

N.C. Voters for Clean Elections

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Council of State Voter-Owned Elections, January 2009

Summary

The successful experience of North Carolina's Voter-Owned Elections program for three Council of State offices during the 2008 elections provides ample reason to continue the program and expand it to include more offices for the 2012 election cycle.

The Council of State of State program had high levels of participation, facilitated more grassroots-oriented campaigning, and reduced the role regulated industries in the election process. It also reduced the perception of a conflict of interest, and freed candidates from the need to perpetually fundraise, allowing them to spend more time with voters throughout the state. By creating a system of campaigns funded primarily by the public, the program shifted political power and candidate focus to the public. The Voter-Owned Elections program for Council of State, like North Carolina's program for judges, produced a more robust, fair, and cleaner election process. In turn, this will likely increase public confidence in government and improve our elected official's ability to govern ethically and fairly.

Expanding the program to additional state regulatory offices would allow our state's other top agencies to realize the benefits Voter-Owned Elections brings to governance and democracy.

Background

In 2007, North Carolina Governor Mike Easley signed into law the "Voter-Owned Elections Pilot Act." Modeled after North Carolina's successful judicial public financing program, this Act creates a voluntary, public campaign financing system for three offices of the Council of State: Commissioner of Insurance, State Auditor, and Superintendent of Public Instruction.

Under the program, candidates running for these three offices are eligible to receive a public grant if they collect a certain number of small contributions from registered North Carolina voters, win their party's primary, and agree to strict spending and fundraising limits during the election cycle. These requirements ensure that any candidate who receives public financing is a viable candidate with significant support among registered voters in North Carolina. They also make it much more likely that candidates will engage in widespread grassroots campaigning and spend more time listening to the concerns of average voters.

Qualifying Contributions

Candidates have to raise at least 750 qualifying contributions in amounts of \$10-\$200 from registered voters in the state, raise an overall aggregate total of \$29,750 (25 times the filing fee), and abide by strict spending limits during the primary and general election in order to qualify for the program and receive a public grant. Before enrolling, candidates are allowed to raise up to \$20,000 in seed money under normal state campaign financing limits. But once they have declared their intent to participate in the program, candidates must limit their fundraising to "qualifying contributions" between \$10 and \$200, incidental contributions of less than \$10, and up to \$1,000 from themselves and a limited number of close relatives. Candidates must limit their aggregate primary spending to no more than \$119,901 (100 times

the filing fee) for uncontested primaries and \$239,802 (200 times the filing fee) for contested primaries. During the general election, participating candidates are barred from all additional fundraising.

Grants and Matching Money

If candidates meet all of these requirements and win their party's primary they will then receive a public grant. The grant size reflects the average expenditure of the winning candidate for that office over the last three election cycles, or at least \$300,000. During the 2008 election cycle grants totaled \$300,000 for State Auditor and Superintendent of Public Instruction and \$380,409 for Commissioner of Insurance. If the program is expanded to offices like State Treasurer or Attorney General the grant size would likely be as high as \$1.8 million because these races have higher average campaign costs. This formula was devised with the intent of allowing participating candidates to mount a competitive campaign that reflects the real cost of modern campaigning.

If participating candidates are outspent by a nonparticipating opponent, an oppositional political party, or a third-party group engaging in electioneering communications, they are eligible for a dollar for dollar match of up to 200% of the original grant. If during a primary oppositional spending exceeds the aggregate limit for participating candidates (\$239,802 for contested primaries, \$119,901 for uncontested primaries) then participating candidates are entitled to dollar for dollar matching money equal to 100% of the primary spending limit.

Because participating candidates' spending is severely curtailed, matching money is the only protection candidates have against outside spending. It is not meant to level the playing field entirely, but rather ensure that participating candidates have enough money to mount a meaningful campaign and get their message out to voters. Matching money also serves the function of providing an incentive for all candidates— participating or not—to keep campaign spending at a reasonable level.

Stated Purpose

The Act's stated purpose is to minimize "the potential for corruption or the appearance of corruption," and to "ensure the vitality and fairness of democratic elections." It fulfills this purpose by creating a publicly-supported campaign financing structure that allows candidates to meaningfully run for office without relying on contributions from big donors or special interest groups. In particular, the Council of State program seeks to minimize the fundraising role of individuals and groups who are either directly regulated by Council of State agencies or who are in the position of bidding for state contracts.

Constitutionality

In 2008, North Carolina's judicial public financing program was unambiguously upheld by the Fourth Circuit of the U.S. Court of Appeals. The court found that North Carolina's program did not violate the First Amendment, as its challengers claimed, and was fully constitutional. This decision was appealed to the Supreme Court, but the case was not granted writ of certiorari, a move which effectively upheld the Fourth Circuit's opinion.

Though there are some debates about how far government can limit campaign fundraising, there is little debate about the constitutionality of public campaign financing. Public campaign financing was explicitly backed up by the U.S. Supreme Court in 1976 (*Buckley v. Valeo*), and since then has been consistently supported by lower courts. Because the program is fully voluntary, it curtails no one's ability to raise or spend money on campaigns. Far from

chilling speech, public campaign financing expands it, enlarging public discussion and debate in the electoral process.

2008 Experience

North Carolina's first run with Council of State Voter-Owned Elections was extremely successful in 2008. The Council of State pilot had high levels of participation, facilitated more grassroots-oriented campaigning in more areas of the state, and reduced the heavy role regulated industries have historically played in the election process. The program reduced the perception of a conflict of interest, and freed candidates from the need to perpetually fundraise, allowing them to spend more time with voters throughout the state and reducing the burden of the campaign money chase. Though the program needs fine-tuning and adjustment based on the 2008 experience, overall, the program has quickly proved its merit and value for North Carolina's elections and government.

High participation

In 2008, nine of the eleven candidates who filed to run for Commissioner of Insurance, State Auditor, and Superintendent of Public Instruction opted into the Voter-Owned Elections program (See Figure A). Candidates who opted in were a diverse group including two women and seven men, two African-Americans and seven whites, three Republicans and six Democrats, and two incumbents and seven challengers. At least four of the candidates who opted in were first-time candidates. Only two candidates—both running in the Republican primary for Superintendent of Public Instruction—chose to opt out and raise money solely from private sources.

Of the candidates who won their party's primary, four of six were qualified to receive public financing, including Insurance Commissioner candidates Wayne Goodwin (D) and John Odom (R), Superintendent of Public Instruction candidate June Atkinson (D), and State Auditor candidate Les Merritt (R). A fifth, State Auditor candidate Beth Wood (D), opted into the program but did not receive a public grant because she did not meet the aggregate total contribution requirements.

This high-level of participation and interest demonstrates the program's appeal to a wide and varied group of candidates. While some of the participating candidates had been active in state government for a long time, others came from the non-profit sector or business community. Some users of the program had run many times before as privately financed candidates, while others said they were running for the first-time.

Renewed Grassroots Campaigning

Voter-Owned Elections is often called a "sweat equity" program because candidates must work very hard, and often sweat profusely, to convince hundreds of voters to make a small donation to their campaign. The qualifying contribution process takes candidates away from thousand dollar a plate fundraisers and into neighborhoods, churches, and community centers where candidates can spend time with average voters and raise small dollar contributions that "authorize" them to participate in the public program.

In 2008, this process energized and catalyzed grassroots campaigning for these three offices. The four candidates who received public financing raised well over 4,000 small contributions (See Figure B), raising money from a far larger and more diverse pool of North Carolinians than in years past. These small donors came from all walks of life—teachers, firemen, small business owners, students, and housewives—and included hundreds of people who had never

given money to a campaign before. The average qualifying contribution was just \$47.22, far less than in previous elections.

Participating candidates said that their small donors were politically empowered by the program. Whereas in a privately financed campaign a \$10 contribution might actually cost more than its value to process, in a publicly financed system that \$10 contribution authorizes a candidate for thousands of additional public dollars. Suddenly, a \$10 contribution from a custodian is as valuable as a \$1,000 contribution from a banker.

Candidates received checks from candidates in all 100 counties, departing from the common practice of fundraising almost exclusively along the I-85 corridor from the Triangle to Charlotte. Because the program changed the campaign calculus—placing higher value on small contributions—candidates were able to travel to more places around the state and engage in a retail politics style of campaigning.

Decreased Role of Regulated Industry

Perhaps the most exciting and beneficial result from the 2008 experience was a marked decrease in the role regulated interests played financing candidates' campaigns. Historically, candidates for Council of State have raised significant amounts of money from the industries that fall within their regulatory domain. Commissioner of Agriculture candidates might raise donations from state fair vendors while State Treasurer candidates from financial services groups who do business with the state. The reality is that the campaign money needs to come from somewhere, and if the public doesn't supply it, candidates must rely on those willing to pay. Too often for Council of State candidates, those people are the relatively small circle of interests and people who are regulated by these offices, a situation which at best gives this group more access and at worst results in substantive favors.

However, in 2008 this pattern was broken. A study done by NC Voters for Clean Elections of the Commissioner of Insurance race found that the percentage of campaign money taken from the insurance industry and other industries directly regulated by the state insurance agency dropped from 66% in 2004 to less than 5% in 2008 (See Figure C). Overall, total money from the industry spent on the election dropped six-fold, despite the race being significantly more competitive.

Improved State Government

By removing the role of PACs, large donations, and most party money, Voter-Owned Elections improves public confidence and institutional integrity for our Council of State offices. Commissioner of Insurance candidates no longer had to take significant amounts of money from the insurance industry, likely reducing the perception of a conflict of interest for our current Commissioner of Insurance. And because our Schools Superintendent was publicly financed, she will be able to spend more time with teachers and parents, ensuring that their concerns are better represented in the upper echelons of the education administration.

Council of State campaign public financing allows North Carolinians to be assured that these elected officials are accountable to the members of the public who financed their campaign, not special interests or wealthy donors. Because of Voter-Owned Elections, North Carolina consumers can now be more confident that their insurance rates are not being unduly influenced by the insurance industry. Because of Voter-Owned Elections, our state's chief schools administrator can focus more on the concerns of average parents, students, and teachers.

Cutting Out the Money Chase

Finally, and perhaps most importantly for candidates, the 2008 experience included a reduction in the money chase. The dramatic increase in the average cost of running for office over the past few decades has meant that candidates are forced to spend more and more time fundraising. For some candidates this means spending several hours a day asking people for money; for others it means attending endless cocktail receptions. In either case, it is a burden that keeps candidates away from average voters and elected officials away from serving the public.

But in this past election, candidates who used public financing spent less time “dialing for dollars.” In fact, participating candidates were barred from raising any money over \$200 for most of the campaign, and forbidden from doing any fundraising at all during the general election (May 7 - Nov. 4). Of course they did have to raise hundreds of small contributions from voters across the state, but most candidates described the process of asking for \$10 on the campaign trail as fundamentally different from asking for \$4,000 from an executive or PAC chair.

In the Commissioner of Insurance race, the program facilitated a dramatic drop in the average size of campaign contributions. In 2004, Jim Long raised an average donation of \$500, while in 2008 Wayne Goodwin’s average was just \$70 (See Figure D). Goodwin’s lower average reflects the fundamentally different nature of this year’s race. Whereas in 2004, Jim Long raised money mostly from the people who were already connected to the agency and could afford a substantial donation (namely, the insurance industry), Wayne Goodwin, as a publicly financed candidate, took no donations over \$200 during the election year and raised money entirely from voters registered to vote in North Carolina.

This allowed for a different kind of campaign experience. Republican and Democratic Commissioner of Insurance candidates Wayne Goodwin and John Odom, both participants in the program, described in a joint column written two weeks before the election how Voter-Owned Elections facilitated a different culture of campaigning. “Every day we wake up without the burden of raising thousands of dollars from perfect strangers,” they wrote. “Every day we know there’s no need to schmooze with powerful industry leaders and VIPs. Every day we are relieved by the knowledge that we can spend the entire day listening to voters and serving the people of North Carolina.”

Investment in Democracy

The Council of State Voter-Owned Elections program had a minimum impact on the state budget, constituting less than 0.007% or one twenty-one thousandth of the total state budget. The four participating candidates received grants that ranged from \$300,000 to \$380,409 (See Figure E), totaling \$1,360,818.

Like our investment in publicly funded voting machines and ballots, public campaign financing can be seen as an essential democracy investment that ensures the integrity of our state’s democratic process. By empowering good candidates to run for office, and diluting the ability of wealthy individuals and interests to use campaign contributions as a tool to gain disproportionate influence over our public servants, this investment helps preserve the public interest. On that scale, North Carolina’s investment in this program is well worth the cost.

APPENDIX

Figure A. 2008 primary candidates (Race/Sex/Party) Who “Opted In”

<i>Insurance</i>	Wayne Goodwin (W/M/D)	David Smith (W/M/D)	John Odom (W/M/R)
<i>Superintendent</i>	June Atkinson (i) (W/F/D)	Eddie Davis (B/M/D)	Eric Smith (W/M/R)
<i>Auditor</i>	Beth Wood (W/F/D)	Fred Aikens (B/M/D)	Les Merritt (i) (W/M/R)

**W=White, B=Black, M=Male, F=Female, D=Democrat, R=Republican, (i)=Incumbent

Figure B. Approximate # of Voters Who Gave Qualifying Donations; # of Counties represented by small donors (approx.)

June Atkinson – 975 voters (78 counties) Les Merritt – 1,133 voters (100 counties)
 John Odom – 1,132 voters (77 counties) Wayne Goodwin – 1,136 voters (73 counties)

Figure C. Percent of Money Raised from Regulated Industries in Commissioner of Insurance Race (2004 verse 2008)

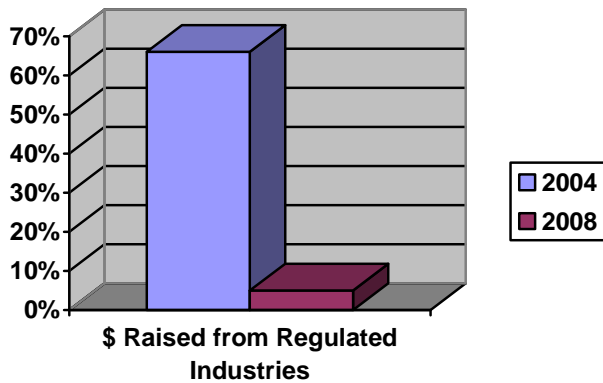


Figure D. Average Donation Size in Commissioner of Insurance Race (2004 versus 2008)

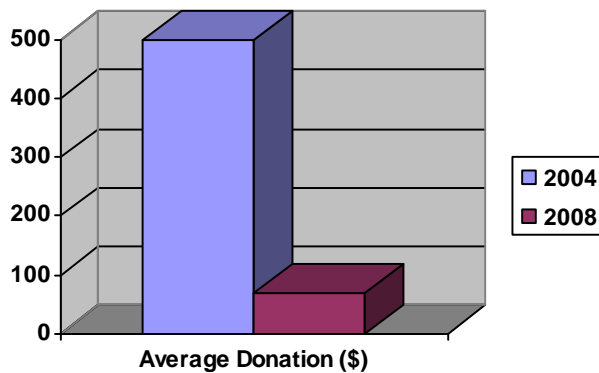


Figure E. Public Funds Collected & Awarded, Minimum Impact on General Fund
\$1,360,818 provided to four qualified candidates in the 2008 election cycle

Basic Grants from Public Campaign Fund* Paid to Qualified Candidates, 2008
 John Odom - \$380,409 June Atkinson - \$300,000
 Wayne Goodwin - \$380,409 Leslie Merritt - \$300,000