

## Appendix A

### Expanded Reporting Options

Redfield Sunshine Project 3/2/09

#### Draft

#### **Option One – Require continuous A-1 reports of large contributions and require more frequent filing of comprehensive reports of receipts and expenditures**

Goals: Provide greater public access to information on large contributions by adding a requirement that contributions over \$X (\$500 or \$1,000) be reported within one week during non-election periods. Keep the current requirement that contributions over \$500 be reported within 2 days during the period of 30 days before an election. Provide greater public access to comprehensive reports of receipts and expenditures by requiring that they be filed every three months rather than the current six months.

##### Implementation:

- 1) Require state and local committees to file comprehensive reports every three months rather than every six months.
- 2) Require state and local committees to file A-1 reports of large contributions continuously during each 3 month reporting period.
  - a) Keep the requirement that contributions from a single source with a cumulative value over \$500 received within 30 days of an election be reported within 2 days.
  - b) Add a requirement that contributions from a single source with a cumulative values over \$X (\$500/\$1,000) received during the three month reporting period, but outside the 30 day pre-election period, be reported within 7 days.
  - c) Add a requirement that occupation and employer information be required for all A-1 reports.
- 3) Eliminate the requirement for pre-election reports of receipts and notices of non-participation.
- 4) Keep the current system of fines for failure to file required A-1 reports for contributions received within 30 days of an election. Apply those fines to both failure to file and failure to provide complete information.
- 5) Provide a schedule of fines for failure to file required A-1 reports for contributions received outside of 30 days prior to an election. Apply those fines to both failure to file and failure to provide complete information.

##### Impact on the State Board of Elections:

- Based on conversations with the staff of the State Board of Elections, it appears that a change to continuous A-1 reporting of large contributions could be handled within the existing State Board of Elections' campaign disclosure reporting software. As such, it appears this requirement could realistically be implemented beginning January 1, 2010.
- Based on conversations with the staff of the State Board of Elections, it appears a change from six month comprehensive reports to three month comprehensive reports would require a redesign of the State Board of Elections' campaign disclosure reporting software. This is because their software is 10 years old and can not be modified. As such, even with adequate funding for the software redesign and implementation, it appears trying to implement this change before January of 2011 would be problematic. The State Board of Elections FY010 budget request contains money to redesign their software and this change could be easily accommodated within the redesign.
- Increased staff time (and production and distribution of materials) to provide training for candidates and committee treasurers.
- Increased staff time to process and review A-1 reports
- Significant increases in staff time to handle a three month reporting cycle instead of the current six month reporting cycle.
- Increased staff time and Board time to deal with an increase in appeals of fine for failure to file reports including the hiring of a full-time hearing examiner.

**Option Two – Adopt a transaction based system for filing records of receipts, keep the current reporting system for large contributions, and require more frequent filing of comprehensive reports of receipts and expenditures**

Goals: Provide greater public access to information on all contributions by requiring transaction based disclosure of all receipts within 14 days and the posting of those records by the State Board of Elections within 21 days. Keep the current requirement that contributions over \$500 be reported separately within 2 days during the period of 30 days before an election. Provide greater public access to comprehensive reports of receipts and expenditures by requiring that they be filed every three months rather than the current six months.

Implementation:

- A) Require state and local committees to file comprehensive reports every three months rather than every six months.
- B) Adopt a transaction based reporting system for receipts that requires a record of receipts from a single source over \$150 in a during a three month reporting period be filed within 14 days using a secure, web-based reporting system accessed through the State Board of Elections.
- C) Provide a 7-day holding period before the records of receipts are posted on the internet to allow committees to review and edit records prior to posting.
- D) Suspend the requirement for the 14 day reporting of receipts during the 30 days before an election and require that all receipts over \$150 received during the 30 days before an election be reported within 14 days after the election
- E) During the 30 days prior to an election keep the current system of separate A-1 reports for contributions over \$500 which must be filed within 2 days.
- F) Add a requirement to A-1 reports that occupation and employer information must be reported for contributions from individuals.
- G) Eliminate the requirement for pre-election reports of receipts.
- F) Provide the option for a committee to keep both receipt and expenditure records on a secure web based system accessed through the State Board of Elections which could be used to generate the comprehensive reports that are required every three months.

Impact on the State Board of Elections:

- Extensive changes in the State Board of Elections' software including the development of a web-based system that would allow them to host the filing of receipt records. See second bullet point in Option One for more detail.
- Significant increases in staff time (and production and distribution of material) to provide training for candidates and committee treasurers.
- Significant increases in staff time to process and review the continuous filing of receipt records.
- Significant increases in staff time to handle a three month reporting cycle instead of the current six month reporting cycle.
- Increased staff time and Board time to deal with an increase in appeals of fine for failure to properly file records and reports including the hiring of a full-time hearing examiner.

**Option Three – Adopt a transaction based system for filing records of receipts and expenditures, keep the current reporting system for large contributions, and require more frequent filing of comprehensive reports of receipts and expenditures**

Goals: same as Option Two except for the inclusion of expenditure records in the transaction based system.

Implementation: same as Option Two except for the inclusion of expenditure records in the transaction based system

Impact on State Board: same as Option Two except for the inclusion of expenditure records in the transaction based system which would increase all of the costs.

## Appendix B

### Year round A-1 \$1,000 or more Draft Sunshine Project 3/13/2009

In 2005-2006 there were approximately 30,000 contributions of \$1,000 or more made to legislative candidate committees, legislative leadership committees, constitutional officer committees, and the two state political parties.

30,000 total individual contributions of \$1,000 or more.  
6,500 were reported for the first time in A-1 reports.  
8,000 were reported for the first time in pre-election reports.  
15,500 were reported for the first time in the six month comprehensive reports.

Going to a continuous A-1 reporting system would eliminate the need for pre-election reports and statements of non-participation.

Under a continuous A-1 system, using the 2005-2006 data, there would have been a total of approximately 6,500 records filed on A-1 reports for the primary and general one month pre-election periods and approximately 23,500 records filed on A-1 reports during the remaining 20 months

#### Breakdown of records that would require new A-1 reports

##### 2005-2006 election Cycle – 20 months

(Period outside the 30 days before the primary and 30 days before the general election)

(Excludes contributions covered by current A-1 law)

##### Constitutional Officers

| ID   | Name               | Office | # of records that would require new A-1 reports |
|------|--------------------|--------|---|
| 5162 | Pankau, Carole     | COMP   | 87  |
| 6929 | Hynes, Dan         | COMP   | 342   |
| 8109 | Mangieri, Paul     | TRES   | 35  |
| 6421 | Radogno, Christine | TRES   | 259   |
| 9021 | Giannoulas, Alexi  | TRES   | 377   |
| 5008 | Rutherford, Dan    | SECST  | 268   |
| 7451 | White, Jesse       | SECST  | 434   |
| 9006 | Umholtz, Stewart   | ATGEN  | 37  |
| 7011 | Madigan, Lisa      | ATGEN  | 580   |
| 3760 | Quinn, Pat         | LTGOV  | 70  |
| 8024 | Birkett, Joe       | LTGOV  | 249   |
| 5217 | Rauschenberger, S  | LTGOV  | 388   |
| 9204 | Whitney, Rich      | GOV    | 3   |
| 8847 | Oberweis, James    | GOV    | 84  |
| 9020 | Eisendrath, Edwin  | GOV    | 124   |
| 5138 | Brady, Bill        | GOV    | 248   |
| 8804 | Gidwitz, Ronald    | GOV    | 635   |
| 2271 | Topinka, Judy      | GOV    | 1415  |
| 7720 | Blagojevich, Rod   | GOV    | <u>2484</u>                                     |
|      |                    |        | 8,119   |

##### State Political Parties

| ID   | Name              |       | # of records that would require new A-1 reports |
|------|-------------------|-------|---|
| 454  | IL State Re Party | Party | 100   |
| 4866 | Dem Party of IL   | Party | <u>401</u>                                      |
|      |                   |       | 501   |

##### Legislative Leader and Legislative Caucus Committees

| ID   | Name             | Party | # of records that would require new A-1 reports |
|------|------------------|-------|---|
| 2843 | Madigan, Michael | D     | 432   |
| 5140 | Cross, Tom       | R     | 727   |
| 8400 | House Rep Org    | R     | 474   |
| 188  | Jones, Emil      | D     | 774   |
| 6920 | Senate Dem Com   | D     | 295   |
| 1962 | Watson, Frank    | R     | 566   |
| 8453 | Senate Rep Com   | R     | <u>630</u>                                      |
|      |                  |       | 3,888   |

Legislative Candidates and Incumbent Legislators Not Running

| <u># of Candidates</u> | <u># of records that would require new A-1 reports</u> |                                       |
|------------------------|--|---------------------------------------|
| 92                     | 20 or fewer  | One per month or less on average      |
| 61                     | 21 to 40   | One to two per month on average       |
| 39                     | 41 to 60   | Two to three per month on average     |
| 25                     | 61 to 80   | Three to four per month on average    |
| 12                     | 81 to 100  | Four to five per month on average     |
| 2                      | 101-120  | Five to six per month on average      |
| 4                      | 121-140  | Six to seven per month on average     |
| 5                      | 141-160  | Seven to eight per month on average   |
| 0                      | 161-180  | Eight to nine per month on average    |
| <u>7</u>               | <u>181-357</u>   | Nine to eighteen per month on average |
| 247                    | 10,665   |                                       |

217 of 247 candidates are at the 4 or less per month level

23 of 247 candidates are at the 4 to 8 per month level

7 of 247 candidates are at the 9 per month or more level

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## Appendix C

This is the first part of a draft of a section in an Institute for Government and Public Affairs white paper on political reform options for Illinois. The completed white paper will be released at the end of March. The Institute for Government and Public Affairs is a public affairs institute which is part of the University of Illinois.

Redfield Revised 3/12/2009  
**IGPA White Paper**

### **Designing a Campaign Finance System for Illinois**

Illinois politics is in a state of crisis. It is a crisis of corruption, confidence, and competence. Illinois citizens believe that their elected officials and state government are corrupt and incompetent. They have no faith that public officials will do anything to clean up corruption or to fix the budget and service delivery mess in Springfield. One of the key areas where citizens see problems and are calling for change is in our campaign finance system. They view the current system as contributing to corruption and to the inability of state government to address the policy and budget needs of Illinois.<sup>i</sup> This paper provides an analysis of the factors and questions that need to be addressed in designing a new campaign finance system for Illinois.

#### **First Principles**

- 1) Spending money to influence an election or influence public policy is protected political speech according to rulings made by the U.S. Supreme Court. Any attempt to limit spending will be subject to strict scrutiny by the federal courts.<sup>ii</sup>
- 2) Contributing money to influence an election or influence public policy is also protected political speech, but the U.S. Supreme Court has held that contributions can be regulated through reasonable measures aimed at reducing corruption and the appearance of corruption.<sup>iii</sup>
- 3) Requiring the disclosure and reporting of contributions and expenditures have generally been upheld by the federal courts.<sup>iv</sup>
- 4) Each state has a unique history; political culture; set of political processes and structures; and configuration of population, economic, political and social demographics. A state's existing campaign finance system operates within that unique context. While information about practices and performance in other states is useful, the goal is to design a system that works for Illinois. Giving Illinois's laws to Wisconsin and Wisconsin's laws to Illinois would not make Illinois into Wisconsin and Wisconsin into Illinois overnight.
- 5) Any changes made in the law will apply to both a candidate for Governor and a candidate for trustee of a small village. Any changes made in the law will apply to contributors who make contributions to candidates to directly influence the outcome of an election and contributors who make contributions to legislative leaders and incumbent officeholders to gain access to power in order to influence public policy.

- 6) Some of the policy goals that people would like to accomplish with a campaign finance system can be in direct conflict with policy goals favored by other people.
  - a) A system designed to reduce the cost of competitive election contests and overall spending in elections (such as very low contributions limits) may also decrease competition and give an undue advantage to incumbents by making it very difficult to raise the money necessary to conduct a competitive campaign.
  - b) A system designed to increase the number of candidates and the level of competition in legislative elections (such as a generous public financing system for both primary and general elections) may also dramatically increase the overall spending on elections.
- 7) The law of unintended consequences is largely inoperative in projecting the impact of changes to campaign finance systems. We know with a good deal of certainty what the impact will be from adopting a change in an existing system. The policy problem is that specific changes usually create winners and losers while making some policy goals easier to obtain and making other policy goals more difficult to obtain.
- 8) There is no perfect system that will accomplish every worthy policy goal related to the role money in politics. The pursuit of perfection ultimately leads to the perfect being the enemy of the good. Designing a campaign finance system requires making hard choices - trade-offs between competing policy goals and trade-offs between competing interests.
- 9) Some policy goals are clearly beyond the limits of any campaign finance system. Increasing the level of competition in legislative elections may be a worthy goal, but there are many legislative districts in Illinois so dominated by one political party that no amount of public financing would make them competitive in the general election.
- 10) Because spending cannot be legally limited, any campaign finance system will produce behavior designed to frustrate the policy goals of the system as those who have money and want to influence politics search for ways to do so. Campaign finance systems must adapt over time in order to continue to achieve the policy goals of the system. Campaign finance systems are always a work in progress.

### **Public policy goals for a campaign finance system**

Campaign finance systems are created to achieve a wide-range of public policy goals. The system created in Illinois in 1976 was originally intended to provide as little control and oversight as possible over the role of private money in Illinois politics and still qualify as a campaign finance system.<sup>v</sup> The explicit goal of some supporters of “clean money” campaign finance systems is to eliminate as completely as possible the role of private money in public elections.<sup>vi</sup> Most campaign finance systems are designed to regulate the role of money to achieve specific goals related to ethics, such as reducing corruption, and democratic values, such as promoting open, competitive elections. The following is an illustrative list of explicit or implicit public policy goals that policy makers may try to achieve when designing campaign finance systems.

- 1) Minimize the interference with free speech activity in the political process;
- 2) Provide easy access to complete information about contributions and expenditures in as close to real-time as possible;
- 3) Reduce corruption and the appearance of corruption;
- 4) Build public confidence in the outcome of elections;
- 5) Build public confidence in the outcome of policy decisions;
- 6) Prohibit non-persons from contributing directly to candidates;
- 7) Increase the number of individuals making small contributions and the role of small contributions in relation to large contributions;
- 8) Increase the number of candidates in primary and general elections;
- 9) Increase competition in primary and general elections;
- 10) Increase the number of candidates and elected officials who are minorities and/or women;
- 11) Decrease the overall cost of campaigns or decrease the cost of competitive campaigns;
- 12) Reduce the advantage of those interests and individuals with money over those interests and individuals without money;
- 13) Redistribute power within the political system by reducing or increasing the power of one or more sets of actors (i.e. individuals, political parties, legislative leaders, special interest groups, labor unions, or corporations);
- 14) Reduce or eliminate the role of “interested” private money in elections and replace it with “non-interested” public money.

### **Design options for a campaign finance system**

Sunshine - disclosure, reporting and transparency<sup>vii</sup>: The role of money in the politics of a state with a sunshine campaign system is unregulated. There are no prohibitions or limitations on who contributes or how much is contributed. There are no prohibitions or limitations on how campaign contributions can be spent. The system depends on disclosure and reporting (sunshine) to provide self-regulation. The idea is that candidates will not accept contributions or make expenditures that could become issues that their political opponents would use against them in a political campaign or that would bring embarrassment to them if they were reported in the newspaper or on TV. It is assumed that with sufficient transparency, citizens and the news media will become aware of what is taking place and act on that awareness and that in turn candidates will adjust their behavior accordingly. Illinois, with only minor limitations on contributions or expenditures, is the poster child for a sunshine campaign system.

Regulation - limits and prohibitions<sup>viii</sup>: All regulation campaign finance systems begin with disclosure and reporting as their foundation and then build a regulation framework on that foundation. The role of money in the political system is constrained by prohibitions on who can contribute (such as gambling interests or those with state contracts) and limits on the amount that can be contributed by those who are allowed to contribute. Limits are usually applied to contributions from private interests and to transfers of money from other candidate committees and party committees. Some systems provide for higher contributions limits for transfers from political party organizations or legislative leader committees. The expenditure of money is also limited by prohibitions

on certain types of expenditures such as personal use or using campaign contributions for non-electoral purposes. The assumption is that sunshine will not provide sufficient self-regulation and that limits and prohibitions are necessary to constrain the negative impacts of unlimited contributions, particularly as to corruption and the undue influence of big money. Regulation systems require an independent enforcement agency with sufficient resources in order to be effective. Ohio is an example of a state with a regulation system without any direct public financing. The federal system is an example of a regulation system for legislative elections (along with public financing for presidential elections).

Public Financing<sup>ix</sup>: All public financing campaign finance systems begin with disclosure and reporting and a regulatory framework of limits and prohibitions to constrain the role of money in the political system. Public finance systems provide an additional element to constrain the role of money in the political system by offering grants of public money to candidates who agree to limit their fundraising and/or spending in exchange for the public money. Typically candidates must raise a certain amount of money in small contributions to qualify for public funding. The assumption is that limits and prohibitions will not be sufficient to constrain the negative impacts of private money on the political system, and therefore, a mechanism which substitutes public money for private money and voluntarily constrains spending is necessary. There is a related assumption that public financing will encourage more candidates in general and minorities and women in particular and that it will reduce the advantages that incumbents have in the process. These systems will vary as to whether they apply to both primary and general elections, whether they provide partial or full public funding, and whether they provide public funding for statewide offices and /or legislative elections. For those who promote full public financing under the title of “clean money,” there is an explicit assumption that private money is ultimately “dirty money” and the only way to have a clean political system is to replace the dirty private money with the clean public money.

The dynamics of a full public funding system for legislative offices are considerably more complex than those for statewide offices.<sup>x</sup> Public financing systems for statewide office have also been much more successful in achieving high participation rates. If a state has more than two political parties with official status under state law, then public funding as a matter of due process has to apply to candidates of all recognized political parties. Wisconsin and Minnesota are examples of states with longstanding systems of partial public financing. Arizona and Connecticut are examples of recently adopted systems of full public financing (clean money) systems.

Facilitating small donations<sup>xi</sup>: This is an add-on mechanism rather than a stand alone approach. The goal is to increase the amount of private money that is contributed to elections by using public policy to encourage individuals to make small donations. The assumption is that limiting the impact of large contributions and “big” money on political systems is very difficult, but it is possible for small money to balance out big money if enough individuals make small contributions. States that include this approach as part of their campaign finance systems use tax refunds, credits, or deductions to encourage individuals to make small donations. Matching public funds for small donations can be used to encourage candidates to seek more small donations. Ohio and Minnesota are states that use state tax policy to encourage small donations.

## Resources

Brennan Center for Justice, New York University Law School

Website: <http://www.brennancenter.org/>

Campaign Finance Institute

Key contact: Michael Malbin

Website: <http://www.cfinst.org/>

Center for Competitive Politics

Key contact: Bradley Smith

Website: <http://www.campaignfreedom.org/>

Center for Responsive Politics

Website: <http://www.opensecrets.org/>

Council of State Government

Website: <http://www.csg.org/>

Illinois Campaign for Political Reform

Key contact: Cindi Canary

Website: <http://www.ilcampaign.org/>

Illinois State Board of Elections

Website: <http://www.elections.state.il.us/>

Midwest Democracy Network

Website: <http://www.midwestdemocracynetwork.org/>

National Institute on Money in State Politics

Website: <http://www.followthemoney.org/>

National Conference of State Legislatures

Website: <http://www.ncsl.org/>

Public Campaign

Key contact: Nick Nyhart

Website: <http://www.publiccampaign.org/>

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## Endnotes

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<sup>i</sup> Survey conducted by Beldon, Russonello and Stuart, January 9-12, 2009, for the Illinois Campaign for Political Reform, <http://www.ilcampaign.org/>

<sup>ii</sup> Deborah Goldberg, *Writing Reform: A Guide to Drafting State & Local Campaign Finance Laws* (2008 Revised Edition), Brennan Center for Justice, NYU Law School, 2008

<sup>iii</sup> See endnote 2

<sup>iv</sup> See endnote 2

<sup>v</sup> Kent D. Redfield, *Cash Clout: Political Money in Illinois Legislative Elections*, Institute for Public Affairs, University of Illinois at Springfield, 1995

<sup>vi</sup> Public Campaign, <http://www.publiccampaign.org/>

<sup>vii</sup> See the Center of Competitive Politics, <http://www.campaignfreedom.org/> for background on this option

<sup>viii</sup> See the Campaign Finance Institute, <http://www.cfinst.org/> and the Illinois Campaign for Political Reform <http://www.ilcampaign.org/> for background on this option

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<sup>ix</sup> See Public Campaign, <http://www.publiccampaign.org/> for background on this option

<sup>x</sup> Tom Loftus, *The Art of Legislative Politics*, National Conference of State Legislatures, 1998

<sup>xi</sup> Michael J. Malbin, "Rethinking the Campaign Finance Agenda", *The Forum*, Volume 6, Issue 1, 2008

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