



## How Presidential Public Financing Works

July 19, 2012—The public financing system for presidential elections was established by the [Federal Election Campaign Act of 1971 \(FECA\)](#). It has three distinct components:

1. Partial public financing in the primary election season;
2. Public financing of the presidential nominating conventions; and
3. Full public financing in the general election.

The spending ceilings and amount of public grants are adjusted for inflation each new election cycle. Public funds to pay for the program are collected through a voluntary \$3 checkoff on a taxpayer's tax return. When taxpayers check the box, it does not affect how much money they owe.<sup>1</sup> While the spending ceilings and public grants are increased for inflation each election cycle, the amount for the tax checkoff to pay for the program does not increase unless approved by new legislation.

1. Primary Election Matching Fund Program
2. Party Convention Funding
3. General Election Full Public Financing Program

### 1. Primary Election Matching Fund Program

Presidential primary candidates can receive partial public funding in the form of matching payments. The federal government matches up to \$250 of an individual's total contributions to an eligible candidate, up to a maximum of roughly \$20 million (for participating candidates in 2008). Because individuals may contribute up to \$2,500 per candidate, only one-tenth of the maximum private contribution can be matched with public funds.<sup>2</sup>

Only presidential candidates seeking nomination by a national political party are eligible to receive primary matching funds. In addition, a candidate must establish eligibility to receive public funds by showing broad-based public support. This requires raising in

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<sup>1</sup> "Public Funding of Presidential Elections," Federal Election Commission Web site (July 2012).

<sup>2</sup> Id.



excess of \$5,000 in each of at least 20 states. No more than \$250 per individual contributor can be applied toward the \$5,000 threshold in each state.<sup>3</sup>

Participating candidates also must agree to:

- Limit total campaign spending of private and public funds for all primary elections to about \$45.6 million (for the 2012 candidates).<sup>4</sup>
- Limit campaign spending of private and public funds in each state to about \$912,400 (for 2012 candidates), or to a specified amount based on the number of voting age individuals in the state, whichever is greater.<sup>5</sup>

In 2012, the only candidate to accept primary matching funds in the GOP race was former Louisiana Gov. Buddy Roemer, who requested \$204,718.<sup>6</sup>

## 2. Party Convention Funding

In 2012, both major political parties received \$18.2 million to finance their national nominating conventions.<sup>7</sup> The law permits qualified minor parties to become eligible for partial convention funding based on their presidential candidate's share of the popular vote in the preceding presidential election.<sup>8</sup>

A party convention committee is not supposed to spend more than the amount to which the major party is entitled in public funds.<sup>9</sup> But due to a loophole created by the [Federal Election Commission \(FEC\)](#), the convention spending ceilings are rendered meaningless by "soft money" contributions (unlimited contributions from corporations, unions and wealthy individuals) to "host committees." Host committees are not official party committees, but rather groups designed to promote the hosting city of a convention and thus, reasoned the FEC, are not subject to the campaign finance laws against soft money.

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<sup>3</sup> Id.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> "2012 Presidential Matching Fund Submissions," Federal Election Commission Website (July 2012).

<sup>7</sup> "Public Funding of Presidential Elections," Federal Election Commission Web site (July 2012).

<sup>8</sup> Id.

<sup>9</sup> Id.



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Soft money now constitutes the largest share of convention budgets and overwhelms any reasonable limits on convention spending.<sup>10</sup>

Today, public funds make up only a modest share of the total (inflated) cost of the conventions. In 2000, for example, each party was awarded about \$13.5 million to pay for its nominating convention. In reality, private sources chipped in an additional \$52 million for the Democratic convention in Los Angeles, and \$60 million for the Republican convention in Philadelphia. In the 2004 election, the Republicans spent \$101 million on their convention and the Democrats spent \$72 million, all the while the official public funding grant intended to pay for the conventions was \$15 million.<sup>11</sup> In 2008, each party was awarded \$16.4 million in public grants to pay for their conventions, but total expenditures through the host committees amounted to more than \$55 million for the Democratic convention and \$57 million for the Republican convention. This year, each party has been given a public grant of \$18.2 million but private sources are expected to add another \$37 million for the Democratic convention and \$50 million for the Republican convention – the partisan disparity resulting from the Democratic party’s policy of not accepting direct corporate funds and capping contributions from others at \$100,000.

In June 2012, Sen. Coburn (R-Okla.) added Amendment 2214 (“To End Taxpayer Subsidies for Party Conventions”) to S. 3240 (Agricultural Reform, Food, and Jobs Act of 2012 or “Farm Bill”) to end the public funding party conventions. The amendment provides no limits or controls on soft money of party conventions. If the amendment becomes law, the party conventions will become entirely funded by corporate and special interest money, bringing to a close the original design of FECA to have the conventions funded exclusively by public funds.<sup>12</sup>

### **3. General Election Full Public Financing Program**

Following the presidential nominating convention, the nominee of each major party may become eligible for public grants (which will equal about \$91.2 million for 2012 nominees).<sup>13</sup> To be eligible to receive public funds, the candidate must limit campaign spending to the amount of the grant and may not accept any further private contributions

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<sup>10</sup> “To the FEC: Public Citizen and U.S. PIRG submit comments on the Notice of Proposed Rulemaking on public financing of the presidential nominating conventions,” (May 22, 2003).

<sup>11</sup> “Presidential Campaign Receipts,” Federal Election Commission Web site (July 2012).

<sup>12</sup> Senate Bill S. 3240, “Farm Bill” (2012), Amendment S. 2214

<sup>13</sup> “Public Funding of Presidential Elections,” Federal Election Commission Web site (July 2012).



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for the campaign, with limited exceptions. Candidates may raise and spend some private money to cover compliance and limited fundraising costs. Such spending does not count against the expenditure limit. Additional campaign spending for and against the presidential candidates also comes from the national and state parties, independent expenditures by PACs, and soft money expenditures by outside special interest groups and wealthy individuals.<sup>14</sup>

A presidential nominee who opted out of the public financing program in the primary election may choose to opt back into the program for the general election, as George W. Bush did in the 2000 elections, and both Bush and Democratic nominee John Kerry did in 2004.

In 2008, Barack Obama became the first candidate to opt out of the public financing program in a general election. In the primary and general elections combined, Obama raised \$745.7 million in private funds, while Republican nominee John McCain raised \$219.6 million in the primary election and received \$84.1 million in public funds in the general election.<sup>15</sup> For the 2012 election, neither Obama nor Republican nominee Mitt Romney is accepting public funding.

Minor party candidates and new party candidates may become eligible for partial public funding for their general election campaigns. (A minor party candidate is the nominee of a party whose candidate received between 5 percent and 25 percent of the total popular vote in the preceding presidential election. A new party candidate is the nominee of a party that is neither a major party nor a minor party.) A new party candidate may receive partial public funding after the election if the candidate receives 5 percent or more of the vote. The amount for which the candidate is eligible is based on the ratio of the new party candidate's popular vote in the current election to the average popular vote of the two major party candidates in the election.<sup>16</sup>

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<sup>14</sup> Id.

<sup>15</sup> "Presidential Campaign Receipts," Federal Election Commission Web site (July 2012).

<sup>16</sup> "Public Funding of Presidential Elections," Federal Election Commission Web site (July 2012).