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A Statistical Comparison of City Council  
(2017) and State Assembly (2018)  
Fundraising in New York City

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# **The Constituent-Engagement Effect of Small Donor Public Financing: A Statistical Comparison of City Council (2017) and State Assembly (2018) Fundraising in New York City**

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## **I. Introduction**

This spring New York enacted an historic law committing to establish voluntary public financing for state elections. The governor and legislative leaders appointed nine commissioners to design the system by December 1. The Commission's goals are to incentivize candidates to seek small donations, reduce pressure on them to solicit large gifts, and encourage qualified candidates to run for office.<sup>2</sup> Its work could fundamentally transform a political process dominated by big checks and infamous for undermining the public's trust.<sup>3</sup>

This study adds new evidence to a body of research that demonstrates small donor public financing is the most effective, proven policy solution to meet the Commission's goals.

In addition to known benefits, this study shows that a small donor public financing system, of the kind New York City has offered candidates for city office for decades,<sup>4</sup> incentivizes candidates to engage many more *in-district donors* for campaign support, and gives these in-district donors (including small donors) significantly greater financial influence, compared to campaigns where candidates do not use small donor public financing.

### **A. Background**

New York State candidates depend overwhelmingly on large individual and corporate donors. In the 2018 election, small donations (\$200 or less) amounted to just 5 percent of the funds that state candidates raised.<sup>5</sup> Just 100 people donated more than all 137,000 estimated small donors combined.<sup>6</sup> This imbalance of financial influence breeds perceptions of pay-to-play government and deters people from running for office if they lack access to wealthy networks.

Research shows that small donor public financing will boost the role of non-wealthy New Yorkers and bring greater diversity to the state's donor pool. Governor Cuomo's recent bill to provide a \$6-to-\$1 match on up to \$175 could have dramatically increased the 2018 candidates' fundraising from small donors, from 5 percent to 30 percent of campaign funds.<sup>7</sup> And the policy serves to expand the racial and economic diversity of the donor pool.<sup>8</sup>

This new analysis shows still another important benefit of small donor public financing. The option drives candidates to solicit support from many more of their future constituents, and gives those constituents far greater financial influence in these campaigns, than when candidates do not use small donor public financing. Put simply, the policy serves to strengthen the ties between candidates and the New Yorkers they hope to serve.

## **B. Findings**

The effects of public financing become clear when comparing otherwise similar candidates who took the two different fundraising routes. In New York City, which unlike New York State offers its candidates the option of small donor public financing for city elections,<sup>9</sup> there are 21 State Assembly districts that almost exactly overlap geographically with 21 City Council districts and where sufficient campaign finance data from the most recent respective election cycles are available.<sup>10</sup> This allows us to compare candidates for City Council and State Assembly running in the same communities. We examined candidates' fundraising records to study the impact of public financing, controlling for differences in degree of opposition, incumbency, and type of office sought (city or state).

This analysis shows that opting into small donor public financing was a statistically significant reason for a stronger record of constituent engagement.<sup>11</sup> In each of the following ways, the median publicly-financed City Council candidate outperformed their privately-funded State Assembly and City Council counterparts in the same neighborhoods.<sup>12</sup>

Publicly-financed candidates:<sup>13</sup>

- Attract more donors from the candidate's own district.
- Raise a larger portion of their funds from donors in the district.
- Raise a larger portion of their funds from small donors.

These findings bolster the already substantial evidence available to the New York Public Campaign Financing Commission and other policy makers that small donor public financing is the most effective way to meet their official mandate. The policy serves to amplify the voices of regular New Yorkers, brings a greater diversity of donors to participate in a critical part of the democratic process, and encourages candidates to spend more time and raise more of their campaign support from within the districts they seek to represent. Further details and explanation of this analysis appear below.

## II. Analysis

### **A. Campaign Finance Law Context**

To understand the different fundraising behaviors of City Council and State Assembly candidates in this analysis, it is important to note the starkly different sets of campaign finance rules they faced in addition to the City’s small donor public financing option.

**Table 1. Campaign Finance Rules for New York City Council (2017) and New York State Assembly (2018)<sup>14</sup>**

Rule	City Council 2017	State Assembly 2018
Public financing option	\$6-to-\$1 match up to \$175	None
Limits on contributions from corporations, partnerships, and LLCs	None allowed	\$5,000 total per calendar year for corporations; \$2,500 per election cycle for partnerships; \$4,400 per primary and \$4,400 per general election for LLCs <sup>15</sup>
Limits on contributions from individuals	\$2,750 per election cycle (publicly-financed candidate)	\$4,400 per primary and \$4,400 per general election
	\$2,750 per election cycle (privately-financed candidate) <sup>16</sup>	

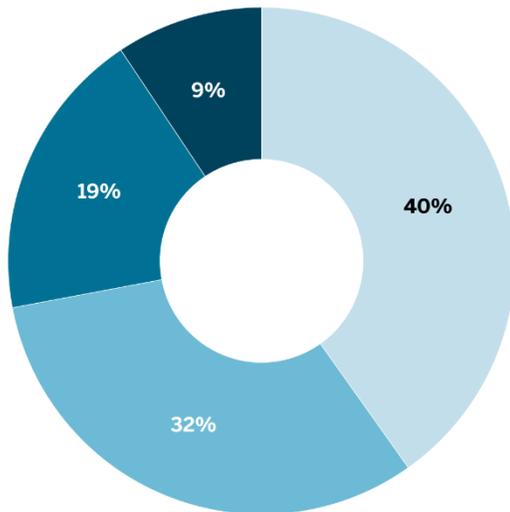
Along with the option of small donor public financing with a sizeable match ratio, the City’s campaign finance framework included contribution limits that were lower across the board than the State’s for districts of approximately the same size and that prioritized individual donors over business entities. As the state Commission carries out its charge of considering “all details and components reasonably related to” a public financing program, it should address the interplay of these other aspects of campaign finance regulation with public financing in order to meet its goal to incentivize candidates to seek small donations.<sup>17</sup>

The following pie charts illustrate the aggregate differences in fundraising between all City Council candidates in 2017 and all State Assembly candidates who ran in New York City in 2018:

**Figure 1. Fundraising Shares by Type of Donor: 2017 City Council v. 2018 NYC Assembly Candidates<sup>18</sup>**

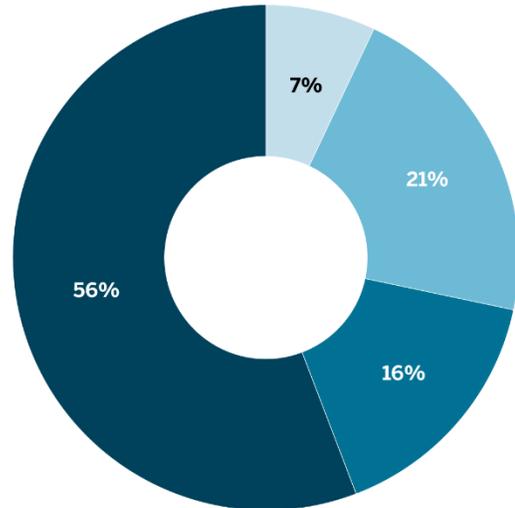
**City Council Candidates, 2017**

- Small donations by people (\$175 or less)
- Donations by people (\$176 to \$2,000)
- Donations by people (above \$2,000)
- Donations by entities (PACs and unions)



**NYC Assembly Candidates, 2018**

- Small donations by people (\$175 or less)
- Donations by people (\$176 to \$2,000)
- Donations by people (above \$2,000)
- Donations by entities (PACs, unions and corporations)



Among the critical differences these charts show:

- People who gave \$175 or less were the *most* significant (40%) source of funds for City Council candidates, but the *least* significant source (7%) of funds for State Assembly candidates who ran in New York City.
- Entity donors were the *least* significant (9%) source of funds for City Council candidates, but the *most* significant source (56%) of funds for State Assembly candidates who ran in New York City.

**B. Details of Small Donor Public Financing’s Constituent-Engagement Effect**

Within the overall campaign finance regulation contexts described above, this analysis found, small donor public financing was a statistically significant driver of far greater engagement by candidates of constituents. This section provides further detail about the following major findings:<sup>19</sup>

- The median publicly-financed City Council candidate received campaign support from **23 percent more in-district donors** than did their privately-funded State Assembly and City Council counterparts in the same neighborhoods.
- The median publicly-financed City Council candidate raised **30 percent more of their total campaign funds from in-district donors** than did their privately-funded State Assembly and City Council counterparts in the same neighborhoods.
- The median publicly-financed City Council candidate also raised greater percentages of their total campaign funds from **small donors**, both in-district and overall:

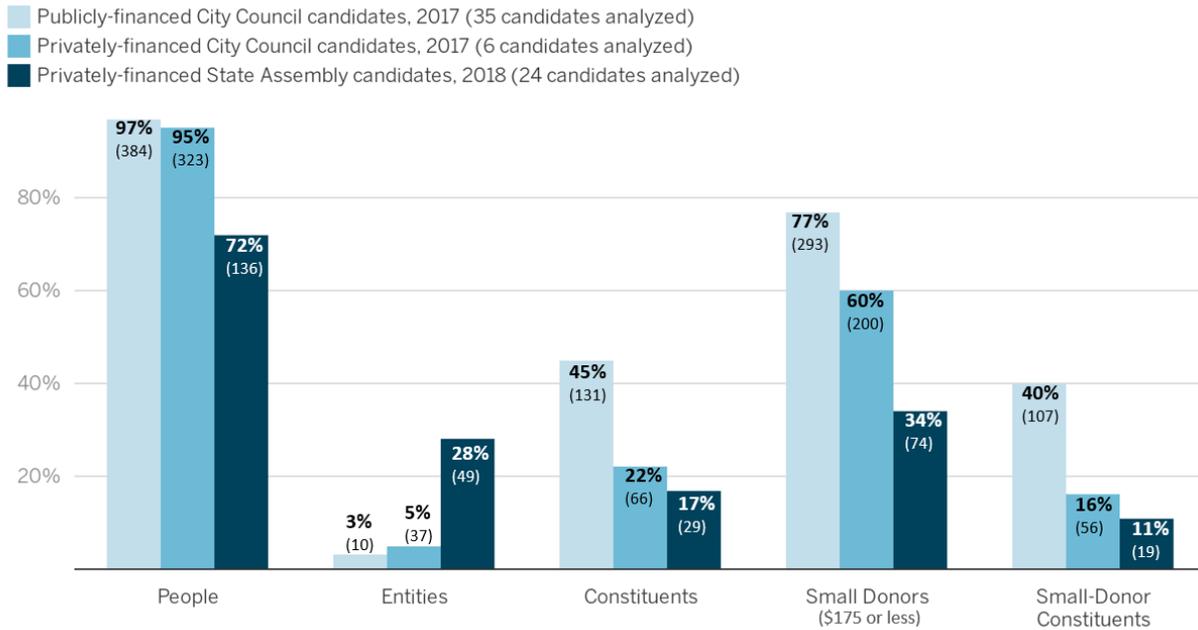
- In-district – The publicly-financed City Council candidate raised **18 percent more of their total campaign funds from these donors** than did their privately-funded counterparts.
- Overall – The publicly-financed City Council candidate raised **27 percent more of their total campaign funds** from these donors than did their privately-funded counterparts.

The charts below depict the records in engaging support from different types of donors of the three types of candidates studied: the 65 candidates in the 21 overlapping City Council and State Assembly districts for whom sufficient campaign finance data were available, including six City Council candidates who did not participate in the City’s small donor public financing program. But, because of the marked differences between the overall City and State campaign finance legal regimes as explained above, the most instructive comparison for those wishing to design an effective program for the State is between publicly-financed City Council candidates and State Assembly candidates who had no such option.

Figure 2, below, shows that constituents and small donors were a far bigger part of the total pool of donors engaged for support by publicly-financed candidates in the City system than by State Assembly candidates running in the same neighborhoods. The donor pool of the median publicly-financed City Council candidate, compared to that of the median State Assembly candidate:

- Showed far greater participation by constituents (45 percent versus 17 percent of donor pool).
- Relied far more heavily on people who gave \$175 or less (77 percent versus 34 percent of donor pool).
- Consisted almost entirely of people rather than entities (97 percent people in City Council donor pool versus 28 percent entities in State Assembly donor pool).

**FIGURE 2. Percentage of Total Donor Pool by Donor Type for the Median Publicly-Financed and Privately-Financed Candidates Running in Overlapping Districts.<sup>20</sup>**

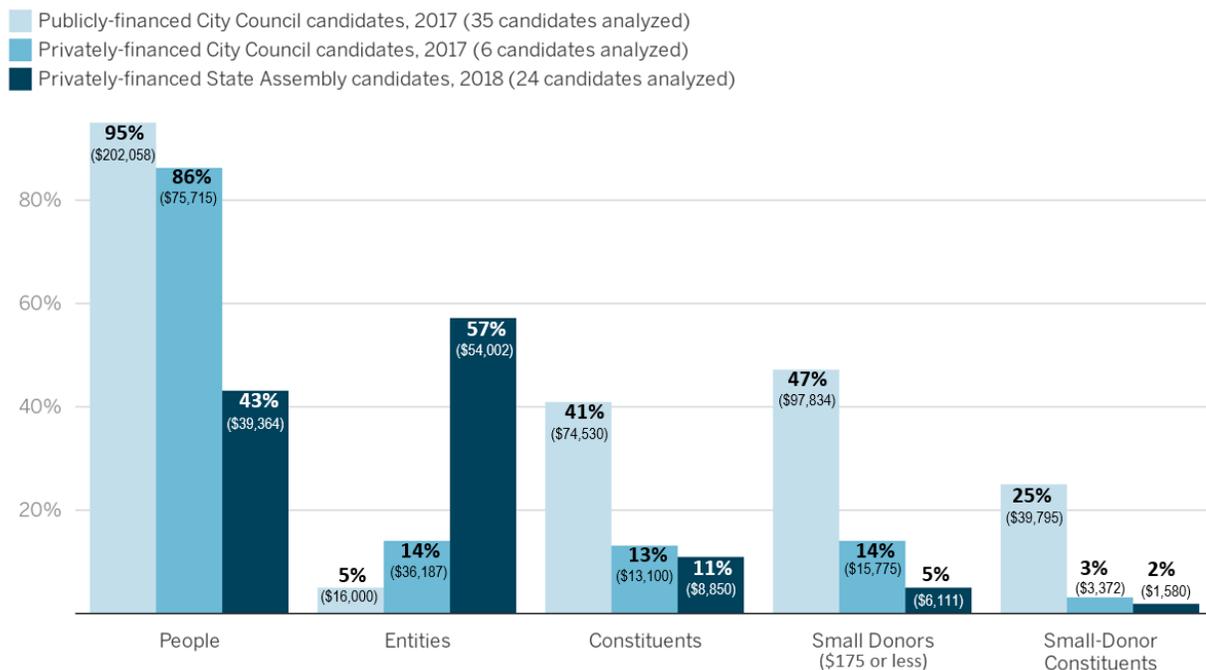


*This figure summarizes the donor pools of the median publicly-financed and privately-financed City Council candidate in 2017 and the median privately-financed State Assembly candidate in 2018. Numbers of donors appear in parentheses.*

Further, publicly-financed City Council candidates in this analysis owed a far greater share of their total funds raised to the support of constituents and small donors (and to people, instead of entities) than did their State Assembly counterparts. As Figure 3, below, shows, for the median publicly-financed City Council candidate compared to the median State Assembly candidate:

- Constituents accounted for a much larger share of total funds raised (41 percent versus 11 percent).
- People who gave \$175 or less accounted for a remarkably larger share of total funds raised, which is a major policy goal of small donor public financing (47 percent versus 5 percent).
- People instead of entities accounted for a far greater share of all funds raised by the City Council candidate (95 percent from people, 5 percent from entities), but the opposite was true for the State Assembly candidate (43 percent from people, 57 percent from entities).

**FIGURE 3. Share of Total Funds Raised from Different Donor Types by the Median Publicly-Financed and Privately-Financed Candidates Running in Overlapping Districts.<sup>21</sup>**



*This figure summarizes total fundraising by the median publicly-financed and privately-financed City Council candidate in 2017 and the median privately-financed State Assembly candidate in 2018. Total dollars raised from specific donor types by the relevant median candidate appear in parentheses.*

The real-world comparisons in this analysis show that small donor public financing was a statistically significant impetus for candidates to engage far more constituents for campaign support than when candidates did not or could not opt to participate in such a program. It is a proven, effective solution to achieve a more representative and participatory political process based on small donations rather than large checks.

### **III. Methodology**

#### **A. Selection**

This study analyzes the fundraising records of New York City Council and New York State Assembly candidates who campaigned to represent districts within New York City in the most recent respective elections, 2017 and 2018. The district sizes of these city and state offices are approximately the same, giving all candidates similar numbers of potential in-district donors—the key focus of this study. Fundraising data came from the New York City Campaign Finance Board and the National Institute on Money in Politics.

The number of candidates analyzed is limited both by objective circumstance and by design, as explained below. This study examines 41 of 252 City Council candidates in 2017—35 who participated in small donor public financing and 6 who did not—and 24 of 137 State Assembly candidates in 2018.<sup>22</sup>

The major objective circumstance limiting the number of candidates to study is New York State’s campaign finance disclosure law, which permits state candidates not to report individualized donor information for contributions of \$99 or less. (New York City requires all its candidates to report individualized donor data for all contributions.) Donors’ individualized geographic information is essential to determine whether they are constituents of the district a given candidate is campaigning to represent, which is the primary question of this study.<sup>23</sup> Still, many State Assembly candidates voluntarily report individualized donor information for even small contributions. In 2018, 66 of them running in New York City reported this information.

Decisions made to design a fair study also limited the number of candidates examined:

- To compare like populations of in-district donors – To control for the socioeconomic differences among districts that may make it easier or harder to raise campaign money locally, this study analyzes only candidates in 21 City Council and State Assembly districts whose boundaries almost exactly overlap. These districts represent all five New York City boroughs.
- To compare similar fundraising periods – To compare candidates who raised money over similarly lengthy periods of time, this study focuses on 65 candidates in the 21 overlapping City Council and State Assembly districts who participated in the general elections, rather than losing and stopping at the primary stage, in 2017 and 2018.<sup>24</sup>

## **B. Analysis**

This study calculates and compares the track records of candidates in raising campaign funds from different categories of donors, reporting median rather than average results. It asks whether small donor public financing incentivizes greater candidate engagement of in-district donors (“constituents”) and small donors, and answers by testing through multi-regression analysis whether participation in public financing is a statistically significant reason for better track records in these regards.

The use of the median rather than the mean, or average, measure to compare categories of candidates intends to reduce the skewing effect of extreme outliers among the 65 City Council and State Assembly campaigns examined. (For instance, one 2017 City Council candidate had a single donor while another had 1,386 donors. Similarly, one 2018 Assembly candidate raised \$13,250 while another raised \$699,924.) These median results are useful for observing patterns of fundraising.<sup>25</sup> But alone they cannot provide accurate insight into the effect, if any, of using small donor public financing on candidates’ fundraising track records, as variables such as incumbency, opposition, and even the characteristic of running for a city rather than state legislative office, could explain a candidate’s ability or need to raise money.

To control for these other, potentially confounding variables, this study employs multivariate quantile regressions. This statistical analysis method works best for explaining relationships between variables when data are non-normally distributed (or have a significant number of outliers). The controls included in the regression model additionally mitigate the competition-

creating effect of New York City's term limits on certain districts and thus on certain candidates' presumed incentives to raise money.<sup>26</sup> To account for the differential number of donors and absolute fundraising dollars for Assembly and City Council candidates, regression findings are reported as proportional differences. For brevity, detailed results are reported in this study's online Appendix.<sup>27</sup>

The findings that the median publicly-financed City Council candidate engaged more constituents and raised a larger share of total funds from them and from small donors, than median candidates in the other categories, are statistically significant. In other words, there is a strong likelihood that the positive relationship between participating in small donor public financing and achieving these fundraising records is not due to chance. It is reasonable to conclude that participating in small donor public financing, as part of New York City's overall campaign finance law scheme, is a strong motivating factor for candidates to solicit more support from constituents and small donors. All findings are significant at the 0.05 level or below, meaning there is at least a 95% probability that the relationships detected are not due to chance.

## ENDNOTES

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<sup>2</sup> See FY 2020 Budget Bill (S1509C), January 18, 2019, 196 (Part XXX):

<https://legislation.nysenate.gov/pdf/bills/2019/S1509C>; Lawrence Norden and Chisun Lee, "A small-donor matching public campaign finance system is in reach in New York," *New York Daily News*, April 8, 2019, <https://www.nydailynews.com/opinion/ny-oped-campaign-finance-reform-in-reach-in-new-york-20190408-kj4ffkbffeylbvdqjpltenfue-story.html>.

<sup>3</sup> See Moreland Commission to Investigate Public Corruption, "Preliminary Report," State of New York, December 2, 2013, 30-34, [https://www.publiccorruption.moreland.ny.gov/sites/default/files/moreland\\_report\\_final.pdf](https://www.publiccorruption.moreland.ny.gov/sites/default/files/moreland_report_final.pdf).

<sup>4</sup> During the period analyzed in this study, New York City offered a \$6-to-\$1 match on up to \$175 of eligible donations for candidates who qualified. New York City's small donor public financing system has been in effect since 1989, with the match ratio increasing several times since. The City currently provides a match of \$8-to-\$1 to qualifying candidates for Mayor, Public Advocate and Comptroller on up to \$250 of eligible donations, and for Borough President and City Council candidates up to \$175. See New York City Campaign Finance Board, "What's New in the Campaign Finance Program", January 5, 2019, <https://www.nyccfb.info/program/what-s-new-in-the-campaign-finance-program-2/>; New York City Campaign Finance Board, "History of the CFB", July 2, 2015, <https://www.nyccfb.info/about/history/>.

<sup>5</sup> Chisun Lee and Nirali Vyas, "Analysis: New York's Big Donor Problem & Why Small Donor Public Financing Is an Effective Solution for Constituents and Candidates," Brennan Center for Justice, January 28, 2019, <https://www.brennancenter.org/analysis/nypf>.

<sup>6</sup> Brennan Center for Justice, *The Case for Small Donor Public Financing in New York State*, February 28, 2019, 2, [https://www.brennancenter.org/sites/default/files/publications/CaseforPublicFinancingNY\\_0.pdf](https://www.brennancenter.org/sites/default/files/publications/CaseforPublicFinancingNY_0.pdf).

<sup>7</sup> *Ibid.*, 9.

<sup>8</sup> See Elisabeth Genn, Sundeep Iyer, Michael Malbin, and Brendan Glavin, *Donor Diversity Through Public Matching Funds*, Brennan Center for Justice, May 14, 2012, 4, [https://www.brennancenter.org/sites/default/files/legacy/publications/DonorDiversityReport\\_WEB.PDF](https://www.brennancenter.org/sites/default/files/legacy/publications/DonorDiversityReport_WEB.PDF).

<sup>9</sup> During the 2017 City Council elections, nearly 70 percent (175 of the 252) of general and primary candidates running for office participated in the city's matching funds program. See "Candidate List: 2017 Citywide Elections," New York City Campaign Finance Board, last updated August 15, 2019, <https://www.nyccfb.info/follow-the-money/candidates/2017>.

<sup>10</sup> Unlike New York City law, state law does not require candidates to report individualized donor data for donations of \$99 or less. Some Assembly campaigns voluntarily reported individualized donor data for all their donations, permitting the comparison with City Council campaigns in these 21 geographically similar districts. For additional selection criteria, see Methodology section.

<sup>11</sup> This study defines people's engagement in terms of campaign finance participation. There are, of course, other important ways for people to engage in elections. But campaign giving is not just a mode of engaging; it is also a gateway to other modes of engaging in elections. See Spencer A. Overton, "The Participation Interest," *Georgetown Law Journal* 100, 2012: 1279,

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[https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1167&context=faculty\\_publications](https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1167&context=faculty_publications) (observing that “financial participation” can lead to other forms of civic engagement).

<sup>12</sup> This study provides findings for the median (middle) candidate in each category, rather than mean (or average) findings for all candidates in each category, because median findings are less likely to be skewed by outliers. The set of 65 candidates in this study includes a few extreme outliers at the very low and very high ends of fundraising, whose records would tend to distort understandings of the more typical candidate in each category. Fundraising figures for publicly-financed City Council candidates include matching funds. Publicly-financed candidates in New York City may also receive private contributions. In this study, “privately-financed” indicates candidates who did not receive any public matching funds. Among the 41 City Council campaigns selected for analysis based on similarities in geography and other electoral characteristics with Assembly campaigns, only 6 campaigns opted out of the matching funds program.

<sup>13</sup> See Methodology section for full explanation of selection criteria and statistical methods employed, and Appendix Tables I and J for detailed results of analyses.

<sup>14</sup> New York State Board of Elections, “2018 Contribution Limits”, accessed August 6, 2019, 13-27, <https://www.elections.ny.gov/NYSBOE/Finance/2018ContributionLimits.pdf>; New York State Board of Elections, “Contribution Limits”, accessed August 6, 2019, <https://www.elections.ny.gov/CFContributionLimits.html>; New York State Board of Elections, “New York State Board of Elections Campaign Finance Handbook 2019”, accessed September 3, 2019, 42, <https://www.elections.ny.gov/NYSBOE/download/finance/hndbk2019.pdf>; New York City Campaign Finance Board, “Limits & Thresholds: 2017 Citywide Elections”, accessed August 8, 2019, <http://www.nycffb.info/candidate-services/limits-thresholds/2017/>;

<sup>15</sup> Prior to January 2019, New York election authorities treated LLCs, for purposes of campaign finance regulation, as individuals rather than corporations or partnerships. A recent change in election law subjects LLCs to corporate contribution limits. See Senate Bill S1101, January 10, 2019, <https://legislation.nysenate.gov/pdf/bills/2019/S1101>; Tim Lau, “New York’s Democracy Just Got Fairer”, January 24, 2019, <https://www.brennancenter.org/blog/new-yorks-democracy-just-got-fairer>.

<sup>16</sup> Beginning with the 2021 cycle, City Council candidates who choose to participate in public financing must adhere to lower individual contribution limits (\$1,000 per election cycle) than non-participating candidates (\$2,850 per election cycle). The new, higher match ratio of \$8-to-\$1 (up from \$6-to-\$1 in the 2017 cycle), combined with lower contribution limits, further incentivizes candidates to seek campaign support from everyday constituents and donors rather than big donors. See New York City Campaign Finance Board, “Limits & Thresholds: 2021 Citywide Elections”, accessed September 3, 2019, <https://www.nycffb.info/candidate-services/limits-thresholds/2021/>; Brennan Center for Justice, *The Case for Small Donor Public Financing in New York State*, 1.

<sup>17</sup> FY 2020 Budget Bill (S1509C), 197.

<sup>18</sup> This figure analyzes all fundraising, including matching funds, by candidates for City Council in 2017 and for State Assembly within New York City in 2018. New York City law prohibits candidates from raising funds from most entities, though they may raise funds from unions and registered PACs. See New York City Campaign Finance Board, “Limits & Thresholds”, <https://www.nycffb.info/candidate-services/limits-thresholds/2017/>.

<sup>19</sup> See Methodology section for full explanation of selection criteria and statistical methods employed, and Appendix Tables I and J for detailed results of analyses.

<sup>20</sup> Small donors are individuals who contributed in amounts of \$175 or less which was the eligibility threshold for matching funds in New York City elections in 2017. See Methodology section for full explanation of selection criteria and statistical methods employed, and Appendix Tables G and H for the data underlying this figure.

<sup>21</sup> Small donors are individuals who contributed in amounts of \$175 or less which was the eligibility threshold for matching funds in New York City elections in 2017. See Methodology section for full explanation of selection criteria and statistical methods employed, and Appendix Tables E and F for the data underlying this figure.

<sup>22</sup> See the Appendix for a complete list of candidates and districts studied.

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<sup>23</sup> To determine which political district a particular donor resided in, donors' individualized geographic information, 99 percent of which was successfully geocoded, was cross-referenced with spatial data of City Council and State Assembly district boundaries in NYC.

<sup>24</sup> This study examines only major-party candidates. Candidates who ran exclusively on minor-party lines were excluded, because they raised a relatively insignificant amount of campaign funds.

<sup>25</sup> See Appendix Tables E-H.

<sup>26</sup> New York State Assembly seats are not term-limited. In the 21 City Council districts observed in this analysis, 67% had contested Democratic primaries and 8% had contested Republican primaries. When the four City Council districts in this sample with term-limited open seats are excluded, the percentage differences are small: 59% of observed districts had contested Democratic primaries and none had contested Republican primaries. Thus, while term limits have some impact on electoral competition, they are not a significant explainer of the discrepancies found in median fundraising trends between City Council and State Assembly candidates in this analysis.

<sup>27</sup> See Appendix Tables I and J. Statistical significance is determined when an independent variable's "p-value" is less than 0.05. This denotes at least a 95% probability that the relationship detected between the independent variable and the dependent variable is not due to chance.