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Office of Campaign & Political Finance

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To: The Clerk of the Massachusetts Senate, Members of the Commission established by Section Three of Chapter 55 of the Massachusetts General Laws.

In accordance with Section Three of Chapter 55A, I am pleased to submit the following report concerning limited public financing of campaigns for statewide elective office for the 1986 election.

The first application of limited public financing of campaigns for statewide office occurred in Massachusetts in the state election of 1978. Funds provided for this purpose were developed through the creation of the State Election Campaign Fund established by Section 42 of Chapter 10 and placed under the custody of the State Treasurer. Into this fund was entered sums accumulated by a mechanism whereby an individual may voluntarily add one dollar to his/her state income tax to be paid over to the fund. The Comptroller determines the balance of the State Election Campaign Fund as of June 30 of each year that elections are held for statewide elective office and this determination becomes the basis of available funds for limited public financing.

The total sum of \$175,161 was available for the 1978 election. The total sum available for those candidates for statewide office in 1982 that were eligible for limited public financing was \$ 679,930.19. For the 1986 statewide election, the Comptroller determined that the balance of the Massachusetts Election Campaign Fund as of June 30, 1986 was \$888,498.25.

Chapter 10 requires that the Comptroller divide the fund with sixty percent of the fund allocated to the primary election account and forty percent of the fund allocated to the state election account. The division of the 1986 fund and a comparison with previous funding was as follows;

| | 1978 | 1982 | 1986 |
|----------------------------------|--------------------|---------------------|---------------------|
| 60% to Primary Election Account* | \$105,094.00 | \$407,958.11 | \$533,098.95 |
| 40% to State Election Account* | <u>\$70,067.00</u> | <u>\$271,972.08</u> | <u>\$355,399.30</u> |
| | \$175,161.00 | \$679,930.19 | \$888,498.25 |

*Amounts Certified by Comptroller

In my reports concerning the limited public financing of the 1982 election, I noted: "information received from the Department of Revenue would suggest that only a consistently small percentage of individual taxpayers exercise the option to add \$1.00 to their tax liability for the benefit of public financing of statewide campaigns." As explained in the 1982 report, a large portion of the gross dollar growth in the 1982 fund versus the 1978 fund was by virtue of the fact that the 1982 fund was the beneficiary of a full four year accumulation period while contributions by taxpayers to the 1978 fund were based upon \$1.00 "add-ons" on state tax returns due April 1977 and a portion of the returns due to be filed April 1978.

While the 1986 fund contains a larger sum available for public financing than the 1982 amount, the difference is at least partially due to the fact that an unused balance of \$190,017.87 remaining in the certified amount for the 1982 election was retained in the State Election Fund for use in the 1986 election. Taxpayer participation as contributors to the fund continues to remain at a small percentage

of the number of eligible contributors.

The following table, based upon information received from the Department of Revenue, indicates the activity of taxpayer contributions to the State Election Campaign Fund since its inception.

TAXPAYERS CONTRIBUTIONS TO THE STATE ELECTION FUND

| <u>Calendar Income Year</u> | <u>Tax Returns Due</u> | <u>Number of Eligible Contributors*</u> | <u>Amount Contributed**</u> | <u>Contributors as Percent of those Eligible</u> |
|-------------------------------------|----------------------------|---|---------------------------------|--|
| 76 | April 1977 | 3,344,198 | \$108,669 | 3.25% |
| 77 | April 1978 | 3,369,168 | 166,811 | 4.91% |
| 78 | April 1979 | 3,470,956 | 103,367 | 2.98% |
| 79 | April 1980 | 3,465,127 | 98,330 | 2.84% |
| 80 | April 1981 | 3,512,422 | 99,593 | 2.84% |
| 81 | April 1982 | 3,724,364 | 133,020 | 3.57% |
| 82 | April 1983 | 3,728,245 | 142,070 | 3.81% |
| 83 | April 1984 | N/A | 110,817 | N/A |
| 84 | April 1985 | 3,939,575 | 105,938 | 2.69% |
| 85 | April 1986 | N/A | 98,429*** | N/A |

N/A not available at this date.

* The number of eligible contributors is the total resident returns filed plus the number of jointly filed resident returns.

** The amount contributed is the same as the total number of individuals contributing \$1.00.

*** Partial figure based on returns processed through September 30, 1986.

In addition to these sums, the fund earns investment income as the result of its investment by the State Treasurer in accordance with the provisions of Section 42 of Chapter 10 and receives any refunds due from candidates as a result of the application of the formula contained in Section 9 of Chapter 55A.

It is interesting to compare Massachusetts Taxpayer participation in financing elections for statewide offices in Massachusetts using a \$1.00 state tax "add-on" as a basis for financing with the federal

taxpayer participation in financing the public funding of presidential elections using a \$1.00 "check-off" method which does not increase the tax liability.

The Federal Election Commission provided us with statistics they received from the I.R.S. concerning federal taxpayer "check-off" activity. The following table compares this information with state funding activity of Massachusetts taxpayers using the state income tax \$1.00 "add-on" method.

| Calendar Income Year | Presidential Public Finance Funding-Federal Income Tax "Check-off" Method-Contributions as Percent of those eligible | Massachusetts State Election Fund Financing- State Income Tax "add-on" Method-Contributions as Percent of those eligible |
|----------------------------|---|--|
| 1976 | 27.5% | 3.25% |
| 1977 | 28.6% | 4.91% |
| 1978 | 25.4% | 2.98% |
| 1979 | 27.4% | 2.84% |
| 1980 | 28.7% | 2.84% |
| 1981 | 27.0% | 3.57% |
| 1982 | 24.2% | 3.81% |
| 1983 | 23.7% | N/A |
| 1984 | 23.0% | 2.69% |

It would be highly speculative to assume that the use of a "check-off" rather than an "add-on" system would raise Massachusetts participation to the level experienced by the Federal system. It would clearly seem, however, based upon the Federal experience, that a change to the "check-off" method by which the state income taxpayer can direct that \$1.00 of existing tax liability be placed in the election fund (rather than adding a \$1.00 liability) would substantially increase funds available for public financing of statewide campaigns while preserving for the individual taxpayer the decision whether to participate.

LIMITED PUBLIC FINANCING OF THE 1986 PRIMARY ELECTION CAMPAIGN

To be eligible to apply for public financing in the primary campaign, a candidate must be certified by the Secretary of the Commonwealth as a candidate who qualifies for the ballot and who has opposition. The candidate must also receive certain minimum amounts in "qualifying contributions" in order for the Director to make a certification for Public Financing.

For the Primary Election, the Secretary of State certified the names of two candidates for Governor and two candidates for Auditor on the Republican ballot; and two candidates for Lieutenant Governor, two candidates for Attorney General and three candidates for Auditor on the Democratic ballot. In accordance with Section 43 of Chapter 10, the Comptroller subdivided the Primary Election account into primary candidate accounts for each candidate. Of the eleven candidates certified by the Secretary of State for limited public financing of their primary campaigns, nine candidates requested public financing and filed the necessary applications, forms, bonds, and lists of qualifying contributions to be certified by the Director to the State Treasurer for various amounts of Public Financing. In the following table, the amounts available to the primary candidates and the amounts certified by the Director to the State Treasurer are set forth.

1986

PRIMARY ELECTION

| I Candidate | | II Office Sought | III Minimum amounts of qualifying contributions required | IV 1986 Actual Amounts Available | V 1986 Actual Amounts Certified by Director |
|-----------------------|---|------------------------|---|--|--|
| Gregory Hyatt | R | Governor | \$75,000 | \$121,158.85 | 0 |
| Royall Switzler | R | Governor | 75,000 | 121,158.85 | 0 |
| Gerard D'Amico | D | Lt. Governor | 15,000 | 24,231.77 | \$24,231.77 |
| Evelyn F. Murphy | D | Lt. Governor | 15,000 | 24,231.77 | 24,231.77 |
| James M. Shannon | D | Attorney General | 37,500 | 60,579.43 | 60,579.43 |
| JoAnn Shotwell | D | Attorney General | 37,500 | 60,579.43 | 55,681.53 |
| Andrew S. Natsios | R | Auditor | 15,000 | 24,231.77 | 24,231.77 |
| William G. Robinson | R | Auditor | 15,000 | 24,231.77 | 24,231.77 |
| A. Joseph DeNucci | D | Auditor | 15,000 | 24,231.77 | 24,231.77 |
| Maura A. Hennigan | D | Auditor | 15,000 | 24,231.77 | 24,231.77 |
| Charles Calvin Yancey | D | Auditor | 15,000 | <u>24,231.77</u> | <u>18,060.00</u> |
| | | | | \$533,098.95 | \$279,711.51 |

Of the total \$533,098.95 in the primary election account, \$279,711.58 was certified and received by the eligible candidates leaving a balance of \$253,387.37 which was carried over to the state election account in accordance with Section 44 of Chapter 10 of the General Laws.

LIMITED PUBLIC FINANCING OF THE 1986 STATE ELECTION CAMPAIGN

For the State Election Campaign, the Secretary of the Commonwealth certified the names of two "teams" and eight individual candidates who qualified for the election ballot and who had opposition. In the State Election, the candidates for Governor and Lieutenant Governor appear on the ballot as a team and Chapter 55A provides for funding of their State Election campaign on that basis. The Secretary of State certified two "teams" of Governor and Lieutenant Governor candidates as qualified for the election ballot and who had opposition. In addition, the list included the names of two candidates for Attorney General, two candidates for Secretary of State, two candidates for Treasurer and two candidates for Auditor. For campaigns for the state election, the Comptroller determined that a total of \$608,786.66 was available based upon the determination of the State Election Account as of June 30, 1986 plus sums carried over from the primary election. All of the candidates and candidate "teams" certified by the Secretary of State for limited public financing of their State election campaigns requested public financing and filed the necessary application, forms, bonds, and lists of qualifying contributions to be certified by the Director to the State Treasurer for various amounts of Public Financing. In the following table, the amount available to the state election candidates and the amount certified by the Director to the State Treasurer are set forth.

1986

STATE ELECTION

| I | II | III | IV | V |
|---|--------------------------|--|-------------------------------|---|
| Candidate | Office Sought | Minimum Amounts of Qualifying Contributions Required | 1986 Actual Amounts Available | 1986 Actual Amounts Certified by Director |
| Michael S. Dukakis D and Evelyn F. Murphy | Governor Lt. Governor | \$125,000 | \$144,949.21 | \$144,949.21 |
| George S. Kariotis R and Nicholas M. Nikitas | Governor Lt. Governor | \$125,000 | \$144,949.21 | \$128,397.72 |
| Edward F. Harrington R | Attorney General | \$62,500 | \$72,474.60 | \$72,474.60 |
| James M. Shannon D | Attorney General | \$62,500 | \$72,474.60 | \$65,940.73* |
| Michael J. Connolly D | Secretary of State | \$25,000 | \$28,989.84 | \$28,989.84 |
| Deborah M. Cochran R | Secretary of State | \$25,000 | \$28,989.84 | \$28,989.84 |
| Robert Q. Crane D | Treasurer | \$25,000 | \$28,989.84 | \$28,989.84 |
| L. Joyce Hampers R | Treasurer | \$25,000 | \$28,989.84 | \$28,989.84 |
| A. Joseph DeNucci D | Auditor | \$25,000 | \$28,989.84 | \$28,989.84 |
| William G. Robinson R | Auditor | \$25,000 | <u>\$28,989.84</u> | <u>\$28,989.84</u> |
| | | | \$608,786.66 | \$585,701.30 |

* James M. Shannon was certified for \$72,474.60 but received \$65,940.73 because the total was reduced by \$6,533.87 determined to be owed on his primary account resulting from payback provision contained in Section 9 of Chapter 55A of the General Laws.

Since all of the eligible candidates filed for public financing in the general election, \$585,701.30 was paid out from a total available of \$608,786.66. The balance remaining of \$23,085.36 will be retained in the State Election Fund for use in the 1990 statewide elections.

Section 43 of Chapter 10 provides a formula to be used by the Comptroller in establishing candidate accounts. Accounts established for candidates for Governor are credited with five times the base amount. Accounts for Attorney General candidates are 2 1/2 times the base amounts. Accounts established for all other statewide candidates are equivalent to the base amount. In the 1978 and 1982 elections, because of the small size of the fund, the amount that was available for each eligible candidate was less than the "Threshold" minimum sum of qualifying contributions required to be filed for public financing. In those earlier elections, if an eligible candidate filed the minimum amount of qualifying contributions and the candidate fulfilled all other obligations, the threshold amount of qualifying contributions was sufficient to immediately cover the total sum available to the candidate in the candidate's account.

In the 1986 primary and state elections for the first time, the available funds established in each candidates account were greater than the minimum amount of qualifying contributions required for public financing. As the preceding financial tables showing financing activity in the primary and state elections have indicated, 1986 statewide candidates received varying amounts of public financing depending somewhat upon their ability to raise qualifying contributions in excess of the threshold amount.

The availability of public financing appears to have had differing impacts upon the various campaigns on the basis of a percentage of public money to the total sums raised by the candidates during the campaign period as the following table indicates:

PUBLIC MONEY AS A PERCENTAGE OF FUNDS RAISED DURING THE CAMPAIGN

| <u>CANDIDATE</u> | <u>PUBLIC MONEY RECEIVED</u> | <u>TOTAL PRIVATE * CONTRIBUTIONS RAISED</u> | <u>TOTAL PUBLIC AND PRIVATE FUNDS</u> | <u>PERCENT PUBLIC MONEY TO TOTAL RECEIVED</u> |
|------------------|------------------------------|---|---------------------------------------|---|
| Cochran | \$ 28,989.84 | \$ 104,526.78 | \$ 133,516.62 | 21.7 % |
| Connolly | 28,989.84 | 222,308.42 | 251,298.26 | 11.5 |
| Crane | 28,989.84 | 675,825.37 | 704,815.21 | 4.1 |
| Dukakis | 144,949.21 | 3,700,559.29 | 3,845,508.50 | 3.8 |
| Hampers | 28,989.84 | 1,621,835.07 | 1,650,825.91 | 1.8 |
| Harrington | 72,474.60 | 237,802.82 | 310,277.42 | 23.4 |
| D'Amico | 24,231.77 | 793,998.14 | 818,229.91 | 3.0 |
| DeNucci | 53,221.61(N) | 461,179.34 | 514,400.95 | 10.3 |
| Henningan | 24,231.77 | 97,690.24 | 121,922.01 | 19.9 |
| Kariotis | 128,397.72 | 288,394.00 | 416,791.72 | 30.8 |
| Murphy | 24,231.77 | 1,079,721.77 | 1,103,953.54 | 2.2 |
| Natsios | 24,231.77 | 229,805.00 | 254,036.77 | 9.5 |
| Robinson | 53,221.61(N) | 101,680.64 | 154,902.25 | 34.4 |
| Shannon | 126,520.16(N) | 828,643.39 | 955,163.55 | 13.2 |
| Yancey | 18,060.00 | 28,520.00 | 46,580.00 | 38.8 |

* Total cash receipts raised by candidates committee from day Committee declared with this office with the intention to seek statewide office (by filing under provisions of Section 19 Chapter 55) based upon receipts filed on Depository reports through reporting periods closest to appropriate election (primary or general election).

(N) Received public funds for both primary and state election campaigns.

I have filed recommendations for legislative change for consideration by the General Court this session which I believe would favorably assist the administration of Limited Public Financing in Massachusetts. This proposal is similar to others I have filed in the past.

The proposal would clarify that a loan not be considered a qualifying contribution for the purpose of receiving public financing. It would require that the State Secretary notify the Comptroller, in addition to his current notification of the Director and State Treasurer, of his determinations and certifications of candidates qualifying for the ballot, since the Comptroller also has responsibilities under the public financing process. It also further clarifies language that only those candidates who are actually on the ballot and eligible for office may qualify for public financing. The bill would provide for an appropriate time period for the certification of qualifying contributions by the Director by requiring candidates who are seeking eligibility for public financing to file statements of qualifying contributions no later than the last Friday prior to determination dates.

The proposal would remove, for the purposes of the final election only, when the Governor and Lieutenant Governor run as a team, the need for a separate application of the Lieutenant Governor candidate for public financing. The team candidate for Governor may qualify for and receive public financing on behalf of the team. Another section of the proposal would change the procedure for posting of bonds by those receiving public financing. It would require that bonds be posted for the amount which the Comptroller has credited to the account established on behalf of that candidate, or for the candidate for Governor in the final election, the amount credited to the account of that team. The current bond limits appear to have been statutorily established to

provide for protection to the maximum amount of entitlement for both the primary and general election if full funding occurred. Experience to date has shown that the current method of accumulation of sums for the state election fund has provided substantially smaller amounts. It would seem constructive to consider a statutory change to provide for bonding for an amount equal to 100 percent of the sum a candidate would actually be entitled to receive in a particular election campaign.

The bill would give the Director the overall authority and responsibility for monitoring the activities of the State Election Campaign Fund. Currently, Chapters 10 and 55A of the General Laws assign certain specific activities to several individuals and agencies in the public financing process. At present, the State Election Campaign Funds Records are reconciled only as part of the State Auditors periodic review of the funds activity. This section of the bill would provide for a constant and routine process of monitoring the funds financial and program operations.

Finally, other proposals in the bill would clarify the payback formula and deadlines for candidates receiving public financing. During 1987, we plan to work with the Committee on Election Laws to review and move forward with these recommendations and any others which would favorably assist the most effective implementation of Limited Public Campaign Financing in Massachusetts.

Chapter 55A provides a method whereby candidates who have received public financing and who retain surplus balances of campaign funds at the time of the election shall make a refund to the State Election Campaign Fund in accordance with a formula contained in that law. Within two weeks following the election for which public funds were

received, candidates must file statements with the Director showing the status of their campaign financing activities based upon their financial records of the primary or state election.

Under the law, if the Director determines that any portion of the payments made to an eligible candidate for public financing was in excess of the aggregate amount to which the candidate was entitled, such candidate shall return to the State Treasurer the excess amount.

All the candidates who received public financing filed the required statements with this office. My staff auditors are thoroughly reviewing and auditing all campaign finance reports, statements, and other information received from the publicly financed candidates and/or their committees during their campaigns in order to satisfactorily establish the amount of refunds due the State Election Campaign Fund. Included in this review is information contained in the candidates/committees year end report for 1986 which was not due to be filed until January 12, 1987.

Based upon statements filed by the candidates, and our review to date of campaign finance information, the following refunds have been made to the State Election Campaign Fund:

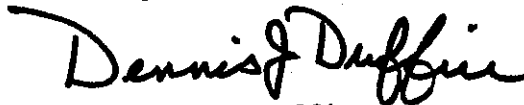
1. Michael J. Connolly
Committee to Elect Mike Connolly \$3,815.05 (state election campaign)
2. Michael S. Dukakis/Evelyn F. Murphy
The Dukakis Committee \$20,191.40 (state election campaign)
3. James M. Shannon *
Jim Shannon State Committee \$2,037.00 (state election campaign)
4. Charles C. Yancey
Yancey Committee \$550.00 (state election campaign)

*In addition, the amount certified for the state election campaign of James M. Shannon was reduced by \$6,533.87 determined to be owed on his state primary campaign account resulting from the payback provision contained in Section 9 of Chapter 55A.

Our evaluation of the campaign finance activities of publicly financed candidates is continuing and may result in the refund of additional sums to the State Treasurer.

The entire process of certifying candidate submissions for public financing was accomplished thru the efforts of the staff of this office. I am indebted to them for the competent, thorough and dedicated effort with which they reviewed literally thousands of individual entries submitted by the candidates for certification as "qualifying contributions". They responded to requests for information by the candidates and reviewed the filings of applications, forms and bonds. In addition, the candidates and their staffs were helpful and cooperative in their response to questions from this office and our requests for additional information.

Respectfully submitted,



Dennis J. Duffin
Director

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