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## Chapter 4

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# Public Funds:

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## Dollars and Sense

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Another component of the Campaign Finance Program is the distribution of public matching funds to those candidates who can demonstrate meaningful support in the form of contributions from their communities. The payment of public funds is an essential part of the Board's mandate to "level the playing field," enabling candidates of limited financial means to wage more effective campaigns against candidates with strong bases of financial support.

Although the injection of neutral public funds into a given race can increase competitiveness, it is not necessarily a decisive factor. Moreover, the 1993 elections posed difficult questions about the structure of the Program's threshold requirements and provisions for "bonus" matching (when a participant faces a well financed non-participant). Were the threshold requirements too demanding, preventing some viable candidates from obtaining public funds? And was two-for-one matching sufficient to counter the financial advantage enjoyed by non-participants in "bonus" situations?

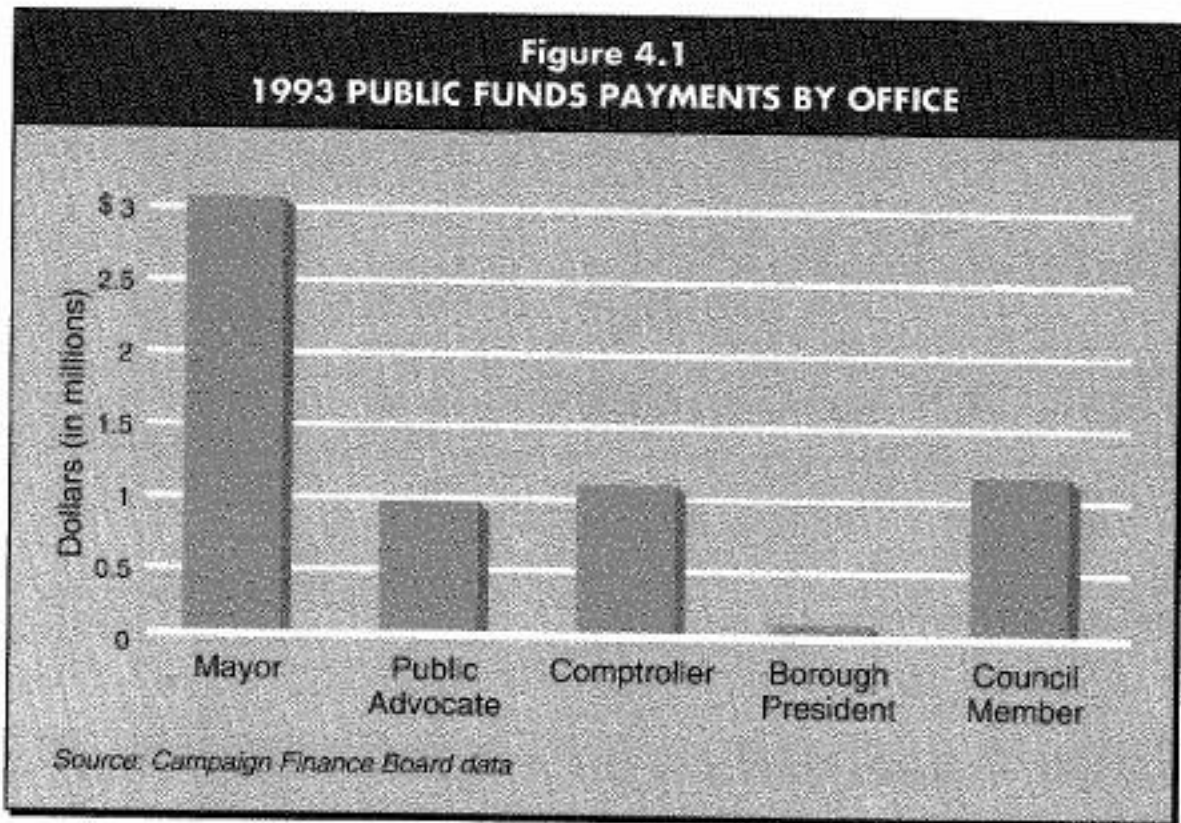
### The Distribution of Public Funds in 1993

The 1993 elections were the third regularly scheduled elections in which the Campaign Finance Board distributed public matching funds. Approximately \$6 million was paid to 65 participants.<sup>1</sup> (See Figure 4.1.) This figure would have been some \$700,000 higher if funds had not been withheld for invalid matching claims and non-compliance. In 1993, candidates for the office of City Council member had the highest percentage of matchable contributions (69 percent), and candidates for mayor had the lowest (28 percent).

By way of comparison, in 1989, 36 participants received approximately \$4.5 million, and, in 1991, when there were races for City Council only, about \$2.6 million was distributed to 113 participants.

**"[P]roviding funds for candidates is something very important. And it is making it possible for democracy to grow and flourish. I can't emphasize that too much."**

**— Alexander Staber<sup>2</sup>**



Although in 1993 the Board distributed more money than in any single election in its five-year history, this was still considerably less than was originally anticipated. In 1988, it was forecast that candidates in the 1989 elections might qualify to receive as much as \$28 million in public funds. It is now clear that the cost of the Program to the City of New York is far less.

The amount of money [distributed through the Program] is — in the budget of New York City, the amount of money is infinitesimal. You can't find it. It's a percentage of a percentage of a percentage of a percentage. — Rudolph Giuliani<sup>3</sup>

**Public Funds and Competition.** Based on candidates' own testimony, public funds have had a significant impact on many campaigns.

Public funds may have contributed to campaigns' competitiveness at the citywide level. Altogether just under two-thirds of all participating citywide candidates qualified to receive matching funds and, in New York City's expensive media market, the value of these funds should not be understated. At the borough president and Council levels, public funds recipients were also stronger candidates.<sup>4</sup> Although most Council candidates receiving public funds were in somewhat closer contests, the impact of public funds may have been greatest on smaller campaigns.<sup>5</sup> Defining "smaller" as any campaign in which total contribu-

### Fact Sheet 4.1 PUBLIC FUNDS BY ELECTION

#### 1993 Citywide Elections

Mayor	\$ 3,005,762
Public Advocate (City Council President)	904,106
Comptroller	1,028,381
Borough President	64,956
City Council Member	1,108,948
Total	6,112,153

#### 1991 City Council Elections

City Council Member	\$ 2,660,514
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#### 1989 Citywide Elections

Mayor	\$ 2,779,508
City Council President	0
Comptroller	421,655
Borough President	799,228
City Council Member	507,764
Total	4,508,155

#### 1994 Special Election

Staten Island, 51st Council District	\$ 60,339
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#### 1993 Special Election

Manhattan, 4th Council District	\$ 132,146
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#### 1991 Special Elections

Brooklyn, 29th Council District	\$ 137,650
Queens, 22nd Council District*	0

#### 1990 Special Election

Staten Island, 1st Council District	\$ 10,155
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\*Only one candidate was on the ballot.

Source: Campaign Finance Board data



**"Even though I . . . had no money, I was able to get elected. In fact, I was the first Dominican American elected to high office in the City. You see before you a direct result [of the Program]."**  
— Council member  
**Guillermo Linares<sup>7</sup>**

tions or spending in the 1993 elections did not exceed \$30,000 (the criterion used in the Act to determine whether a non-participating Council candidate has triggered the bonus matching rate for a participating candidate), the effect is pronounced, particularly in the general election. Smaller Council campaigns qualifying for public funds payments received a median of 35 percent of the votes, compared with only 11 percent to those candidates who received no public funds.<sup>6</sup>

But not all competitive candidates received public funds. At the Council level, the only two candidates to defeat incumbents were non-participants. And some Program participants who received no public funds were also competitive candidates — Roy Innis took about 25 percent of the vote in the Democratic mayoral primary, and Atchuda Barkr walked away with almost one half of all votes cast in the 41st Council district primary.

#### **The Threshold: Too High, Too Low, or Appropriate?**

The Program establishes a "threshold" that participants must meet by demonstrating a basic level of financial support in order to become eligible to receive matching funds. (See Fact Sheet, Part II, p. 5.) This threshold requirement is

designed to prevent the distribution of public funds to candidates who lack a base of popular support. If the threshold is set too high, serious candidates who lack sufficient financial support can be denied funds, denying them the assistance that public funds are intended to provide.

In 1993, some candidates argued that the Program's threshold requirements are too high, especially for the office of City Council. In her response to the Board's post-election questionnaire, Sandy Abby Aboulafia, a Council candidate in the 44th District primary, wrote, "The matching threshold should be lowered to \$3,000."<sup>8</sup> Another responded, "The candidate who raised below \$5,000 [the City Council threshold requirement] is not considered "serious" by the CFB. In my case this is most interesting since my opponent spent twice that amount to knock me off [the ballot]."<sup>9</sup>

**Dollar, Number, or Both?** The threshold requirement is twofold. Candidates must raise a *minimum number* of contributions from City residents (in the case of borough



president and Council candidates, from residents of their own boroughs or districts, respectively), and raise a *minimum dollar amount*. Although the Program matches contributions between \$1 and \$1,000, a contribution must be \$10 or greater to count toward the threshold. (See Fact Sheet, Part II, p. 5.)

Problems meeting the threshold are likely to be greatest among Council campaigns, where candidates have a relatively limited geographic base from which to draw most of their financial support. The threshold requirement is the same for all Council districts, but there are economic differences within the City which the threshold requirement does not currently take into account. In some boroughs, the per capita income is substantially below the City average of about \$16,000. In the Bronx, the per capita income is \$10,535, the lowest of all the boroughs.<sup>10</sup> In the 14th Council District in the Bronx, incumbent Israel Ruiz, Jr. did not meet the threshold. And in District 8 (which spans part of upper Manhattan and the Bronx), candidates including incumbent Council member Adam Clayton Powell and challenger William Del Toro had difficulties in meeting the threshold. Incumbent Council member Guillermo Linares of District 10 in Upper Manhattan met the threshold comparatively late in the election cycle.<sup>11</sup>



**"I believe the minimum contribution of fifty people giving \$10.00 should be lowered, perhaps across the board, but certainly in districts where . . . the incomes of the people are far lower. . . . [Candidates in these] districts . . . depend on smaller contributions and cash contributions of low[er] amounts."  
— Council member Tom Duane<sup>13</sup>**

Data analysis indicates that geographic income disparities, by affecting the contribution pool upon which candidates can draw, may have a considerable impact on some participants' ability to raise campaign funds and to meet the Program's threshold requirement. This is particularly true of City Council candidates, most of whom rely on local financial support. For example, in contrast to residents of the other four boroughs, Bronx residents contribute less, both in terms of gross contribution amount and as a percentage of total contributions, to City Council candidates from their own borough.<sup>12</sup> Moreover, the average matchable contribution made by Bronx residents is lower than the average matchable contribu-

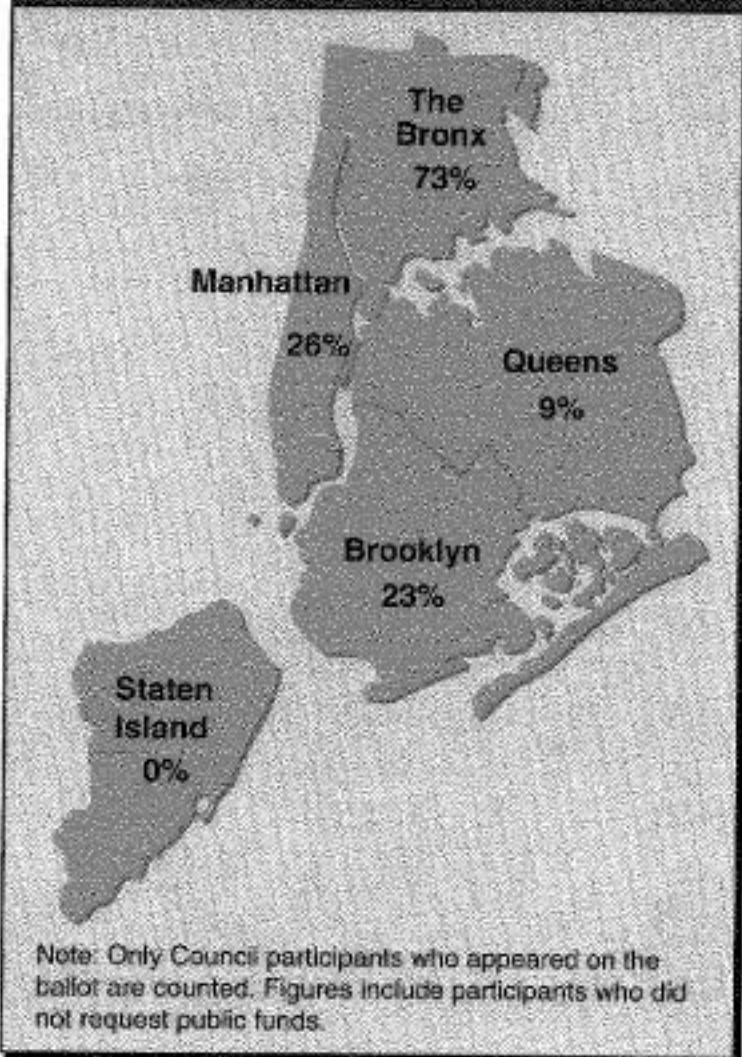
tion made by residents of the other four boroughs.

The highest percentage of participating candidates who did not meet the threshold for the office of City Council was in the Bronx. Staten Island, by contrast, saw all its City Council candidates reach the threshold requirements. (See Figure 4.2.)

Of those candidates not meeting the threshold, about half failed both aspects of the threshold test, meeting neither the dollar nor the number requirement, but in some cases the numeric threshold alone posed a barrier that candidates could not overcome.<sup>16</sup> The \$10-or-greater requirement played an important role in these instances. Sandy Abby Aboulafia, a candidate for Brooklyn's 44th Council district seat, complained that most of her contributions were under \$10 in 1991. At the 1991 post-election Board hearings, Ms. Aboulafia stated, "The [Act's requirement] of only matching funds \$10 and over was devastating to my campaign . . . I also got donations totaling \$1,400 in cash from contributions under \$10 . . . I missed out [on public funds] due to the [Act] not matching donations under \$10."<sup>17</sup>

Is the \$10 requirement an unreasonable hurdle for candidates in some areas? Results for 1993 are equivocal. If contributions under \$10 had been counted toward the threshold requirement, it would not have made much difference to many candidates during the 1993 elections; the total amount of itemized contributions from individuals falling under \$10 is very small. If in the aggregate candidates do not rely on small-dollar contributions, however, in both 1991 and 1993 there were campaigns that placed a disproportionate reliance on under-\$10 contributions, and removing the \$10-and-over requirement might have had a beneficial effect in these instances.

**Figure 4.2**  
**PERCENTAGE OF PARTICIPATING COUNCIL CANDIDATES NOT MEETING THRESHOLD**



Another aspect of the threshold requirement applicable to Council candidates is that contributions counting toward the threshold number must originate from residents of the candidate's district. Removing this requirement would make things appreciably easier for many campaigns. The effect, of course, would vary from borough to borough. Allowing contributions from within the candidate's borough to count toward the threshold number would have increased the number of contributions actually received that could have qualified for the threshold by over 100 percent for candidates in Manhattan, Queens, and Staten Island; by over 90 percent in Brooklyn; and by about 30 percent for candidates in the Bronx.

Taken together, there do appear to be economic disparities across different areas of the City that directly affect a candidate's fund raising ability and his or her ability to meet the threshold. The re-structuring of the Program's threshold requirements contemplated in Chapter 11 would go far toward redressing these inequities.

### **What Happens When Candidates Do Not Participate**

The Campaign Finance Program is intended to let candidates' ideas, rather than their deep pockets, speak for them, and thus to help them wage meaningful campaigns for public office. The Program distributes matching funds at an accelerated rate of two dollars for every one dollar raised to a participant facing a non-participating opponent who has raised or spent more than half the applicable expenditure limit (or \$30,000 in the case of the City Council). In addition, expenditure limits on the participating candidate are removed.<sup>16</sup> The "two-for-one" rate is designed to protect participants against high-spending non-participants whose campaigns are not constrained by Program limits.

Two of the four candidates in 1993 who received the maximum amount of public matching funds for which they could become eligible in an election received these funds at the accelerated two-for-one rate. The bonus was triggered in four Council districts in the primary election and three Council districts in the general election, resulting in payment of an additional \$39,000 during the primary, and an additional \$7,500 in the general election. In 1991, when the bonus was triggered much more often, it cost taxpayers about \$500,000 in additional public funds disbursed.<sup>17</sup>

By not joining the Program, candidates often put themselves at a financial disadvantage. Most non-participants in the 1993 elections would have come out ahead financially had they "opted in" to the Program: a review of non-participants' filings with the Board of Elections suggests that an average of about 40 percent of these non-participants' contributions would have been matchable.<sup>18</sup>

**Bonus Matching: Is It Enough?** In those races for which candidates received public matching funds at the two-for-one rate in the 1991 City Council elections, bonus matching was very successful,<sup>19</sup> but in 1993, the story was quite different. (Anecdotal evidence suggests that some candidates may now opt in to the Program to prevent their opponents from becoming eligible for bonus matching.)

Of the eight candidates who were eligible to receive funds at the two-for-one rate in 1993, three received no public funds because they did not meet the threshold requirement.<sup>20</sup> One participant captured a very respectable share of votes after receiving little or nothing in the way of matching funds. In other races, however, money may have been the deciding factor. And, while public funds in bonus districts did make up a high percentage of the funds available to participating candidates, these funds did not offset the financial advantage enjoyed by many non-participants.<sup>21</sup>

In the 1993 special election to fill the 4th Council district seat, Andrew Eristoff loaned himself \$256,000 in his race against participant Jane Crotty, with a repeat performance in the fall election; altogether, Eristoff made about \$643,000 of his own resources available to his campaign. Crotty was greatly outspent in both races, despite the "bonus" provision of the Program, and lost the election. Despite her loss, Crotty felt that she was assisted by the Program. A representative of her campaign testified at the Board's post-election public hearings that, ". . . the Program must be considered a success, at least from our point of view. . . . But we are hoping that one day money will not determine who sits in the City Council[.]"<sup>22</sup> As discussed in Chapter 11, the Board is recommending an increase in the bonus to overcome extreme disparities.

#### **Public Funds and Incumbent Advantage**

The Program matches contributions received from City residents and therefore benefits those campaigns with superior fund raising capabilities. Are incumbents better able to attract matchable contributions, and does the Program exacerbate incumbents' financial advantage?

More public funds were distributed during the 1993 elections to non-incumbents than to incumbents, and public funds generally made up a considerably larger proportion of non-incumbents' funds for some offices. Among citywide campaigns, incumbents and major non-incumbent candidates had roughly equal fund-raising capabilities. At the Council level, however, incumbents raised about \$2 million, compared to about \$1 million for non-incumbents. When these totals are reduced to means per campaign, the typical Council incumbent had about \$51,000 in contributions, compared to \$20,000 for a non-incumbent.

As shown in Chapter 2, incumbents tend to rely more on contributions from organizational contributors, which the Program does not match. Although non-incumbents often fight an uphill battle in fund raising, they place greatest reliance on individual, potentially matchable, contributions. To some extent, therefore, the Program mitigates the financial advantage enjoyed by incumbents, as it enhances the value of the kinds of contributions on which non-incumbents depend most. At the Council level, public funds boosted the average incumbent's receipts by about 25 percent, compared with about 50 percent for non-incumbents — thereby "leveling the playing field" to some extent, but total dollar amounts available to incumbents generally remained far in excess of what non-incumbents were able to collect. The Board is proposing increasing the matching rate for smaller individual contributions, up to a lower maximum matchable amount per contributor, which would further



enhance the benefits of raising contributions from individuals for all candidates. (See p. 122.)

### Conclusion

Public funds play a major role in some campaigns. Although matching funds do not immediately translate into votes, studies at the Congressional level have shown that challengers' resources need not reach those of incumbents in order to have a dramatic effect on the competitiveness of a race.<sup>23</sup> But the \$1.1 million distributed at the Council level did not yield a significant increase in competition, prompting the Campaign Finance Board to review the Program's matching funds provisions and to recommend changes that would increase the value of smaller contributions from individual City residents, eliminate some barriers posed by the threshold requirement, and give participants facing extremely well-financed, non-participating opponents a better chance of waging a viable campaign.

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The next chapter describes how the Board has accomplished its public disclosure mission.

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### NOTES

<sup>1</sup> One additional participant, Ernest Emmanuel, received public funds in anticipation of a race for City Council; however, he was subsequently knocked off the ballot.

<sup>2</sup> *Campaign Finance Board 1993 Hearings*, at 297 (testimony of City Council candidate Alexander Staber).

<sup>3</sup> *Campaign Finance Board 1991 Hearings*, at 86 (testimony of 1989 mayoral candidate Rudolph Giuliani).

<sup>4</sup> Among Council candidates, those receiving public funds averaged 43 percent of the vote in their districts in the primary, compared with 37 percent for candidates who did not receive public funds. In the general election, the difference was even more pronounced: candidates receiving public funds received an average of 65 percent of the votes, while those not receiving public funds received an average of 39 percent. This is not an unexpected finding, as many recipients at the Council level were incumbents.

<sup>5</sup> On average, those City Council races in which a candidate received public funds were more competitive than those in which no candidate was paid. In the primary election, in those races in which at least one candidate received public funds, the mean percentage of votes to the winner was 61 percent, compared to a mean of 66 percent to the winning candidate in races in which no public funds payments were made. A similar pattern was evident in the general election: winners took about 80 percent in races including at least one recipient of public funds, compared to 85 percent for those in which no public funds were disbursed.

In races in which at least one candidate challenging an incumbent Council member was paid, the difference between the mean percentage of votes was even greater. In the primary, the winner received about 59 percent of the vote in such contests, compared to 69 percent in the races in which no challenger was paid by the Board. Clearly, publicly-funded challengers were more competitive.

<sup>6</sup> The median was used instead of the mean, as the mean was "skewed" by a few strong candidates with

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unusually low financial activity.

<sup>7</sup> *Campaign Finance Board 1993 Hearings*, at 318 (testimony of City Council member Guillermo Linares).

<sup>8</sup> *Campaign Finance Board 1993 Post-election Survey* (Sandy Abby Aboulafia, candidate for City Council, district 44).

<sup>9</sup> *Campaign Finance Board 1993 Post-election Survey* (Elliot Kramer, candidate for City Council, district 47).

<sup>10</sup> Data provided by the U.S. Census Bureau, based upon 1990 census numbers.

<sup>11</sup> Linares received his first payment from the Board on November 5, 1993.

<sup>12</sup> For example, while contributions from Brooklyn residents make up about 60 percent of the total contributions received by Brooklyn Council candidates, contributions from Bronx residents amount to only 30 percent of the total contributions received by candidates from the Bronx. See p. 19.

<sup>13</sup> *Campaign Finance Board 1993 Hearings*, at 246-247 (testimony of City Council member Tom Duane).

<sup>14</sup> Based on a rough approximation of financial activity using unaudited data that included all participants submitting matching claims, whether or not they were on the ballot. This analysis may not coincide with the actual payment process.

<sup>15</sup> *Campaign Finance Board 1991 Hearings*, at 339-340 (testimony of City Council candidate Sandy Abby Aboulafia).

<sup>16</sup> Under the Program's "bonus" provisions, although the rate at which campaigns receive matching funds is doubled and the spending limit is removed, campaigns remain subject to the per-election "cap" on the amount of public funds they can receive. See Fact Sheet, p. 5.

<sup>17</sup> New York City Campaign Finance Board, *Windows of Opportunity: Campaign Finance Reform and the New City Council*, July 1992 (hereafter *Windows of Opportunity*), 29.

<sup>18</sup> Based on an unaudited review of financial data submitted to the Board of Elections. As reporting standards for non-participants are substantially different from those applied to participants, this is a rough approximation only.

<sup>19</sup> The average participant in 1991 had only \$29,300 in contributions, compared to the average non-participant, who had \$39,400. The average participant in 1991 received \$24,200 in public funds, however, bringing the total funds available to \$53,500, enough to offset any financial advantage held by most non-participants. (*Windows of Opportunity*, 28-29.)

<sup>20</sup> Atchudta Barkr, Joel Michaels and Leon Nadrowski.

<sup>21</sup> In the four bonus districts in the 1993 primary, mean total contributions and loans to participants were \$24,000, while non-participants in these bonus districts had an average of \$180,000. In the general election, participants received an average of \$70,000 in contributions and loans, compared to \$234,000 for non-participants. Clearly, public funds payments would have had to have been substantially higher to match non-participants' financial resources.

<sup>22</sup> *Campaign Finance Board 1993 Hearings*, at 71-72 (testimony of Arnold Kriss, City Council candidate Jane Crotty's campaign manager).

<sup>23</sup> See Michael J. Malbin, "Campaign Finance Reform: Some Lessons from the Data," *Rockefeller Institute Bulletin*, 1993, 50-51.

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## Chapter 5

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# Disclosure:

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## 1993 Innovations and Beyond

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**T**he New York City Charter mandates that the Campaign Finance Board receive candidates' campaign finance information and make it available to the public; it also requires that the Board create and maintain a computerized database of campaign finance information that is accessible to the public. But this public access is only useful if the data are timely, relevant, and accurate. One of the Board's greatest challenges has been to report municipal campaign finance data quickly and accurately in a way that the public can easily make use of them.

Of course, the Board's public disclosure and computerization mandates serve a number of different purposes. In addition to providing raw information that the public and the press can track and evaluate, the computerized database allows the Board to conduct effective enforcement of the various Program requirements and to analyze the data so that the Board can better fulfill another of its mandates: to study the effects of the Program and make recommendations for change. The detailed analyses of the preceding chapters would have been impossible without the existence of the Board's computerized database. For the 1993 elections, these various purposes were served with the use of cutting-edge computerized public disclosure systems relying upon both mainframe and personal computers.

The Campaign Finance Board is at the forefront of technological innovations for disclosure and has become a resource for other jurisdictions, including the Federal Election Commission, interested in the uses of this technology. Its computer software for candidates' filings, C-SMART<sup>®</sup> (see below), has been demonstrated at the 1993 Council on Government Ethics Laws conference, to the Federal Election Commission, and to two state legislative committees. Sample copies have been distributed to over 25 entities representing 21 different states.

### **CFIS - The Backbone of Public Disclosure**

The Campaign Finance Information System ("CFIS") is the Charter-mandated repository of all financial disclosure information submitted to the Board. CFIS is a mainframe application that stores candidates' financial information and allows the Board to run hundreds of public disclosure and analytic reports from the data. For the 1993 elections, some 160,000 contribution, loan, and expenditure records were entered onto CFIS. CFIS now

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contains a total of some 370,000 records from the 1989, 1991, and 1993 elections, as well as from the special City Council elections that took place in 1990, 1991, 1993, and 1994.

CFIS was developed in the six months prior to the Program's implementation in the 1989 citywide elections. This development cycle was extremely rapid for such a comprehensive disclosure system, requiring a tremendous amount of work over a very short time. The system was designed to assist in the administration of the Campaign Finance Act, including the payment of public matching funds, audit reporting, and public disclosure. For the 1991 and 1993 elections, CFIS was retrofitted to conform to improvements in the Program's disclosure forms, and significant enhancements made the system more flexible and "user friendly."

### **Electronic Submission - From Months to Days**

Hard copy of candidates' filings has always been available immediately to the public upon being received at the Board's offices. During the 1989 elections, however, computerized public disclosure reports containing contribution and expenditure transactions were not issued until after the general election. This meant that the data were sometimes months old by the time the computerized reports were released to the public. During the 1991 elections, these reports were issued three times: once before the primary election, once before the general election, and once after the general election. In an effort to make candidates' financial information available to the public as quickly as possible in computerized form, the Board reviewed this disclosure process for ways to expedite it during the 1993 elections.

Data entry was found to be one area in which significant improvements could be made. Prior to the 1993 elections, all financial disclosure data were manually entered onto the Board's computers, requiring exhaustive verification to ensure that every transaction was entered into the database exactly as it was reported. Initially during the 1989 elections, data were entered into CFIS, then proofread to ensure accuracy. This process proved to be labor intensive and subject to time-consuming error. By the 1991 elections, the data entry system had been modified to provide *key verification*, or the entry of each transaction twice by different operators, after which any differences between the two entries were reconciled with the original. Because of this emphasis on accuracy, data entry was — and is — one of the most time-consuming and expensive services performed by the Campaign Finance Board.

To reduce costs and accelerate the process even further, while maintaining rigorous standards of accuracy, the Board devised an electronic submission process that allowed the Board to "upload" data onto the mainframe and to bypass manual data entry. Instead of releasing detailed public disclosure reports months after a filing deadline, electronically-submitted filings make it possible to produce public disclosure reports in a matter of days. The Board developed a companion program to CFIS that reviews electronic submissions. Once a submission has successfully completed an initial "intake" process, it is uploaded onto CFIS at a rate of about 1,000 transactions every 10 minutes. By comparison, a data entry operator enters about 10 transactions per minute and, as mentioned above, each transaction must be entered twice.

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Data input is not only extremely rapid, but when performed electronically it is also controlled by each individual campaign, which minimizes the chances of inadvertent data entry error. With electronic submissions, the Board was able to enter 67 percent of all transactions immediately without the need for data entry operators and the delay that entry error-checking involves. The remaining 33 percent were manually entered.

Accepting disclosure information electronically greatly improved the Board's ability to fulfill its Charter-mandated disclosure functions. The Board offered candidates interested in filing electronically two options: they could either use the Board's own candidate software or develop their own software packages.

### **Making Electronic Disclosure Easy: C-SMART®**

In April of 1992, in response to overwhelming requests from candidates who participated in the Program during the 1991 elections and an amendment to the Campaign Finance Act, the Board began developing a computer program that would allow participants to file their disclosure statements electronically: C-SMART® ("Candidate Software for Managing And Reporting Transactions"). During the 1993 elections, it was used by 45 participating campaigns to disclose about 30,000 transactions. (See Figure 5.1.)

**How C-SMART® was developed.** The first phase in the development of C-SMART® entailed interviews with various campaigns in an effort to pinpoint the essential features that would make the program useful. One of the main goals in this first phase was to design *one* program that would accommodate the complexities of large campaigns and yet be sufficiently user-friendly for smaller ones. The Board was able to develop a prototype of C-SMART® in time for the 1993 4th Council District Special Election. Edward Stevens, the treasurer for candidate Jane Crotty, was one of the first to use it. He commented, "I found it very helpful, very understandable . . . I can't say enough about it!"<sup>1</sup>

**Features/Advantages.** C-SMART® currently supports over 90 percent of the data entry reporting needs of a campaign and, in conjunction with other Board efforts, goes a long way toward easing candidates' reporting burdens. The Campaign Finance Program's disclosure forms are accepted by the New York City Board of Elections. C-SMART®-generated forms — virtually identical to their printed counterparts — are also accepted by the Board of Elections. Because candidates are required by State law to report their financial activity to the Board of Elections, this significantly reduces the reporting burdens of C-SMART® users to oversight agencies.

C-SMART® data files are in a format that is accepted by a wide variety of software packages. This allows candidates to use C-SMART® data for other campaign functions — for example, printing mailing lists of contributors' names and addresses to send them letters and other campaign materials. C-SMART® also has a built-in help facility that gives the user on-screen advice without having to refer to a manual. The C-SMART® user guide contains detailed instructions and a tutorial.

C-SMART® has many advantages over handwritten disclosure forms. Most important, C-SMART® makes it easier for campaigns to comply with the Program's requirements. It is designed to warn of possible violations in three main areas: over-the-limit contributions, contributions missing employer information, and invalid matching claims. (Altogether, there

**"... the support for C-SMART® is... very professional, highly skilled and a phone call away on weekends during the summer..."**

**— Barbara Genco<sup>2</sup>**

are 13 different reasons C-SMART® can give for identifying a transaction as potentially invalid for matching.)

This allows the campaigns to spot and correct many problems before their disclosure statements are submitted to the Board. Those campaigns filing electronically had a noticeably lower rate of invalid matching claims than those campaigns filing by hand.

C-SMART® also standardizes names and addresses. Upon entering a new transaction, the program searches to determine whether the same contributor/payee has already been entered. The database is cross-referenced for all schedules, so the user never has to enter the same name information twice. C-SMART® allows campaigns to keep track of contribution totals by automatically aggregating contributions from the same source, minimizing the calculation errors to which manual tracking is prone. C-SMART® also produces several special reports which can assist candidates in managing their campaigns.

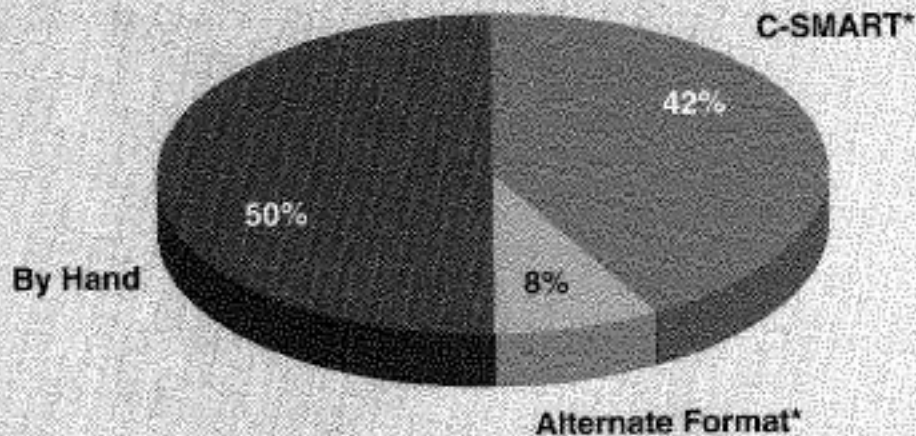
**Training/Support.** Candidates were introduced to C-SMART® through the Board's community "outreach" efforts (see Fact Sheet, p. 114), and by mailings to interested parties. C-SMART® was available, free of charge, to all participants in the Campaign Finance Program. Candidates were enthusiastic about the free, on-site training, and the 24-hour-a-day, seven-day-a-week telephone help line Board staff maintained during the election. Results of the 1993 post-election surveys showed that the vast majority of users who responded, 71 percent, thought the software was "very helpful" or "helpful." Most users agreed: C-SMART® made their job easier. The Board considered C-SMART® to be one of its biggest successes in the 1993 elections.

**The Future of C-SMART®.** As noted above, C-SMART® currently processes about 90 percent of the typical campaign's data entry reporting needs. Disclosure schedules A and B (monetary and in-kind contributions), D (refunds), E (expenditure payments), and N (intermediary information) are all available in C-SMART®. The next version of the software will include all the required schedules. The Board is also exploring the possibility of providing "name" files of contributors from CFIS for prospective C-SMART® users so they will not have to re-enter their data from past campaigns.

#### **On Their Own - Alternate Format**

Some large citywide campaigns did not want to abandon their own, pre-existing computer software, and wanted instead to use it to generate their filings. Although, as Figure 5.1 shows, these campaigns made up only eight percent of the Program's participants,

**Figure 5.1  
PERCENTAGE OF CANDIDATES  
USING EACH DISCLOSURE METHOD**

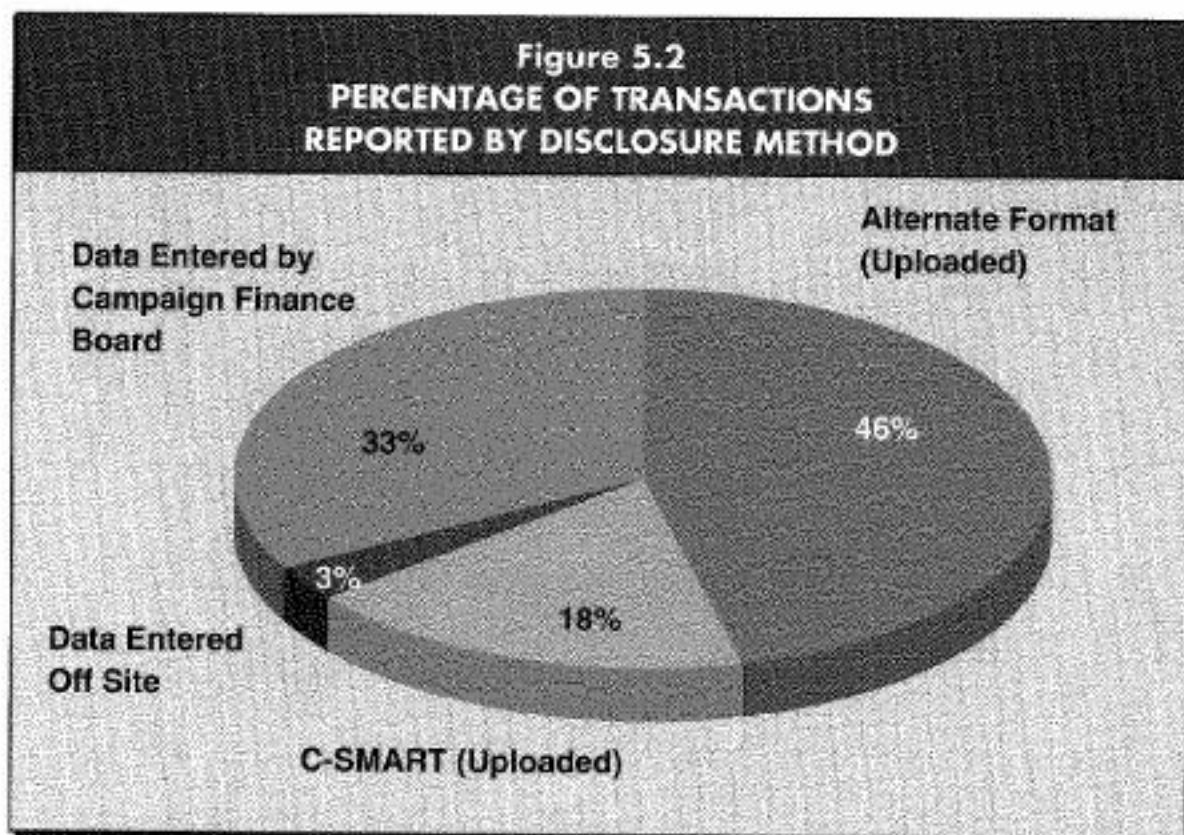


\*Four candidates used both C-SMART and an alternate format for disclosure. Because most of their transactions were reported using an alternate format, these candidates are represented in the Alternate Format category.

they reported roughly one-half of all transactions disclosed by campaigns for the 1993 elections.

Those campaigns submitting electronic disclosure using "alternate formats" had to follow strict guidelines and obtain written approval from the Board. Before permission was granted, these campaigns had to provide a sample diskette containing the electronic data files to be uploaded, which were required to adhere precisely to the C-SMART® file formats.

The Board's rules require the rejection of any filings not meeting this standard. When the Board discovered that campaigns using alternate formats were having considerable difficulty complying, the Board modified its procedures to offer them the opportunity to have their filings reviewed by Board staff several days before the submission deadline. These pre-submission reviews were successful in catching many of the common filing problems in time for the campaigns to make corrections. Often, however, problems with an alternate format filing could not be detected until after the deadline, holding up the disclosure process and in some cases causing the delay of public funds payments. In an additional measure to assist campaigns using alternate formats, the Board provided software enabling them to print information from their software in the required format.



#### **Every Flavor of Public Disclosure**

An important outcome of the Board's efforts to encourage and facilitate electronic submission was the quick and easy availability of financial disclosure data to the public. The Board makes candidates' disclosure submissions — copies of the actual diskettes filed by campaigns and paper forms — available to the public within 48 hours of each filing deadline. (The Board releases information for all candidates for a particular office simultaneously.) Providing copies of diskettes was a new service performed by the Board in the 1993 elections, made possible by the widespread use of alternate format and C-SMART® electronic filing. After the Board entered and uploaded this data onto CFIS (a week to two weeks after each deadline), the data were released in several computerized paper public disclosure reports. These reports were organized in a variety of ways to facilitate the tracking of participating candidates' financial data.

Electronic versions of financial disclosure data were requested by the press, students, educators, campaigns, and members of the public. (The Board, of course, continually scrutinizes these data once they are uploaded onto CFIS as part of its ongoing audit and enforcement process; see p. 102.) The press and the campaigns themselves were especially interested in studying sources of contributions. Because the electronic version of the data could easily be loaded into a variety of databases and statistical computer systems, it was



especially well suited to this application. What would take hours, if not days, to accomplish using the paper disclosure reports could be done in a matter of seconds using the electronic data.

Based on frequency of use, one of the most popular forms of public disclosure remains the computerized paper reports that the Board makes available during an election. These reports are pre-programmed and released on a regular basis or more frequently when requested. Other reports are also programmed on an *ad hoc* basis. The Board filled over 100 requests for various reports during the 1993 elections, responding to national newspapers, local campaigns, good government groups, scholars, and numerous other interested parties. The pre-programmed reports released on a regular basis during the elections were:

- **Contributions by Candidate**, sorted alphabetically by contributor name,
- **Expenditures by Candidate**, sorted alphabetically by payee name,
- **Contributions by Candidate**, sorted alphabetically by employer name,
- **Contributions by Intermediary**, sorted alphabetically by intermediary and then contributor name,
- **Contributions by Candidate**, sorted by contribution amount, and
- **Contributions across all Candidates**, sorted alphabetically by contributor name.

During the 1993 elections, public disclosure reports for the mayoral candidates were issued eight times before the election and once after the election. Computerized public disclosure reports were issued five times during the election and once after the election for candidates for public advocate, comptroller, borough president, and City Council.

**ACCESS.** To enhance its *ad hoc* reporting capabilities, the Board developed the Automated Candidate Contribution and Expenditure Search System, or ACCESS. Used primarily by the Communications Unit to respond to inquiries from the press, ACCESS allows easy search of the entire CFIS database across all elections for one or any number of contributors, vendors or payees, lenders, or intermediaries. As *ad hoc* requests must no longer be routed through the Systems Unit, where they would compete for scarce programming resources, ACCESS significantly decreased the turnaround time for many report requests.

**The State Access System.** The Campaign Finance Board is participating in the Federal Election Commission's State Access Program. On-line access to the Commission's database is now available at the Board's offices, providing a wealth of information on national campaigns and F.E.C. activity. Topics include:

- information on candidates,

- contributions from individuals, PACs, and political parties,
- recent F.E.C. press releases,
- F.E.C. advisory opinions,
- selected court case abstracts relevant to election law.

### **Optical Imaging**

Candidates' disclosure statements and other vital records from past elections have created a tremendous volume of paper requiring a prodigious amount of storage space. As public disclosure requests are continually received by the Board, copies of these statements must be readily available at the Board's office, so that off-site storage is precluded. The paper flow also creates significant logistical problems for the Board's own administrative operations, as copies of candidates' filings are shuttled between different departments for internal review. Anticipating the storage demands that would be imposed by the 1993 citywide races, and after a comprehensive review of its internal operations and consideration of many alternatives, the Board made a strategic decision: to implement a state-of-the-art optical imaging system in time for the 1993 elections.

Disclosure statements and other records are now scanned and stored as images (or computer-recognizable pictures) on the Imaging Management System ("IMS"). A document that is stored can be instantly retrieved, reviewed, and printed by any PC connected to the Board's local area network ("LAN"). Implementation of the IMS has significantly reduced the Campaign Finance Board's future needs for space devoted to record storage. It has also reduced the number of copies of records made during the intake review process. As candidates' filings are often amended (or corrected by the campaigns), the IMS ensures that the most current version of a document is immediately available. The imaging management system has significantly facilitated the storage of and access to candidates' financial disclosure information at the Board's offices.

### **The Future**

One of the most important lessons learned during the 1993 elections is that electronic submissions make compliance with the Campaign Finance Act easier and public disclosure of the submitted financial data more timely. A major goal for 1997 is to increase the number of campaigns submitting electronically. The best way to achieve this is to increase the number of campaigns using C-SMART®.

Some candidates may still decide to use their own software for filing with the Board. The Board plans to redouble its efforts to work with these candidates to ensure that their filings meet all Board requirements. These efforts will include a pre-election approval process which tests actual election situations and distribution of software to campaigns, enabling them to check their submissions before filing with the Board.

Another task facing the Board is redevelopment of its Charter-mandated CFIS database. Designed and programmed only six months prior to the 1989 elections, then overhauled to adapt to simplifications in the Program's reporting requirements in advance of the 1991 elections and retrofitted once again before the 1993 races, CFIS is in urgent need of maintenance. The period before the 1997 elections presents the Board with its first real opportunity to review its functionality comprehensively and implement improvements that will keep pace with a rapidly changing technological environment.

For the 1997 elections the Board will also continue to improve the ways in which information is made available to the public and the press. It is the Board's plan to set up public terminals at the Board's offices. These terminals will allow members of the public and press to get access to participants' contribution and expenditure information and search through that information in a number of ways. The Board's disclosure reports will be available on diskette as well as on paper, reducing the cost of producing them and making them easier to obtain. The Board will also investigate ways of making its financial disclosure information available on a dial-up service.

### **Conclusion**

Disclosure has been and will continue to be one of the most critical aspects of the Board's mission. As shown in earlier chapters, the information it has provided has been pivotal in shaping the character of municipal campaigns and giving the public meaningful information on "who gives" and "who gets". In March of 1994, the New York State League of Women Voters, in a letter to the Board, gave the Board an "A+" for its efforts to "insure the public's right to know."<sup>3</sup> Literally hundreds of news stories in the local and national press made use of the Board's computer-generated data. This was the result of the Board's use of new technologies, both hardware and software, and intensive efforts on the part of Board staff.

\* \* \* \* \*

Has the Program **levelled the playing field**? Since the inception of the Act, citywide campaigns have been extremely competitive, but at the Council level, more must be done. As already discussed, changes in the Program's threshold requirements and provisions for bonus matching are being recommended to stimulate more competition. Many would nonetheless agree that both **the reality and perception of undue influence** in New York City elections have been diminished. Andrew Stein's departure from politics, for example, at least partly in response to public criticism of his fund-raising activities, signalled a change in the "politics-as-usual" style of fund raising and spending.

The Program has also made important inroads in **controlling campaign spending**. Although most campaigns stay well within the Board's limits, mayoral candidates have consistently brushed up against them, indicating that the limits are indeed important in containing costs and that these ceilings may have contributed to the vigorous competition in the mayor's race in the 1989 and 1993 elections. The limits, however, would be meaningless

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## Chapter 5

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in the absence of decisive and impartial enforcement, as the Board has undertaken in assessing penalties against two incumbent mayors for violation of the spending limits — Koch in 1989, Dinkins in 1993. (See p. 44.)

One of the Board's most significant accomplishments during the 1993 elections was **increasing the quality and amount of information available to the public.** Informing the public of the details of candidates' campaign finances is one of the most important functions of the Campaign Finance Program, and it was successful to an unprecedented extent during the 1993 elections.

\* \* \* \* \*

The next two chapters present an overview of 1993 races: who ran, who won, and what the issues were.

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### NOTES

<sup>1</sup> *Campaign Finance Board 1993 Hearings*, at 74 (testimony of Edward Stevens, City Council candidate Jane Crotty's campaign treasurer).

<sup>2</sup> *Campaign Finance Board 1993 Hearings*, at 285 (testimony of Barbara Genco, City Council member Joan McCabe's campaign treasurer).

<sup>3</sup> Letter from Marjorie Shea, Director of Government and Election Law, to Nicole A. Gordon, Executive Director of the Campaign Finance Board, dated March 7, 1994, on file with the Campaign Finance Board.