



New York City Campaign Finance Board
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**Testimony of Amy Loprest
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**City Council Committee on Governmental Operations
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Good morning Council Member Kallos and committee members. I am Amy Loprest, Executive Director of the New York City Campaign Finance Board (CFB). With me today is one of our Board members, Art Chang. Art also serves as chair of the CFB's Voter Assistance Advisory Committee.

I am also joined by Sue Ellen Dodell, the CFB's General Counsel, and Eric Friedman, our Assistant Executive Director for Public Affairs.

Thank you for inviting us to testify before you today about the CFB's report, *By the People: The New York City Campaign Finance Program in the 2013 Elections*. Our report provides comprehensive analysis of the Program's impact on the elections. The report also includes the Board's recommendations for legislative actions to strengthen the Program, which I will review later in my testimony.

But first, our report contains very good news for New Yorkers. The 2013 election campaigns were primarily funded by small contributions from New York City residents.

People living in every neighborhood in every borough of the city participated in last year's election by making small contributions of \$10, \$25, or \$100.

The public matching funds make those small contributions more meaningful. New Yorkers give because they have confidence their voices will be heard by the candidates, and won't be drowned out by large contributions from special interests. There were more contributors in the 2013 elections than in any city election, ever. They came from Melrose and Mott Haven, TriBeCa and Dyker Heights, Westerleigh and the Upper East Side. Crucially, the public matching funds allowed candidates to run their campaigns without having to rely on large—possibly corrupting—contributions from special interests.

Some highlights:

- The Program provided more than \$38 million to 149 candidates.
 - Candidates for mayor received \$14 million in public funds, more than in any previous mayoral election in Program history.

- The incentives provided by the matching funds are working. Candidates for office in New York City focused on raising money from people living in New York City.
 - More than 90 percent of the total funds raised came from people, not from PACs or unions.
 - Of the total contributed by individuals, more than two-thirds came from residents of New York City.

- More than two-thirds of all New York City contributors gave \$175 or less.
- More than 44,000 New York City residents made a contribution to a city candidate for the first time. Those first-time contributors are especially likely to be small-dollar contributors; 76 percent of them gave \$175 or less.
- Candidates focused on raising contributions from the people they hoped to represent in office.
 - Candidates in eight Council districts raised 55 percent or more of their total individual contributions from residents of their own districts.
 - Candidates in another 11 Council districts raised between 45 and 55 percent of their individual contributions in-district.
 - In all Council districts with participating candidates, not less than 20 percent of the contributions raised came from within the district.
- Based on candidate participation rates, the Program is as strong as it ever has been. Most candidates choose to participate in the Program, showing that they feel the matching funds provide an effective way to fund a competitive campaign.
 - More than 90 percent of the candidates on the primary ballot participated in the Program.
 - Two participating candidates for citywide offices defeated high-spending, self-funded candidates in the primaries.
 - For the first time since 1997, the general election for mayor featured Program participants from both major parties.

- The 2013 elections were the most competitive since 2001, when the term limits law first took effect.
 - In the Democratic primary for City Council, 75 percent of districts had contested primaries.
 - By contrast, voters in just 30 percent of state Assembly and Senate districts in New York City could vote in a Democratic primary earlier this month.
- Our NYC Votes voter engagement and education program helped ensure that voters knew about the elections, and were informed before going to the polls on Election Day.
 - The CFB sponsored 12 televised debates for citywide candidates, the most in Program history. Nearly 900,000 New Yorkers watched those debates.
 - More than 90 percent of candidates on the primary ballot participated in the multi-platform Voter Guide.
 - Our NYC Votes campaign collected more than 15,000 voter registration forms in 2013.
 - We distributed nearly two million “I Voted” stickers to voters across the five boroughs.
 - Our social media campaign reached hundreds of thousands of New Yorkers in the days leading up to the elections. On November 5th alone, more than 800,000 people saw an NYC Votes message on Facebook.

This is all good news for New Yorkers and for anyone who cares about campaign finance reform.

The striking increase in independent expenditures was a troubling development, however. Outside groups spent \$15.9 million in 2013, including more than \$6 million in City Council primary elections alone.

Fortunately, New York City had prepared for this influx of spending. Strong disclosure rules adopted before the election helped ensure that New Yorkers could see where those groups raised their funds and how they spent their money. Notably, the “dark money” spending often seen in federal and state elections did not occur here.

Public funds helped candidates to get their own message out in the face of outside spending. Our analysis shows that large independent expenditures do not always translate into electoral success. The four Council candidates with the highest level of independent spending on their behalf all lost. In each of those races, the outside spending supporting those candidates was more than double what the candidates spent themselves.

Independent expenditures create a special dilemma for any public campaign finance program. In New York City, most candidates participate in the Program and agree to abide by a spending limit. Outside spenders face no spending limits, and voters cannot hold them accountable for their campaigns.

The Board is concerned about the growth of outside spending in our elections, and we are eager to continue discussing ways to strengthen the Program for future elections. To that end, the Board was very pleased that last month the City Council passed and Mayor de Blasio signed Local Law 41 of 2014. This law will provide voters with crucial information about who is paying for an ad at the moment they see it. The law will also require independent spenders to provide more details about their top contributors, making it more difficult to shield the ultimate source of their funding from public view.

Turning now to administration of the Program, in 2013 the CFB took some specific steps to make participating in the Program simpler for candidates.

We have worked hard to make the audits for the 2013 elections more efficient. One important step we initiated before the election: CFB staff conducted early audit reviews of all active campaigns to provide constructive feedback on expenditure reporting and give candidates an opportunity to take corrective action. One of the goals of this project was to reduce the number and scope of potential findings in the post-election audits.

The CFB contacted 150 campaigns to review activity reported prior to January 1, 2013 and 110 campaigns supplied requested records. The feedback from these reviews allowed campaigns to correct discrepancies in their reporting. Specifically, 77 percent of the active campaigns filed amended disclosure statements after the review was completed.

Looking forward to the 2017 election cycle, the CFB plans to continue performing early

reconciliations of financial activity to assist campaigns with correcting discrepancies and to provide improved public disclosure.

CFB staff are also making good progress on completing the post-election audits for 2013. We have revamped our approach to get the audits completed more efficiently and staff is on target to complete the draft audit reports more than a full year earlier than we did after the 2009 elections.

The CFB released a major upgrade to its financial reporting software, known as C-SMART, as a web-based application. The new program included a number of features to streamline the disclosure process. By January 2013, all campaigns were using the web-based program. With these improvements, and hard work by campaigns and the CFB's Candidate Services Unit, the number of disclosure statements filed late decreased by 24 percent in 2013 compared to the 2009 election cycle. Looking forward to 2017, the CFB is working to implement further improvements to C-SMART, including online submission of backup documentation.

The CFB also took strides to make it easier for city campaigns to tap into the growth in online fundraising. In 2013, 56 percent of participating City Council candidates collected credit card contributions. The CFB developed the NYC Votes mobile web application as a platform to help candidates connect with supporters and collect contributions online. The NYC Votes application was built to provide documentation that allows for contributions to be validated for matching more easily. The app was introduced in July

2013, just three months before the general election. Yet, 33 campaigns opened accounts through the app and six used it to raise contributions. The CFB will build on this promising deployment to streamline candidates' ability to collect online contributions well in advance of the 2017 elections.

There are further improvements to the Program the Board hopes to make for the 2017 elections. We call on the Council to make the following changes to strengthen the Act and to make participating in the Program easier and simpler for candidates.

1. Make determinations about public funds payments earlier in the election cycle.

Current law requires candidates to be on the ballot to qualify for public funds and prohibits payments to candidates until the petitioning process ends and ballots have been certified by the Board of Elections. As a result, candidates may not receive the first public funds payment any earlier than five weeks before the primary election, making planning difficult for some campaigns and especially challenging for candidates who fail to qualify for public funds by the first payment date.

An earlier payment date would provide campaigns with an incentive to meet the thresholds to qualify for public funds payment earlier and provide more time to address any compliance issues that may be preventing payments. An early payment date would give candidates certainty about public funds as a resource and help candidates plan their expenditures for the busy campaign season. For campaigns the Board determines are not

eligible for payment, the early payment date will provide additional opportunity to address the underlying issues or to contest the Board's determination well before the election. Therefore, the Board recommends:

- Setting an early payment date in June, no earlier than four business days after the June 10 deadline to join the Program. Early payments would be made to candidates who have met the threshold and otherwise qualify for public funds as of the May 15 filing.
 - Early payments should be limited to protect against the possibility of large payments to candidates who subsequently fail to make the ballot: \$250,000 for mayoral candidates, \$125,000 for public advocate and comptroller candidates, \$50,000 for borough president candidates, and \$10,000 for Council candidates.
2. End the "Statement of Need" requirement for candidates who face publicly financed opponents.

The law requires every candidate seeking a public funds payment up to the statutory maximum to demonstrate that he or she faces a viable opponent. This provision conserves taxpayer funds from going to non-competitive races by capping payments at 25 percent of the maximum for that office.

Qualifying for public funds payment is a sufficient indicator of a campaign's viability. Candidates whose payments had been capped at 25 percent would be considered for

additional funds as soon as their opponents also begin receiving public funds. The Board recommends that the additional Statement of Need criteria be simplified.

3. There are further changes recommended by the Board to make participating in the program simpler for candidates. These include eliminating the requirement for candidates to submit their COIB receipts, and clarifying the restrictions on “mass mailings” occurring close to an election by public officials.

4. The Board also recommends a number of steps to further reduce the impact of large contributions from special interests and others seeking to influence government decisions. The Board renews its longstanding call for a ban on all organizational contributions, including PACs and unions. In addition, the Board recommends the Council adopt legislation to reduce the impact of bundling by people doing business with the city by making those contributions non-matchable. The Board also recommends adding a disclosure requirement for entities that own an entity doing business with the city, to ensure that the low doing business limits are covering the individuals the law intends be covered.

In all, the Board has made 14 recommendations in the report; I have not listed them all here. We believe that each of these recommendations will strengthen New York City’s landmark public campaign financing program and make participating a smoother experience for candidates.

The Program had an enormous and positive impact in 2013, helping to ensure that the elections were decided by voters, not by big money contributions from institutions or special interests. In a period where politics at the state and federal level are increasingly dominated by big money contributors, New Yorkers can feel fortunate our elections are funded and decided by the people.

Thank you for this hearing, and for providing this opportunity to talk about the work of the Board and the Program we administer. I look forward to your questions.

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