MORE THAN COMBATING CORRUPTION: THE OTHER BENEFITS OF PUBLIC FINANCING

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Introduction

Following the U.S. Supreme Court’s January 2010 decision in Citizens United v. FEC, a torrent of money has flowed into American elections. The 2010 elections that followed Citizens United were among the most expensive in our nation’s history. Total spending was an estimated $3.6 billion—an amount expected to rise dramatically in 2012. As the level of money involved in our elections steadily escalates, there is increasing concern about the ways that heightened campaign spending can purchase favorable policy outcomes.

Among the most vital tools to combat the corrupting influence of outsized campaign spending is public funding of elections. For more than three decades, public financing programs at the federal, state, and municipal levels have served, in the words of the U.S. Supreme Court, “as a means of eliminating the improper influence of large private contributions . . . .” Since the 1970s, federal courts have consistently relied upon the compelling governmental interest in curbing corruption in upholding public financing systems from constitutional challenge.

But in June 2011, the U.S. Supreme Court struck down a provision of Arizona’s public financing system. In Arizona Free Enterprise Club v. Bennett, the court declared that Arizona’s so-called trigger funds—additional public grants made available to a publicly funded candidate facing high opposition spending—burdened the First Amendment rights of those who opposed publicly funded candidates.

While the latest Supreme Court ruling will force changes to Arizona’s public financing system (and other systems with similar trigger provisions), it contained a crucial silver lining for advocates of campaign finance reform: The Court affirmed the overall constitutionality of public financing. In unambiguous terms, the Court made clear that “governments may engage in public financing of election campaigns and . . . doing so can further significant governmental interests, such as the state interest in preventing corruption.”

As advocates and policymakers seek to respond to the growing levels of spending in elections by shoring up existing public financing systems and adopting new ones, it is crucial that they highlight the time-tested anti-corruption interests that public financing advances. They should also note several other benefits that flow from public financing.

Publicly funding elections promotes numerous benefits in addition to fighting corruption, all of which bolster the case for public financing. By focusing exclusively on the significant anti-corruption benefits of public financing, advocates have sometimes overlooked these other ways that public funding programs enhance the legitimacy of government. Funding programs do not only reduce the
opportunity for corruption and strengthen our perception of government; they also promote contested and competitive elections, foster diversity in the electoral process, and encourage voter-centered campaigns.

This memorandum presents the best available evidence of the lesser known benefits of public financing.

**Public Financing Promotes More Contested and Competitive Elections**

Few doubt that extraordinary Americans of ordinary means must have a meaningful ability to compete for elected office. Robust public funding programs open the door for qualified Americans who might not have personal wealth or high-powered connections by giving them the means to launch competitive campaigns. Several empirical studies confirm this conclusion.

- A 2010 study by a University of Illinois professor found that, in each election since their public funding programs were implemented, both Maine and Arizona have enjoyed a general decline in races with unopposed incumbents. In other words, with public financing, elected officials in those states are increasingly more likely to face a challenger when they run for re-election.7

- A 2008 study conducted by a Stanford Graduate School of Business professor similarly found that elections in Maine and Arizona between incumbents and publicly financed challengers are much more competitive than was true before public financing was adopted.8 This finding confirms that public financing can provide newcomers with the ability to mount effective campaigns against incumbents.

![Percentage of Unopposed Incumbents, 1990-2006](image)
• Further underlining that public funding increases the likelihood an incumbent will have a competitive race, a team at the University of Wisconsin-Madison found in a 2006 study looking at public financing in several states that public financing increases the pool of candidates willing and able to run for state legislative office.  

• A 2008 study by the director of the Yale Institution for Social and Policy Studies and a Fordham University professor found that radio advertisements which mentioned both major party candidates and encouraged listeners to vote resulted in incumbents’ vote shares falling six to eight percentage points. By allowing challengers to get their names out in front of voters, public financing causes elections to become more competitive than they otherwise would be.

• A 2010 study conducted by graduate students at New York University’s Wagner School of Public Service compared electoral data in Maine and Arizona with states that have no public financing. The study found that public financing meaningfully increased the likelihood that incumbents would face real competition. Overall, Maine’s and Arizona’s legislative races were more contested and more competitive than those in comparable states.

• A study by a postdoctoral associate at Yale University concluded that public financing encourages experienced challengers within the incumbent party to run for open seats more often than they would without public financing. Hence, public financing not only encourages more individuals to run, it also attracts high quality candidates.

Consistent with these research findings, public financing is perceived as enhancing competition—both by candidates and the public. A Government Accountability Office study found that healthy percentages of candidates in states with public funding see it as a vehicle for spurring competition. And a 2009 poll in North Carolina found that 85% of people surveyed agreed that “the high cost of campaigns means candidates must be good fundraisers to win—and the need to raise a lot of money keeps a lot of good people from serving in public office.” As a recent New York Times story on Connecticut’s financing system put it, “For challengers, the appeal is obvious. Suddenly, they can have resources equal to an incumbent’s without hitting up major donors.”

Other anecdotal evidence provides further support for the conclusion that public financing encourages competition. It is indisputable that the presidential public financing program has enabled several insurgent candidates from across the political spectrum to translate widespread popular support into viable campaigns. The most notable example is Ronald Reagan, who depended heavily on public financing to challenge then-President Gerald Ford—backed by the Republican Party establishment—in the 1976 presidential primaries. Reagan had less than $44,000 in campaign money left at the end of that January, less than 10% of President Ford’s war chest. Thanks to the presidential public financing system, however, Reagan was able to capitalize on his small-donor fundraising capacity to accrue substantial sums of public money—$1 million in January, $1.2 million
more in February, and more still in March. These funds were pivotal in allowing Reagan to continue his almost-successful bid—ultimately, President Ford won by a hair.  

**Public Financing Fosters Diversity in the Electoral Process**

Facilitating new candidacies yields another significant benefit—diversity. As it invites more players into the electoral ring, public financing regularly enables members of traditionally underrepresented groups to run for political office.

Historically, many ethnic and racial minorities have been excluded from the political process, or have been led to feel that their presence was not welcome. For instance, after winning his seat on the Los Angeles City Council, Councilman Ed Reyes stated:

> My parents are from Mexico. I’m the first generation that has grown up here, I’m born here. I don’t have the traditional ties to the power groups or the power structure. . . . Without public financing, I knew that I wouldn’t have been able to throw a stone like in the David and Goliath story. . . . With public financing I knew I had a shot.

The diversity-enhancing properties of public financing are widely documented:

- In a 2006 report from the Center for Governmental Studies, then-Project Director Steven Levin reported that while minorities represented only 16 percent of all candidates in general elections, they accounted for 30 percent of publicly financed candidates. The rigorous study noted that while women accounted for only 31 percent of all candidates, they constituted 39 percent of participating candidates in publicly funded systems. Finally, the study documented that in Arizona, the number of Native American and Latino candidates nearly tripled in just two election cycles after public financing was implemented.

- In Congressional testimony presented in 2009, Jeffrey Garfield, the Executive Director of the Connecticut State Elections Enforcement Commission, stated that the number of women running for office in Connecticut is at an all-time high—and many credit public financing with allowing them to run.

- Similarly, in Maine, just a few years after the launch of that state’s public financing program, women were reportedly taking advantage of public financing at a pace nearly double that of men. The Center for Governmental Studies report cited above concluded that women are more likely to use Maine’s public financing program than other candidates. According to then-Maine Speaker of the House Hannah Pingree (D-ME), Maine’s system has “increased the diversity of representatives in the legislature.”

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• A Brennan Center report issued in 2010 documented a similar series of “firsts” resulting from New York City’s small-donor matching funds system: the City’s first African-American mayor, David Dinkins, participated in the program, as did the City Council’s first Dominican-American, first Asian-American, and first Asian-American woman members.\textsuperscript{28} Dan Cantor, Chair of the Working Families Party, points out that the “multiple match system has tremendously lowered the barrier to candidates who come from a background of service to communities and unions.”\textsuperscript{29} Although New York City, like many other state and local governments, does not maintain comprehensive demographic data, there is ample evidence that the use of the public financing system has been one of the principal reasons for the increasing diversity in the New York City Council.\textsuperscript{30} In fact, the current City Council, as of the 2009 election, is “majority minority.”

**Publicly Financing Encourages Voter-Centered Campaigns**

The majority of money brought in by major political candidates currently comes from a very small portion of the American population—America’s “donor class.”\textsuperscript{31}

• According to data collected by the Center for Responsive Politics (and available on their website, OpenSecrets.org), only approximately 0.26% percent of the U.S. population contributed $200 or more to federal political candidates, parties or PACs in the 2008 election—but these Americans contributed over 67% of all federal campaign dollars.\textsuperscript{32}

![A Tiny Elite...](chart1.png)

![Delivers a Hefty Sum](chart2.png)

• An analysis from the bipartisan Americans for Campaign Reform documented that residents of Manhattan’s Upper East Side contributed $72 million in 2008, more than each of the bottom 39 states and approximately 50 times the national per capita rate.\textsuperscript{33}

• According to a 2010 study by the Campaign Finance Institute, American Enterprise Institute and Brookings Institution, in 2008, U.S. House incumbents received only
6% of their funds from donors who gave $200 or less. They received more than 13 times this amount from donors who gave $1,000 or more and from PACs.\textsuperscript{34}

- An analysis of campaign contributions in the 2000 and 2002 elections found that almost 90% of contributions came from zip codes that are majority non-Hispanic white. In comparison, just 1.8% of campaign funds came from predominantly Latino zip codes, 2.8% from predominantly African American zip codes, and 0.6% from predominantly Asian Pacific American neighborhoods.\textsuperscript{35}

Given the enormous financial demands of modern political campaigns, candidates too often focus on a tiny minority of known, wealthy donors—including non-constituents. The troubling result is that fundraising efforts do not reach most constituents, leaving them with less information about their potential representatives.

Public financing encourages voter-centered campaigning, drawing more voters into the political process. Public financing accomplishes this in various ways.

Under a full public financing system, participants must establish their eligibility by collecting a specified amount of small qualifying contributions from their constituents, necessarily contacting numerous constituents, and often bringing many new voters into the electoral process. After qualifying and receiving their full campaign fund grant, participating candidates focus nearly all of their campaign efforts on voter outreach.

Spurred by participating candidates’ efforts to collect qualifying contributions, small donor participation in Arizona’s gubernatorial races increased substantially after the implementation of that state’s public financing program. A study of Arizona gubernatorial contributions found a three-fold increase from 11,234 in 1998 to 38,579 in 2002, with the majority of contributors earning $50,000 or less.\textsuperscript{36} A similar three-fold increase occurred for other Arizona races.\textsuperscript{37} Similarly, in Connecticut, most state legislative candidates who participated in the public financing program received money from a larger number of individual donors in 2008 than the predecessor candidate of the same party and district in 2006, the last year without the program.\textsuperscript{38}

Cicero Booker, a Connecticut State Senate candidate from one of the state’s poorer regions, recalled his experience collecting qualifying contributions. Many of the members of his district had never donated to a political campaign, but when they were told that small $5 contributions—normally inconsequential in enormously expensive fundraising campaigns—would help Booker qualify as a publicly financed candidate, they eagerly chipped in.\textsuperscript{39} Similarly, of her experience running for Governor of Arizona as a fully-financed candidate, Janet Napolitano explained:

> [Public financing is] the difference between being able to go out and spend your time talking with voters, meeting with groups, . . . traveling to communities that have been underrepresented in the past, as opposed to being on the phone selling tickets to a $250 a plate fundraiser.\textsuperscript{40}
Small donor matching funds systems provide even greater incentives for grassroots fundraising, particularly when small donations are supercharged with a high matching ratio. Candidates must seek out a broad base of small donors, and new voters are drawn into the electoral process as a result.

Take New York City’s exemplary program. Serving millions of residents for more than twenty years, New York’s program offers the highest matching ratio in the country—donations of $175 or less are matched with City dollars at a rate of six-to-one. In doing so, New York City has enhanced the importance of small donations, and has changed City campaigns for the better. A 2010 study from the Brennan Center reported that:

- The number of overall contributors has increased significantly—by 35%—since the enactment of the multiple match. 41

- Participating candidates rely on more donors, and on more small donors, than do nonparticipants. In 2009, the typical participating City Council candidate enlisted the support of almost three times the number of small donors than did her nonparticipating counterpart. 42

- In 2009, the average contribution to a participating City Council candidate was $199, substantially less than the $690 average contribution for non-participating candidates. Similarly, in 2005, the average contribution to participating City Council candidates was $321, significantly lower than the $804 average contribution for non-participants. 43

Additional studies confirm the results documented by the Brennan Center. According to a report on New York City’s program from the Campaign Finance Institute, in 2009 “1.75% of the city’s voting
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age population contributed to candidates for city office.” While this number may seem small, it is more than three times the 0.49% of the New York State voting population that contributed in state races. And, City contributions rose even in a year in which voter participation decreased.44

Including more voters in the electoral process naturally leads to a larger, more diverse pool of donors. For instance:

- According to the New York City Campaign Finance Board, the share of donor activity has risen in New York City’s outer boroughs; in 2009, donor activity increased almost six-fold in Flushing, a heavily Asian-American neighborhood that is home to Queens’ Chinatown. 45

- Similarly, a scan of the occupations of 2009 donors to New York City elections reveals a surprisingly diverse group: among the traditional lawyers and businesspeople, contributors included a significant number of artists, administrative assistants, barbers and beauticians, cab and bus operators, carpenters, police officers, students, nurses, and clergy.46

Two midwestern states with partial public financing—Minnesota and Wisconsin—have also seen increased engagement with voters. One study by the Campaign Finance Institute found that in Minnesota, 57% of funds were received from donors who gave $250 or less in 2010; in Wisconsin, 36% of funds were in this amount.47 Small donations in other Midwestern states that do not have public financing for legislative races—Illinois, Indiana, Michigan, and Ohio—fell between 3% and 12%.48 The same study concluded that if small-donor matching programs were implemented in these states, a significant percentage of total candidate funds would come from small donors, with projections ranging from 61% to 72%.49 Instead of courting an elite group of big donors, candidates instead would seek out small donations from the electorate at large.

As these examples make clear, public financing spurs greater involvement from members of the public.

One recent study found that small donors are more likely to volunteer for a political campaign.50 Specifically, “surveys of candidates in six states show that the candidates see a strong connection between their small donors and the volunteer support that they get.”51

Another study linked public financing with increased voter turnout in Arizona:

Voter turnout increased by 8 percent, from 64 percent to 72 percent, between the 1996 presidential election (pre-Clean Elections) and the 2000 presidential election (the first under the program). That number went up another five percentage points to 77 percent in the 2004 presidential. Similarly voter turnout increased by 10 percent, from 46 percent to 56 percent, between the 1998 midterm election . . . and the 2002 midterm elections.52
In short, publicly financed campaigns encourage a greater connection between would-be representatives and those they seek to serve, strengthening the electoral process and, ultimately, our democracy.

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Laboratories of democracy in cities and states across the country have been experimenting with public funding programs for decades, and the myriad benefits of public financing are now evident. These programs not only reduce the opportunity for corruption and strengthen our perception of government; they also promote contested and competitive elections, foster diversity in the electoral process, and encourage voter-centered campaigns.

1 The authors give special thanks to David Early for his research assistance and meticulous citation checking, and to Michael Waldman and Wendy Weiser for their invaluable editorial assistance.


6 Id. at 2828 (quotations and citation omitted).


12 See id. at 20.

13 Conor Dowling, Public Financing and Candidate Participation in Gubernatorial Elections, in PUBLIC FINANCING IN AMERICAN ELECTIONS, supra note 1010, at 184, 196.

14 Due to the impossibility of controlling all of the factors that determine the outcome in any particular election, it is extremely difficult to isolate the precise effect of public financing on electoral competition—or of any other electoral policy, for that matter. As a result, a few studies have announced inconclusive results when attempting to measure whether public funding spurs competition. For example, in 2010, the U.S. Government Accountability Office (GAO) completed an extensive study of the public financing programs in Maine and Arizona, including an inquiry into competitiveness. U.S. GOV’T ACCOUNTABILITY OFFICE, CAMPAIGN FINANCE REFORM: EXPERIENCES OF TWO STATES THAT OFFERED FULL PUBLIC FUNDING FOR POLITICAL CANDIDATES 4-5, 90-98 (2010), available at http://www.gao.gov/new.items/d10390.pdf. The GAO’s findings on this topic were indisputably positive: They indicated, for example, that vote spreads were reduced in Maine and Arizona by a statistically significant amount, meaning those states had more close races and fewer landslide elections than similar states without public financing. Id. at 35-40. Ultimately, however, the GAO declined to definitely attribute this change to public financing, concluding that too many variables affect electoral competition.

15 Id. at 47-48.


18 Candidates benefiting from public financing include Ronald Reagan, Jimmy Carter, George H. W. Bush, Gary Hart, Jesse Jackson, Paul Tsongas, Pat Buchanan, John McCain, John Edwards, Wesley Clark, Richard Gephardt, and Joe Lieberman. Michael Malbin, Public Financing for Presidential Elections, in PUBLIC FINANCING IN AMERICAN ELECTIONS, supra note 10, at 36, 41-42. After President Barack Obama opted out of the presidential public financing system in 2008, there have been various calls to eliminate the program, and the House of Representatives voted in 2011 to abolish the program entirely. The proposal died in the Senate, and advocates have suggested that modifications to the presidential financing program—including replacing expenditure limits with lower contribution limits—would revive the program, spur greater candidate participation, and incentivize candidates to conduct outreach to small donors in lieu of
large donors. See Anthony J. Corrado, Michael J. Malbin, Thomas E. Mann & Norman J. Ornstein, Reform in
an Age of Networked Campaigns: How to Foster Citizen Participation Through Small Donors and
Volunteers 22 (2010), available at http://www.cfinst.org/books_reports/Reform-in-an-Age-of-Networked-
Campaigns.pdf.

19 Michael Malbin, A Public Funding System in Jeopardy: Lessons from the Presidential Nomination Contest of 2004 in The
Election After Reform: Money, Politics, and the Bipartisan Campaign Reform Act 219, 221 (Michael
Anthony Corrado, Thomas Mann and Norman Ornstein in Support of Respondents, Arizona Free Enterprise Club’s

20 CTR. FOR GOVERNMENTAL STUDIES, ELEVEN YEARS OF REFORM: MANY SUCCESSES -- MORE TO BE DONE:
CAMPAIGN FINANCING IN THE CITY OF LOS ANGELES 23 (2001), available at

21 STEVEN M. LEVIN, CTR. FOR GOVERNMENTAL STUDIES, KEEPING IT CLEAN: PUBLIC FINANCING AND

22 Id. at 47.

23 Id. at 7.

24 See A Look at H.R. 1826, and the Public Financing of Congressional Campaigns: Hearing on H.R. 1826 Before the H.
Dir., Conn. State Elections Enforcement Comm’n) (stating that in the 2008 Connecticut state elections more women
had run for office than ever had previously).

25 Joshua Green, Clean Money in Maine, Am. Prospect (Nov. 30, 2002),
http://prospect.org/cs/articles?article=clean_money_in_maine#.

26 LEVIN, supra note 211, at 39.

27 A Look at H.R. 1826, supra note 224, at 71 (statement of Speaker Hannah Pingree).

28 ANGELA MIGALLY & SUSAN LISS, BRENNAN CTR FOR JUSTICE, SMALL DONOR MATCHING FUNDS: THE

29 Id.

30 N.Y.C. CAMPAIGN FIN. BD., NEW YORKERS MAKE THEIR VOICES HEARD: A REPORT ON THE 2009

(2004) (“While only 13.4% of American households earned at least $100,000 in 2000, these households gave 85.7% of
contributions over $200 collected by presidential candidates.”).

32 Ctr. for Responsive Politics, Donor Demographics 2010, OPENSECRETS.ORG,

33 AMS. FOR CAMPAIGN REFORM, MONEY IN POLITICS: WHO GIVES (2010), available at

34 See CORRADO ET AL., supra note 18.

35 PUB. CAMPAIGN, FANNIE LOU HAMER PROJECT & WILLIAM C. VELASQUEZ INST., COLOR OF MONEY:
CAMPAIGN CONTRIBUTIONS, RACE, ETHNICITY, AND NEIGHBORHOOD 2 (2003), available at

36 AMS. FOR CAMPAIGN REFORM, FAIR ELECTIONS: STATE TRACK RECORD OF SUCCESS (2010), available at

37 LEVIN, supra note 21, at 48.

39 See CONN. COMMON CAUSE, A NEW KIND OF POLITICS: CITIZENS’ ELECTION PROGRAM OPENING POLITICS TO CONNECTICUT’S CITIZENS 3 (2008), available at http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/CEP%20REPORT%20--%20A%20NEW%20KIND%20OF%20POLITICS%20FINAL.PDF.


41 MIGALLY & LISS, supra note 28, at 12.

42 Id. at 15 & n.113.

43 Id. at 15.


46 MIGALLY & LISS, supra note 28, at 13.


48 Id. Michigan has public financing for its gubernatorial elections. However, “[w]hile the program was effective for over 20 years, failure to amend it in recent years has rendered it obsolete” due to insufficient funding for candidates. SUZANNE NOVAK & LAUREN JONES, BRENNAN CTR. FOR JUSTICE, CAMPAIGN FINANCE IN MICHIGAN (2007), available at http://brennan.3cdn.net/b8d1f6b267641b2626_e0m6iubp.pdf.

49 MALBIN ET AL., supra note 4747, at 12-16.

50 Malbin & Brusoe, supra note 44, at 6-7.

51 Id.

52 LEVIN, supra note 21, at 49.