Public Financing of Elections after
Citizens United and Arizona Free Enterprise

Study shows small-donor public matching fund programs would dilute the power of big donors and increase participation by small donors in a manner that would pass constitutional muster

The Campaign Finance Institute (CFI) released a new report today on public campaign financing in the wake of two important Supreme Court decisions. The form of public financing at the heart of this report involves low-donor matching funds without a spending limit. The research was based on an analysis of data from recent elections in six Midwestern states. (Read full report is here.)

For some time, CFI has been arguing the need for a new path in campaign finance policy – one that responds effectively to the some of the key challenges of recent court decisions within a framework that can withstand constitutional challenge.

It is both constitutional and perfectly appropriate to promote participation by building up instead of squeezing down – to dilute the power of the few by increasing the number and importance of low-dollar donors and volunteers.

The constitutional theory is straightforward. The question is whether an approach like this would actually work. The answer is yes. This new analysis of contribution records from six Midwestern Great Lakes states shows that a participation-centered policy could make a dramatic difference.

The Midwestern information in this report is new. The findings confirm the path taken in Reform in an Age of Networked Campaigns: How to Foster Citizen Participation through Small Donors and Volunteers – a report published jointly in 2010 by The Campaign Finance Institute, Brookings Institution and American Enterprise Institute.

Summary of Findings

Here are the key results from CFI’s new analysis, which is based on CFI’s methodology for finding the sum total of each donor’s contributions to each candidate:

FACT: Big money dominated and small donors were small factors in most of the states in 2010. Minnesota is the only state in the country in which a majority of the money (57% in 2010) comes from small donors ($250 or less). Minnesota has below-average contribution limits and partial public financing used by most legislative candidates in both parties. In Wisconsin (with below-average contribution limits) it was 34%. In the other states, large contributions dominated and small donors accounted for only 3% to 12% of the total.
ANALYSIS: Public matching funds for small donors would radically change the sources of campaign funds.

- The report tests a variety of policy proposals in each of these states. One was a low-donor matching fund system in which public funds matched the first $50 from every individual donor on a five-for-one basis. The results would bring each of the other five state’s small-donor percentages up to the level of Minnesota’s.
- This scenario was patterned after New York City’s law, which offers a six-for-one match for the first $175. CFI has presented the New York City data elsewhere, arguing that the city’s program (with modifications) has much to offer as a model for the nation.
- For Minnesota, CFI tested the current partial grant system against low-donor matching funds. We did so because increased independent spending, combined with the Supreme Court’s recent Arizona decision prohibiting “trigger funds”, may make traditional public financing with spending ceilings unappealing to candidates. Under this scenario, candidates could raise more money to respond to self-financed opponents and independent spending, and small donors would continue to dominate the campaign finance picture.
- The hypothetical approach used for the six states in this analysis (combining low-donor matching funds without a spending limit) is similar to a mechanism in federal legislation proposed in 2011 for congressional and presidential elections.

A few words of caution about what the report does and does not claim. The report is not a stand-alone argument in favor of partial public financing of elections, nor does it see small-donor matching funds as the magic wand for all governmental problems. It claims that one constitutionally permissible form of public financing, small-donor matching funds, will improve participation – changing the sources of candidate funding by altering the incentives for both candidates and donors. Improving participation in turn will be good for representative government. This argument is developed more fully in the multi-year CFI project of which this report is a part.

CFI’s new report was co-authored by:

- Michael J. Malbin, Executive Director of CFI and a professor of political science at the University at Albany, SUNY.
- Peter W. Brusoe, Ph.D. candidate in political science at the American University. At the time of the research for this report, he was a Research Analyst at CFI.
- Brendan Glavin, CFI’s data and systems manager.

The Campaign Finance Institute is grateful to the Joyce Foundation of Chicago, Illinois for support of its Midwest research. It is also grateful to the Smith Richardson Foundation and Rockefeller Brothers Fund for their ongoing support of its work on small donors.