and senate candidates participating in public funding programs by party and by state for 2006.

**Sources:** Same as Figure 2.

<b>Table 5: 2006 Election Public Funding Participation among State Senate and House of Representatives Candidates</b>						
	<b>DFL</b>	<b>IPM</b>	<b>RPM</b>	<b>GPM</b>	<b>Other</b>	<b>Total</b>
Candidates filing for office:	221	25	211	5	5	<b>467</b>
Filing candidates who registered a committee with the Board:	218 (99%)	21 (84%)	206 (98%)	5 (100%)	4 (80%)	<b>454 (97%)</b>
Registered candidates who signed a public subsidy agreement:	212 (97%)	19 (90%)	200 (97%)	5 (100%)	4 (100%)	<b>440 (97%)</b>
Registered candidates with PSA who receive public subsidy payments:	193 (91%)	9 (47%)	178 (89%)	1 (20%)	0 (0%)	<b>281 (87%)</b>

Source: [http://www.cfboard.state.mn.us/campfin/Summary/CFSM\\_06.pdf](http://www.cfboard.state.mn.us/campfin/Summary/CFSM_06.pdf) accessed 26 February 2009  
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**Table 6: Distribution of Minnesota General Account Public Subsidy by Office, 2006**

	<b>Total Paid</b>	<b>Number of Candidates</b>	<b>Payments Per Candidate</b>
<b>Governor</b>	\$735,864	2	\$367,932
<b>Attorney General</b>	\$147,172	3	\$49,057
<b>Secretary of State</b>	\$84,098	3	\$28,032
<b>State Auditor</b>	\$84,098	3	\$28,032
<b>State Senate</b>	\$817,526	122	\$6,701
<b>House of Representatives</b>	\$760,793	247*	\$3,080

**\*The Green Party of Minnesota candidate for the House of Representatives received the party account portion of the public subsidy payment, but did not qualify for the general account payment.**

### **Electoral Competition, Incumbent Vulnerability and Campaign Spending under Public Financing System**

There is some research to indicate that the public funding system in Minnesota leads to more legislative seats being contested and competitive; it has also been associated with a small decrease in incumbent reelection rates.<sup>7</sup> There is also evidence to suggest that the public funding program has kept down the level of spending (especially when compared to other states).<sup>8</sup>

### **Public Attitudes about Government and the Role of Money**

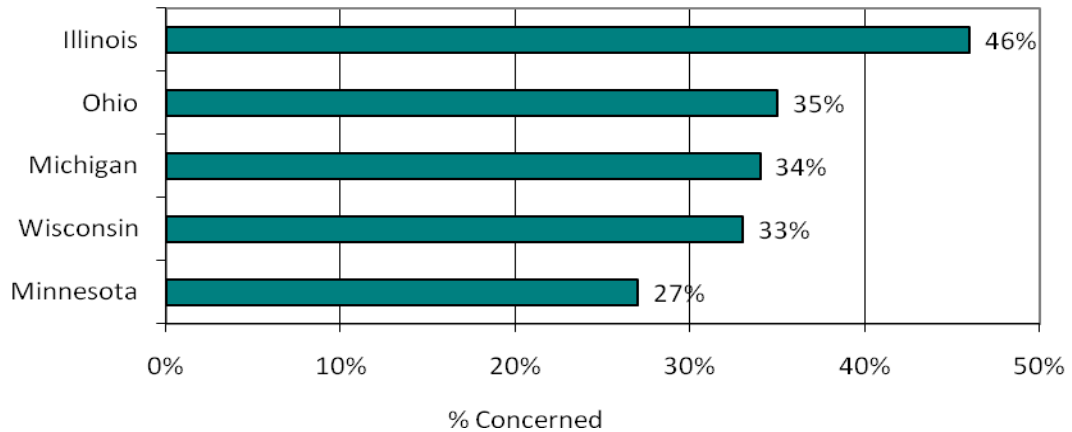
Public opinion polls suggest that Minnesotans are less cynical regarding their government than citizens of other Midwestern states (see Figures 4 and 5). What role the public funding plays in these more positive attitudes is difficult to ascertain without further study; nonetheless, it is clear that Minnesotans are less cynical than people in neighboring states that don't have such a public funding program (Wisconsin has a public funding program, but it has not been deemed as well-designed or effective as Minnesota's).

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<sup>7</sup> Kenneth R. Mayer, Timothy Werner, and Amanda Williams, "Do Public Funding Programs Enhance Electoral Competition?" Paper presented at the Fourth Annual Conference on State Politics and Policy Laboratories of Democracy: Public Policy in the American States, Kent State University, April 30-May 1, 2004, <http://campfin.polisci.wisc.edu/Wisc%20Camp%20Fin%20Proj%20-%20Public%20Funding%20and%20Competition.pdf>, accessed March 20, 2009. Also see Table 7-2 in Michael J. Malbin and Thomas L. Gais, *The Day After Reform: Sobering Campaign Finance Lessons from the American States* (Albany, NY: The Brookings Institution Press, 1998).

<sup>8</sup> Anthony Gierzynski, "Gubernatorial and State Legislative Elections," in *Financing the 200 Election*, David B. Magleby, editor (Washington, DC: Brookings Institute Press, 2002).

### Concerns with the Influence of Money in State Politics

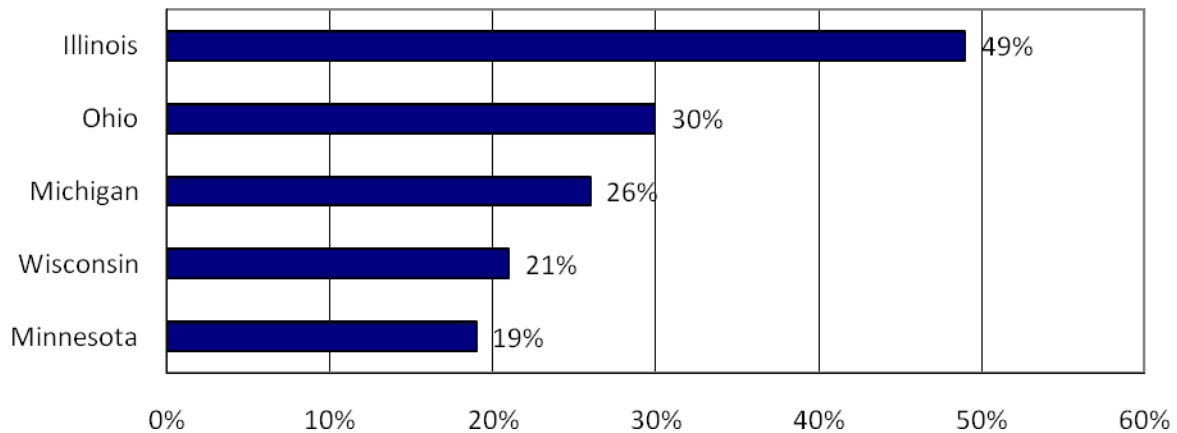


**Figure 4: Percent of respondents concerned with the influence of money in state politics**

**Source:** Midwest Democracy Network, “Midwestern Attitudes Poll – 2008,”

[http://midwestdemocracynetwork.org/index.php/projects/article/midwestern\\_attitudes\\_poll\\_2008/](http://midwestdemocracynetwork.org/index.php/projects/article/midwestern_attitudes_poll_2008/), accessed 23 March 2009.

### Concerns with Corruption in State Government



**Figure 5: Percent of respondents who were concerned with corruption in state government.**

**Source:** Midwest Democracy Network, “Midwestern Attitudes Poll – 2008,”

[http://midwestdemocracynetwork.org/index.php/projects/article/midwestern\\_attitudes\\_poll\\_2008/](http://midwestdemocracynetwork.org/index.php/projects/article/midwestern_attitudes_poll_2008/), accessed 23 March 2009.

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### Issues/Problems with MN Public Financing

There are two main issues or problems identified with Minnesota’s public financing program—one minor, the other common to all other electoral systems in the US. First, more than half of the money raised and spend by candidates comes from private contributions and “[i]ndividual donors giving less



than \$250” constituted “only 22 percent of all [private] money received by candidate committees in 2006.”<sup>9</sup> Contributions are, however, capped at \$500 for state house and senate candidates and \$2,000 for gubernatorial candidates. Given such contribution limits and the fact that at least 1/3<sup>rd</sup> of candidates’ money comes from the public subsidy, it is unlikely that candidates are very dependent on any one private contributor.

The second problem is independent expenditures. As is true of any campaign finance system in the US (thanks to rulings by the US Supreme Court), it impossible for Minnesota to regulate independent expenditures. Minnesota attempted to limit independent expenditures by party committees (expenditures by groups or individuals made for or against a candidate) by counting such spending as in-kind contributions to candidates and thus counted against the candidates’ spending limit, but the courts overturned the law. Since then independent expenditures by party units have grown almost tenfold (since 1998) and now account for the majority of independent expenditures made in the state.<sup>10</sup> Scholars who see the value vigorous party involvement in elections may not see these expenditures as much of a threat and may instead suggest that they be legally considered coordinated expenditures with generous limits.<sup>11</sup>

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Completed by Professor Anthony Gierzynski, Kevin Channel and Surbhi Godsay on 30 March 2009.

Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.

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<sup>9</sup> Anna Meyer, “Public Campaign Financing: Minnesota Damming Big Money in the Land of 10,000 Lakes,” p. 27, [http://www.cgs.org/images/downloads/cgs\\_mn\\_final\\_081808.pdf](http://www.cgs.org/images/downloads/cgs_mn_final_081808.pdf), accessed February 26, 2009.

<sup>10</sup> Anna Meyer, “Public Campaign Financing: Minnesota Damming Big Money in the Land of 10,000 Lakes,” p. 27, [http://www.cgs.org/images/downloads/cgs\\_mn\\_final\\_081808.pdf](http://www.cgs.org/images/downloads/cgs_mn_final_081808.pdf), accessed March 20, 2009.

<sup>11</sup> Diane Dwyre Eric Heberlig, Robin Kolodny, and Bruce Larson, “Committees and Candidates: National Party Finance after BCRA,” in John C. Green and Daniel J. Coffeey (editors), *The State of the Parties: The Changing Role of Contemporary American Parties* (Lanham, MD: Rowman & Littlefield, 2007), pp. 95-112.