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PUBLIC NOTICE

CAMPAIGN FINANCE REFORM

SPECIAL PUBLIC HEARING

Pursuant to Public Act 96-832 (SB 1466), the Campaign Finance Reform Special Task Force will conduct a Public Hearing on Monday, November 28, 2011.

The Public Hearing is scheduled to begin at 2:00 p.m. in the State Capitol, Room 400, Springfield, IL. Attendance requires security screening and/or presentation of a government issued identification.

This Campaign Finance Reform Special Task Force Public Hearing will address issues related to the adoption of a Public Financing system in Illinois. This will include, but not be limited to:

- ✓ Arguments in Support of Public Financing;
- ✓ Arguments opposing Public Financing;
- ✓ Potentially Feasible Alternatives for Public Finance in Illinois; and
- ✓ Surveys of Current Law.

The Task Force is mandated to issue a final report on Public Financing to the General Assembly by December 31, 2011.

DATED: November 25, 2011



Rupert T. Borgsmiller, Executive Director



Office of the Governor of Illinois

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Illinois Campaign Finance Reform Task Force

Draft Outline for Public Hearing of The Task Force's Working Draft Report on Public Campaign Finance

- I. Introduction
 - A. Acknowledge the Issue, the Governor, and the General Assembly
- II. Enabling Legislation
- III. Overview
 - A. Purpose of Task Force and Report
 - B. Required Considerations
 1. Campaign Fundraising and Expenditure Statistics and the Disparity Thereof
 2. Independent Expenditures as well as Fundraising and Expenditures from Political Parties
 3. Current Jurisprudence Regarding Public Campaign Finance
 4. Other Factors Related to Public Financing as Determined by the Task Force
- IV. Background Information on Public Campaign Finance
 - A. History and Development of Public Campaign Finance
 1. General Explanation of Public Financing and How it Works
 2. Development of Public Financing in America
 3. Two Primary Types of Public Finance Systems Used in Other Jurisdictions
 - a) Comprehensive — Candidates Use Only Public Funds
 - b) Hybrid — Candidates Can Fundraise in A Limited Manner

4. Typical Requirements, Conditions, and Funding Methods in Public Finance

B. Public Campaign Finance Systems Adopted in Other States

1. Table 1 Statistics and Commentary — States with Public Financing Systems

- a) Discussion of Comprehensive Systems — Connecticut, North Carolina, Nebraska, Maine
- b) Discussion of Hybrid Systems — Florida, Hawaii, Maryland, Massachusetts, New Jersey, New York City, Wisconsin

<u>Table 1. Candidate Public Financing Programs</u>			
<u>State</u>	<u>Candidates Eligible</u>	<u>Type of Program</u>	<u>Full/Partial Funding</u>
Arizona	All statewide offices; Legislature	Clean Elections	Full
Connecticut	All statewide offices; Legislature	Clean Elections	Full
Florida	Governor; Cabinet members	Matching grants	Partial
Hawaii	Governor; Lt. Governor; Off. Hawaiian Affairs	Matching grants	Partial
Maine	Governor; Legislature	Clean Elections	Full
Maryland	Governor; Lt. Governor	Matching grants	Partial
Massachusetts	All statewide offices	Matching grants	Partial
Michigan	Governor	Matching grants & fixed subsidy	Partial
Minnesota	All statewide offices; Legislature	Fixed subsidy	Partial
Nebraska	All statewide offices; Legislature	Matching grants	Partial
New Jersey	Governor	Matching grants	Partial
	Pilot Program for Select	Clean Elections	Full

	legislative districts (2008)		
New Mexico	Public Regulation Commission; Statewide judicial offices;	Clean Elections	Full
North Carolina	Judicial offices; Auditor; School Superintendent; Insurance Commissioner	Clean Elections	Full
Rhode Island	All statewide offices	Matching grants	Partial
Vermont	Governor; Lt. Governor	Clean Elections	Full
Wisconsin (abolished in 2011)	All statewide offices; State Supreme Court; Legislature	Fixed subsidy	Partial

2. Table 2 Statistics and Commentary — Public Finance Systems with Public Grants to Political Parties and Funding Methods
 - a) Discussion of Minnesota — Grant to Party; Funded by Tax Return Check-Box; the State’s Hybrid System; Release Provision for Publicly-Financed Candidates
 - b) Discussion of New Mexico — Grant to Party; Funded by Tax Add-On; the State’s Hybrid System; Formula for Calculating Public Grant to Candidate
 - c) Discussion of Rhode Island — Funded by Tax Return Check-Box; Funds from Check-Box Divided by Party and the Public Finance Fund; the State’s Hybrid System; Free Air-Time on Public Access Television and Radio

<u>Table 2. Tax Refunds, Credits, and Deductions for Political Contributions</u>	
<u>State</u>	<u>Description</u>
Arizona	Income tax credit of up to \$640 (adjusted 2009 amount) or 20% of tax amount, whichever is higher, for voluntary donations to the Clean Elections Fund
Arkansas	\$50 credit against state income taxes allowed for contributions to candidates, PACs ,and parties
Hawaii	\$500 income tax deduction for contributions of \$100 or less to candidates who agree to adhere to spending limits, to a party central committee, or county committee

Minnesota	\$50 per year refund for contributions to political parties and candidates who agree to spending limits
Montana	\$100 per year income tax deduction for political contributions
Ohio	\$50 credit against state income taxes owed for contributions to candidates
Oklahoma	\$100 per year income tax deduction for contributions to a candidate or political party
Oregon	Income tax credit equal to the lesser of \$50 or the tax liability of the taxpayer for contributions to major or minor parties, party committees, candidates who agree to spending limits, political committees organized and operated exclusively to support or oppose ballot measures or questions to be voted upon in the state
Virginia	Income tax credit equal to 50% of the amount contributed to a local or state candidate; the maximum credit is \$25

3. Table 3 Statistics and Commentary — Public Finance Systems with Tax Expenditures for Political Contributions

<u>Table 3. Public Grants to Political Parties</u>		
<u>State</u>	<u>Funding Source</u>	<u>Grant Recipient</u>
Arizona	\$2, \$5, or \$10 tax add-on	Political party specified by taxpayer
Idaho	\$1 income tax check-off	Political party specified by taxpayer
Iowa	\$1.50 income tax check-off	Political party specified by taxpayer
Minnesota	\$5 income tax check-off	Political party specified by taxpayer
New Mexico	\$2 tax add-on	Political party specified by taxpayer
North Carolina	\$1 income tax check-off	Political party specified by taxpayer
Ohio	\$1 income tax check-off	Divided equally among qualified parties
Rhode Island	\$5 income tax check-off	First \$2 to political party specified by taxpayer; remaining \$3 to candidate fund
Utah	\$2 income tax check-off	Political party specified by taxpayer
Virginia	\$25 tax add-on	Political party specified by taxpayer

4. Table 4 — Complete Overview of Public Financing Programs in Other Jurisdictions

<u>Table 4. Overview of State Public Financing Programs</u>
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	<u>Funds to Candidates</u>				<u>Public Funds Parties</u>	<u>Tax Refund, Credit, or Deduction to Donors</u>
	<u>Partial Public Financing</u>		<u>Comprehensive Public Financing</u>			
	<u>Statewide</u>	<u>Legislative</u>	<u>Statewide</u>	<u>Legislative</u>		
Arizona			X	X	X	X
Arkansas						X
Connecticut			X	X		
Florida	X					
Hawaii	X	X				X
Idaho					X	
Iowa					X	
Maine			X	X		
Maryland	X					
Massachusetts	X					
Michigan	X					
Minnesota	X	X			X	X
Montana						X
Nebraska	X	X				
New Jersey	X			X		
New Mexico			X		X	
North Carolina			X		X	
Ohio					X	X
Oklahoma						X
Oregon						X
Rhode Island	X				X	
Utah					X	
Vermont			X			
Virginia					X	X
Wisconsin (abolished in 2011)	X	X				
<u>25 TOTAL</u>	<u>10 States</u>	<u>4 States</u>	<u>6 States</u>	<u>4 States</u>	<u>10 States</u>	<u>9 States</u>

C. Public Campaign Finance in Illinois

1. SB938, 83rd General Assembly — Public Financing of Gubernatorial Campaigns
 - a) Governor Thompson's Veto Message to SB938
2. SB222, 95th General Assembly — “The Judicial Campaign Reform Act of 2007”
3. HB1273, 97th General Assembly — “The Lincoln Act”
4. HB1241/SB1298, 97th General Assembly — “The Illinois Clean Elections Act”

D. Arguments in Support of Public Financing

1. Public Financing Could be an Effective Method for Combating Political Corruption
2. Public Financing Potentially Increases the Public's Faith and Confidence in Government
3. Public Financing May Cause Candidates to Spend More Time with Constituents and Less Time Fundraising
4. Public Finance Systems Are Typically Structured to Give Candidates Significant Funding with No Spending Limits Attached
5. Public Financing Possibly Increases the Diversity of Candidates and Competition Among Those Candidates
6. Public Finance Systems May Foster Coalition Building Among a Broader Range of Elected Officials, Advocacy Groups and Votes
7. A Windfall Benefit from Public Finance Systems is That They Potentially Increase Public Involvement in the Political Process — the Common Benefit from All of the Arguments in Support of Public Financing is that Public Finance Systems Likely Cause More People to Get Involved in the Political Process, which Counteracts the Influence of Large Donors and Special Interests

E. Arguments Opposing Public Financing

1. Public Financing Likely Raises both State and Federal Constitutional Issues in Light of Recent Court Decisions
2. Public Finance Systems Possibly Perpetuate the Power and Influence of Incumbent Politicians, which Undermines the Goals of Public Financing
3. Public Choice Theory and its Comparative Effect on Participating and Non-Participating Candidates Might Disillusion Some Voters

4. Public Financing has a High Cost and Impact on State Resources and May be Impractical in Light of the State's Current Fiscal Condition,
5. Public Financing May Not Have a Substantive Effect on Campaigns Because Independent Expenditures are Allowed
6. Public Financing May be Prohibited Due to Recent Ethics Reforms That Prohibit Using State Funds for Political Campaigns
7. Public Financing Could Diminish the Role of Individual Citizens in the Political Process by Inserting the Government into the Funding of Campaigns Instead of Individual Choice

V. Survey of the Law

A. The Law Pre-*Bennett*

1. Public Campaign Finance Systems are Constitutional

B. The Law Post-*Bennett*

1. Public Finance Systems are Still Constitutional, But Certain Methods of Implementing Such a System are Unconstitutional — Trigger and Matching Provisions

C. Best Practices and Trends for Public Finance Systems

1. Trigger and High-Dollar Matching Provisions are Unconstitutional
2. Public Finance Systems that Increase Matching Funds or Public Subsidies or that Sanction or Restrict a Non-Participating Candidate's Spending in Response to His or Her Fundraising or Expenditures are Likely Unconstitutional
3. After *Bennett*, the Initial or Lump Sum Public Grants Provided to Public Candidates Will Likely Increase
4. The Amount of Seed Money A Candidate is Allowed to Initially Raise Will Likely Increase
5. Public Finance Systems Will Likely Implement Low-Dollar or Small-Dollar Matching Provisions

VI. Potentially Feasible Alternatives for Public Finance in Illinois

A. A Comprehensive Public Finance System Modeled on the Lincoln Act

1. The Comprehensive System Would Make a Lump Sum Grant of Public Funds to a Candidate Who Meets Certain Eligibility Thresholds and Agrees to Abide By Specific Conditions
2. The Lincoln Act as a Potential Model—HB1273, 97th General Assembly

3. Eliminate the Lincoln Act's Trigger and Matching Provisions to Comply with *Bennett*
 4. Broad Scope — Apply to All State Elections
 5. Cost Estimate of \$75 Million to \$100 Million Per Election Cycle
- B. A Public Finance System Implementing Matching Funds for Small-Dollar Contributions to Candidates that Opt into the System
1. Such A System Would be Comparable to New York City's Public Campaign Finance System
- C. A Public Finance System that Provides Matching Funds For Small Dollar Contributions to Every Candidate in Certain Elections
- D. Tax Credit for Small-Dollar Political Donations
1. Explanation of Feasibility and Potential Popularity
 2. Such A System Would be Comparable to the Systems Adopted by Arizona and Oregon
- E. Special Treatment for the Judiciary
1. Explanation of the Unique Nature of the Judiciary and the Need for it to be Independent
 2. Brief Summary of SB222 from the 95th General Assembly—The Judicial Election Reform Act of 2007—and North Carolina's Public Judicial Campaign Finance System
- F. A Public Finance System that Implements Some Combination of the Public Finance Systems and Alternatives Described Above
- G. The Public Campaign Finance Alternatives Described Above are Not Intended to Affect Any Provision of the Campaign Contribution Limits Recently Enacted in Illinois
- H. No Public Campaign Financing at this Time
1. Possibly Unconstitutional
 2. High Cost and Impact on State Resources
 3. Do Not Yet Know Full Effect of Campaign Finance Reform
 4. Unintended Consequences of Public Financing — Possibly Increasing Corruption by Allowing Incumbents to Solidify Power, Potentially Provoking Increased Fundraising and Spending by Privately-Financed Candidates, Likely Encouraging More Independent Groups to Undertake

Their Own Electioneering Communications, and Impeding A Voter's Public
Choice

VII. Conclusion