



Statement on Proposal to Amend New York City's Public Matching Fund System for Elections

Presented to the
Committee on Government Operations
New York City Council
April 2017

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Chairperson Kallos and Members of the Committee:

Thank you for asking me to testify on the proposal to amend the public matching fund program. Unfortunately, I shall be out of the country the day of your hearing. As a result, I am submitting this written statement and would be pleased to respond to any questions.

I am a Professor of Political Science at the University at Albany (SUNY). I am also co-founder and Executive Director of the Campaign Finance Institute (CFI) in Washington DC. CFI is a specialized and nonpartisan think tank committed to the idea that durable policy should be based on objective, fact-based research. For nearly fifteen years, CFI's federal, state, and local research has played a leading role in the effort to understand and enhance small-donor citizen empowerment. Several CFI publications have been about New York. One peer-reviewed article in 2012 was entitled "Small Donors, Big Democracy: New York City's Matching Funds as a Model for the Nation and States". Another, also peer reviewed and scheduled for publication this summer, is called "It's all in the Details: Comparing Small Donor Matching Funds in New York City and Los Angeles." My statement will draw on the forthcoming article and other CFI reports.

Proposed Int. No. 1130-A would leave the existing matching funds system substantially unchanged, while increasing the cap on the maximum amount of public funds that a candidate many receive. The current cap is 55% of each candidate's spending limit. The proposal would let eligible contributions be matched until the full spending limit.

Our research suggests that this proposal meaningfully addresses a real problem, but that it would need to be coupled with additional changes to achieve the goals that sponsors say they want for citywide and borough-wide elections. Specifically, we would recommend coupling an increase in the public funding cap with (1) reducing the contribution limit for citywide candidates to the same level as council candidates, and (2) requiring citywide candidates to raise qualifying contributions in twenty of the city's fifty-one council districts.

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CFI's 2012 journal article was an effort to determine the effectiveness of the city's then-unique multiple-matching fund system to heighten the importance of small donors. With multiple-matching first introduced in 2001, the article compared elections in the 1990s (under a one-for-one match) with those of 2001-2005 (four-for-one-match) and 2009 (six-for-one match). It concluded that multiple-matching was a highly successful incentive for candidates to raise money from small donors, resulting in a substantial increase in the number, proportional importance, and neighborhood diversity of such donors in city elections.

While we felt relatively comfortable with these conclusions, there were two sources of unease. First, New York then was alone with a small-donor multiple-matching fund system. What if the results were only specific to New York? Second, the article looked mostly at City Council candidates. Mayor Bloomberg's self-financing made it too difficult to analyze mayoral elections. The new journal article corrects both of these problems. First, with Los Angeles adopting a multiple-matching system in 2013, it was possible to look at more than one city. Second, having two cities and a longer time frame has made it easier to compare offices.

The next three sections of this statement summarize our findings, explanations, and recommendations.

FINDINGS

The following tables show some of the key results.

First, adding another election confirmed the basic conclusion that multiple matching funds resulted in an increase in the number and proportional role of small donors for New York City Council elections. City Council members raise proportionally more of their private money from small donors than do the state legislative candidates in all but a handful of states. When matching money is allocated to the responsible donors, small donors were responsible for 63% of all of the money in City Council elections – a percentage higher than any of the states, except for those with full public funding.

Table 1: New York City Council Before and After Matching Fund Changes

Candidate Type	Avg. # of small donors per 100k constituents			Avg. % of funds from small donors (private only)			Avg. % of funds from small donors (private + public)		
	<u>1997</u>	<u>2001-2005</u>	<u>2009-2013</u>	<u>1997</u>	<u>2001-2005</u>	<u>2009-2013</u>	<u>1997</u>	<u>2001-2005</u>	<u>2009-2013</u>
	1:1	4:1	6:1	1:1	4:1	6:1	1:1	4:1	6:1
	match	match	match	match	match	match	match	match	match
Incumbent	155	173	215**	31%	31%	34%	42%	49%*	55%***
Non-Incumbent	200	215	222	38%	50%***	45%**	47%	67%***	68%***
Total	176	197	218***	35%	42%***	41%***	45%	59%***	63%***

Note 1: Includes candidates with half as many votes as the winner in either a primary or general election.

Note 2: Independent samples two tailed t-tests calculated comparing candidates in 2001-2005 and 2009-2013, respectively to 1997.
 *p<0.1; **p<0.05; ***p<0.01

However, we learned in our newer study that merely having a matching fund system does not produce the results by itself. The Los Angeles program did not show the same effect after the city adopted a less generous multiple-matching system in 2013. Note that the following table combines the results for pairs of elections before and after multiple matching because Los Angeles elects half of its city council every two years.

Candidate Type	Avg. # of small donors per 100k constituents		Avg. % of funds from small donors (private only)		Avg. % of funds from small donors (private + public)		Number of Candidates	
	2009-11	2013-15	2009-11	2013-15	2009-11	2013-15	2009-11	2013-15
<u>Participants</u>								
Incumbent	141	76**	16%	6%**	20%	11%*	6	4
Non-Incumbent	191	175	23%	19%	28%	28%	12	25
All Participants	174	161	21%	17%	25%	26%	18	29
<u>Non-participants</u>								
Incumbents	119	28	11%	2%*	11%	2%*	7	2
Non-incumbent	78	no data	12%	no data	12%	no data	2	no data
<i>Note 1: Includes candidates with half as many votes as the winner in a primary or general election.</i>								
<i>Note 2: The number of small donors includes an estimate for those who gave less than \$100. It assumes an average of \$33 per donor, which was the actual average in New York City.</i>								
<i>Note 3: Independent samples two tailed t-tests calculated to compare post-reform elections to pre-reform elections by candidate type. *p<0.1; **p<0.05; ***p<0.01</i>								

As Table 2 shows, the switch to multiple-matching had no effect at all on non-incumbent candidates. It also coincided with a counter-intuitive *decline* in the role of small donors for incumbents. The program did not cause the unexpected decline, but neither did it do anything to reverse it.

At first, we were inclined to chalk up the results to underlying differences between the two cities. But that fails to account for the fact that the program in New York does not have the same impact on citywide and borough-wide races as it does for City Council. As a first step toward understanding, therefore, we analyzed the differences between offices in both cities.

	# Small Donors per 100K constituents	% of contribution receipts from small donors (Private \$ only)	% of \$ from small donors (Private + allocated match)
LA Mayor, 2013	95	12%	17%
NYC Mayor, 2013	61	9%	25%
LA City Council, 2013-15	161	17%	27%
NYC Council, 2013	207	41%	64%

Note: Includes all participating candidates with half as many votes as the winner in either a primary or general election. Because only a handful of candidates run for Mayor, these data also include the third and fourth place finishers in Los Angeles in 2013, who earned 49% and 48% of the winner's vote total. As with previous tables, the number of \$100-or-less donors in Los Angeles was estimated by dividing the unitemized dollar total by an assumed \$33 per donor.

Table 3 shows that mayoral candidates in the two cities raised comparable portions of their private funds from small donors – only 9% in New York City and 12% in Los Angeles. In both cities, the mayoral candidates were less dependent on small donors than candidates for city council, but New York's City Council candidates raised much more from small donors than their counterparts in Los Angeles. The full article suggests that the results stem partly from differences between the two cities' larger politics, partly from differences between the two matching fund systems, and partly from the differences between council members and mayors. I return to this point in the conclusion after finishing the main findings.

Finally, we wondered whether more small donors simply meant smaller amounts of money from the same kinds of donors, or whether it pointed toward more participation in the system by a broader range of the city's inhabitants. For this analysis, we geo-coded the addresses of every one of the donors and placed them within their respective census block groups. A census block group (CBG) is a relatively small geographical space with an average population of about 1,500. We then tested how the demographic characteristics of the donors' CBGs compared to those for the city as a whole.

The next table expresses the comparisons as percentages. The comparable table in the full article includes both sets of city council candidates, mayoral candidates and state legislative candidates for districts that represented the two cities. In this statement we only include the New York City Council and Mayoral elections of 2013.

Table 4: Small Donor Diversity: NYC Census Block Groups (CBGs) with Small Donors in the 2013 Elections for City Council and Mayor		
	City Council	Mayor
% of entire city's CBGs with small donors	90%	71%
Average small donor aggregate contrib. amount	\$76	\$119
Median household <u>income</u> in small donor CBGs as % citywide median	99%	110%***
% <u>poverty</u> rate in small donor CBGs as % of citywide rate	100%	83%***
% <u>nonwhite</u> in small donor CBGs as % of citywide rate	98%	88%***
Note: Measures whether values for small donor CBGs are statistically different from values in each city as a whole. * p<0.1; ** p<0.05; *** p<0.01		

One conclusion that leaps out from the table is how representative are the CBG's of small donors to New York City Council candidates. Ninety percent of the approximately 5,700 CBGs in the city have small donors living in them. This is remarkable. The districts are fully representative of the city's diversity, with median poverty rates, incomes and nonwhite populations virtually identical to those of the city as a whole. This is *not* normal in the campaign finance world.

The mayoral small donors come from neighborhoods that are not as diverse. We also saw in Table 1 that less than 10% of the mayoral candidates' private funds in 2013 came from small donors. The incumbent mayor may increase the percentage this year, but the pattern is too well established to be ignored.

And the large donors to mayoral candidates emphatically did not come from all over the city. The top four candidates in 2013 raised 58%-68% of their money from individual contributions from city residents. Digging into those within-city contributions, about 65% of Bill de Blasio's money came from only six city council districts, 80% of Christine Quinn's from four districts, 66% of Bill Thompson's from six districts, and 70% of Joseph Lhota's from four districts. These candidates' financial constituencies were not nearly as diverse as the financial constituencies of city council members. The questions are why, and what might be done about it.

EXPLANATIONS AND RECOMMENDATIONS

What explains these sharp differences between mayoral and council candidate fundraising? There are a number of plausible explanations and it is not possible to weigh their relative importance with the information available. Since we expect that several factors contribute, the forthcoming article will simply list three.

- The office: Mayors are more powerful and more visible than individual city council members. Their decisions are more consequential for potential large donors, who therefore feel more of a stake in the election results and are more willing to give.

- Geographic qualification requirement: Neither city requires mayoral candidates to raise qualifying contributions from geographically dispersed neighborhoods. This frees mayoral candidates to focus their fundraising on wealthy neighborhoods or downtown business sectors. New York City Council candidates have to raise a minimum number of qualifying contributions within their districts to qualify for public matching funds. Los Angeles had no such requirement for city council candidates in 2013 but did have one in 2015. We believe the imposition of residential requirements helps explain the fact that small donors played a more important role in Los Angeles in 2015 than 2013.
- Interplay between contribution limit and funding cap: While the maximum public funds for New York's mayoral candidates is the same 55% of the spending limit as it is for New York's city council candidates, the sheer amount of money that mayoral candidates have to raise is much greater. With the contribution limit for mayoral candidates set at double the limit for city council candidates, it is easier for the mayoral candidates to raise what they need from large donors.

Recommendations:

The bill being considered by the Council would make it more feasible for candidates to rely on small donors *if* they want to do so. Raising the public funding cap would be useful. However, I expect that the bill will not be enough to change the incentive structure for most mayoral candidates. To accomplish that goal, I would recommend that the Council couple this provision with one or both of the following:

- Introduce geographic requirements for qualifying contributions for all offices. This works in New York and it appears to have worked in Los Angeles. In thinking about how broad such a requirement might be, one might take a cue from the presidential matching fund system. That system requires qualifying candidates to raise a threshold amount of money from twenty states (40% of all states). A proportionally equivalent requirement would be to require mayoral candidates to raise qualifying contributions from twenty of the city's 51 council districts.
- By setting higher contribution limits for mayor than city council, and matching the first dollars of every large contribution, the system gives mayoral candidates a strong incentive to look for donors who can max out. If the contribution limit were lowered to the same level as it is for city council candidates, there would be less distance between the maxing out donor and the \$1,225 that a candidate can get from a \$175 donor.

Any of these three proposals would have an effect in line with the bill sponsors' goals. However, I predict that putting them all together would have a multiplying effect, creating incentives that would support the same goals more powerfully.

Thank you for asking me to participate. I would be happy to respond to your questions.