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July 11, 2013

Councilmember Kenyan McDuffie, Chairperson  
Committee on Government Operations  
John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Washington, D.C. 20004

## **Testimony of Craig Holman, Public Citizen, regarding the Financing of Political Campaigns Amendment Act of 2013<sup>1</sup>**

Dear Committee on Government Operations:

District of Columbia Councilmembers David Grosso (I-At Large) and Kenyan McDuffie (D-Ward 5) are to be applauded for introducing the “Public Financing of Political Campaigns Amendment Act of 2013” (B20-120).

In brief, the “Public Financing of Political Campaigns Amendment Act” would provide participating candidates who agree to accept only small private contributions of \$100 or less with a 4-to-1 match of public funds. The measure provides a comprehensive campaign financing system of small donors and matching public funds modeled after the increasingly-popular Fair Elections Now Act under consideration by Congress and among several states.

The Grosso/McDuffie public financing proposal offers a new system for financing campaigns that relies on public funds matching small private donations, and would help improve the openness, honesty, and accountability of government. It would also free public officials to respond to the interests of voters without worrying about hurting their ability to raise money from deep-pocketed donors. Most observers would agree that money plays far too large a role in elections – and that politicians spend too much time fundraising, detracting from the time they spend developing good public policy.

### **A. The Need for Reforming Campaign Financing in the District of Columbia**

It is perhaps the worst kept secret in the District of Columbia that campaign financing for D.C. public office is nearly a game of anything goes. While the specific contribution limits may appear reasonable at first glance, it has become evident that the current campaign finance system is ripe for abuse. The so-called reasonable contribution limits can and are readily side-stepped through bundling of campaign money or, worse yet, laundering of campaign funds through front

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<sup>1</sup> Craig Holman, Ph.D., Government affairs lobbyist, Public Citizen.

groups and businesses to conceal the true donors. There are few restrictions on the sources of campaign money, allowing special interests and even those businesses seeking lucrative government contracts to shower money on candidates and lawmakers, often with expectations of getting something in return.

Because of this broken campaign finance system, elections in the District of Columbia have long been fraught with one scandal after another, sometimes resulting in corruption convictions and prison time for otherwise prominent D.C. officials. Short of actual convictions, the appearance of corruption in D.C. elections is just as damaging to the integrity of D.C. government. A recent investigation by WAMU-FM found that the 10 major developers in the District who donated the most money to elected officials received a third of public subsidies over the last decade.<sup>2</sup>

Citizens and the media are finally taking note. As long as the District of Columbia maintains a Wild West attitude in financing of campaigns, elected officials are going to come under intense scrutiny and suspicion – and, unfortunately, it will often reflect poorly on the integrity of lawmakers and the government itself, whether or not merited.

The Mayor and D.C. Council must now act to rein in the potential for abuse and corruption in the financing of campaigns and help restore public confidence in their elected officials.

## **B. This Public Financing Model has been Carefully Crafted**

Several states and localities have been operating under comprehensive public financing systems for years. These systems work. Public funding programs in the states today draw positive reviews from lawmakers while producing more diverse fields of candidates. They also provide voters with an immediate return on their small investment of faith and money: lawmakers who run under the systems spend significantly less time raising money than those who do not, giving them more time to do the work of the people.

The Grosso/McDuffie model of public financing, based on the Fair Elections Now Act, carefully builds upon the successes of public financing systems in the states while accommodating new political realities, such as the growing small donor phenomenon and recent Supreme Court rulings. The ideas behind this form of public financing of campaigns have been debated and re-written for well over half a decade by congressional proponents, and are now serving as model legislation for several states, such as New York.

This public financing model is sensible. It is entirely voluntary and imposes no new restrictions on the campaign fundraising or spending of those who do not participate. And it transforms elections into contests of ideas and merit, rather than fundraising prowess.

Fair Elections systems open up democracy by encouraging people from a broader range of economic backgrounds to become politically active through campaign contributions. By dramatically reducing the maximum allowable contribution – to \$100 for participating

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<sup>2</sup> Editorial Board, “D.C. campaign finance reform stuck on the back burner,” *Washington Post* (June 2, 2013).

candidates – the systems enable almost everyone to make meaningful campaign contributions. A study of contributions to gubernatorial candidates in Arizona found that privately funded candidates in the 1998 and 2002 election cycles received more than 70 percent of their campaign contributions from people living in areas with per capita incomes of \$40,000 or more. In contrast, following adoption of public financing in Arizona, candidates who opted into the state’s public funding system received up to 68 percent of their qualifying and seed contributions from people living in zip codes with per capita incomes below \$40,000.<sup>3</sup>

The average individual contribution to each publicly funded candidate in the study ranged from \$6 to \$13. The profile of contributors to publicly funded candidates in Arizona contrasts starkly with contributions to federal candidates, who receive the overwhelming percentage of their campaign contributions from people with household incomes of \$100,000 or more.

To be successful, Fair Elections systems, such as the Grosso/McDuffie proposal, include a number of important features to ensure fair elections as well as provide safeguards to protect the integrity of the election process. These include:

**Robust funding levels.** Candidates must be provided the necessary funds to reach voters and run effective campaigns. The 4-to-1 matching grant provides candidates with sufficient campaign funds to run a robust campaign.

**Stringent qualifying requirements.** While it is important for the process to be open to all, candidates must demonstrate a reasonable level of support by raising a significant number of small contributions before they receive public support. Under the Grosso/McDuffie proposal, candidates must raise at least \$50,000 in small contributions to qualify, demonstrating that they are indeed viable candidates.

**Cap total public funds.** In order to ensure the public financing program does not unduly burden the D.C. budget, total funds available for candidates is capped at a reasonable amount.

**Rescue fundraising.** If a participating candidate faces exorbitant opposition spending by an opponent or an outside group, there is no fundraising or spending ceiling for the participating candidate. The participating candidate may continue without limit raising funds from small donors.

### **C. The Public Financing Proposal Complements the Mayor’s Ethics Package**

Also in the wake of the most recent allegations, D.C. Mayor Vincent Gray and Attorney General Irvin Nathan drafted the “Comprehensive Campaign Finance Reform Amendment Act of 2013” (B20-0003). This ethics package offers a number of much-needed campaign reforms but, most importantly, it contains sweeping pay-to-play restrictions that would squarely address the recent campaign finance scandals of government contractors attempting to influence District elections.

If adopted, the Mayor’s pay-to-play reforms would be among the strongest in the nation.

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<sup>3</sup> Clean Elections Institute, “Reclaiming Democracy in Arizona” (2004).

Government contractors would be prohibited from making campaign contributions to, or expenditures on behalf of, any District candidate or official who is or could be involved in awarding the contract.

The Grosso/McDuffie public financing proposal would greatly complement the Mayor's ethics package. These two measures are not only compatible, but together, they offer a well-balanced solution to the worst ails of today's campaign finance system. Public financing would displace large private contributions from the system, while the Mayor's ethics package removes the most problematic sources of financing campaigns – businesses seeking lucrative government contracts – for both participating and non-participating candidates. The Mayor's ethics package also tightens up other loopholes in the current campaign finance law, such as abuses of bundling contributions.

For all these reasons, Public Citizen enthusiastically rallies in support of both the public financing proposal and the proposal to ban campaign contributions and expenditures from government contractors, and applauds the campaign to clean up District elections by Councilmembers Grosso and McDuffie and Mayor Gray and Attorney General Nathan and all their colleagues who have cosponsored these important legislative proposals.

Our elections are far too important to leave to auctioneers and well-financed special interests.