REPORT #4

Preliminary Report on 2012 Campaign Money:
Private Money Making
A Comeback In Maine Elections
The Money in Politics Project is a program of Maine Citizens for Clean Elections, a nonpartisan organization that has been working in the public interest to advocate for, increase public support for, defend and improve the Maine Clean Election Act and related campaign finance law since 1995. MCCE is a 501(c)(3) organization. www.MaineCleanElections.org

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Executive Summary

With just ten days to go before Election Day 2012, Maine Citizens for Clean Elections offers a snapshot of private money in Maine’s legislative elections. Using publicly available campaign finance reports filed with the state’s Ethics Commission, MCCE analyzed the private money going directly to candidates and to independent expenditures.

For the last six election cycles, growing numbers of legislative candidates opted to use the voluntary Clean Election program rather than rely on private campaign donations. The 125th Legislature made changes to the popular law which make it less attractive to some candidates. This weakened system set up the potential for private money to play a bigger role, and our preliminary analysis reveals:

- A marked decline in the rate of participation in the Clean Election system. From a high of 80%, participation has dropped to 65%.
- A surge of private money going directly to legislative candidates. At this point in the cycle, private money has increased 300% over a similar period in the 2010 cycle.
- An emphasis on large donations. Over seventy percent of the money in privately funded campaigns came in donations of more than $100.
- An explosion of independent expenditures. With the most intensive period of independent spending yet to come, the amount spent has already exceeded the totals spent in prior election cycles.

These findings point to significant backsliding in Maine’s ongoing effort to reduce the influence of special interest money in elections. We can’t predict the outcome of the November 6th election, but it is evident that some participating Clean Election candidates, all of whom have a strict spending limit with no opportunity for additional funding, find themselves easy targets for well-funded independent expenditure campaigns. In prior years, the Clean Election system would have provided additional funding to allow these candidates to stay competitive and ensure that voters hear from the candidate over the din of outside spending.

Similarly, time will tell how the candidates who opted out of Clean Elections fare in the
world of increased private money. Some privately funded candidates have already raised significantly more than the amounts available to Clean Election candidates and may be better prepared to respond to an onslaught of attack ads. But those who did not raise significant funds early in the campaign may find that they need to sacrifice valuable voter contact in order to solicit more private donations.

Underfunded candidates may well be rescued by friendly independent expenditures. But the interest groups making these expenditures can funnel unlimited contributions from any source into these campaigns, and these groups and the donors behind them may come to wield disproportional influence on government after the election is over.

All of this gives Maine voters plenty to think about in the final weeks of the 2012 election.

MCCE is releasing this report in order to illuminate the role of money in Maine politics. More comprehensive analysis will be completed when the final campaign finance reports are filed after Election Day. Understanding the effects of legislative changes to the citizen-initiated Clean Election Act will inform future efforts to improve the system and reduce special interest influence in our elections and in our government.
Introduction

The Maine Clean Election Act was enacted sixteen years ago by voters who demanded that the levers of power in our democracy remain in the hands of the people. It has been a great success in Maine and a national model.

But recent changes threaten the program’s success.

Starting in the current election cycle, an important feature of the Clean Election system known as “matching funds” has been removed.

In the five election cycles between 2000 and 2010, the matching funds system provided additional money in any campaign where a Clean Election candidate was outspent. Participating candidates knew they would have a level playing field even if facing well-funded opposition.

Acting in response to a court decision in 2011, the 125th Maine Legislature eliminated the matching funds provision earlier this year. Casting aside several options put forward by the Ethics Commission and others, including MCCE, the legislature failed to enact a replacement to protect participating candidates and maintain participation rates, leaving publicly funded candidates vulnerable to outsized spending by their opposition. As one recent article noted, Clean Election candidates could be “sitting ducks.”

Not only did the legislature eliminate matching funds and not replace them, it also cut the distributions to candidates and gutted funding for future election cycles.

Although there have been changes to the Clean Election system over the years, the revisions made in 2012 are the first to significantly weaken the voter-approved law.

This report is a preliminary examination of the impact of these changes on legislative races and on the public funding system in particular. This report is based on candidate and independent expenditure data filed with the Ethics Commission as of October 22, 2012, so it is not the final word for the 2012 election.

But the trends are already clear.

We see for the first time a significant decline in the rate of participation for publicly funded candidates and consequently a surge of private money into Maine legislative campaigns.
We also see a great increase in independent expenditures in legislative races as of this date in the election cycle.

For those candidates who continue to use the public funding system, this means an increased risk of being outspent by opposing candidates as well as by PACs and party committees making independent expenditures. For the candidates who chose the private funding route, it means escalated pressure to raise significant campaign funds.

And for PACs and independent expenditure groups, it means an unprecedented opportunity to raise and spend unlimited private dollars to attack opponents and support allies. In a handful of targeted races in 2012, advertising from independent groups will dominate the campaigns, threatening to drown out the candidates’ own campaign messages.

The resurgence of private money in Maine’s legislative elections is an unfortunate but reversible trend that demands the attention of all Maine voters.

**Private Money is on the Rise**

The most notable trend in the current legislative election cycle is the rise of private money. The data shows that private money is increasing in at least two ways. First, private contributors are funneling more and larger cash contributions directly into candidate campaigns. Second, the political parties and other organizations are raising and spending more on independent expenditures.

**Direct Contributions**

In the first election cycle since the elimination of matching funds, private money in Maine legislative elections has dramatically increased. The amount of private money raised as of the September 25, 2012 report deadline stands at $785,089—an increase of 300% over the amount of $263,196 raised in the comparable period of the 2010 cycle.
Clean Election Participation is Lowest in Several Years

Most of this increase can be traced to the decline in the number of candidates using the public funding option this year. Previously as many as 80% of candidates participated. This year 237 out of 416 candidates (56.9%) are using the system.

The decline in participation is most notable among Republican candidates for the House of Representatives. House Democratic candidate participation has declined somewhat, as has the participation of Senate Republicans, who previously had the highest participation of any caucus. Senate Democratic candidate participation bucked the trend slightly, increasing modestly in 2012. (Figure 4-3)

The fear of being in a targeted race may have caused some candidates to opt out of the system. Many of those who accepted the risk now find themselves unable to keep pace with the spending of their opponents—seeming to confirm those fears.

From this preliminary data it is clear that many candidates have concluded that they are better off turning to private contributors to raise funds for a competitive race. This is an understandable response to a diminished Clean Election system. Unfortunately, our analysis shows that much of the private money these candidates raise is in amounts that are larger than most members of the public can afford to give. This signals a reversal of Maine’s ten-year emphasis on wide participation by average Mainers.

Increased Role of Large Contributors

Most members of Maine’s middle class are comfortably able to contribute $5, $10 or $15 to a candidate. Many
members of the public—and some candidates—see a large number of small contributors as a desirable and inherently democratic approach to campaign funding. And a candidate’s fundraising style—whether a candidate focuses on obtaining large contributions or small contributions—might say something about that candidate’s accessibility, political philosophy, and approach to governing.

Who is providing the extra funding identified above? Unfortunately, the increase is not spread evenly across all categories of contributors. Instead, individual maxed-out donors (those giving $350) make up a disproportionate share of the increase.

Contributions from maxed-out donors at this point in the cycle increased from $64,050 in 2010 to $293,156 in 2012 (an increase of 460%). These large contributions constitute 37.3% of the amount raised so far in 2012. This compares to 24.3% of the total as of the same date in 2010. This trend favors candidates who have wealthy supporters at the expense of candidates with broad support but few wealthy contributors. (FIGURE 4–4)

Contributors giving $50 or less make up only 5% of the funding received by privately funded candidates. Contributors giving $50 to $100 account for an additional 13.6%.

While Clean Election candidates continue to rely exclusively on five dollar qualifying contributions (along with a modicum of startup money where no contribution exceeds $100), privately funded candidates receive most of their support in larger contributions. More than two thirds of the money raised by privately funded candidates was given in amounts higher than $100. (FIGURE 4–5)

Clearly large contributors, not small contributors, do more to fill the coffers of privately funded candidates.
The Top Tier of Privately Funded Candidates

How does private fundraising in 2012 legislative races compare to the funds now available for Clean Election candidates in similar contests? The data show that many privately funded candidates are in a position to outspend the Clean Election funding levels.

As of the last reporting deadline (six weeks before the election), five Senate candidates and 35 House candidates had already raised more than the spending cap applicable to Clean Election candidates. For House candidates that amount is $4,923 and for Senate candidates it is $21,455.¹

The number of privately funded candidates exceeding the Clean Election allocation will certainly increase by Election Day. Those privately funded candidates who had raised more than the public funding cap as of September 25, 2012 are listed in [FIGURE 4–6]. (Note that these candidates are not necessarily running against publicly funded opponents.)

In prior election cycles, matching funds would have brought Clean Election candidate funds up to the level of their privately funded opponent, but today it is possible for Clean Election candidates to be dramatically outspent. When the final numbers are tallied, it will be clear that the relative parity in spending that resulted from our robust Clean Election system is one casualty of the recent changes to the law. Only time will tell whether this snapshot of the current election cycle portends a new “arms race” in private campaign fundraising in Maine.

Almost Four Times as Many People Commit Financial Support to Publicly Funded Candidates as to Privately Funded Candidates

Despite the trends identified above, some very positive aspects of the Maine Clean Election system endure, demonstrating its value as the most democratic approach to campaign funding. Data on the number of people making Clean Election qualifying contributions is a case in point.

The qualifying contribution mechanism was a landmark innovation in campaign finance. The requirement of a financial commitment from voters tests the strength of a potential candidate’s support in his or her community and encourages a wide range of Mainers to participate. The low dollar amount—$5—ensures that no financial barrier will prevent local voters from providing meaningful support to the candidates they favor.

Privately funded candidates must “go where the money is,” and thus spend a disproportional amount of time and energy cultivating a smaller and more exclusive group of donors who can make larger contributions.

¹ Publicly funded House candidates may raise $500 in seed money and also receive $486 for an uncontested primary plus $3,937 for a contested general election, for an election cycle total of $4,923. Publicly funded Senate candidates may raise $1,500 in seed money and also receive $1,831 for an uncontested primary plus $18,124 for a contested general election, for an election cycle total of $21,455.
Almost four times as many people contribute to Clean Election candidates as to privately funded candidates. In 2012 approximately 20,545 individuals have given qualifying contributions to Clean Election candidates. In contrast, only 5,158 contributors have given to all privately funded candidates.

The relatively large number of people giving qualifying contributions demonstrates that the Maine public appreciates the opportunity to express their support in this highly democratic way.

How the Removal of Matching Funds Affects Clean Election Candidates

Now that matching funds are no longer part of the Clean Election system, some publicly funded candidates will be outspent as never before.

How large is this problem? In recent years matching funds constituted a sizable portion of the campaign money available to publicly funded candidates. On average, over the last three election cycles, Clean Election candidates received a total of over $600,000 in matching funds—20.4% of all the public funding allocated to these candidates. (FIGURE 4–8)

The importance of matching funds to candidates, however, cannot be measured by the amount of money alone. These funds were especially crucial because they were allocated precisely where they were most needed—in the most highly contested campaigns across the state. Only time will tell whether publicly

2 Assumes unitemized contributions to privately funded candidates are $20 on average.
funded candidates will pay a price at the polls for their commitment to democratically funded elections.

2012 Independent Expenditures

The increase in private money going to candidate campaigns is not the end of the story. Independent spending, fueled by all manner of private money, is also rising rapidly. The amount of independent expenditures in 2012 is likely to dramatically exceed record levels, and will undoubtedly affect targeted races in significant ways. It is also important to note that the PACs and party committees making independent expenditures are not subject to regulations comparable to those applied to candidates. These entities may accept very large contributions from any source—and often do.

The chart “Independent Expenditures in Maine Legislative Elections” (FIGURE 4–9) shows how independent expenditures reported to the Ethics Commission have trended upward in recent election cycles. Each column represents the total dollar amount of independent expenditures for each election cycle. The lower portion of the column represents the independent expenditures as of fifteen days prior to the Election Day in that cycle.

While there has has been an upward trend in recent years, preliminary data for 2012 indicates an explosion of spending on legislative races like nothing Maine has seen before.

With the most intensive phase of the election cycle yet to come, independent expenditures to date are already $1,895,838. That's a five-fold increase over what was spent at this point in 2010, and it's over $400,000 more than was spent in the entire 2010 cycle. In previous cycles, over 86% of the independent expenditures occurred in the last fifteen days before Election Day. If that trend continues, the 2012 legislative campaigns will be dominated by an unprecedented amount of money spent by organizations that are far less accountable than candidate campaigns. (FIGURE 4–9)

The impact of this trend in specially targeted races is telling. For example, Senate District 32 has already seen $309,185 in independent expenditures for or against the two candidates. This is the largest amount of independent spending reported in the history of Maine legislative races. In comparison, the total funds available to be spent by the two publicly funded candidates in this race is only $42,910 for the entire election cycle. Clean Election candidates are not the only targets of independent expenditures, but since they have committed not to raise or spend any additional money (including their own funds), they are not able to elevate their own spending to keep pace. Privately funded

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<th>OFFICE DISTRICT</th>
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candidates may raise unlimited funds, but to do so requires a willingness to dial for dollars at the expense of maximizing contact with voters. In both cases, the role of private special interest money increases, the importance of individual Maine voters declines, and the voice of Maine people wanes. Figure 4-10 shows the 25 races with the highest independent expenditures reported as of October 22, 2012.

It is not possible to attribute the explosion in independent expenditures exclusively to the loss of matching funds or any other single cause, but the consequences are clear: many candidates who have committed to the public funding system are now easy targets for big money spending from within Maine and beyond, and the overall importance of large private contributions in Maine elections is greatly increased.

If history is any guide, these totals are certain to skyrocket by Election Day.

With independent expenditures, we seem to get quantity over quality. While friendly PACs may run positive ads that reinforce a candidate’s own campaign themes, many messages contained in independent expenditures are more negative and often less credible than the candidates’ own communications. The most offensive attack ads are inevitably paid for by independent groups. The public, meanwhile, is often unaware that candidates had no role in producing independent expenditure materials.

There is little that can be done to curtail independent expenditures under current law. In most cases voters can make use of Maine’s transparency laws and read the fine print to see whether or not a candidate is responsible for a particular ad or mailer. The media can shed light on the sources of the ads and their possible motivations, and alert voters can sort the fact from the fiction as they get to know their candidates. But independent expenditures will remain part of the landscape for the foreseeable future.

Conclusion

It is clear that big money is playing a larger role in Maine elections—an unfortunate trend that is contrary to the wishes of most of the people of this state. Big money has also hampered the ability of Clean Election candidates to be heard. These worrisome changes are borne out in publicly available data. Preliminary reports show that:

• Fewer candidates have found the Clean Election public funding option attractive, resulting in significant decline from the previous participation rates which reached 80 percent.

• After years of decline, the total amount of private money in legislative races is increasing.

• Large contributors are increasingly prevalent in the private funding system.

• Independent expenditures beyond the control of candidates are dominating legislative campaigns as never before.

If these trends continue, will the success of the Maine Clean Election Act public funding program—the first in the nation—be jeopardized? Will targeted Clean Election candidates find ways to overcome their financial disadvantage? Will privately funded candidates be able to match the independent spending in their races? Will the political parties and special interest groups gain even more influence in Augusta, thanks to their elevated role in funding legislative elections?

Or will the public reassert control and demand repairs to the system in order to reduce special interest influence and keep voters in the driver’s seat of our elections?

MCCE will address those questions more fully once the 2012 election cycle is complete and all reports are filed.

But even this preliminary analysis reveals that preserving the benefits of the Maine Clean Election Act will require a public response that measures up to the scope of this growing challenge.