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Public Funding of State Campaigns

State policy on campaign finance varies throughout the US; some states have strict restrictions on campaign finance while others have little to no such restrictions. Public financing of campaigns is a tool used to induce candidates to accept campaign expenditure limitations. Such incentives are necessary because the United States Supreme Court has prohibited certain campaign spending limits as violations of the First Amendment's freedom of speech clause. Public funding is also used because it is believed to reduce candidates' dependency on private money, weakening the possible link between campaign contributions and policy decisions, and because it provides for greater equality in the funding of elections.

Direct Funding of Candidates vs. Parties

States provide public election funding directly to candidates and/or to the political parties. The map below shows the distribution of states that provide either direct candidate support, direct party support, support to both candidates and parties, or to neither. Technically Nebraska fits into the category of providing direct candidate support and no direct party support, however it provides such candidate funding only in unusual circumstances as explained in the *Distribution of Funds* section of this report. (Malbin 1998).

Sources of Public Funding

There are a number of methods for obtaining money to support public financing of campaigns. The most common methods are tax check-offs or tax add-ons. There are also programs for tax deductions for small personal contributions and tax credits for contributing to candidates that accept expenditure limits.

Tax check-offs allow taxpayers to earmark a specified amount, from \$1 to \$5 depending on the state of their income taxes to fund either candidates or the political parties. These programs, existing in 14 states, allow for a large percentage of the population to participate in funding campaigns (Council of State Governments 2000). Tax add-ons work in a similar method but require participants to add money to their income taxes or subtract an amount from their income tax return, which leads to much lower participation rates (Malbin and Gais 1998). There are 9 states that have add-ons and the amounts range from \$1 to \$500 to the amount of the refund due, and in Maine the amount is unlimited (Council of State Governments 2000).

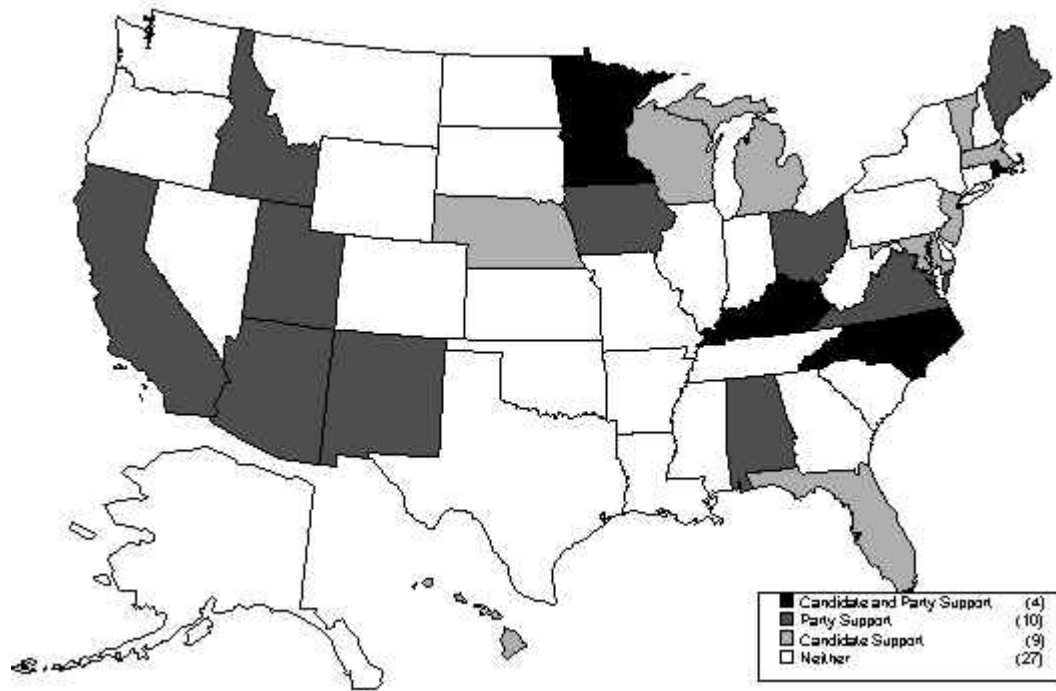


Figure 1: Public Funding Programs in the US

Source: Malbin and Gais, 1998, *The Day After Reform*

Additionally, some states allow taxpayers to take a deduction for contributing to a political party or to candidates that participate in expenditure limit and public funding programs. Deductions allowed range from \$25 to \$500 dollars, but \$100 is the most common amount (4 states). Five states, Arkansas, Virginia, Minnesota, Ohio, and Oregon give tax credits for contributing to candidates that abide by expenditure limits (Council of State Governments 2000). Taxpayers receive a dollar-for-dollar tax credit of \$25 to \$50 on their income taxes for their contributions.

States also have a number of sources for supplementing the funding. These include candidate filing fees (FL), motor vehicle registrations (FL), driver's license applications (FL), boat registrations (FL), annual reports for corporations (FL, VT), vanity plate revenues (IN), and various fines (NE, MD, ME) (Council of State Governments 2000). One important method for supplementing public financing is through direct appropriations. Currently 8 states provide funds through appropriations (Council of State Governments 2000). Minnesota appropriates \$1.5 million biennially from their general fund. The appropriations program began in Minnesota in 1993 as a result of a 3% drop in taxpayer participation in the check-off from 1980 to 1994 and the necessary increases in the check-offs from \$1 to \$2 in 1980 and from \$2 to \$5 in 1987. Furthermore, Minnesota increased spending limits in 1986 to adjust for cost of living increases (Malbin and Gais 1998).

Distribution of Funds

Two prerequisites are generally required of a candidate qualifying for public funding, and all states' public funding programs mandate a spending limit to receive funds. The first prerequisite is the minimum amount of

private money, either raised or spent by the campaign. This is either a set dollar amount, or a percentage of the overall spending limit. The second prerequisite is the limit on the size of the contribution from a single private source ranging from \$50 in Minnesota, to \$1,800 in New Jersey. In addition, Kentucky requires that no more than half of the money raised in a gubernatorial campaign come from a single congressional district, and Nebraska requires that 65% come from individuals.

States dole out matching funds based on a set ratio (usually one-to-one or two-to-one) or by a flat grant. In some states it is determined by the amount of money available in the fund. In Nebraska, if a candidate exceeds the spending limit, then the state gives all candidates adhering to the spending limit money equivalent to that spent in excess of the cap by their opponent. (Malbin and Gais 1998). Figure 2 below provides the details for states with public funding provisions.

References

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Prepared by Kathryn C. Becker, Leslie-Anne Hinton, and Matthew Q. Sweeney on February 21, 2001

To qualify for program, candidate must raise (or spend)		Public funds are then distributed according to			
State	This amount of private money	In contributions that satisfy these criteria	This distribution method or matching ratio.	Up to a maximum of	Spending limits
KY (Governor only)	\$300,000	Individual up to \$500; No more than ½ from a single congressional district.	2-to-1	\$1.2 million primary, \$1.2 million general.	\$1.8 m primary, \$1.8 m general, \$300k runoff.
MD (Governor only)	10% of spending limit for primary	Individual up to \$250.	Candidates receive flat grant or the full amount.	Depends on the amount in the fund.	In 1994, \$997,800 for general.
MI (Governor only)	\$75,000	From MI residents up to \$100	2-to-1	\$1.125 million per election.	\$2m each for primary & general.
NJ	Raise \$59,000 and	Up to \$1,800.	2-to-1		1993: \$2.6 m

(Governor only)	spend \$177,000			\$1.6 million primary, \$3.9m gen.	primary and \$5m general.
NC (Governor only)	5% of spending limit	None Specific.	2-to-1	½ spending limit	\$1 x all-party vote in last election. \$2.6 m in 1996
FL (Governor and other Statewide)	Gov, \$150k; others \$100k.	Individual up to \$250.	2-to-1 to threshold, then 1-to-1.	Will match up to spending limit.	Gov, \$5m; cabinet, \$2m, + COLA
MA (Governor and other Statewide)	Gov, \$125k; atty. General \$62,500; other \$25k.	Individual up to \$250.	1-to-1.	Gov, \$750k; atty. Gen, \$312,500; others, \$187,500.	In 1998, Gov, \$1.5 each for primary & general; sec. of state \$375k.
RI (Governor and other Statewide)	None for major party candidates.	Up to \$500.	Contributions up to \$500, 2-to-1; all below limit 1-to-1.	Gov. \$750k; others, \$187,500.	Gov, Gov, \$1.5m per cycle; others, \$375k. Plus 1/3 for all if challenged in primary
HI (Governor, Statewide & Legislative)	Gov, \$75k; Lt. Gov, \$50k; mayor \$40k; state sen, \$2500; state rep, \$1500.	Individual up to \$100.	Varies with amount in fund.	Gov, Lt. Gov, Mayor, 20% of spending limit; others 10%	Gov, \$2.50 per voter; Lt. Gov and legislature, \$1.40 per voter.
MN (Governor, Statewide & Legislative)	Gov, \$35k; atty. Gen, \$15k; other statewide \$6k; state sen. \$3k; state rep, \$1500.	Individual up to \$50.	Candidates receive equal amounts; office receives specified % of available funds.	No explicit limits, but total public and private funds can not exceed overall limits	1994: Gov, \$1.725m base; atty. general \$287k; sen, \$40k; rep, \$21,576.
NE (Governor, Statewide & Legislative)	Raise and spend 25% of spending limit. Gov, \$375k; other statewide, \$37.5k	65% must be from individuals.	Candidates adhering to voluntary spending limit get equivalent of opponent's est. spending above limits.	Not clear.	Gov, \$1.5m; other statewide, \$150k; legislature, \$50k.
WI (Governor, Statewide & Legislative)	Gov, \$107,820; Lt. Gov. \$16,174; atty. Gen. \$2695; state sen, \$1725; state rep, \$863.	Individual up to \$100.	Opposing candidates receive equal % of fund.	Not Applicable.	Gov, \$1.078m; sen, \$34,500; rep, \$17,250.

Figure 2: Characteristics of Public Funding Programs in Support of Candidates

Source: Malbin and Gais 1998 p.57-58