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The Commonwealth of Massachusetts

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 1982 election.

The first application of 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 income tax to be paid over to the fund. The total sum of \$175,161 available for the 1978 election came from the accumulation of the \$1.00 "add-ons" by individual tax payers on returns due to be filed in April 1977 and 1978 plus accumulated interest and was determined by the Comptroller to be the balance of the State Election Campaign Fund as of June 30, 1978.

The 1982 election provided the first opportunity for the development of the State Election Campaign Fund thru the accumulation of sums by the \$1.00 "add-on" method for the full four year period existing between elections for state-wide office. The Comptroller determined that the balance of the Massachusetts Election Campaign Fund as of June 30, 1982 was \$679,930.19. This was the total sum available for those candidates for state-wide office in 1982 that were eligible for

limited public financing.

Chapter 10 requires that the Comptroller divide the fund with sixty per cent of the fund allocated to the primary election account and forty per cent of the fund allocated to the state election account. The division of the 1982 fund and a comparison with the 1978 fund was as follows:

	<u>1978</u>	<u>1982</u>
60% to Primary Election Account*	\$105,094	407,958.11
40% to State Election Account*	<u>\$ 70,067</u>	<u>271,972.08</u>
	\$175,161	679,930.19

*Amounts certified by the Comptroller

While it appears that substantial growth was experienced in \$1.00 "add-on" contributions to the fund during the period from the 1978 election to June 30, 1982, 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. A large portion of the gross dollar growth in the 1982 fund versus the 1978 fund can be explained by the fact that the 1982 fund was the beneficiary of a full four year accumulation period while in 1978 the fund was determined as of June 30, 1978 based upon actions taken by taxpayers on their returns due to be filed in April 1977 and a portion of the returns due to be filed April 1978. It appears that a substantial portion of the sums realized from tax returns due April 1978 were not credited to the election fund until after the June 30, 1978 certification date for the 1978 election and were therefore carried over for the use in the 1982 statewide election.

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 the inception of the fund.

YEARLY REVENUE FOR 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	N/A	122,448	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.

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.

It is interesting to compare Massachusetts Taxpayer participation in the state public finance fund using a voluntary \$1.00 tax "add-on" as the basis for financing with the Federal taxpayer participation in the Federal public finance fund using a \$1.00 check-off process which does not increase the tax. Most recent information received from the Federal Election Commission indicates that 28.9% of Federal Taxpayers check off \$1.00 on their Federal Returns for Public Financing. In Massachusetts for each of the last three years for which information is available from the Department of Revenue, less than 3% of state taxpayers made the additional \$1.00 contribution. In the calendar income year 1980 for which tax returns were due in April of 1981, 2.84% of state taxpayers contributed for a total amount of \$99,593. While it is 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 (i.e. 28.9%), such a level of par-

participation would have resulted in the accumulation of \$1,015,089.90 for the state election campaign fund that year--rather than the \$99,593 actually received.

Six years of experience with the "add-on" system for taxpayer participation in the public financing of state elections in Massachusetts has developed a picture of low levels of participation, the absence of any growth trend in individual contributions, (although statistics suggest greater participation on tax returns due to be filed in years during which statewide elections are held) and the yearly accumulation of relatively stable and modest sums in the fund.

It would clearly seem, based upon the Federal experience, that a change to the "check-off" method by which the taxpayer can direct that \$1.00 of his or her existing tax liability be placed in the election fund (rather than adding a \$1.00 liability) would substantially increase funds available for Public Financing while preserving for the individual taxpayer the decision whether to participate.

LIMITED PUBLIC FINANCING OF THE 1982 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 five candidates for Governor and seven candidates for Lieutenant Governor. In accordance with Section 43 of Chapter 10 the Comptroller subdivided the Primary Election account into primary candidate accounts for each candidate. In the following table, the minimum amounts of qualifying contributions that must be obtained is shown in Column I. Column II denotes the maximum entitlement that would have been

available had full funding occurred for the 1982 election. Column III shows the actual amounts available for each eligible candidate based upon the Comptrollers subdivision of the primary account of \$407,958.11 and Column IV indicates the number of candidates certified by the Secretary of State for each office.

<u>I</u> Minimum Amounts of Qualifying Contributions	<u>II</u> Maximum Entitlement	<u>III</u> 1982 Actual Amounts Available	<u>IV</u> Number of Candidates Certified
Governor \$75,000	\$250,000	\$63,743.40	5
Lt. Governor \$15,000	\$ 50,000	\$12,748.72	7

All twelve candidates certified by the Secretary of State requested public financing and filed the necessary applications, forms, bond, and lists of qualifying contributions. I therefore certified the following twelve names and amounts to the State Treasurer.

Candidates - Governor

Edward J. King	\$63,743.40
Michael S. Dukakis	63,743.40
Andrew H. Card, Jr.	63,743.40
John R. Laktion	63,743.40
John W. Sears	63,743.40

Candidates - Lt. Governor

John F. Kerry	\$12,748.72
Evelyn Murphy	12,748.72
Lou Nickinello	12,748.72
Lois G. Pines	12,748.72
Samuel Rotondi	12,748.72
Frederick C. Langone	12,748.72
Joel M. Pressman	12,748.72

LIMITED PUBLIC FINANCING OF THE STATE ELECTION CAMPAIGN

For the State Election Campaign, the Secretary of the Commonwealth certified the names of sixteen candidates who qualified for the election ballot and who had opposition. The list included the names of twelve individual candidates seeking one of the four following offices - Attorney General, Secretary of State, Treasurer, or Auditor. 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 four "teams" of Governor and Lieutenant Governor candidates as qualified for the election ballot and who had opposition.

In the table below, Column I indicates the amount of minimum qualifying contributions that must be received by the candidates to qualify for public financing. Column II shows the maximum entitlement under the law if full funding had been achieved. In Column III are the 1982 amounts actually available as the result of the subdivision by the Comptroller of the \$271,972.08 which he certified as of June 30, 1982 as available for the State Election Campaign plus a remnant of seven cents from the primary fund arising as a result of the calculations used by the Comptroller to subdivide the primary fund for a total of \$271,972.15. Column IV shows the number of candidates certified by the Secretary of State:

	I	II	III	IV
	<u>Minimum Amounts to Qualify</u>	<u>Maximum Entitlement</u>	<u>1982 Actual Amounts Available</u>	<u>Number of Candidates Certifie</u>
Gov. - Lt. Governor	\$125,000	\$250,000	\$37,260.19	4
Attorney General	62,500	125,000	18,675.43	3
Secretary of State	25,000	50,000	7,433.90	3
State Treasurer	25,000	50,000	7,433.90	3
State Auditor	25,000	50,000	7,433.90	3

Of the sixteen candidates eligible to apply for limited public financing, only three made applications for funds. These three submitted the necessary applications, forms, bond, and list of qualifying contributions, and I certified the names and amounts to the State Treasurer as follows:

Candidates - Governor and Lt. Governor

Michael S. Dukakis and John F. Kerry	\$37,260.19
John W. Sears and Leon J. Lombardi	37,260.19

Candidate - Secretary of State

Michael J. Connolly	\$ 7,433.90
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Since a large number of eligible candidates did not file for public financing in the general election, \$81,954.28 was paid out from a total available of \$271,972.15. The substantial balance remaining of \$190,017.87 will be retained in the State Election Fund for use in the 1986 statewide elections.

No candidate shall be eligible to receive public financing unless, in addition to fulfilling the other requirements of Chapter 55A, he or she deposits with the director a bond assuring faithful compliance by the candidate and the candidate's committee with the provisions of Chapter 55A. Such bonds must accompany applications for primary elections funding, state general election funding, or both. The bonds shall be in the following sums for the following statewide offices:

Governor	\$250,000
Lieutenant Governor	50,000
Attorney General	125,000
Secretary	50,000
Treasurer	50,000
Auditor	50,000

Each of the candidates who received public financing in 1982 complied with

the bonding requirements of the Chapter. In reviewing these requirements in the light of sums actually available for the 1982 election, it is clear that the bonded amounts as required by Chapter 55A greatly exceed the amounts available to the candidates. For example, the amount actually available to a candidate for Lieutenant Governor in the primary election was \$12,748.72 while the bond requirement was for \$50,000. In the general election, the amount actually available to a candidate for State Treasurer was \$7,433.90 while the bond requirement was \$50,000. The bond limits appear to have been statutorily established to provide for protection to the maximum amounts 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 provides a substantially smaller amount. It would seem constructive to consider a statutory change to provide for bonding for an amount equal to 100% of the sum a candidate would actually be entitled to receive in a particular election campaign.

Limited public financing in 1982 provided equal sums to qualified candidates for the same statewide office. 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 two and one half times the base amounts. Accounts established for all other statewide candidates are equivalent to the base amount. Because of the small size of the fund, the amount available for each eligible candidate was less than the "threshold," minimum sum of qualifying contributions required to be filed for public financing. For this reason, if an eligible candidate filed the minimum amount of qualifying contributions and the candidate fulfilled all other obligations of the law, this threshold amount of qualifying contributions was sufficient to immediately cover the total sum available to the 1982 candidate in the candidate's account.

In spite of the uniformity this situation created in terms of sums received by the candidates, 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 PERCENT OF FUNDS
RAISED DURING THE CAMPAIGN

	<u>PUBLIC MONEY RECEIVED</u>	<u>*TOTAL MONEY RAISED DURING THE CAMPAIGN</u>	<u>PERCENT PUBLIC MONEY TO TOTAL RAISED</u>
CARD	\$ 63,743.40	\$ 186,996	34.0%
CONNOLLY	7,433.90	201,065	3.7
DUKAKIS	101,003.59(N)	3,303,640	3.1
KERRY	12,748.72	411,742	3.1
KING	63,743.40	3,422,112	1.9
LAKIAN	63,743.40	1,000,229	6.4
LANGONE	12,748.72	42,584	30.0
MURPHY	12,748.72	381,598	3.3
NICKINELLO	12,748.72	366,031	3.5
PINES	12,748.72	290,697	4.4
PRESSMAN	12,748.72	115,593	11.0
ROTONDI	12,748.72	331,350	3.8
SEARS	101,003.59(N)	572,682	17.6

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

(N) Represents \$63,743.30 received as candidate for Governor in the primary

plus \$37,260.19 for the Governor - Lt. Governor "team" in the general election.

The figures used in this table, while subject to final verification by this office, are based upon deposits reported by the candidates committees thru the depository reporting system during the campaign period.

Earlier in the report, reference has been made to the situation whereby candidates for Governor and Lieutenant Governor are placed upon the general election ballot as a "team." As indicated, Chapter 55A recognizes this fact and provides funding for the eligible candidates for these offices in the general election on that basis. During the primary campaign, however, candidates for party nomination to these offices campaign in an individual manner, establish individual candidate committees, and carry on their independent activities in raising and spending campaign finances. The statutory thrust of Chapter 55 and 55A is much clearer in its application to individual candidacy's than it is to situations arising out of Governor - Lieutenant Governor "team" activities occurring in the general election.

The need for clear written rules and regulations relative to both Chapter 55 and 55A has been evident to me since assuming this office. I have established the highest priority with my staff for the development of these regulations during 1983. In addition to the obvious and general benefit to all who are concerned with these laws, such guidelines will be helpful in setting forth clear procedures for Governor - Lieutenant Governor campaign finance activities in the general election campaign, including public financing. During the 1982 general election campaign, this office provided consultation and advice relative to Chapter 55A to candidates for Governor and Lieutenant Governor seeking public financing.

In the light of the additional experience this office has gained in carrying out its responsibilities for public financing during 1982, we are conducting a review of Chapter 55A and plan to work with the Committee on Election Laws in

the formulation of any recommendations for legislative change 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 Commonwealth of Massachusetts 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. In analyzing the statements received, I have determined that our staff auditors should thoroughly review and desk audit all campaign finance reports, statements and other information received from the publicly financed candidates and/or their committees during their campaigns in order to comprehensively evaluate if an excess amount exists. Included in this review is information contained in the candidates/committees year end report for 1982 which was not due to be filed until January 10, 1983.

Based upon our review of all campaign finance information received from the candidates to this date, I determined that the following sums were due from the candidates listed below:

The Mike Connolly Committee	\$1279.94 (state election campaign)
The Dukakis Committee	1009.22 (primary campaign) 469.34 (state election campaign)
The Pressman Committee	5098.35 (primary campaign)

All funds returned by the candidates are paid to the State Treasurer and deposited to the state election campaign fund for use in the 1986 statewide primary and election. The Dukakis Committee and The Pressman Committee have made payment to the State Treasurer. The Mike Connolly Committee repayment determination was finalized by my office and forwarded to the Committee during the past week.

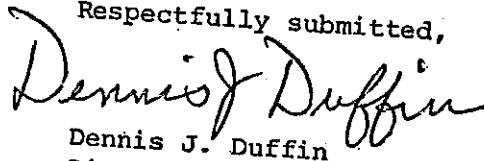
Upon assuming office in May 1982, I found that the staff had developed planning and initiated preliminary activity for public financing of the 1982 campaigns. Interviews were held between staff auditors and representatives of the political committees of statewide candidates. During the interviews, the provisions of Chapter 55A, procedures to be followed, and use of the public financing forms were explained.

The entire process of certifying candidate submissions for public financing was accomplished thru the efforts of the audit staff of this office. Great care was taken in reviewing lists of contributor information submitted by the candidates as "qualifying contributions." Literally thousands of individual entries containing names, addresses, amounts, and dates of contributions were reviewed for certification. I am indebted to our staff for the competent, thorough and dedicated effort which resulted in a smooth, timely and accurate certification process. In addition, the candidates and their staffs were helpful and co-operative in the timely filing of their public financing materials, and in their re-

sponse to questions from this office and our requests for additional information.

Historically, this office has accomplished its tasks without the assistance of computer data processing systems. I am planning a thorough review of the possibilities of computer data processing and the potential benefits of such systems to this office. In the light of the substantial time demands created by a manual audit of individual "qualifying contribution" submissions, the application of data processing systems to the public financing program will be included in this review.

Respectfully submitted,



Dennis J. Duffin
Director