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Report to the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate

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CAMPAIGN FINANCE REFORM

Experiences of Two States That Offered Full Public Funding for Political Candidates





Highlights of GAO-10-390, a report to the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

The 2000 elections in Maine and Arizona were the first in the nation's history where candidates seeking state legislative seats had the option to fully fund their campaigns with public moneys. In 2003, GAO reviewed the public financing programs in Maine and Arizona and found the programs' goals were to (1) increase electoral competition; (2) increase voter choice; (3) curb increases in campaign costs; (4) reduce interest group influence; and (5) increase voter participation. GAO reported that while the number of candidates who participated in the programs increased from 2000 to 2002, it was too soon to determine the extent to which these five goals of the programs were being met. Senate Report 110-129 directed GAO to update its 2003 report. This report: (1) provides data on candidate participation and (2)describes changes in five goals of Maine's and Arizona's programs in the 2000 through 2008 elections and the extent to which changes could be attributed to the programs. To address its objectives, GAO analyzed available data about candidate participation, election outcomes, and campaign spending for the 1996 through 2008 legislative elections in both states, reviewed studies, and interviewed 22 candidates and 10 interest group officials selected to reflect a range of views. The interview results are not generalizable to all candidates or all interest groups. GAO is issuing an electronic supplement with this report—GAO-10-391SP which provides data and summaries of statistical analyses conducted.

View GAO-10-390 or key components. To view the e-supplement online, click on GAO-10-391SP. For more information, contact William O. Jenkins Jr. at (202) 512-8777 or jenkinswo@gao.gov.

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What GAO Found

In Maine and Arizona, legislative candidates' participation in the public financing programs, as measured by the percentage of candidates participating and the proportion of races with a participating candidate, increased from 2000 to 2008. Specifically, the participation rate of candidates in Maine's general elections increased from 33 percent in 2000 to over 80 percent in 2006 and 2008. Meanwhile, the participation rate of candidates in Arizona's general elections increased from 26 percent in 2000 to 64 percent in 2008. Also, the proportion of races with at least one candidate participating in the program generally increased from 2000 through 2008.





Source: GAO analysis of Maine and Arizona election results data.

While there was some evidence of statistically significant changes in one of the five goals of Maine's and Arizona's public financing programs, we could not directly attribute these changes to the programs, nor did we find significant changes in the remaining four goals after program implementation. Specifically, there were statistically significant decreases in one measure of electoral competition-the winner's margin of victory-in legislative races in both states. However, GAO could not directly attribute these decreases to the programs due to other factors, such as the popularity of candidates, which affect electoral outcomes. We found no change in two other measures of competition, and there were no observed changes in voter choice-the average number of legislative candidates per district race. In Maine, decreases in average candidate spending in House races were statistically significant, but a state official said this was likely due to reductions in the amounts given to participating candidates in 2008, while average spending in Maine Senate races did not change. In Arizona, average spending has increased in the five elections under the program. There is no indication the programs decreased perceived interest group influence, although some candidates and interest group officials GAO interviewed said campaign tactics changed, such as the timing of campaign spending. Data limitations, including a lack of comparable measures over time, hinder analysis of changes in voter participation.

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Abbreviations

ACS	American Community Survey
Arizona's Act	Citizens Clean Elections Act
Connecticut's Act	Campaign Finance Reform Law of 2005
CPS	Current Population Survey
EAC	United States Election Assistance
	Commission
ELEC	New Jersey Election Law Enforcement
	Commission
Elections Project	George Mason University's United States
	Election Project
FEC	Federal Election Commission
GDP	gross domestic product
HAVA	Help America Vote Act
Maine's Act	Maine Clean Election Act
Nonparticipating candidates	candidates who did not participate in the
	public financing program
Participating candidates	candidates who participated in the public
	financing program
SE	standard error
SEEC	Connecticut State Elections Enforcement
	Commission
VAP	voting-age population
VEP	voting-eligible population

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United States Government Accountability Office Washington, DC 20548

May 28, 2010

The Honorable Richard J. Durbin Chairman The Honorable Susan M. Collins Ranking Member Subcommittee on Financial Services and General Government Committee on Appropriations United States Senate

Public financing of political campaigns is a controversial issue that is viewed by supporters as a means of reducing the influence of money in politics while increasing the involvement of citizens in the political process and seen by opponents as a violation of free speech as well as a misuse of public funds. While public financing of political campaigns at the federal level applies only to presidential elections, some states have taken actions to implement programs to offer public financing intended to fund most campaign costs of candidates for certain state-level political campaigns.¹ The 2000 elections in Maine and Arizona were the first instances in the nation's history where candidates seeking state legislative seats and certain statewide offices had the option to fully fund their campaigns with public moneys.² Under the public financing programs in Maine and Arizona, "participating candidates" qualified for public financing and received a set amount of money for their primary and general election campaigns if they agreed to forgo private fundraising and obtained a minimum number of \$5 donations from individual donors. In addition to their initial distribution of funds, participating candidates received matching funds from public moneys, based on spending by opposing privately financed ("nonparticipating") candidates, who engaged in traditional means, such as conducting fundraisers, to raise money from individuals, corporations, and political action committees. Participating candidates also received matching funds based on an individual's or group's reported independent expenditures, which are expenditures made that benefit an opposing candidate, but without coordination with the benefiting candidate.

¹These funds, in theory, were intended to be sufficient to cover most campaign costs, and these programs are often referred to as full public financing programs.

²Both programs became law through the respective state's ballot-initiative process— Maine's program in 1996 and Arizona's program in 1998.

In 2003, we reviewed the public financing programs in Maine and Arizona³ as mandated in the Bipartisan Campaign Reform Act of 2002.⁴ In our 2003 report, we identified five overarching goals of Maine's and Arizona's public financing programs based on our review of the history of the programs and discussions with officials in each state. Generally, these goals were to (1) increase electoral competition by, among other means, reducing the number of uncontested races (i.e., races with only one candidate per seat in contention); (2) increase voter choice by encouraging more candidates to run for office; (3) curb increases in the cost of campaigns; (4) reduce the influence of interest groups and, thereby, enhance citizens' confidence in government; and (5) increase voter participation (e.g., increase voter turnout for elections).

In 2003, we reported that while the number of legislative candidates who chose to use public financing for their campaigns increased from 2000 to 2002, it was too soon to determine the extent to which the five goals of Maine's and Arizona's public financing programs were being met. We concluded that with only two elections from which to observe legislative races, limited data were available to draw causal linkages to changes, if any, involving electoral competition, voter choice, campaign spending, interest group influence and citizens' confidence in government, and voter participation.

Senate Report 110-129 directed GAO to revisit and update our 2003 report to account for data and experiences of the past two election cycles.⁵ This report

• provides data related to candidate program participation, including the number of legislative candidates who chose to use public funds to run for seats in the 2000 through 2008 elections in Maine and Arizona and the number of races in which at least one legislative candidate ran an election campaign with public funds; and

³GAO, Campaign Finance Reform: Early Experiences of Two States That Offer Full Public Funding for Political Candidates, GAO-03-453 (Washington, D.C.: May 9, 2003).

⁴Pub. L. No. 107-155, 116 Stat. 81 (2002).

⁵S. Rep. No. 110-129, at 73 (2007). Since the Senate Report was issued in 2007, the report language referred to the past two election cycles, 2004 and 2006. However, due to the timing of our work, we included the past three election cycles in our report—the 2004, 2006, and 2008 election cycles.

 describes statistically measurable changes and perceptions of changes in the 2000 through 2008 state legislative elections in five goals of Maine's and Arizona's public financing programs—(1) increasing electoral competition; (2) increasing voter choice; (3) curbing increases in the cost of campaigns; (4) reducing the influence of interest groups and enhance citizens' confidence in government; and (5) increasing voter participation—and the extent to which these changes could be attributed to the programs.

To address our objectives, we reviewed relevant studies and reports and interviewed researchers regarding state elections and campaign finance reform in the United States generally, as well as in Maine and Arizona specifically.⁶ A listing of the research and reports we reviewed is included in the bibliography. We reviewed pertinent statutes and documents, such as candidate handbooks and annual reports describing the Maine and Arizona public financing programs and interviewed state election officials responsible for administering the two programs. Through our discussions with Maine and Arizona state officials and our review of changes to the public financing statutes in both states from 2002 through 2009, we determined that the five goals of the public financing programs, as set out in our 2003 report, have not changed.⁷ In addition, based on our review of the literature and discussions with researchers, we concluded that there is little agreement on a standardized methodology to measure these five goals. Thus, we used many of the same measures as those in our 2003 report.8

We obtained data from Maine's and Arizona's Offices of the Secretary of State, the agencies responsible for supervising and administering state elections and activities, such as certifying state candidates for the ballot and tabulating official election results. We also obtained data from Maine's Commission on Governmental Ethics and Election Practices and Arizona's Citizens Clean Elections Commission, the agencies responsible for

⁸For more information about our 2003 report, please see GAO-03-453. Additional discussion about the measures we used for this report is included in app. I.

⁶Specifically, we interviewed nine researchers who have published relevant work on public financing or state legislatures, whom we selected based on our review of the literature and suggestions from state officials in Maine and Arizona and other researchers. We interviewed researchers to, among other things, obtain information about the methods and approaches they used to study public financing programs or electoral outcomes.

⁷There may be other goals of public financing programs, such as increasing the amount of time candidates spend with constituents. However, we did not measure or assess these goals as we focused our review on revisiting the five goals identified in our 2003 report.

administering the respective state's public financing program. For both states we analyzed, to the extent possible, available statistical data about the 1996 through 2008 legislative elections, including data related to candidate program participation, election outcomes, voter choice, and reported campaign spending.⁹ To assess the reliability of both states' data, we (1) performed electronic testing for obvious errors in accuracy and completeness; (2) reviewed related documentation such as system flow charts; and (3) worked closely with state officials to identify any data problems. When we found discrepancies, such as nonpopulated fields, we brought this to the states' attention and worked with state officials to correct the discrepancies before conducting our analyses. We determined that the data were sufficiently reliable for the purposes of our report. Although the public financing programs in Maine and Arizona cover both legislative and certain statewide offices, we limited the scope of our review to legislative candidates, since most of the elections for certain statewide offices¹⁰ occurred every 4 years and sufficient data would not have been available to conduct our analyses and draw conclusions.

To assess changes in electoral competition in Maine and Arizona, we examined changes in three measures of electoral competition in state legislative races by comparing the two elections before public financing became available (1996 and 1998) to the five elections after public financing became available (2000, 2002, 2004, 2006, and 2008). The three measures we used were: (1) winner's margin of victory, which refers to the difference between the percentage of the vote going to the winning candidate and the first runner up; (2) percentages of contested races, which refers to the percentage of all races with at least one more candidate running than the number of positions available; and (3) incumbent reelection rates, which refers to the percentage of incumbents who were reelected in races that were contested.

In addition to analyzing changes in electoral competition over time in Maine and Arizona, we analyzed general election data from 1996 through 2008 from four comparison states that did not offer public financing

⁹We analyzed data from 1996 through 2008 to compare two elections before public financing became available (1996 and 1998) to the five elections after public financing became available (2000, 2002, 2004, 2006, and 2008).

¹⁰In Maine, public financing is available for candidates for state legislative offices and governor. In Arizona, public financing is available for candidates running for the following statewide offices: legislature, governor, secretary of state, attorney general, state treasurer, superintendent of public instruction, state mine inspector, and corporation commissioners.

programs for legislative candidates to determine if changes identified in Maine and Arizona were similar to or different from changes observed in the four comparison states during the same time period. We selected these four states (Colorado, Connecticut, Montana, and South Dakota) based on a number of factors, including geographic proximity to Maine or Arizona; structure of the state legislature, such as legislative districts with more than one representative; demographic characteristics; the presence of legislative term limits; and data availability.¹¹ Specifically, we used two types of multivariate statistical models, fixed effects regression and hierarchical loglinear models, to evaluate how the competitiveness of races in Maine and Arizona changed after the implementation of public financing programs.¹² Additional information about the two types of models we used to evaluate electoral competition, as well as other data and analyses related to the extent to which five goals of Maine's and Arizona's public financing programs were met can be viewed in an electronic supplement we are issuing concurrent with this report— GAO-10-391SP.

With regard to the campaign spending goal, we obtained available campaign spending and independent expenditure data from Maine and Arizona. We found that Maine's campaign spending data for the 1996 through 2008 election cycles and independent expenditure data for the 2000 through 2008 election cycles were sufficiently reliable. Due, in part, to several upgrades to Arizona's campaign finance data systems over the time period reviewed, we found that Arizona's campaign spending data for the 2000 through 2008 election cycles and independent expenditure data for the 2008 election cycle were sufficiently reliable with limitations as noted. For example, up to the 2008 election, Arizona's campaign spending database did not include precise data to identify and link each candidate

¹¹The comparison states for Maine were South Dakota, Montana, and Connecticut, and the comparison states for Arizona were South Dakota, Montana, and Colorado. Connecticut's 2008 election results were not included in our analyses since public financing for legislative candidates became available for the first time in the 2008 election cycle and were not comparable.

¹²Fixed effects models compare how an outcome changes over time within states or legislative districts, in our case. Fixed effects models allow us to conclude that differences between states or districts at one point in time, such as laws, could not have affected the outcomes. We can rule out these factors because we only compare how the outcomes change within one state or district versus another, not how the outcomes differ at one time. Hierarchical loglinear regression models involve comparing the relative fit of simpler models with more complex models for the purpose of determining which factors do and do not have significant direct or indirect (i.e., interactive) effects on the outcomes of interest.

to his or her campaign finance committee(s), the entities responsible for reporting candidates' contributions and spending.¹³ Further, the candidates' campaign finance committees can span several election cycles and include spending reports for races for the same or different offices, such as House or Senate. Thus, to the extent possible, we matched candidates and candidate campaign finance committees through electronic and manual means, identified and calculated relevant candidate spending transactions, and sorted the data by election cycle dates. Further, although the Arizona Secretary of State's office collected independent expenditure data from 2000 through 2008, it did not collect data on the intended beneficiaries of independent expenditures until the 2008 election cycle. Therefore, we limited our analysis of independent expenditures to the 2008 elections. We worked with state officials responsible for the public financing programs and campaign finance data systems in Maine and Arizona to develop our methodology.

To obtain perspectives on the effects of public financing on interest group influence and citizens' confidence in government, we interviewed a nonprobability sample of 22 candidates who ran in the 2008 state legislative races in Maine and Arizona. We selected these candidates to reflect a range of those with different political party affiliations, those who did and did not use public financing, and those who won or lost in primary and general elections in Maine and Arizona. Further, we interviewed a nonprobability sample of 10 interest group representatives in Maine and Arizona, which we selected to reflect a variety of industry sectors, such as communications or construction, and range of contributions made to political campaigns. While the results of these interviews cannot be generalized to reflect the views of all candidates or all interest groups in Maine and Arizona, the interviews provided us with an overview of the range of perspectives on the effects of the public financing programs. We also contracted with professional pollsters to survey representative

¹³For example, data from Arizona's campaign finance reports identify the candidate committee number and name of the committee, such as "Smith for State Senator," but not the individual candidate by name, such as "John Smith," or candidate number assigned by the Secretary of State.

samples of voting-age citizens in Maine and Arizona about their views of interest group influence and confidence in government.¹⁴

To examine changes in voter participation, we reviewed information about voter turnout data from the Census Bureau, Federal Election Commission, United States Election Assistance Commission (EAC), the American National Election Studies, and other resources, including two repositories of elections data and information-George Mason University's United States Election Project (the Elections Project) and the Center for the Study of the American Electorate.¹⁵ We identified these sources through our review of the literature and through discussions with researchers. To determine the extent to which changes in voter participation could be assessed over time, we reviewed documentation and research on these potential data sources, including information on collection and measurement of the voting-age or voting-eligible population and the type of turnout recorded. Finally, we examined data and methodologies for measuring changes in voter turnout and other forms of participation to determine whether changes in participation could be analyzed at the state level. We found that the different data sources required to calculate changes in turnout are not always comparable across sources and over time because of differences in the way that data are collected or changes in how turnout is defined. As such, there was no need to conduct electronic testing to further assess the reliability of the data for our purposes. This does not indicate that the data are unreliable for other purposes. We also discussed voter turnout calculations with state officials and researchers. Appendix I presents more details about our objectives, scope, and methodology.

We conducted this performance audit from November 2008 through May 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

¹⁴We contracted with professional pollsters to obtain the views of representative samples of voting-age citizens in Maine and Arizona. This polling effort, which duplicated questions asked for our 2003 report, was designed to obtain citizenry views about the effect of the public financing program on the influence of interest groups and citizens' confidence in government. For our analysis, we included those respondents who said they knew a lot, some, or a little about the public financing law.

¹⁵Voter turnout is generally defined as the percentage of the voting-age population (VAP) or voting-eligible population (VEP) (voting-age citizens who are not statutorily disqualified from voting) who cast a ballot in an election. These sources collect or compile information on VAP, VEP, voter registration, ballots cast or counted, or self-reported voting behavior.

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Public Financing Programs in Maine and Arizona	In November 1996, Maine voters approved a citizen's initiative—the Maine Clean Election Act (Maine's Act)—establishing a full public financing program to fund with public moneys the campaigns of participating candidates for the state legislature and governor. ¹⁶ Similarly, in November 1998, Arizona voters passed the Citizens Clean Elections Act (Arizona's Act), establishing a full public financing program for participating candidates for the state legislature and various statewide offices, such as governor or secretary of state. ¹⁷ Maine's Commission on Governmental Ethics and Election Practices and Arizona's Citizens Clean Elections Commission administer the respective state's public financing program, including certifying that candidates have met qualifications for receiving public funds.
	Legislative candidates ¹⁸ who wish to participate in the respective public financing programs must be certified as a participating candidate. Certified candidates, among other things must (1) forgo self-financing and all private contributions, except for a limited amount of "seed money" prior to certification, ¹⁹ and (2) demonstrate citizen support by collecting a
	¹⁶ Maine Clean Election Act, 21-A M.R.S. § 1121 <i>et seq</i> .
	¹⁷ Arizona Citizens Clean Elections Act, A.R.S § 16-940 <i>et seq</i> .
	¹⁸ Unless indicated otherwise, references in this report to legislative candidates refer to state legislative (House of Representatives or Senate) candidates.
	¹⁹ Seed money refers to contributions received by candidates to help with the qualifying process prior to certification. In the Maine 2008 elections, House candidates were allowed to accept private donations of no more than \$100 per individual with a cap of total seed money contributions of \$500. For Senate candidates, individual contributions were limited to \$100 with a cap of total seed money of \$1,500. In Arizona, these contributions are known

as "early contributions," and the base amounts are established by statutory formula and adjusted for inflation every 2 years. The adjusted amount of early contributions for Arizona's 2008 House and Senate candidates was limited to \$130 per individual and a cap of total early contributions per candidate of \$3,320.

minimum number of \$5 contributions from registered voters.²⁰ After being certified by the state as having met qualifying requirements, participating candidates receive initial distributions (predetermined amounts) of public funding and are also eligible for additional matching funds from public moneys based on spending by or for privately funded opponents. These matching funds, up to predetermined limits, are given to participating candidates when an opposing nonparticipating candidate exceeds the initial distribution of funds provided to the participating candidate during the primary or general election.²¹ Table 1 shows the public funding available to each participating candidate in the 2008 election cycle in Maine and Arizona. The calculation to assess whether matching funds for participating candidates are triggered is to include reported independent expenditures²² that, in general, are made on behalf of a nonparticipating or another participating candidate in the race by individuals, corporations, political action committees, or other groups.

²⁰In Maine, House candidates needed to collect a minimum of 50 \$5 contributions, and Senate candidates needed to collect a minimum of 150 \$5 contributions to qualify for public financing for the 2008 elections. In Arizona, both House and Senate candidates needed to collect a minimum of 220 \$5 contributions to qualify for public financing for the 2008 elections. In both states, the \$5 contributions are deposited in the respective states' clean elections fund.

²¹A January 20, 2010, federal district court ruling (*McComish v. Brewer*, 2010 U.S. Dist. LEXIS 4932 (D. Ariz, Jan. 20, 2010)) held Arizona's Citizens Clean Elections Act to be unconstitutional. More specifically, the U.S. District Court for the District of Arizona held that the matching funds provision of Arizona's Citizens Clean Election Act burdens the plaintiff's First Amendment rights, is not supported by a compelling state interest, is not narrowly tailored, is not the least restrictive alternative, and is not severable from the rest of the statute thereby rendering the whole statute unconstitutional. On May 21, 2010, the U.S. Court of Appeals for the Ninth Circuit reversed the district court ruling on the basis that the matching funds provision imposes only a minimal burden on First Amendment rights, and bears a substantial relationship to the state's interest in reducing political corruption. (2010 U.S. App. LEXIS 10442 (9th Cir. Ariz. May 21, 2010)).

²²Of note, in relation to independent expenditures, a January 21, 2010, Supreme Court decision (*Citizens United v. Federal Election Commission*, 558 U.S. (2010), 2010 U.S. LEXIS 766 (Jan. 21, 2010)), held that a prohibition in federal campaign finance law on corporate or union independent expenditures for speech that is an "electioneering communication" or that expressly advocates the election or defeat of a candidate, is an unconstitutional infringement upon the First Amendment's freedom of speech protections.

Table 1: Public Funding Available to Each Participating Candidate in the 2008 Election Cycle in Maine and Arizona

		Pr	imary election		Ge	eneral election	n
	Type of race	Initial distribution	Maximum allowable matching funds	Total maximum allowable public funds	Initial distribution	Maximum allowable matching funds	Total maximum allowable public funds
Maine							
House of	Contested	\$1,504	\$3,008	\$4,512	\$4,144	\$8,288	\$12,432
Representatives	Uncontested	512	0	512	1,658	0	1,658
Senate	Contested	7,746	15,492	23,238	19,078	38,156	57,234
	Uncontested	1,927	0	1,927	7,631	0	7,631
Arizona							
House of Representatives	Contested	12,921	25,842	38,763	19,382	38,764	58,146
	Uncontested	a	a	а	а	а	a
Senate	Contested	12,921	25,842	38,763	19,382	38,764	58,146
	Uncontested	a	a	а	а	а	а

Source: GAO analysis of Maine and Arizona public financing laws and state data.

Note: A contested race is a race with more than one candidate per seat in contention.

^aIn Arizona, candidates in uncontested House and Senate races are only to receive an amount equal to the qualifying contributions for that candidate.

Various revenue sources are used to support the public financing programs. In Maine, state appropriations were the largest funding source, contributing 82 percent of total revenue in 2008. In Arizona, a surcharge on civil and criminal fines and penalties was the largest funding source, accounting for 59 percent of total revenue in 2008. In addition, funding for public financing programs comes from state income tax checkoff donations in both states. During the 2008 primary and general elections, participating legislative candidates in Maine received a total of almost \$3 million, and participating legislative candidates in Arizona received a total of about \$6 million.

Before the passage of Maine's Act in 1996 and Arizona's Act in 1998, political campaigns in the two states were financed completely with private funds. There were no limitations placed on expenditures by candidates from their personal wealth. Under Maine's and Arizona's public financing laws, nonparticipating candidates are not limited in the amount they may spend from their personal financial resources on their own campaigns. While not faced with limits on the total amount of money that they can raise or spend, nonparticipating candidates are subject to certain

	limitations on the amount that an individual, corporation, or political committee can contribute to the campaigns of nonparticipating candidates, and nonparticipating candidates have additional reporting requirements. For example, in Maine, a nonparticipating candidate in the 2008 legislative elections could accept individual contributions of up to \$250 per election, and in Arizona, a nonparticipating candidate could accept individual contributions of up to \$488 per election. In both states, nonparticipating candidates must file certain reports with the state when their campaigns exceed certain statutory thresholds relating to, for example, expenditures or contributions. ²³ Appendix II provides information about the design and implementation of Maine's and Arizona's public financing programs.
Perspectives on the Five Goals of Public Financing Programs in Maine and Arizona	While there is widespread agreement among researchers and state officials in Maine and Arizona with the goals of the public financing programs, there is little consensus about how to assess progress toward these goals and the effects of these programs. For example, research on the effects of state public financing programs in general has been limited because the programs vary widely and were implemented at different times, hindering comparability. ²⁴ With regard to Maine's and Arizona's public financing programs, research tends to be limited to a single state or a limited number of years, or produced by groups that support or oppose public financing. ²⁵ Thus, in revisiting our 2003 report, we describe the five goals of the public financing programs and include a discussion of proponents' and opponents' views on the effects of these programs.

²⁴R. Sam Garrett, Public Financing of Congressional Campaigns: Overview and Analysis, RL33814 (Congressional Research Service, July 24, 2009), 42.

²⁵Donald A. Gross, Robert K. Goidel, and Todd G. Shields. "State Campaign Finance Regulations and Electoral Competition," *American Politics Research*, vol. 30, no. 2 (March 2002).

²³In Maine, a nonparticipating candidate must notify the Maine Commission on Governmental Ethics and Election Practices when his or her receipts, spending, or obligations exceed the commission's initial allocation of public funds to a participating candidate. In Arizona, a nonparticipating candidate opposed by a participating candidate must, in general, file a report if the campaign's expenditures before the primary election have exceeded 70 percent of the original primary election spending limit imposed on a participating opponent or if the contributions to a nonparticipating candidate have exceeded 70 percent of the participating candidate's original general election spending limit.

Increase Electoral Competition	One goal of the public financing programs in Maine and Arizona was to increase electoral competition, which refers to the level of competition for elected positions as demonstrated by whether races were contested (that is, involved more candidates than available positions) and by the percentage of the vote candidates received. For example, levels of electoral competition can vary from none at all in the case of an uncontested race, in which the sole candidate receives 100 percent of the vote (less any write-in votes), to an election in which several candidates vie competitively for a position, each winning a significant portion of the votes. Proponents of public financing for campaigns contended that public funding could increase electoral competition by allowing candidates, especially candidates challenging incumbents, to overcome the financial hurdles that would otherwise prevent them from entering a race. Further, proponents argued that public financing promotes competition by giving more candidates the opportunity to effectively communicate with the electorate once they have entered the race. Additionally, some proponents asserted that increasing the pool of challengers would also increase the diversity of the candidate pool and consequently make some races more competitive by offering candidates that appeal to a broader range of voters. On the other hand, opponents asserted that public financing does not necessarily attract candidates who have a broad base of constituency support and therefore, even though more new candidates may enter races and win, the quality of representation these candidates offer may be questionable.
Increase Voter Choice	Increasing voter choice, as measured by changes in the number of candidates per race and changes in the breadth of political party affiliations, such as third-party and independent candidates, represented in races, was a goal of public financing programs. Proponents of the public financing programs in Maine and Arizona contended that public funding of campaigns would encourage more individuals to run for office, thereby giving voters more choices on the ballot. Opponents asserted that an increase in the number of candidates on the ballot alone would not necessarily result in a more diverse selection of candidates, representation of a wider range of political views, or the guarantee that a broader array of issues would be debated in campaigns.
Curb Increases in the Cost of Campaigns	The public financing programs in Maine and Arizona each were designed to have a two-pronged approach for the third goal—curbing increases in the costs of campaign spending. Each program

• imposed spending limits and certain other requirements on candidates who chose to participate in the public financing program, and

• reduced the total amount of money that nonparticipating candidates were allowed to accept from each campaign contributor.

Proponents of the public financing programs in Maine and Arizona contended that escalating campaign costs helped deter candidates from running for office. The intended outcome of this approach was to lower the cost of running for office by reducing and capping the amount of money available for campaign spending. Opponents argued that worthy candidates will garner public support and therefore do not need public financing to run their campaigns. Opponents also cited concerns that rising campaign costs are overstated and that most campaign fundraising comes from individuals who give less than the legal limit.

A fourth goal of the public financing programs in Maine and Arizona was to enhance the confidence of citizens in government by reducing the influence of interest groups in the political process. The public financing programs in Maine and Arizona imposed campaign contribution limits on participating candidates and reduced the need for participating candidates to raise funds from private donors, such as interest groups, with the intent of eliminating any undue influence, or the perception of influence, large campaign contributors may have on participating candidates. For instance, the "findings and declarations" section of Arizona's 1998 Act stated, among other things, that the then current election-financing system "effectively suppresses the voices and influence of the vast majority of Arizona citizens in favor of a small number of wealthy special interests" and "undermines public confidence in the integrity of public officials." From an overall perspective, proponents asserted that public financing programs should enhance the confidence of citizens in government by increasing the integrity of the political process and the accountability of officials.

On the other hand, opponents asserted that, under the traditional campaign financing system, the voices of citizens are represented through competing interest groups. Opponents further asserted there is no evidence that government-financed campaigns attract more worthy candidates than do the traditional system or that, once elected, the publicly financed candidates vote any differently as legislators than do traditionally financed candidates. Moreover, some opponents argued that interest groups can still assert influence on the political process through means other than contributing directly to candidates' political campaigns, such as contributions to political parties, independent expenditures on behalf of or for opposing candidates, as well as providing nonfinancial resources such as mobilizing members to volunteer for grassroots activities.

Reduce the Influence of Interest Groups

Increase Voter Participation	Increasing voter participation, as indicated by increases in voter turnout, was the fifth goal of public financing programs in Maine and Arizona. Proponents asserted that public financing increases voter participation by encouraging citizens to become involved in the political process and by increasing electoral competition. Proponents contended that the public financing programs increase communication between candidates and voters and encourage participating candidates or volunteers to go door-to- door to meet with voters and to collect \$5 qualifying contributions. As a result, citizens would feel more involved in the political process and would be more likely to vote in legislative elections. Further, proponents argued that increased competition resulting from public financing would also increase voter turnout because more voters would be attracted by a more diverse set of candidates. Opponents stated that research on public financing programs and their effect on voter turnout is limited or anecdotal, and there is no evidence that citizens will become more engaged in the political process and be more likely to vote. Further, opponents cited the declining number of taxpayers who voluntarily provide contributions to the presidential and state public financing programs on their income tax forms as a reflection of the public's waning participation and support.
Other States with Public Financing Programs	Since the 1970s, states and localities have offered a variety of programs providing public funds directly to candidates' campaigns for statewide and legislative races. A July 2009 Congressional Research Service report identified 16 states offering direct public funding to candidates using two major types of public financing frameworks. ²⁶ According to this report, 10 of these states offered public financing programs that were primarily designed to match candidates' private campaign contributions, thereby reducing the need for private fundraising. ²⁷ These programs varied widely, but generally the amount of public funds candidates raised and provided partial funding for candidates' campaigns. Seven of these 16 states, including Maine and Arizona, offered full public financing programs for

²⁷The 10 states offering partial public financing of candidates' campaigns are: Hawaii, Florida, Nebraska, Maryland, Massachusetts, Michigan, Minnesota, New Jersey (gubernatorial campaigns), Rhode Island, and Wisconsin.

certain offices that provided fixed subsidies to candidates once they met basic qualifications.²⁸ During the 2007 and 2008 election cycle, these 7 states offered full public financing programs for candidates running for those statewide and legislative offices shown in table 2.

Table 2: States Offering Full Public Financing Programs during the 2007 and 2008 Election Cycle

State Offices for which candidates were eligible to receive full public funding		
Maine	Governor and all legislative offices	
Arizona	Governor, secretary of state, attorney general, treasurer, superintendent of public instruction, corporation commissioner, mine inspector, and all legislative offices	
Connecticut	All legislative offices	
New Jersey	Senate and General Assembly members in three legislative districts (14, 24, and 37), general election (pilot program)	
New Mexico	Public regulation commission and statewide judicial offices	
North Carolina	State appellate and Supreme Court judicial offices, auditor, superintendent of public instruction, and insurance commissioner	
Vermont	Governor and lieutenant governor	

Source: GAO analysis of state laws.

Appendix III describes full public financing programs available in the 2007 and 2008 legislative elections in the two states other than Maine and Arizona that offer them—Connecticut and New Jersey.

Public Financing Proposals at the Federal Level	In nearly every session since 1956, Congress has considered legislation for public financing of congressional elections, although no law has been enacted. There are several bills pending in the current 111th session of Congress addressing public financing of congressional elections. Two of these are companion bills (H.R. 1826 and S.752) respectively addressing elections to the House of Representatives and the Senate by proposing voluntary public funding systems with a mix of predetermined funding amounts, matching funds, and vouchers for the purchase of airtime on broadcast stations for political advertisements. ²⁹ Two other bills propose

²⁸Full public financing programs are also known as "clean money, clean elections" programs, which is also a national initiative developed by the interest group Public Campaign.

²⁹H.R. 1826 and S. 752 (both entitled "Fair Elections Now Act") would not impose spending limits on participants, provided that their private fundraising, in general, was limited to contributions of no more than either \$100 per election per individual or an amount determined by the legislation's implementing entity.

	variations for funding House elections—H.R. 2056 proposes a voluntary public funding system for House elections, and H.R. 158 proposes a grant system to exclusively fully fund House campaigns during general elections. ³⁰ In July 2009 the House Administration Committee held hearings on H.R. 1826. ³¹ These bills were referred to committees in 2009 and as of April 2010 were pending.
Factors Influencing Effects of Public Financing Programs and Elections	Many factors, such as the popularity and experience of the candidates, can influence the competitiveness and outcomes of elections and the interpretation of the effects of public financing programs. For example, term limits—limits on the number of terms elected officials such as legislators can serve—and redistricting—the redrawing of state electoral boundaries such as those for legislative districts in response to the decennial census—are factors that complicate the interpretation of available data. Other factors not directly related to public or private financing can also affect electoral campaigns and outcomes, such as economic conditions or particularly controversial ballot initiatives.
Legislative Candidates' Participation in Public Financing Programs in Maine and Arizona Increased from 2000 to 2008; Limited Data on Candidates Are Available	In Maine and Arizona, legislative candidates' participation in the public financing programs (measured by the percentage of candidates participating and the proportion of races with a participating candidate) increased from 2000 to 2008; although limited data on candidates' characteristics are available. Specifically, Maine candidates' participation rates more than doubled in the primary and general elections from 2000 to 2004 and remained high through 2008 (over 70 percent); among incumbents, the majority participated from 2002 through 2008; and more Democrats (rather than Republicans) participated. In Maine, participating candidates were more likely to win their races. In Arizona, candidates' participation rates more than doubled in the primary and general elections from 2000 to 2008, with higher percentages of challengers (rather than incumbents) and Democrats (rather than Republicans) participating. In Arizona, nonparticipating candidates were more likely to win their races

³⁰H.R. 158 (Let the Public Decide Clean Campaign Act) would mandate public financing during House general elections by, in general, prohibiting candidate spending other than from a proposed public financing fund, which would provide grants to candidates or under provisions authorizing certain contributions from state and national party committees.

³¹After the Committee on House Administration's July 2009 hearing on H.R. 1826, the bill was referred to the House Energy and Commerce Committee and the House Ways and Means Committee.

than were participating candidates. Other than incumbency status and political party affiliation, states did not maintain data that would allow us to assess candidates' characteristics, such as their experience or demographic characteristics.

Maine Legislative Candidates' Participation Increased from 2000 to 2008

Maine Legislative Candidates' Participation Rates More Than Doubled in the Primary and General Elections from 2000 to 2004 and Remained High through 2008 The participation rate of legislative candidates (i.e., percentage of legislative candidates participating in the public financing program) in Maine's primary elections more than doubled in the first three election cycles after public financing became available.³² As shown in figure 1, the participation rate increased from 32 percent in 2000 to 72 percent in 2004 and remained over 70 percent from 2004 to 2008. Similarly, the participation rate of legislative candidates in Maine's general elections more than doubled from 33 percent in 2000 to 79 percent in 2004 and then remained over 80 percent for the 2006 and 2008 elections.

³²Maine's state legislature consists of 151 seats in the House of Representatives and 35 seats in the Senate. Members in all 186 legislative seats serve 2-year terms. Thus, in primary and general elections, which are held biannually (i.e., in each even-numbered year), all legislative seats are on the ballot.





Source: GAO analysis of Maine election results data.

Note: We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. The number of Maine legislative candidates who ran in the primary election each year was: 369 candidates in 2000, 400 candidates in 2002, 429 candidates in 2004, 410 candidates in 2006, and 402 candidates in 2008. The number of Maine legislative candidates who ran in the general election each year was: 350 candidates in 2000, 370 candidates in 2002, 391 candidates in 2004, 387 candidates in 2006, and 369 candidates in 2008.

Maine Candidates Cited a Range of Reasons Why They Chose to Participate or Not Participate in the Public Financing Program When asked the main reasons for choosing to run their campaign with or without public funds in the 2008 election, the 11 candidates we interviewed in Maine offered a range of reasons why they chose to participate or not participate in the public financing program. Five of the 6 participating candidates cited difficulties associated with raising enough private funds to run a competitive campaign. Among the difficulties mentioned were the amount of time and energy required to fundraise, as well as the amount of funds needed to compete with a well-financed opponent. In addition, 4 of the 6 participating candidates said that participating in the public financing program allowed them to spend more time focusing on communicating with voters. For example, one candidate said that participating in the public financing program freed him up so he could focus on meeting with constituents and learning what issues were important to them, rather than having to spend his time asking for money. Further, 3 of the 6 participating candidates said that they wanted to be free of the influence of interest groups or other campaign contributors, and 2 of these candidates felt that it was strategically advantageous to participate in the public financing program. One of these candidates explained that he did not want to have to spend time raising funds while his opponent could use the time to campaign and still receive the same amount of money. We also asked candidates about specific factors they may have considered when choosing to run their campaign with public funds. Table 3 presents the number of participating candidates who said that they had considered each of the following factors when they decided to participate in the public financing program.

Table 3: Factors Maine Candidates Reported Considering When Deciding to Participate in the Public Financing Program in the 2008 Elections

GAO interview question: Were any of the following factors considerations when you chose to participate in the public financing program in the 2008 election?	Number of participating candidates
You did not want to feel obligated to special interest groups or lobbyists.	5
Receiving public funds allowed you to spend more time discussing issues.	4
You believe that the public financing program promotes the accountability of legislators to the public.	4
Other than collecting "seed money" and the \$5 contributions, you are opposed to traditional methods of funding election campaigns.	3
The matching funds provision of the program discouraged opponents, special interest groups, and lobbyists from campaigning against you.	3
You did not think you would be able to raise enough funds through traditional means to run a competitive campaign.	2
You ran with public funding due to particular circumstances in your district; however, you still have strong reservations about supporting the overall goals of the public financing program.	2

Source: GAO analysis of candidate interview responses.

Note: We interviewed 6 participating candidates in Maine. Candidates could select more than one response.

The 5 nonparticipating candidates we interviewed in Maine most frequently mentioned opposition to using public funds for election campaigns as one of the main reasons they chose not to participate in the public financing program in 2008. For example, 4 of the 5 nonparticipating candidates said they were opposed to public financing of elections for a range of reasons, including concern over the state's fiscal situation. One nonparticipating candidate said he chose not to participate because he did not want restrictions on how he ran his campaign. He explained that he had more flexibility with private funds and could donate excess campaign funds to nonprofit organizations after the election. In addition, one candidate told us that he was not opposed to the public financing program, but did not participate because he did not intend to run a campaign and anticipated that another candidate would take his place before the general election.³³ We also asked the 5 nonparticipating candidates if they considered any of the factors listed in table 4 when they chose not to participate in the public financing program; their responses appear alongside each factor in the table.

Table 4: Factors Maine Candidates Reported Considering When Deciding Not to Participate in the Public Financing Program in the 2008 Elections

GAO interview question: Were any of the following factors considerations when you chose not to participate in the public financing program in the 2008 election?	Number of nonparticipating candidates
You believe that public funds are better used for purposes other than election campaigns.	5
You are opposed to public funding of election campaigns.	4
You believe that the public funding forces taxpayers to fund candidates they may not support.	4
You believe that the use of public funds adds burdensome reporting requirements to election campaigns.	2
You did not want restrictions on your campaign spending.	2
You had sufficient funds without using public funds.	2
You are opposed to specific provisions of the public financing program.	2
You did not want to learn a new campaign finance system.	0

Source: GAO analysis of candidate interview responses.

Note: We interviewed 5 nonparticipating candidates in Maine. Candidates could select more than one response.

³³Under Maine law, candidates may withdraw from an election and under certain conditions another candidate may be nominated by a political committee to replace that candidate on the ballot.

The Majority of Incumbents in Maine Participated in the Public Financing Program from 2002 through 2008 Incumbent candidates' participation in the public financing program in general elections in Maine generally increased from 2000 to 2008, with the majority of incumbent candidates participating in the program from 2002 through 2008.³⁴ As shown in figure 2, participating incumbent candidates, as a percentage of all candidates, increased from 10 percent in 2000 to 29 percent in 2008.

³⁴In our analyses of Maine and Arizona election results data, we defined an incumbent as a candidate who held the seat from the previous legislative session in the same chamber. We defined a challenger as any candidate who was not an incumbent, regardless of whether he or she faced an opponent.

Figure 2: Public Financing Program Participation and Incumbency Status in Maine General Elections, 2000 through 2008



Source: GAO analysis of Maine election results data.

Note: We define incumbents as candidates who held a seat from the previous legislative session in the same chamber. Challengers are defined as any candidates who are not incumbents, regardless of whether they faced an opponent in their race. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. The total number of legislative candidates per general election per year was: 350 candidates in 2000, 370 candidates in 2002, 391 candidates in 2004, 387 candidates in 2006, and 369 candidates in 2008. Percentages may not add to 100 due to rounding.

Further, the percentage of participating incumbents grew from 27 percent of incumbent candidates in 2000 to 80 percent of incumbent candidates in 2008.

Participating incumbents and challengers in Maine's legislative races were generally slightly more likely to win than nonparticipating incumbents and challengers who ran in general elections held from 2000 through 2008, as shown in table 5.

Participating Candidates in Maine Were Generally More Likely to Win

Table 5: Percentage of Winning Legislative Candidates by Participation and Incumbent Status in Maine General Elections, 2000 through 2008

		Participating candidates			ng candidates
Type of candidate	Election year	Number	Percent who won ^a	Number	Percent who won [®]
Challengers ^⁵	2000	80	34%	136	25%
	2002	169	33	81	32
	2004	209	28	51	26
	2006	198	25	48	19
	2008	195	30	39	8
Incumbents ^c	2000	36	97	98	92
	2002	62	89	58	85
	2004	99	88	32	88
	2006	116	91	25	84
	2008	108	93	27	93

Source: GAO analysis of Maine election results data.

Notes: Although there are differences in the percentages of participating and nonparticipating candidates, the information in this table does not provide evidence that program participation influences an individual candidate's likelihood of winning.

^aIndicates the percentage of candidates within the category who won their election. For example, in the 2000 general election, of the 80 participating candidates who were challengers, 34 percent, or 27 participating challenger candidates, won, and the remaining 66 percent, or 53 participating challenger candidates, lost.

^bChallengers are defined as any candidates who are not incumbents, regardless of whether they faced an opponent in their race.

 $^\circ\text{lncumbents}$ are defined as candidates who held a seat from the previous legislative session in the same chamber.

Democrats Participating at a Higher Rate in the Public Financing Program in Maine than Republicans Since 2000, more Democrats than Republicans participated in the public financing program in Maine primary and general elections, in terms of the proportion of candidates who participated. For example, while the rate at which Republican legislative candidates in the primary elections participated in the public financing program increased by about 41 percentage points from 2000 to 2008 (from 22 percent to 63 percent), the participation rate remains below that of Democrats, whose participation rate increased by about 48 percentage points in the primary election during the same period (from 39 percent to 87 percent), as shown in figure 3. For both Democrats and Republicans, most of the growth in participation rates occurred between the 2000 and 2004 legislative elections, whereas participation rates have been relatively stable over the past three election cycles (2004, 2006, and 2008) in both the primary and general elections. For example, participation rates increased in the primary elections by about 4 percentage points among Democrats (from 83 percent to 87 percent), and by 1 percentage point among Republicans (from 62 percent to 63 percent) between the 2004 and 2008 election cycles. In all election years, more Democrats participated in the public financing program than Republicans did, in terms of the proportion of candidates who participated.

Figure 3: Legislative Candidates by Political Party Affiliation and Participation Status in Maine Primary and General Elections, 2000 through 2008





Participating

Source: GAO analysis of Maine election results data.

Note: We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. The number of Democratic candidates per primary election was: 193 in 2000, 196 in 2002, 204 in 2004, 199 in 2006, and 204 in 2008; the number of Republican candidates per primary election was: 172 in 2000, 191 in 2002, 202 in 2004, 200 in 2006, 184 in 2008; the number of Democratic candidates per general election was: 173 in 2000, 173 in 2002, 180 in 2004, 186 in 2006, 184 in 2008; and the number of Republican candidates per general election was: 150 in 2000, 168 in 2002, 182 in 2004, 178 in 2006, 166 in 2008. Percentages may not add to 100 because of rounding.

Arizona Legislative Candidates' Participation Increased from 2000 to 2008

Arizona Legislative Candidate Participation Rates More Than Doubled in the Primary and General Elections from 2000 to 2008 In Arizona, the participation rate of legislative candidates in primary elections doubled after the first election cycle when public financing became available, from 24 percent in 2000 to 50 percent in 2002.³⁵ The participation rate then steadily increased over the next three elections to 59 percent in 2008, as shown in figure 4. Similarly, the participation rate of legislative candidates in Arizona's general elections almost doubled after 2000, when it was 26 percent, to 49 percent in 2002, and then steadily increased over the next three elections to 64 percent in 2008.

³⁵Arizona's state legislature consists of 60 seats in the House of Representatives and 30 seats in the Senate. Members in all 90 legislative seats serve 2-year terms. Thus, in primary and general elections, which are held biannually (i.e., in each even-numbered year), all legislative seats are on the ballot.

Figure 4: Legislative Candidates' Participation in Arizona's Public Financing Program in Primary and General Elections, 2000 through 2008



Source: GAO analysis of Arizona election results data.

Note: We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. The number of Arizona legislative candidates who ran in the primary election each year was: 226 candidates in 2000, 222 candidates in 2002, 187 candidates in 2004, 199 candidates in 2006, and 198 candidates in 2008. The number of Arizona legislative candidates who ran in the general election each year was: 158 candidates in 2000, 150 candidates in 2002, 149 candidates in 2004, 158 candidates in 2006, and 159 candidates in 2008.

The 11 candidates we interviewed in Arizona offered a range of reasons why they chose to participate or not participate in the public financing program when asked the main reasons for choosing to run their campaign with or without public funds in the 2008 election. Four of the 5 participating candidates we interviewed cited wanting more time to focus on interaction with voters when asked the main reasons for choosing to run their campaign with public funds in the 2008 elections. One of these candidates explained that collecting the \$5 contributions strengthens candidates' connections to voters at the grass roots level. Candidates cited other reasons for participation. The desire to be free of the influence of interest groups or other campaign contributors was among the reasons 3 of the 5 candidates gave for participating in the public financing program. One candidate explained that participating candidates are not reliant on

Arizona Candidates Cited a Range of Reasons Why They Chose to Participate or Not Participate in the Public Financing Program interest groups and are only beholden to their constituents. Three candidates said difficulties associated with raising adequate private funds to run a competitive election campaign was one of the reasons they chose to participate. For example, one candidate said that as a first-time candidate, he did not know how to raise money, so without the public financing program he would not have been able to compete against the incumbent candidate. Two candidates said it was strategically advantageous to participate in the public financing program. One of these candidates told us that he decided to participate in the public financing program because he would feel like he was funding his opponents if he raised private funds and the participating candidates in his race received matching funds based upon his spending. We also asked candidates about specific factors they may have considered when choosing to run their campaigns with public funds. Table 6 presents the number of participating candidates who said that they had considered each of the following factors when they decided to participate in the public financing program.

Table 6: Factors Arizona Candidates Reported Considering When Deciding to Participate in the Public Financing Program in the 2008 Elections

GAO interview question: Were any of the following factors considerations when you chose to participate in the public financing program in the 2008 election?	Number of participating candidates
You did not want to feel obligated to special interest groups or lobbyists.	3
You did not think you would be able to raise enough funds through traditional means to run a competitive campaign.	3
Receiving public funds allowed you to spend more time discussing issues.	3
You believe the public financing program promotes the accountability of legislators to the public.	3
Other than collecting "seed money" and the \$5 contributions, you are opposed to traditional methods of funding election campaigns.	2
The matching funds provision of the program discouraged opponents, special interest groups, and lobbyists from campaigning against you.	2
You ran with public funding due to particular circumstances in your district; however, you still have strong reservations about supporting the overall goals of the public financing program.	2

Source: GAO analysis of candidate interview responses.

Note: We interviewed 5 participating candidates in Arizona. Candidates could select more than one response.

The 6 nonparticipating candidates we interviewed most frequently cited opposition to using public funds for election campaigns as one of the main reasons they chose to use private rather than public funds for their campaigns. Five of the 6 nonparticipating candidates said that they were opposed to using public funds for election campaigns for various reasons, which included the belief that public financing program forces taxpayers to fund candidates that they may not support,³⁶ and the belief that funds could be better spent on government services, such as healthcare for children, or to reduce the state's deficit.³⁷ In addition, 2 candidates said they did not participate because they did not want restrictions on how they ran their campaigns, such as the limit on the amount of money candidates may raise. Another candidate told us that he is opposed to the public financing program because he does not believe that the Citizens Clean Elections Commission should have the authority to remove legislators from office for violating the rules of the public financing program. Additionally, 1 nonparticipating candidate said that she did not participate because her primary race was uncontested, so the public financing program would provide meager resources and not enough for her to communicate with voters.³⁸ We also asked the 6 nonparticipating candidates if they considered any of the factors listed in table 7 when they chose not to participate in the public financing program; their responses appear alongside each factor in the table.

Table 7: Factors Arizona Candidates Reported Considering When Deciding Not to Participate in the Public Financing Program in the 2008 Elections

GAO interview question: Were any of the following factors considerations when you chose not to participate in the public financing program in the 2008 election?	Number of nonparticipating candidates
You believe that public funds are better used for purposes other than election campaigns.	5
You had sufficient funds without using public funds.	5
You are opposed to specific provisions of the public financing program.	5
You are opposed to public funding of election campaigns.	4
You believe that public funding forces taxpayers to fund candidates that they may not support.	4
You believe that the use of public funds adds burdensome reporting requirements to election campaigns.	3
You did not want restrictions on your campaign spending.	2
You did not want to learn a new campaign finance system.	1

³⁶This argument was reviewed and rejected by the Arizona Supreme Court in *May v. McNally*, 55 P. 3d 768 (Ariz. 2002).

³⁷The largest source of revenue for Arizona's public financing program is a surcharge on civil and criminal fines and penalties for the 2008 elections. The program is not supported by legislative budget appropriations from the state's general fund.

³⁸Under Arizona's Citizens Clean Elections Act, a participating candidate in an unopposed primary election is eligible to receive an amount equal to five dollars times the number of qualifying contributions that were certified by the Arizona Citizens Clean Elections Commission on behalf of the participating candidate.
Source: GAO analysis of candidate interview responses.

Note: We interviewed 6 nonparticipating candidates in Arizona. Candidates could select more than one response.

The Majority of Incumbents in Arizona Ran Privately-Financed Campaigns from 2000 through 2008 Incumbent candidates' participation in the public financing program in general elections in Arizona increased from 2000 to 2008; however, the majority of incumbent candidates did not participate in the program over these five election cycles. Figure 5 shows that participating incumbent candidates, as a percentage of all candidates, generally increased from 4 percent in 2000 to 18 percent in the 2008 general elections.

Figure 5: Public Financing Program Participation and Incumbency Status in Arizona General Elections, 2000 through 2008



Source: GAO analysis of Arizona election results data.

Note: Incumbents are defined as candidates who held a seat from the previous legislative session in the same chamber. Challengers are defined as any candidates who are not incumbents, regardless of whether they faced an opponent in their race. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. The total number of legislative candidates per general election per year was: 158 candidates in 2000, 150 candidates in 2002, 149 candidates in 2004, 158 candidates in 2006, and 159 candidates in 2008. Percentages may not add to 100 due to rounding.

Nonparticipating Candidates in Arizona Were Generally More Likely to Win Nonparticipating legislative incumbents and challengers in Arizona were generally more likely to win than participating incumbents and challengers who ran in elections held from 2000 through 2008, as shown in table 8.

Table 8: Percentage of Winning Legislative Candidates by Participation and Incumbent Status in Arizona General Elections, 2000 through 2008

Type of		Participating	candidates	Nonparticipating candidates		
candidate	Election year	Number	Percent who won [®]	Number	Percent who won ^a	
Challengers ^b	2000	35	23%	68	43	
-	2002	63	40	44	57	
-	2004	54	35	36	39	
	2006	61	28	33	33	
-	2008	74	31	23	30	
Incumbents°	2000	6	100	49	96	
-	2002	10	70	33	100	
-	2004	24	96	35	97	
-	2006	23	91	41	100	
-	2008	28	93	34	100	

Source: GAO analysis of Arizona election results data.

Notes: Although there are differences in the percentages of participating and nonparticipating candidates, the information in this table does not provide evidence that program participation influences an individual candidate's likelihood of winning.

^aIndicates the percentage of candidates within the category who won their election. For example, in the 2000 general election, of the 35 participating candidates who were challengers, 23 percent, or 8 participating challenger candidates, won, and the remaining 77 percent, or 27 participating challenger candidates, lost.

^bChallengers are defined as any candidates who are not incumbents, regardless of whether they faced an opponent in their race.

 $^\circ\text{Incumbents}$ are defined as candidates who held a seat from the previous legislative session in the same chamber.

Democrats Participating at a Higher Rate in the Public Financing Program in Arizona than Republicans

In Arizona primary and general legislative elections, more Democrats than Republicans participated in the public financing program, in terms of the proportion of candidates who participated, although, as shown in figure 6, the participation gap between Democrats and Republicans has narrowed since 2000. For example, the percentage of Democrats who participated in the public financing program during the primary election increased by about 30 percentage points (from 42 percent to 72 percent) from 2000 to 2008, while the rate of participation among Republican candidates increased by about 41 percentage points (from 9 percent to 50 percent) over the same period.





Nonparticipating
Participating

Source: GAO analysis of Arizona election results data.

Note: We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. The number of Democratic candidates per primary election was: 95 in 2000, 99 in 2002, 79 in 2004, 82 in 2006, and 93 in 2008; the number of Republican candidates per primary election was: 114 in 2000, 114 in 2002, 97 in 2004, 108 in 2006, 94 in 2008; the number of Democratic candidates per general election was: 68 in 2000, 68 in 2002, 64 in 2004, 69 in 2006, 74 in 2008; and the number of Republican candidates per general election was: 69 in 2000, 67 in 2002, 70 in 2004, 76 in 2006, 73 in 2008. Percentages may not add to 100 due to rounding.

In Maine and Arizona, a Greater Proportion of General Election Races from 2002 through 2008 Had at Least One Publicly Financed Legislative Candidate Compared to 2000

The majority of general election races in both Maine and Arizona had at least one participating candidate in 2008, and the proportion of races with a participating candidate has generally increased from 2000 through 2008 in both states. In Maine, the proportion of races with at least one participating candidate doubled over the five election cycles, from 47 percent in 2000 to 96 percent in 2008, as shown in figure 7. In Arizona, the proportion of races with at least one participating candidate increased steadily over the five election cycles from 53 percent in 2000 to 82 percent in 2008.





Races with at least one participating candidate

Source: GAO analysis of Maine and Arizona election results data.

Note: The total number of Maine races in each year was 186 (151 races in the House of Representatives and 35 in the Senate). The total number of Arizona races each year was 60 (30 in the House of Representatives and 30 in the Senate).

Limited Data Are Available on Candidate or District Characteristics and Candidate Experience Data limitations preclude providing additional information about legislative candidates or the districts in which they ran for office. For example, Maine and Arizona state officials did not maintain data to analyze candidates' experience (e.g., whether they had previously held public office with the exception of whether a candidate was an incumbent in a given election and political party affiliation); qualifications (e.g., education or work experience); wealth; or demographics (e.g., sex, age, race, or ethnicity). Additionally, data were not available to address issues specific to individual legislative districts, such as partisan composition, local ballot initiatives and candidates, as well as economic or demographic factors that could affect a candidate's participation in the public financing programs. Changes in One Measure of Electoral Competition Could Not Be Directly Attributed to Maine's and Arizona's Public Financing Programs; No Overall Changes in Voter Choice, Campaign Spending, and Interest Group Influence, While Data Limitations Hinder Analysis of Changes in Voter Participation

We used a variety of statistical techniques to measure changes in five goals of public financing before and after the implementation of public financing and found some evidence of statistically significant changes in one measure of electoral competition.³⁹ For the rest, we found either no overall changes or data limitations precluded any analysis of changes. Specifically, there were differences in one of the measures used for the goal of increased electoral competition-the winners' margin of victory decreased—but we could not attribute these differences directly to the public financing programs because needed data were limited or unavailable and there are certain factors that we could not measure, such as candidate popularity, which affect electoral outcomes. There were no statistically significant differences observed for the other measures of electoral competition: contestedness (number of candidates per race) and incumbent reelection rates. For three of the remaining four goalsincreasing voter choice, curbing increases in campaign spending, and reducing the influence of interest groups and enhancing citizens' confidence in government-the measurable differences were not statistically significant overall. While there is no indication that the programs have decreased interest group influence, some candidates and interest group officials GAO interviewed said that campaign tactics have changed. We could not measure differences for the fifth goal—increasing voter participation—because of data limitations, including differences in how voter turnout has been measured over time for Maine and Arizona.

³⁹The primary modeling techniques we used to measure changes in competition—fixed effects regression models and hierarchical loglinear models—were largely consistent in their results, but not entirely consistent. Both techniques offered no evidence of differential changes between the public financing states and comparison states in the contestedness of elections or in the incumbent reelection rates, but offered some evidence of differential change related to the margin of victory. The results from the loglinear models are somewhat weaker than the results of the fixed effects models. Additional information about the two types of models used are presented in app. I and in an electronic supplement we are issuing concurrent with this report—GAO-10-391SP.

Changes in One Measure of Electoral Competition— Winner's Victory Margin— Could Not Be Directly Attributed to Public Financing Programs in Maine and Arizona, While No Significant Changes Were Observed in Two Other Measures of Electoral Competition

For Legislative Races, the Margin of Victory Decreased in Maine and Arizona, While Contestedness and Incumbent Reelection Rates Did Not Change in both States Overall, the margin of victory in legislative races decreased significantly in both Maine and Arizona compared to their respective comparison states after the public financing programs were implemented; however, we could not attribute these decreases directly to the public financing programs due to factors such as candidate popularity and changing economic conditions, which affect electoral outcomes. On the other hand, contestedness and incumbent reelection rates did not significantly change over time in Maine and Arizona. The candidates and interest group representatives we interviewed from Maine and Arizona provided various perspectives on the effect of the public financing programs on the advantage of incumbent candidates and the number of close races.

Margin of Victory

Overall, winner's margin of victory in races decreased significantly in both Maine and Arizona as compared to their respective comparison states after public financing was available; however, we could not attribute these decreases to the public financing programs due to factors such as the qualifications or experience of the candidates and Presidential and othe top-ballot races, which could motivate certain citizens to vote, thereby influencing electoral outcomes. We used three different measures of margin of victory in our analyses: (1) the average margin of victory for contested races, (2) the percentage of close races (i.e., races decided by less than 10 percentage points), and (3) the percentage of races that were landslides (i.e., races decided by more than 20 percentage points).⁴⁰

As shown in tables 9 and 10, the average margin of victory for contested elections declined from 22 percent before public financing (1996 and 1998) to 19 percent after public financing (from 2000 through 2008) in Maine, and from 31 percent before public financing to 27 percent after public financing in Arizona. These changes, decreases of about 3 percent in Maine and 4 percent in Arizona, were statistically significantly different from the changes in the comparison states for both Maine and Arizona, where the average margin of victory increased about 1 percent in both the

⁴⁰We calculated margin of victory in multimember districts to reflect the difference between the second winner and the runner up. We tested our statistical models including and excluding multimember districts and found that our results were robust across different models.

Maine and Arizona comparison states.⁴¹ The adjusted differences in the changes between Maine and Arizona and their respective comparison states are derived from statistical models that account for other factors that may have explained the changes, and in the case of average margin of victory the adjusted difference is statistically significant. Our fixed effects statistical models take into account whether elections were for the House of Representatives or Senate, and whether the races included incumbents. However, our results may be sensitive to our choice of comparison states. More information on these models and our choice of states is presented in appendix I and the e-supplement accompanying this report, GAO-10-391SP.

We obtained similar results when we measured the margin of victory by contrasting the percentages of close races (defined as competitive races with a margin of victory of less than 10 percentage points) and races that were landslides (defined as competitive races with a margin of victory exceeding 20 percentage points).⁴² Close races increased in Maine and Arizona after public financing was available, by about 9 and 6 percentage points respectively. The change observed in Arizona was significantly different from changes in the respective comparison states, where the percentage of close races increased only slightly or actually decreased. Landslide races also decreased in Maine (by 7 percentage points) and Arizona (by 12 percentage points). These changes were significantly different from the changes in the comparison states after controlling for the other factors in our model.

⁴¹We calculated the average for each measure of electoral competition across all elections before public financing was available and after public financing was available. We then calculated the average change that took place across the two different periods in the states. We then estimated the difference in the change that took place between Maine and its comparison states and between Arizona and its comparison states.

⁴²In reviewing the literature and consulting with researchers, there is no standard or accepted measure or definition of a close race or landslide. We based our selection of these definitions on literature and discussions with researchers. This research suggested that a 10 percentage point difference would indicate a reasonable measure of competitiveness in a district. The largest range used by a researcher to indicate competitiveness was 20 percentage points; thus our definition of a landslide is those races that exceeded this threshold.

Table 9: Margin of Victory Measures in Maine and Comparison States, Changes in the Measures over Time, and Differences in the Changes between Maine and Comparison States

Percentage points					
Outcome measure	Period	Maine	Comparison states ^ª	Observed difference in change	Adjusted difference in change (SE) ^b
Average margin of victory°	Before public financing	22.0	28.5		
	After public financing	19.2	29.5		
	Change	-2.8	1.0	-3.8	-6.0 ^d (1.16)
Percent of close races (less than	Before public financing	23.1	20.3		
10 percentage points margin of victory)	After public financing	32.5	23.9		
victory	Change	9.4	3.6	5.8	7.6° (3.43)
Percent of landslide races (more	Before public financing	48.8	56.7		
than 20 percentage points margin of victory)	After public financing	42.1	55.8		
	Change	-6.7	-0.9	-5.8	-9.4 ^d (2.17)

Source: GAO analysis of election results data.

Notes: Contested races are races with at least one or more candidate running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot.

^aThe comparison states for Maine were South Dakota, Montana, and Connecticut (excluding 2008).

^bThe adjusted differences are derived from statistical models that account for other factors that may have explained the changes. Standard errors (SE) appear in parentheses and are used in estimating the amount by which the outcomes would have varied due to chance alone.

^cMargin of victory measures were estimated for single-member districts only.

^dDenotes adjusted differences which are significant at the .05 level. Differences may not add due to rounding.

^eDenotes an adjusted difference which is significantly different than zero at the .10 level.

Table 10: Margin of Victory Measures in Arizona and Comparison States, Changes in the Measures over Time, and Differences in the Changes between Arizona and Comparison States

Percentage points									
Outcome measure	Period	Arizona	Comparison states ^ª	Observed difference in change	Adjusted difference in change (SE) ^b				
Average margin of victory ^c	Before public financing	31.1	22.8						
	After public financing	26.9	24.1						
	Change	-4.3	1.3	-5.6	-6.2 ^d (.85)				
Percent of close races (less than	Before public financing	29.2	30.8						
10 percentage points margin of victory)	After public financing	35.6	28.1						
victory	Change	6.4	-2.7	9.1	11.9 ^d (2.43)				
Percent of landslide races (more	Before public financing	47.2	45.9						
than 20 percentage points margin of victory)	After public financing	35.6	47.8						
	Change	-11.7	1.9	-13.6	-19.6 ^d (3.20)				

Source: GAO analysis of election results data.

Notes: Contested races are races with at least one or more candidate running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot.

^aThe comparison states for Arizona were South Dakota, Montana, and Colorado.

^bThe adjusted differences are derived from statistical models that account for other factors that may have explained the changes. Standard errors (SE) appear in parentheses and are used in estimating the amount by which the outcomes would have varied due to chance alone.

°Margin of victory measures were estimated for single-member districts only.

^dDenotes adjusted differences which are significant at the .05 level. Differences may not add due to rounding.

Figures 8 and 9 present the year-to-year outcomes (instead of the averages for before and after public financing) for the three margin of victory measures for Maine and its comparison states, and Arizona and its comparison states.

Figure 8: Comparison of Winner's Average Margin of Victory in Contested Legislative Races in Maine and Arizona with Respective Comparison States, General Election, 1996 through 2008

Average percentage point difference between the winner and first runner up

100



Note: Contested races are races with at least one or more candidate running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot.

Figure 9: Comparison of Winner's Victory Margin in Contested Legislative Races in Maine and Arizona with Respective Comparison States, General Election, 1996 through 2008



Note: Contested races are races with at least one or more candidate running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot.

Contestedness

Changes in contestedness—the percentage of all races that had at least one more candidate running than the number of seats available—in Maine and Arizona before and after public financing was available were no different from changes observed in comparison states. As shown in tables 11 and 12, before public financing was available (1996 and 1998), 86 percent of the elections in Maine and 60 percent of the elections in Arizona were contested. The percentage of contested elections after public financing was available (from 2000 through 2008) increased in both states, to 91 percent in Maine and 75 percent in Arizona.⁴³ However, even after controlling for other factors, these increases, of 5 percentage points and 15 percentage points respectively, were not statistically different from the changes in comparison states where percentages of contested elections increased by about 5 and 12 percentage points.

Outcome measure	Period	Maine	Comparison statesª	Observed difference in change	Adjusted difference in change (SE) ^ه
Percent of races contested	Before public financing	86.0	73.2		
	After public financing	91.0	78.4		
	Change	5.0	5.2	-0.2	0 (5.19)

 Table 11: Percentage of Races Contested in Maine and Comparison States, Changes in the Percentages over Time, and

 Differences in the Changes between Maine and Comparison States

Source: GAO analysis of election results data.

Note: Contested races are races with at least one or more candidates running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. To indirectly control for open seats resulting from term limits, we excluded races with no participating incumbents. Differences may not add due to rounding.

^aThe comparison states for Maine were South Dakota, Montana, and Connecticut (excluding the 2008 elections).

^bThe adjusted differences are derived from statistical models that account for other factors that may have explained the changes. Standard errors (SE) appear in parentheses and are used in estimating the amount by which the outcomes would have varied due to chance alone.

⁴³Because Arizona has multimember House districts (where two representatives are elected from each district), a contested race was one in which three candidates ran, since two candidates would be elected.

Table 12: Percentage of Races Contested in Arizona and Comparison States, Changes in the Percentages over Time, and Differences in the Changes between Arizona and Comparison States

Outcome measure	Period	Arizona	Comparison statesª	Observed difference in change	Adjusted difference in change (SE) ^b
Percent of races contested	Before public financing	60.0	71.5		
	After public financing	75.0	83.4		
	Change	15.0	11.8	3.2	3.3 (3.93)

Source: GAO analysis of election results data.

Note: Contested races are races with at least one or more candidates running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. To indirectly control for open seats resulting from term limits, we excluded races with no participating incumbents. Differences may not add due to rounding.

^aThe comparison states for Arizona were South Dakota, Montana, and Colorado.

^bThe adjusted differences are derived from statistical models that account for other factors that may have explained the changes. Standard errors (SE) appear in parentheses and are used in estimating the amount by which the outcomes would have varied due to chance alone.

Further, year-to-year changes in the percentages of contested elections in Maine and Arizona over time are not much different from in their comparison states before or after controlling for other factors, as shown in figure 10.





Note: Contested races are races with at least one or more candidates running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. Differences may not add due to rounding.

Incumbent Reelection Rates

Incumbent reelection rates (i.e., the percentage of incumbents who were reelected among those incumbents who ran in contested races) did not change significantly in Maine and Arizona before and after public financing was available.⁴⁴ We first examined the proportion of contested

⁴⁴We counted races with multiple incumbents running against each other, and multimember district races where one incumbent won but the other did not, as incumbent wins for the purposes of our statistical analysis. These events, which are enumerated in the electronic supplement accompanying this report—GAO-10-391SP—were relatively infrequent and we do not have reason to believe they would change the interpretation of our results.

races with incumbents who won relative to all contested races with an incumbent candidate. As shown in tables 13 and 14, in Maine the percentage of races in which incumbents who were challenged were reelected was 88 percent before public financing was available and about 90 percent after it was available. In Arizona, the percentage was 98 percent before public financing and 97 percent after. Incumbent reelection rates in comparison states did not change over time—staying around 93 percent and 91 percent, respectively, in the two groups of comparison states. Further, our statistical model that tested the difference in change across time periods between the states with and without campaign financing provided no evidence of any statistically significant difference.

Table 13: Incumbent Reelection Rates in Maine and Comparison States, Changes in the Rates over Time, and Differences in the Changes between Maine and Comparison States

Outcome measure	Period	Maine	Comparison states ^ª	Observed difference in change	Adjusted difference in change (SE) ^b
Percent of incumbents reelected	Before public financing	88.0	93.2		
(for races where incumbents faced challengers)	After public financing	89.5	93.6		
challengers)	Change	1.5	0.4	1.1	0.7 (2.04)

Source: GAO analysis of election results data.

Note: Incumbents are defined as candidates who held a seat from the previous legislative session in the same chamber. Contested races are races with at least one or more candidates running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. Differences may not add due to rounding.

^aThe comparison states for Maine were South Dakota, Montana, and Connecticut (excluding 2008).

^bThe adjusted differences are derived from statistical models that account for other factors that may have explained the changes. Standard errors (SE) appear in parentheses and are used in estimating the amount by which the outcomes would have varied due to chance alone.

Table 14: Incumbent Reelection Rates in Arizona and Comparison States, Changes in the Rates over Time, and Differences in the Changes between Arizona and Comparison States

Outcome measure	Period	Arizona	Comparison states ^ª	Observed difference in change	Adjusted difference in change (SE) ^b
Percent of incumbents reelected	Before public financing	98.0	91.0		
(for races where incumbents faced challengers)	After public financing	97.4	92.0		
	Change	-0.5	0.9	-1.4	-0.1 (2.70)

Source: GAO analysis of election results data.

Note: Incumbents are defined as candidates who held a seat from the previous legislative session in the same chamber. Contested races are races with at least one or more candidates running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. Differences may not add due to rounding.

^aThe comparison states for Arizona were South Dakota, Montana, and Colorado.

^bThe adjusted differences are derived from statistical models that account for other factors that may have explained the changes. Standard errors (SE) appear in parentheses and are used in estimating the amount by which the outcomes would have varied due to chance alone.

Year-to-year changes in incumbent reelection rates for races in Maine and Arizona over time are basically unchanged and not much different from in their comparison states, as shown in figure 11.

Figure 11: Comparison of Incumbent Reelection Rates in Maine and Arizona with Respective Comparison States, General Election, 1996 through 2008



Companson

Public finance states (Maine or Arizona)

Comparison states data smoothed using regression

----- Public finance states (Maine or Arizona) data smoothed using regression

Source: GAO analysis of state election results data

Note: Incumbents are defined as candidates who held a seat from the previous legislative session in the same chamber. Contested races are races with at least one or more candidates running than the number of seats in contention. We excluded candidates who received zero votes and write-in candidates whose names did not appear on the ballot. Differences may not add due to rounding.

We found similarly and consistently high reelection rates when we considered individual incumbent reelection rates, the proportion of individual incumbents who won out of all incumbents who ran.⁴⁵ In Maine, 90 percent of all incumbents running in general elections races were reelected in the years before public financing was available, and 90.2 percent after. In Arizona, the individual incumbent reelection rate for general elections before public financing was available was 96.9 percent, compared to 96.1 percent after public financing was available. Research has shown that incumbent candidates may have an advantage over other candidates because of several factors, such as visibility in the media, name recognition, and the ability to perform services for constituents. Thus, the high incumbent reelection rates observed in these states despite the implementation of the public financing programs is not surprising.

Many other factors we could not control in our analyses may affect electoral competition, including the popularity of candidates, extreme oneissue candidates, polarizing candidates, local ballot initiatives and issues, economic conditions, and other aspects of political context. Further, the size and statistical significance of our comparative results also may be affected by our choice of comparison states.⁴⁶ Thus, we cannot say definitively whether any of the changes we observe can be attributed to the campaign financing programs.

The candidates and interest group representatives we interviewed from Maine and Arizona provided various perspectives on the effect of the public financing programs on the advantage of incumbent candidates and the number of close races.

Most candidates we interviewed in Maine (8 of 11) believed that the advantage of incumbent candidates neither increased nor decreased as a result of the public financing program. Further, 2 of 11 candidates said that incumbents' advantage had increased under the public financing program. Among the reasons candidates gave for incumbents' advantage was their access to resources, such as campaign databases; political party

Candidates and Interest Groups Reported Various Perceptions on the Effect of Public Financing Programs on Electoral Competition

⁴⁵Individual incumbent reelection rates remained high when we factored in the number of incumbents running in primary elections. However, because incumbents may choose to run (or not to run) in a general election regardless of whether they win a primary election, and because some uncontested incumbents do not participate in primaries, we did not calculate a conditional incumbent reelection rate for those general election incumbents who also ran in primaries.

⁴⁶For further discussion on how we selected the specific comparison states, see app. I.

support; and officeholder privileges, such as a budget to distribute communications (e.g., mailers and newsletters) to constituents. On the other hand, 1 of the 11 Maine candidates said that the advantage of incumbents had decreased as a result of the public financing program since some incumbents have been defeated by participating candidates who may not have run for legislative office without public financing.

Arizona candidates had mixed perceptions on the effect of the public financing program on incumbents' advantage. Four of 11 candidates said that the advantage of incumbents neither increased nor decreased as a result of the public financing program, citing incumbents' benefits such as name recognition, experience in running a successful election campaign, and access to funding. Three candidates said that incumbents' advantage increased. One of these candidates explained that participating incumbent candidates did not have to do as much outreach to voters as they would have if they needed to raise private funds. However, 3 candidates we interviewed stated that the advantage of incumbent candidates has decreased. Among the reasons given for the decrease in incumbents' advantage was that incumbents face more challengers under public financing. Another candidate agreed that incumbents had to work harder to defend their seats in the primary election; however, according to the candidate, incumbents' advantage had not changed in general elections since many legislative districts are either heavily Democratic or Republican.

The majority of candidates we interviewed in Maine (9 of 11) thought that the number of close legislative races increased as a result of the public financing program and provided a range of explanations for why. For example, one candidate said that before the public financing program, some candidates would run unopposed because potential challengers lacked funds, but after public financing became available, more challengers have entered races and have run competitively. However, other candidates had different perspectives that were not consistent with the statistical data we observed—one candidate said that the number of close races decreased, and one candidate said that the number of close races neither increased nor decreased as a result of the public financing program. According to this candidate, the broader political climate influenced elections more than the public financing program.

In Arizona, over half of the candidates (6 of 11) believed that the public financing program had increased the number of close races. Candidates attributed the increase to greater equality in financial resources among candidates, more candidates running for office, and more extensive

discussion of the issues, among other reasons. On the other hand, in contrast with the data we observed, 3 candidates we interviewed said that the number of close races neither increased nor decreased as a result of the public financing program. Additionally, 2 candidates said that the number of close races increased in the primary election, where, according to one candidate, there have been more challengers, but neither increased nor decreased in the general election, since many districts are heavily Republican or Democratic.

Half of the interest group representatives we interviewed in Maine and Arizona (5 of 10) thought the closeness of races had not changed, although our data analysis did reveal changes. For example, an Arizona representative commented that the public financing program by itself had not changed the closeness of races and that redistricting and the ability of independents to vote in the primary has made the races closer. On the other hand, 2 of the 10 representatives believed that the closeness of races had changed. One representative from Maine stated that he believed there may be a few more close races because of the public financing program while an Arizona representative believed the closeness of races had changed in the primaries because more candidates have an opportunity to run with public financing and therefore may be more competitive. Finally, 2 of the 10 interest group representatives were unsure whether public financing had changed the closeness of races and 1 of the 10 interest group representatives did not respond.

No Observed Changes in Increased Voter Choice in Terms of the Average Number of Legislative Candidates and the Percentage of Third-Party and Independent Candidates Represented in Races in Maine and Arizona While increasing voter choice, as measured by changes in the number of candidates per race and changes in the breadth of political party affiliations represented in races, was a goal of public financing programs, there were no observed changes in these measures in Maine and Arizona after the public financing programs were available. However, as discussed later, candidates we interviewed provided a range of perspectives about the role of third-party and independent candidates.

No Observed Changes in the Average Number of State Legislative Candidates per District Race

The average number of legislative candidates per primary and general election race in Maine and Arizona did not vary greatly over the seven election cycles examined—before (1996 and 1998 elections) and after (2000 through 2008 elections) the public financing programs became available, as shown in table 15.⁴⁷

 Table 15: Average Number of Legislative Candidates per District Race in Maine and Arizona Primary and General Elections,

 1996 through 2008

			Average number of candidates per district race							
		Election	Before public fi	nancing		After public financing				
State	Office	(primary or general)	1996	1998	2000	2002	2004	2006	2008	
Maine	Maine House of Representatives	Primary	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
		General	2.0	1.8	1.8	2.0	2.1	2.1	2.0	
	Senate	Primary	1.1	1.0	1.1	1.1	1.2	1.1	1.1	
		General	2.0	1.9	2.1	2.0	2.1	2.2	2.1	
Arizona	House of	Primary ^a	2.5	2.2	2.5	2.7	2.4	2.3	2.1	
	Representatives	General⁵	3.4	3.2	3.4	3.3	3.3	3.4	3.5	
	Senate	Primary	1.3	1.2	1.3	1.4	1.2	1.1	1.1	
		General	1.7	1.5	1.9	1.7	1.6	1.9	1.8	

Source: GAO analysis of Maine and Arizona election results data.

Notes: The redistricting of Arizona's legislative districts, which included review and approval by the Department of Justice as well various court actions, in general, resulted in legislative districts being redistricted for the 2002 elections and additional revisions for the 2004 elections. Maine legislative districts boundaries were redrawn for the 2004 elections due to changes in the state's population.

^aArizona has multimember House districts, in which two representatives are elected from each district. The two candidates receiving the most votes in the Arizona primary are the party nominees in the general election. For example, if three Republicans run in the primary, then the top two vote-getters advance to the general election.

^bThe two candidates in each House district receiving the most votes in the general election are elected, regardless of their political party affiliation.

⁴⁷Data on candidates' demographic characteristics (e.g., race and sex) were not routinely collected by the Maine and Arizona Secretary of State offices during the seven election years examined (1996 through 2008). Therefore, we did not compare these demographics of candidates in the elections before and after the implementation of the public financing programs.

Percentage of Races with Viable Third-Party or Independent Candidates in Maine and Arizona Varied in Election Years before and after Public Financing Was Available, but Did Not Increase over Time During the 1996 through 2008 legislative elections in Maine and Arizona, candidates from a variety of third parties and independents ran for office. In Maine, these candidates included Green Party members and independents.⁴⁸ In Arizona, these candidates included members of the Green, Natural Law, Reform, and Libertarian Parties, as well as independents. As shown in tables 16 and 17, while there were some changes in the percent of races with third-party or independent candidates receiving 5 percent or more of votes cast—a proxy indicator for "viable" candidates—there were no discernable trends from 1996 through 2008 in Maine and Arizona.⁴⁹

 Table 16: Percent of Races with Third-Party or Independent Candidates Receiving 5 Percent or More of Votes Cast in Maine

 General Elections, 1996 through 2008

Availability of public financing		Hous	se of Representatives	Senate				
	Year	Total number of races	Number of races with at least one viable third-party or independent candidate receiving 5 percent or more of votes cast	Percent of races	Total number of races	Number of races with at least one viable third-party or independent candidate receiving 5 percent or more of votes cast	Percent of races	
Before public	1996	151	16	10.6%	35	4	11.4%	
financing	1998	151	11	7.3	35	4	11.4	
After public	2000	151	20	13.2	35	3	8.6	
financing	2002	151	20	13.2	35	5	14.3	
	2004	151	22	14.6	35	4	11.4	
	2006	151	15	9.9	35	5	14.3	
	2008	151	13	8.6	35	4	11.4	

Source: GAO analysis of Maine election results data.

Note: We consider an independent or third-party candidate to be "viable" if the candidate received 5 percent or more of votes cast. This threshold is based on a typical standard for party ballot access and retention, and is distinct from whether a candidate is electable or highly competitive with other candidates.

⁴⁸In Maine, independent candidates who are not enrolled in a party are also known as unenrolled candidates.

⁴⁹We consider an independent or third-party candidate to be "viable" if the candidate received 5 percent or more of votes cast. This threshold is distinct from whether a candidate is electable or highly competitive with other candidates. We chose this in light of interviews with state officials and research suggesting that garnering 5 percent of votes cast is a common standard for a party to attain and retain ballot access at the state level, which is key in establishing voter awareness and institutional credibility for a party.

 Table 17: Percent of Races with Third-Party or Independent Candidates Receiving 5 Percent or More of Votes Cast in Arizona

 General Elections, 1996 through 2008

Availability of public financing		Hou	se of Representatives			Senate	
	 Year	Total number of races	Number of races with at least one viable third-party or independent candidate receiving 5 percent or more of votes cast	Percent of races	Total number of races	Number of races with at least one viable third-party or independent candidate receiving 5 percent or more of votes cast	Percent of races
Before public	1996	30	4	13.3%	30	4	13.3%
financing	1998	30	3	10.0	30	3	10.0
After public	2000	30	8	26.7	30	4	13.3
financing	2002	30	3	10.0	30	5	16.7
	2004	30	6	20.0	30	3	10.0
	2006	30	4	13.3	30	2	6.7
	2008	30	3	10.0	30	2	6.7

Source: GAO analysis of Arizona election results data.

Note: We consider an independent or third-party candidate to be "viable" if the candidate received 5 percent or more of votes cast. This threshold is based on a typical standard for party ballot access and retention, and is distinct from whether a candidate is electable or highly competitive with other candidates. Because Arizona has multimember House districts, these 30 elections represent 60 House seats.

Candidates Offered a Range of Perspectives about the Effect of Public Financing Programs on the Role of Third-Party and Independent Candidates and the Quality and Types of Candidates The 22 candidates from Maine and Arizona we interviewed had mixed views on the role of third parties and independents in the 2008 election and the quality and types of candidates running for election. The majority of candidates in Maine (7 of 11) and Arizona (7 of 11) said that the role of third parties and independents neither increased nor decreased as a result of the public financing programs. However, the other candidates had differing perspectives. For example, one candidate in Maine told us that public financing had increased the role of third-party and independent candidates as it has been particularly helpful for third-party candidates running against incumbent candidates.

Additionally, several candidates provided comments about the effect of the public financing programs on the quality and type of candidates running for legislative office.⁵⁰ For example, in Maine, 3 of the 11 candidates told us that the public financing program had a positive effect on voter choice, by allowing a greater diversity of candidates to run for

⁵⁰Not all candidates commented on changes in candidate quality.

office and by improving the quality of political debate. On the other hand, 3 other Maine candidates thought the public financing program allowed candidates to run for office who were not credible or who were unqualified. In Arizona, 2 of the 11 candidates said that the public financing program allowed candidates that were on the extremes of the political spectrum to run and win, which has resulted in a more partisan and divided legislature. However, another candidate said that many of the participating candidates are experienced incumbent candidates.

Average Legislative Candidate Spending Varied in Election Cycles under Public Funding Programs in Maine and Arizona; Independent Expenditures Increased in Maine, and Officials Reported Independent Expenditures Also Increased in Arizona

Average legislative candidate spending varied from year to year in Maine and Arizona in the five election cycles that occurred after public financing became available (2000 through 2008).⁵¹ In Maine, average candidate spending in House races decreased statistically significantly after public financing became available as compared to the two elections before public financing was available (1996 and 1998). However, we could not attribute this decrease to the public financing program because of other factors, such as reductions made to the amounts of funding publicly financed candidates received during the 2008 elections. Average candidate spending in Maine Senate races did not change significantly. In Arizona, data were not available to compare legislative candidate spending before 2000; however, in the five elections under the public financing program, average candidate spending has increased. Independent expenditures have

⁵¹These data reflect what the candidate spent—either from the public financing program for participating candidates or from traditional fundraising for nonparticipating candidates. Spending amounts presented for both Maine and Arizona candidates include both primary and general election spending for candidates that participated in the general election and reported spending more than zero dollars. Spending amounts have been adjusted for inflation using the gross domestic product (GDP) price index, with 2008 as the base year.

increased fourfold in Maine, and state officials reported that independent expenditures have increased in Arizona since 2000.52

Average Maine Legislative Candidate Spending Decreased in House Races, but Did Not Change Significantly in Senate Races after Public Financing Became Available While average legislative candidate spending varied from year to year in Maine, as shown in figure 12, in the five elections after public financing became available average candidate spending in House races decreased, while average Senate candidate spending did not change significantly compared to the two elections before public financing was available.⁵⁸ Specifically, average candidate spending in Maine House races decreased from an average of \$6,700 before public financing was available to an average of \$5,700 after public financing became available. A state official told us that a 5 percent reduction in the set amount of public funding distributed to participating candidates for the general election likely contributed to the decrease in spending in the 2008 election.

⁵²For the Maine 2008 election cycle, independent expenditures were defined as any expenditure "made by a person, party committee, political committee or political action committee, other than by contribution to a candidate or a candidate's authorized political committee, for any communication that expressly advocates the election or defeat of a clearly identified candidate; and is presumed in races involving a candidate who is certified as a Maine Clean Election Act candidate ... to be any expenditure made to design, produce, or disseminate a communication that names or depicts a clearly identified candidate and is disseminated during the 21 days, including election day, before a primary election; the 35 days including election day, before a general election; or during a special election until and on election day." For the Arizona 2008 election cycle, independent expenditures were defined, in pertinent part, as expenditures "by a person or political committee, other than a candidate's campaign committee, that expressly advocates the election or defeat of a clearly identified candidate, that is made without cooperation or consultation with any candidate or committee or agent of the candidate and that is not made in concert with or at the request or suggestion of a candidate, or any committee or agent of the candidate."

⁵³Expenditures by publicly financed candidates were made from funding provided by initial distributions of public funds for the primary and general election, as well as matching funds provided as a result of any independent expenditures made on behalf of their opponents.





Source: GAO analysis of Maine campaign finance data.

Note: We did not include any candidate who reported spending zero dollars or did not run in the general election in Maine. Spending includes both primary and general election expenditures. We adjusted all spending amounts for inflation using the gross domestic product (GDP) price index with 2008 as the base year. The 2004 Maine Senate spending average includes a nonparticipating candidate who spent \$225,566.

As shown in figure 13, spending by Maine legislative incumbent candidates, challengers, and open race challengers (i.e., candidates running in open races with no incumbent candidates) varied from year to year.

Figure 13: Average Legislative Candidate Spending in Maine by Candidate Status, 1996 through 2008



Senate

2008 dollars (in thousands)



Election year







Challenger in open races (no incumbents running)

Source: GAO analysis of Maine campaign finance data.

Note: Incumbents are candidates who held a seat from the previous legislative session in the same chamber. Challengers are candidates who ran against an incumbent candidate in the primary or general election. Open race challengers are candidates who did not run against an incumbent in either the primary or general election. Spending amounts do not include any candidate who reported spending zero dollars or did not run in the general election. Spending includes both primary and general election amounts and has been adjusted for inflation using the GDP price index, with 2008 as the base year. The 2004 Maine nonparticipating Senate candidate spending average includes one candidate who spent \$225,566.

However, overall, the difference in average spending by incumbents and challengers narrowed in both House and Senate races after public financing became available. In addition, average spending by open race challengers was relatively higher than either incumbent or challenger spending averages in House races, but was not significantly different in Senate races in the elections after public financing became available. In Maine House races, incumbents spent \$1,800 more on average than their challengers in the two elections before public financing became available. In comparison, the difference in average spending by incumbents and challengers was not statistically significant in the five elections under the public financing program. Open race challengers spent more on average (\$6,100) than either incumbents, who spent an average of \$5,600, or challengers running against incumbents, who spent an average of \$5,400, in the five elections under the public financing program. Before public financing became available, incumbents spent an average of \$7,700, more than the average amount spent by challengers (\$5,900) or open race challengers (\$6,300) during the same period.

The difference in average incumbent and challenger spending in Maine Senate races also decreased in the period after public financing became available. On average, incumbents spent nearly \$10,500 more than their challengers in the two elections before public financing became available; however, after public financing became available, the difference between average incumbent and average challenger spending was not statistically significant. Similarly, spending by open race challengers in Senate races was not significantly different from spending by either incumbents or challengers in the elections after public financing became available.

As figure 14 shows, average spending by participating and nonparticipating candidates varied in the five elections under the public financing program. However, overall, spending by participating candidates was not significantly different than spending by nonparticipating candidates in both Maine House and Senate races in the five elections under the public financing program.





Source: GAO analysis of Maine campaign finance data.

Note: Spending amounts do not include any candidate who reported spending zero dollars or did not run in the general election. Spending includes both primary and general election amounts and has been adjusted for inflation using the GDP price index, with 2008 as the base year. The 2004 Maine nonparticipating Senate candidate spending average includes one candidate who spent \$225,566.

Independent Expenditures in Maine Legislative Races Increased from 2000 through 2008 Independent expenditures in Maine legislative races have increased by about \$500,000 in the five elections under the public financing program.⁵⁴ As figure 15 shows, independent expenditures increased from about \$150,000 in 2000 to a high of about \$655,000 in 2006, with a large increase occurring in the 2004 election. The Director of Maine's commission told us that he believes that the increase in 2004 was due principally to a change

⁵⁴In 2003 we reported that according to the Director of Maine's commission for 1998 and earlier years, the amounts of reported independent expenditures in the state were negligible. See GAO-03-453.

in the definition of independent expenditures.⁵⁵ While independent expenditures decreased somewhat (by about \$20,000) in the 2008 election compared to the 2006 election, the total amount remained high.





Source: GAO analysis of Maine campaign finance data.

Note: Amounts include independent expenditures reported in Maine House or Senate races and have been adjusted for inflation with the GDP price index, with 2008 as the base year.

⁵⁵A 2003 change in Maine election law, in place for the 2004 Maine elections, expanded the definition of an independent expenditure to include any expenditure made to design, produce, or disseminate a communication that names or depicts a clearly identified candidate made within specified time periods close to an election, even if the communication does not expressly advocate a candidate's election or defeat. The period in which these kinds of communications are presumed to be independent expenditures is different for the primary and general elections. For additional details, please refer to app. II.

Average Arizona Legislative Candidate Spending Increased since 2000 Average candidate spending in Arizona legislative races has generally increased in the five elections under the public financing program;⁵⁶ however, we were not able to compare these spending levels to those in the period before public financing became available.⁵⁷ As shown in figure 16, average candidate spending in Arizona House races has increased in each subsequent election since 2000, with the exception of 2006, when average spending declined about \$1,000 from the previous election. In 2008, average spending increased to \$48,700, a \$13,000 increase from 2006. In Arizona Senate races, average candidate spending has been increasing following the 2002 election, after a decrease of about \$10,000 in the 2002 election.

⁵⁷In 2003, we reported candidate spending data for 1996 and 1998. See GAO-03-453. However, we could not replicate these data because state officials told us that their computer systems had undergone several upgrades and the data were no longer available.

⁵⁶In Arizona, neither the Secretary of State nor the commission responsible for administering the public financing program calculates candidate spending in each election. We calculated candidate spending by adding candidate committee expenditures that were deemed to be campaign-related and were made within specific time frames that corresponded to the election years in which the candidate ran. However, there may be some inconsistencies in how certain types of expenditures were reported, since each candidate committee was responsible for self-reporting financial transactions. We excluded candidates who agreed to spend \$500 or less because, according to Arizona Secretary of State officials, these candidates were not required to submit campaign finance reports.





Source: GAO analysis of Arizona campaign finance data.

Note: Average spending includes both primary and general spending for candidates who ran in the general election and reported campaign transactions that totaled more than zero dollars to the Arizona Secretary of State. Candidates who agreed to spend \$500 or less were not required to file campaign finance reports with the Secretary of State, according to Arizona Secretary of State officials. Spending has been adjusted for inflation using the GDP price index, with 2008 as the base year.

State officials told us that the way candidates have spent campaign funds has changed since the implementation of the public financing program. For example, they said that candidates have coordinated their campaigns with other candidates in their district to maximize their campaign resources. For example, two Republican candidates for the Arizona House of Representatives may pool their campaign funds to send out one mailing in support of both candidates, rather than each candidate sending out separate mailings.

Average spending by challengers and incumbents fluctuated from year to year, with challengers spending more in some elections, and incumbents spending more in other elections in both Arizona House and Senate races, as shown in figure 17.











Source: GAO analysis of Arizona campaign finance data.

Note: Average spending includes both primary and general spending for candidates who ran in the general election and reported campaign transactions that totaled more than zero dollars to the Arizona Secretary of State. Candidates who agreed to spend \$500 or less were not required to file campaign finance reports with the Secretary of State, according to Arizona Secretary of State officials. Incumbents are candidates who held a seat from the previous legislative session in the same chamber. Challengers are candidates who ran against an incumbent candidate in the primary or general election. Open race challengers are candidates who did not run against an incumbent in either the general or primary election. Spending has been adjusted for inflation using the GDP price index, with 2008 as the base year.

Overall, there was no statistically significant difference between average incumbent and average challenger spending in either Arizona House or Senate races in the five elections under public financing. Further, spending by open race challengers in House races was not significantly different from spending by incumbents or challengers after public financing became available. However, in each of the five elections examined, average spending by open race challengers in Arizona Senate races was higher than average spending by incumbents or challengers, and overall, open race challengers spent between \$14,600 and \$16,200 more on average than either incumbents or challengers.

Participating candidates spent more on average than nonparticipating candidates in Arizona House, while in Senate races nonparticipating candidates spent more on average than participating candidates in some years and less in others, as shown in figure 18. Participating candidates in Arizona House races spent \$44,500 on average, compared to nonparticipating candidates, who spent an average of \$29,700 in the five elections under the public financing program. In Arizona Senate races, there was not a statistically significant difference between average spending by participating and nonparticipating candidates in the five elections examined. State officials said that the amount spent on independent expenditures has increased since 2000. Therefore, they stated that matching funds distributed to participating candidates for independent expenditures may account for some of the difference in average spending by participating and nonparticipating candidates.

Figure 18: Average Legislative Candidate Spending in Arizona by Participation Status, 2000 through 2008



Source: GAO analysis of Arizona campaign finance data.

Note: Average spending includes both primary and general spending for candidates who ran in the general election and reported campaign transactions that totaled more than zero dollars to the Arizona Secretary of State. Candidates who agreed to spend \$500 or less were not required to file campaign finance reports with the Secretary of State, according to Arizona Secretary of State officials. Spending has been adjusted for inflation using the GDP price index, with 2008 as the base year.

Independent Expenditures Increased in Arizona According to State Officials

According to state officials, independent expenditures have increased in Arizona legislative elections under the public financing program. In 2008, independent expenditures in Arizona House and Senate races totaled \$2,170,000.⁵⁸ While complete data on independent expenditures specifically in legislative elections were not available for elections prior to 2008, state officials told us that independent expenditures have increased.

⁵⁸While the Arizona Secretary of State's campaign finance data system has captured independent expenditures made by individuals and others since 2000, the candidates benefiting from the expenditures were not systematically identified until the 2008 election cycle.

Furthermore, in our 2003 report, the Arizona Citizens Clean Elections Commission identified independent expenditures in the 1998, 2000, and 2002 legislative and statewide elections.⁵⁹ Independent expenditures in both legislative and statewide races totaled \$102,400 in 1998, \$46,700 in 2000, and \$3,074,300 in 2002.⁶⁰ We reported in 2003 that the increase in independent expenditures in the 2002 election was largely associated with the gubernatorial race, with more than 92 percent of the independent expenditures associated with two gubernatorial candidates.

The candidates and interest groups we interviewed in Maine and Arizona had a range of experiences with and views on campaign spending, independent expenditures, and issue advocacy advertisements.

Candidates' and Interest Groups' Views on Campaign Spending

While candidates and interest groups had varying views about whether campaign spending had increased in the 2008 elections, in general they indicated that equality in financial resources among candidates had increased in the 2008 election as a result of the public financing programs. In Maine, about half of the candidates (5 of 11) we interviewed said that campaign spending increased in the 2008 election as a result of the public financing program. Candidates provided a number of reasons for the perceived increase in campaign spending. For example, one candidate said that campaign spending increased because some participating candidates spent more than they would have if they had raised private funds for their campaigns. Another candidate noted that the amount of money spent by participating candidates has increased in some races because they received additional matching funds for independent expenditures made by interest groups. Spending by nonparticipating candidates may have increased in some cases as well, according to one candidate, since the presence of a participating candidate in the race forces nonparticipating candidates to take the election more seriously and spend more on their campaigns than they would have otherwise. However, 3 other candidates

Candidates and Interest Group Representatives Had Mixed Perceptions about the Effect of Public Financing Programs on Campaign Spending

⁵⁹In 2003, we reported independent expenditures for legislative and statewide elections in Arizona in 1998, 2000, and 2002, which were determined by hard-copy campaign finance reports submitted to the Arizona Secretary of State. See GAO-03-453. State officials verified these reports, but could not determine whether these reports represented all independent expenditures made for these years. State officials told us that their computer systems had undergone several upgrades, and these data could not be retrieved.

⁶⁰The independent expenditures in Arizona statewide and legislative elections were adjusted for inflation using the GDP price index with 2008 as the base year.
we interviewed in Maine contended that campaign spending had decreased. For example, one candidate noted that spending had decreased because of the spending cap placed on participating candidates. Three candidates felt that spending in Maine legislative races had neither increased nor decreased as a result of the public financing program. In one candidate's view, contribution limits have had a greater influence on spending than the public financing program.

In Arizona, the majority of candidates (7 of 11) we interviewed believed that candidate spending increased in the 2008 election as a result of the public financing program. One nonparticipating candidate told us that, because of the matching funds provision of the public financing program, in 2008 he spent almost double the amount than he spent in any previous campaign in order to get out his message and outspend his participating opponent. Another candidate commented that the increase in independent expenditures has driven up campaign spending by triggering additional matching funds for participating candidates. On the other hand, 3 candidates felt that the public financing program led to a decrease in campaign spending in the 2008 election. One participating candidate explained that she could have raised more money traditionally than she received from the public financing program. One candidate indicated that spending neither increased nor decreased.

Regarding interest groups in Maine, two of the five representatives stated that candidate spending increased. One of these representatives commented that there has been an increase in money spent by candidates because there is more access to money and the races are more competitive. Further, this representative stated that the public financing program gives challengers an opportunity to level the playing field when running against incumbents. Participating candidates who would otherwise not be able to raise enough private money can run a wellfinanced campaign using public funds and have an opportunity to present their issues for debate in the race. On the other hand, three of the five interest group representatives stated that candidate spending neither increased nor decreased in the 2008 election as a result of the public financing program. One of these representatives commented that the amount of money spent by candidates has not changed because limits are set by the legislature. However, this representative opined that the amount of money spent on behalf of the candidates in the form of independent expenditures had increased dramatically and consistently. He went on to say that the public financing program is reducing the disparity between the candidates who can raise the money and those candidates who cannot

raise the money and that a candidate who is not serious can receive as much money as a serious candidate.

In Arizona, four of the five interest group representatives believed that candidate spending increased as a result of the public financing program. For example, one of these representatives said that the public financing program has moved money from the candidates to independent expenditures, and that political parties are playing a significant role in this shift. Another interest group representative believed that candidate spending increased but was unsure if this increase was due to the public financing program, noting that increased campaign spending could be attributed to more competitive races or the rise in the cost of campaign materials due to inflation. Further, he noted that a pattern has emerged in which candidates run as participating candidates during their first election, and after being elected run subsequently as nonparticipating candidates. These legislators have name recognition and can raise the money required to run their campaigns and can also help other candidates get elected. On the other hand, one of the five representatives believed that campaign spending had neither increased nor decreased and that money has been redirected from the candidate campaigns to independent expenditures. He did not believe that his organization was spending any less money on campaigns.

In general, candidates and interest group representatives in Maine and Arizona reported that equality in financial resources among candidates had increased in the 2008 election as a result of the public financing programs. In Maine, the majority of the candidates interviewed (7 of 11) said that equality in financial resources among candidates increased as a result of the public financing program. Two candidates commented that candidates from different political parties compete on a roughly equal playing field under the public financing program. Another Maine candidate said that both nonparticipating and participating candidates spend about the same amount on their campaigns. However, 2 candidates we interviewed said that equality in financial resources had decreased as a result of the public financing program. According to one candidate, more money may be spent by political action committees than by candidates in a race, which can reduce equality. One nonparticipating candidate responded that the public financing program increased equality in financial resources among participating candidates, but decreased equality in financial resources among nonparticipating candidates, and 1 candidate was not sure how the public financing program had influenced equality in financial resources among candidates.

In Arizona, about half of the candidates (6 of 11) thought equality in financial resources among candidates had increased. Two of these candidates commented that in their experience, candidates spent roughly the same, regardless of their political party affiliation or if they participated in the public financing program or used traditional means to finance their campaigns. On the other hand, 1 candidate said that equality in financial resources had decreased, and commented that he was outspent by his participating opponents by a ratio of 13 to 1. Three of the 11 candidates we interviewed said that the equality in financial resources neither increased nor decreased as a result of the public financing program. For example, one candidate told us that incumbents continue to outspend their opponents and that nonparticipating candidates have developed strategies to maximize their financial advantage, such as raising funds at the end of the campaign so participating candidates have little time to spend matching funds. The remaining candidate was not sure about the change in resource equality.

Seven of the 10 interest group representatives we interviewed in Maine (3 of 5) and Arizona (4 of 5) said that equality in financial resources among candidates as a result of the public financing programs had increased. For example, an Arizona interest group representative commented that the public financing law holds the candidates' financial resources even. On the other hand, 1 of the 5 representatives from Maine stated that equality in financial resources among candidates decreased and commented that since monetary limits are set statutorily, it is the independent expenditures that skew the financial resources among candidates. Finally, 2 of the 10 representatives, 1 from Maine and 1 from Arizona, believed that equality in financial resources neither increased nor decreased, while 1 of these representatives further commented that even though financial resources stayed the same, some nonparticipating candidates had a financial advantage because they asked for larger donations from interest groups.

Candidates' and Interest Group Representatives' Views on Independent Expenditures

Independent expenditures were of varying importance in the races of the candidates we spoke with. The majority of the Maine legislative candidates we interviewed (7 of the 11) reported that independent expenditures were of little or no importance to the outcome of their races in the 2008 election. One candidate explained that no independent expenditures were made on his behalf because he was perceived to be the likely winner. However, 2 candidates we interviewed said that independent expenditures were moderately important, and 2 candidates said that independent

expenditures were extremely or very important to the outcome of their races in the 2008 election. The candidates who had independent expenditures made in their races shared their experiences with us. One candidate said an independent expenditure made on his behalf could have possibly hurt his campaign since the expenditure was for a mailer that was poorly conceived and included a photograph of him that was of low quality. Another candidate who participated in the public financing program in Maine said that she and her participating opponent received large amounts of matching funds in response to independent expenditures made by business, trucking, state police, and equal rights groups that went towards mailings, television ads, and newspapers ads. However, the candidate thought that other factors played a greater role in the outcome of her election.

In Arizona, independent expenditures reportedly played an important role in the outcome of 6 of the 11 candidates' races, with 5 candidates saying that independent expenditures were moderately important and 1 candidate reporting that independent expenditures were extremely important. One of these candidates said that groups made independent expenditures on behalf of his opponent to produce a number of mailers as well as billboards and television commercials that hurt his election campaign by shifting the focus away from the issues that he had concentrated on. Another candidate said that groups made independent expenditures opposing her near the end of her 2008 campaign; however, since she participated in the public financing program, she received matching funds and was able to respond. On the other hand, 5 candidates reported that independent expenditures were of little or of no importance in the outcome of their races. One candidate said that while there was a lot of money spent on independent expenditures in his race, the independent expenditures did not play a big role in the outcome of the election since roughly the same amount was spent on behalf of both him and his opponent. Another candidate explained that since she was an incumbent and her reelection was secure, not much was spent on independent expenditures in her race.

Eight of the 10 interest group representatives in Maine (5 of 5) and Arizona (3 of 5) we interviewed said their groups made independent expenditures in support of candidates in the 2008 elections; although, the representatives had varying views about the influence the expenditures had on the outcome of the races. All 5 Maine interest group representatives made independent expenditures in the 2008 elections, and all expenditures included mailers in support of candidates. Three of these 5 Maine representatives were not sure how much influence the

expenditures had on the outcome of the elections. On the other hand, the remaining 2 representatives had different views. One Maine representative believed that her group's expenditures were effective in getting the candidate's message out to the voters. Finally, another Maine representative, who made several independent expenditures, said his experience was mixed, and the candidates he made independent expenditures on behalf of lost in more cases than they won. In Arizona, 3 of the 5 interest groups made independent expenditures. Two of these representatives said the expenditures were for mailers in support of candidates and believed that they were beneficial because the candidates won. The third representative said that his group made expenditures for both positive and negative mailers, and he believed that the expenditures were ineffective and was not sure what role they played in the outcome of the 2008 elections.

Candidates' Views on Issue Advocacy Spending

While Maine and Arizona legislative candidates we interviewed offered varying views on issue advocacy spending, 14 of the 22 candidates stated that issue advocacy advertisements were of little of no importance to the outcome of their races in the 2008 elections. Issue advocacy spending is often viewed as those forms of media advertisements that do not expressly advocate for or against a clearly identified political candidate. For example, such issue advocacy ads do not use terms like "vote for," "vote against," or "reelect." In general, courts have not upheld campaign finance law regulation of issue advocacy spending upon the reasoning that the rationales offered to support such regulations did not justify the infringement upon constitutional free speech protections.⁶¹ According to state officials in Maine and Arizona, neither Maine nor Arizona track issue advocacy spending.

In Maine, 7 of the 11 candidates we interviewed reported that issue advocacy advertisements were of little or of no importance to the outcome of their races. One of these candidates explained that his race was not targeted by issue advocacy ads because he was expected to win and his opponent was not perceived to be very competitive. Another candidate we interviewed had a negative issue advocacy ad made in his race, but he did

⁶¹See, e.g., Buckley v. Valeo, 424 U.S. 1 (1976); Human Life of Wash. v. Brumsickle, 2009 U.S. Dist. LEXIS 4289 (W.D. Wash. Jan. 8, 2009); FEC v. Wis. Right to Life, Inc., 551 U.S. 449 (2007).

not think it affected the outcome of the election. The candidate told us the issue advocacy ad listed the tax increases he voted for alongside a smiling picture of him; however, according to the candidate, the ad only told half of the story, since the bill that contained the tax increases was revenue neutral and raised some taxes while lowering others. In contrast, 4 of the 11 candidates we interviewed said that issue advocacy was moderately important in their 2008 races. For example, 1 of these candidates said that issue advocacy advertisements highlighting the candidates' positions on education issues was a factor in the outcome of his race.

Similarly, in Arizona, the majority of candidates interviewed (7 of 11) said that issue advocacy ads were of little or no importance to the outcome of their races in the 2008 election. For example, 1 candidate told us that he did not think that issue advocacy ads made a difference in his race because the ads did not mention the candidates' names. Another candidate said that there were some issue advocacy ads that played an information role in his race by presenting a comparison of the candidates' beliefs; however, the candidate thought the ads were of little importance in the outcome of the election. On the other hand, 3 candidates said that issue advocacy ads were moderately important to the outcome of their races. According to one candidate, issue advocacy advertisements on crime, abortion, and education funding influenced the outcome of his race.⁶²

⁶²One candidate did not answer the question.

Voting-Age Citizens, Candidates, and Interest Group Representatives We Interviewed Perceived That the Public Financing Programs Did Not Decrease Interest Group Influence or Increase Public Confidence, Although Some Reported That Campaign Tactics Have Changed

Perceived Interest Group Influence Did Not Decrease as a Result of the Public Financing Program Our surveys of voting-age citizens and interviews with candidates and interest group representatives in Maine and Arizona indicated that the public campaign financing programs did not decrease the perception of interest group influence and did not increase public confidence in government.⁶³ However, candidate and interest group representatives reported that campaign tactics, such as the role of political parties and the timing of expenditures, had changed.

In 2009, the percentage of voting-age citizens in Maine and Arizona who said that the public financing law had greatly or somewhat increased the influence of special interest groups on legislators was not significantly different from those who said that the law had greatly or somewhat decreased special interest group influence.⁶⁴ For example, among those polled in Maine in 2009, the percentage of voting-age citizens who said that the influence of interest groups greatly or somewhat increased was 17 percent, while 19 percent said that the interest group influence had greatly or somewhat decreased, as shown in table 18. An additional 19 percent felt that the law had no effect on the influence of interest groups on legislators. In Arizona in 2009, 24 percent believed the public financing law greatly or somewhat increased the influence of interest groups, while 25 percent felt it greatly or somewhat decreased interest group influence. Additionally, 32 percent of those polled indicated that the public financing law had no effect on the influence of interest groups.

⁶³For the purpose of our analysis, we included respondents from our surveys of voting-age citizens who indicated that they were a lot, some, or a little aware of the respective state's applicable public financing law.

⁶⁴We contracted with professional pollsters to obtain the views of projectable samples of voting-age citizens in Maine and Arizona. This polling effort, which duplicated questions asked for our 2003 report, was designed to obtain citizenry views about the effect of the public financing program on the influence of interest groups and citizens' confidence in government. For our analysis, we included those respondents who said they knew a lot, some, or a little about the public financing law. See app. I for more information about this polling effort.

Table 18: Maine and Arizona Voting-Age Citizens' Views on Influence of Interest Groups, among Those Aware of the Law

		Percent of v age citizer	<u> </u>
State	GAO survey questions and response options	2002	2009
Maine	To what extent do you think Maine's Clean Election Law has decreased or increased the influence of special interest groups on legislators? Would you say the Law has greatly decreased, somewhat decreased, has had no effect, has somewhat increased, or greatly increased the influence of special interest groups, or is it too soon to tell?		
	Greatly increased	2%	2%
	Somewhat increased	5	15
	Had no effect	21	19
	Somewhat decreased	21	13
	Greatly decreased	4	6
	Too soon to tell, unsure, or declined to answer	46	46
Arizona	To what extent do you think Arizona's Clean Election Law has decreased or increased the influence of special interest groups on legislators? Would you say the Law has greatly decreased, somewhat decreased, has had no effect, has somewhat increased, or greatly increased the influence of special interest groups?		
	Greatly increased	4	6
	Somewhat increased	12	18
	Had no effect	25	32
	Somewhat decreased	9	22
	Greatly decreased	2	3
	Too soon to tell, unsure, or declined to answer	48	19 [⊳]

Source: GAO.

Notes: We included respondents who indicated that they were a lot, some, or a little aware of the respective states' public financing law. For Maine in 2009, the number of respondents for this question was 214, and the maximum 95 percent confidence interval for these survey results is plus or minus 6.7 percent. In 2002, the number of respondents for this question was 157, and the maximum 95 percent confidence interval for these survey results is plus or minus 8 percent. For Arizona in 2009, the number of respondents for this question was 424, and the maximum 95 percent confidence interval for these survey results is plus or minus 5 percent confidence interval for these survey results is plus or minus 5 percent for this question was 433, and the maximum 95 percent confidence interval for these survey results is plus or minus 5 percent.

^aTotals may not equal 100 percent due to rounding.

^bThe "too soon to tell" response option was offered in the 2002 survey but was inadvertently omitted from the 2009 survey in Arizona.

Both Maine and Arizona candidates and interest group representatives had mixed views about changes in interest group influence as a result of the public financing programs in their states. In Maine, a little over half of the candidates (6 of 11) said that the likelihood that elected officials serve the interests of their constituents free of influence by specific individuals or interest groups neither increased nor decreased as a result of the public financing program. One of these candidates said the public financing program has not met the goal of decreasing the influence of interest groups, since interest groups will always find ways to influence legislators and the election process. However, 4 candidates we interviewed in Maine—all of whom participated in the public financing program—said that that likelihood that elected officials serve free of influence by individuals or groups greatly increased or increased. One of these candidates explained that participating candidates are more empowered to serve as they see fit and are less willing to listen to political party leadership. On the other hand, a different candidate said that the elected officials are less likely to serve free of influence by specific individuals or groups as a result of the public financing program. The candidate explained that under the public financing program, lobbyists and special interest groups have focused less on individual candidates, and more on winning favor with the Democratic and Republican party leadership. According to this candidate, interest groups are spending more, since the contribution limits do not apply to contributions to political parties. In turn, the candidate said that political parties are buying the loyalty of candidates by providing know-how, campaign staff, and polling data during the election.

For Arizona, about half of the candidates interviewed (5 of 11) said that the public financing program did not affect the likelihood that elected officials serve the interests of their constituents free of influence by specific individuals or groups. One of these candidates said that the influence of special interest groups still exists, even if it does not come in the form of direct contributions. She explained that interest groups approach candidates with questionnaires and ask them to take pledges on different policy issues and also send their members voter guides and scorecards that rate candidates. Two other Arizona candidates we interviewed commented that under the public financing program, interest groups have been contributing to campaigns in different ways, such as providing campaign volunteers, and collecting \$5 qualifying contributions for participating candidates. In contrast, 4 of the 11 candidates said that the likelihood that elected officials serve the interests of their constituents had decreased as a result of the public financing program. One of these candidates explained that the role of interest groups has increased, as they have become very skilled at producing advertisements with independent expenditures. On the other hand, 2 candidates we interviewed said that the public financing program increased the likelihood that elected officials serve the interests of their constituents free of influence by specific individuals or groups. One of these candidates said that in her experience as a participating candidate and state senator, interest groups are not "in

her ear all of the time," and legislators are free to make decisions based on the interests of their constituents.

With regard to Maine interest groups we interviewed, the five representatives we interviewed had varying views about the likelihood that elected officials serve the interests of their constituents free of influence by specific individuals or interest groups and about changes in interest group influence as a result of the public financing program. Two representatives believed that the likelihood that elected officials serve the interests of their constituents free of influence had increased, and one representative stated that it had decreased. The two remaining representatives stated that it had neither increased nor decreased. One of these representatives commented that candidates are predisposed to certain issues based on their core beliefs and there is not any correlation between public financing and the likelihood that the elected officials will serve the interests of their constituents free of influence. With regard to changes in interest group influence, three Maine representatives stated that they have less of a relationship with candidates. One of these three representatives stated that interest groups are one step removed from the candidate because to make independent expenditures they cannot directly coordinate with the candidate. As a result, this representative further stated that interest groups have established stronger relationships with political parties. Another of these representative believed that the public financing program has slightly decreased the role of interest groups because money tends to be funneled through the political parties. Also, there has been more emphasis on interest groups giving their endorsements of candidates rather than giving them money.

With regard to Arizona interest groups we interviewed, four of the five representatives said that the likelihood that elected officials serve the interests of their constituents free of influence by specific individuals or interest groups neither increased nor decreased as a result of the public financing program. One of the five representatives stated that the likelihood that elected officials serve the interests of their constituents had decreased but did not elaborate. Regarding interest group influence, two of the five representatives expressed opinions about whether changes in interest group influence as a result of the public financing programs have occurred. For example, one of these representatives stated that prior to the public financing program, interest groups made direct contributions to the candidates, but now they have to make independent expenditures or give money to the political parties. This representative stated that public financing has led to fringe candidates entering races and has caused a polarization in the legislature that has decreased the role of interest groups. Another representative stated that the interest groups do not directly support the candidate's campaigns and, instead, make independent expenditures. He also stated that there has also been an increased emphasis on volunteer campaign activities in which interest groups use their members to help certain candidates.

In 2002 and 2009, the percentage of voting-age citizens in Maine and Arizona who said that their confidence in state government had somewhat or greatly decreased was not significantly different from those who said that their confidence had somewhat or greatly increased as a result of the public financing law. Additionally, the predominant response in both states was that respondents did not believe that the public financing program had any effect on their confidence in state government, as shown in table 19. For example, in Maine in 2009, the percentage of voting-age citizens who stated that the public financing law had no effect was 42 percent while the percent who felt that their confidence had somewhat or greatly increased was 20 percent, and the percent who felt their confidence had somewhat or greatly decreased was 15 percent. In Arizona, the percentage of voting-age citizens who stated that the public financing law had no effect was 39 percent in 2009, while the percent who felt that their confidence had somewhat or greatly increased was 26 percent, and the percent who felt their confidence had somewhat or greatly decreased was 22 percent.

Public Confidence in Government Did Not Increase as a Result of the Public Financing Programs in Maine and Arizona

Table 19: Maine and Arizona Voting-Age Citizens' Views on Confidence in State Government, among Those Aware of the Law

		Percent of v age citize	
State	GAO survey questions and response options	2002	2009
Maine	To what extent has Maine's Clean Election Law increased or decreased your confidence in state government? Would you say the Law has greatly increased, somewhat increased, has had no effect, has somewhat decreased, or greatly decreased your confidence in state government or is it too soon to tell?		
	Greatly increased	2%	3%
	Somewhat increased	15	17
	Had no effect	39	42
	Somewhat decreased	5	6
	Greatly decreased	3	9
	Too soon to tell, unsure, or declined to answer	35	23
Arizona	To what extent has Arizona's Clean Election Law increased or decreased your confidence in state government? Would you say the Law has greatly increased, somewhat increased, has had no effect, has somewhat decreased, or greatly decreased your confidence in state government?		
	Greatly increased	2	3
	Somewhat increased	19	23
	Had no effect	33	39
	Somewhat decreased	9	11
	Greatly decreased	5	11
	Too soon to tell, unsure, or declined to answer	30	13 ^ª

Source: GAO.

Notes: We included respondents who indicated that they were a lot, some, or a little aware of the respective states' public financing law. For Maine in 2009, the number of respondents for this question was 214, and the maximum 95 percent confidence interval for these survey results is plus or minus 6.7 percent. In 2002, the number of respondents for this question was 157, and the maximum 95 percent confidence interval for these survey results is plus or minus 8 percent. For Arizona in 2009, the number of respondents for this question was 424, and the maximum 95 percent confidence interval for these survey results is plus or minus 5 percent. In 2002, the number of respondents for this question was 433, and the maximum 95 percent confidence interval for these survey results is plus or minus 5 percent.

^aTotals may not equal 100 due to rounding.

^bThe "too soon to tell" response option was offered in the 2002 survey, but was inadvertently omitted from the 2009 survey in Arizona.

In Maine and Arizona, over half of the candidates we interviewed reported that the public's confidence in government had not changed as a result of the public financing programs. Over half of the candidates in Maine (6 of 11) said the public's confidence in government neither increased nor decreased as a result of the public financing program. One of these candidates explained that he did not think many people were aware of the public financing program. Three of the 11 candidates said that the public's confidence in government decreased in 2008 because of the public financing program. According to one candidate, people have been disappointed with the quality of the candidates, and their confidence in government has decreased as a result. On the other hand, 2 of the 11 candidates said that the public financing program increased the public's confidence in government.

In Arizona, 7 of the 11 candidates interviewed said that the public's confidence in government neither increased nor decreased as a result of the public financing program. The remaining 4 candidates were divided. Two candidates said that the public's confidence in government greatly increased or increased as a result of the public financing program. One of these candidates commented that the public financing program goes beyond providing public financing by providing a public forum and publications that play an important role in informing voters about the races and candidates. However, 2 candidates said that the public's confidence in government has decreased as a result of the public financing program resulted in a more divisive government, which has slightly decreased the public's confidence in government.

Candidates and interest group representatives in Maine and Arizona provided a range of perspectives on how campaign tactics have changed under the public financing programs. Their observations included changes in how money is spent and the role of political parties and the timing of campaign activities.⁶⁵

Candidates in both Maine and Arizona identified changes regarding how money is spent and the role of political parties since the implementation of the public financing programs. For example, in Maine, one candidate told us that private funding that would have gone directly to fund candidate campaigns has been redirected to political parties, who strategically focus their resources in certain races to help elect their candidates. Candidates reported that political parties have helped support candidates by providing advice, polling services, campaign volunteers, distributing campaign literature, and making automated telephone calls to constituents on behalf

Candidates and Interest Groups Representatives Reported Campaign Tactics Changed as a Result of the Public Financing Programs

⁶⁵Not all of the candidates or interest group representatives interviewed commented on changes in how money is spent, the role of political parties, and the timing of campaign activities under the public financing program.

of candidates. According to another Maine candidate, political parties are advising candidates to participate in the public financing program so that the political parties and political action committees can raise more money for their organizations.⁶⁶ However, other candidates had different perspectives on the role of political parties under the public financing program. For example, one candidate told us that since participating candidates receive public financing, they are less dependent on political parties for money, less willing to listen to the party leadership, and are more empowered to make their own decisions.

Candidates in Arizona reported similar changes in how money is spent and the role of political parties. For example, one candidate commented that now more money is being funneled through the political parties rather than being directly provided to the candidates. Another candidate said that political parties have used the public financing program as a vehicle, explaining that when candidates use public funds for their campaigns, the money that would have normally gone to the candidate is now diverted to other candidates or causes. According to one candidate, after public financing, political parties are more active and have more extensive field operations to support candidates in a greater number of districts. Further, four candidates said that political parties are gaming the public financing system to maximize support for their candidates. For example, one candidate explained that if two Republican candidates or two Democratic candidates were running in the same multimember district, then partisan groups could make independent expenditures on behalf of one candidate that would trigger matching funds for the other participating candidate. However, two candidates said their party did not get involved in their races in the 2008 election, and one candidate said she did not observe any change in the role of political parties since the implementation of the public financing program. Furthermore, one candidate said that under the public financing program, candidates have more independence from political parties, noting that she relies on support from a broad constituency in her district, not just from her political party.

Interest group representatives in both Maine and Arizona identified changes regarding how money is spent and the role of political parties

⁶⁶In Maine, legislators may form leadership political action committees. Legislators, including those who participate in the public financing program, may raise money for their leadership political action committees, but they may not spend the money in their own campaigns. State officials told us that these leadership committees often spend money to help elect other candidates from the same party.

since the implementation of the public financing programs. For example, in Maine, one interest group representative stated that the group coordinates its expenditures through the party caucus committees and other interest groups. He said that substantial contributions from the caucuses are now made to candidate campaigns without the candidates' knowledge. These committees are also engaged in public polling on an ongoing basis to identify voting patterns and constituent concerns in order to identify candidates to support. Another representative stated that because she made contributions to the political party, she does not have a way to know how her political action committee money is being spent because the committee makes independent expenditures on behalf of the candidate. Further, she stated that for participating candidates, the only thing an interest group can do is give an endorsement. In turn, participating candidates use these endorsements in their campaign advertisements. On the other hand, one representative said that there has not been much difference in campaign tactics since public financing has been available, and another representative said that the same tactics, such as direct mailers and going door-to-door for monetary solicitations, have been used.

Interest group representatives in Arizona similarly reported that public financing has changed campaign strategies. For example, one representative said that there is an increased reliance on volunteer activities, especially for statewide races. This representative stated that the amount of public funds for statewide candidates is not adequate, so candidates must rely on volunteers to get their message out. Volunteer activities, such as handing out flyers door-to-door or working phone banks to call voters, have become increasingly important. Another representative stated that since more candidates are participating in the public financing program and cannot accept direct contributions, there is more money available to nonparticipating candidates. He has noticed that nonparticipating candidates are asking for more money from interest groups than before public financing. According to another representative, campaign strategies are evolving. For example, a recent strategy has been the teaming of public and private candidates to maximize their resources such as on mailers.

Candidates and interest group representatives in Maine and Arizona also commented on how the public financing program has changed the timing of some campaign activities. In Maine, three candidates said that candidates or interest groups are changing the timing of spending in order to minimize either the amount or the effectiveness of matching funds distributed to opponent participating candidates. For example, one participating candidate told us that supporters of his opponent distributed mailers right before the date when communications that support or oppose clearly identified candidates are presumed to be independent expenditures and trigger matching funds for participating opponents. Another strategy, according to one candidate, is for nonparticipating candidates or interest groups to spend money in the days immediately before the election, when participating candidates' ability to use the money is effectively restricted due to time constraints. In response, one candidate told us that participating candidates have television, radio, or other advertisements ready in case they receive additional matching funds that need to be spent quickly.

In Arizona, five candidates said that the tactics surrounding the timing of campaign spending have changed since the implementation of the public financing program. For example, one candidate said that the start of the campaign season is determined by the date on which spending by or on behalf of candidates triggers matching funds. In addition, one candidate explained that nonparticipating candidates have changed the timing of fundraising efforts, so that more funds are raised at the end of campaign, when it is more difficult for participating candidates to spend matching funds effectively. As in Maine, one candidate in Arizona said that participating candidates have responded to this tactic by preparing advertisements ahead of time, just in case they receive additional matching funds.

Interest group representatives in Maine and Arizona also commented on how the public financing program has changed the timing of some campaign activities. In Maine, one interest group representative stated that candidates were strategically timing their advertisements to gain a competitive advantage. For example, candidates are thinking about from whom to get their seed money, and when to qualify for the money. In addition, usually, incumbents have an advantage because they can send out newsletters to constituents close to the election without triggering matching funds. This representative stated the biggest consideration regarding campaign strategies is how and when matching funds will be triggered by the independent expenditures. She said that independent expenditures are made in the last 5 days before an election on the assumption that the opposing participating candidate cannot make effective use of the matching funds. In Arizona, one interest group representative said that generally nonparticipating candidates control the timing of their fundraising and spending, and participating candidates make plans to spend matching funds to counter last-minute attack advertisements.

Data Limitations and Differences in Measurement Hinder Analysis of Changes in Voter Participation in Maine and Arizona

While increasing voter participation, as indicated by increases in voter turnout, was a goal of public financing programs in Maine and Arizona, limitations in voter turnout data, differences in how voter turnout is measured across states and data sources, and challenges isolating the effect of public financing programs on voter turnout hindered the analysis of changes over time.

Voter turnout is typically calculated as a percentage of the voting-age population (VAP) or voting-eligible population (VEP) who cast a ballot in an election.⁶⁷ The calculation of changes in voter turnout over time depends less on the specific data used for the numerator and denominator than it does on the consistency of how these data were collected over time and the use of comparable time frames and types of elections (e.g., presidential and congressional races).⁶⁸ However, data reporting issues, changes in measurement, and other factors affect the calculation of voter turnout estimates.

With respect to data limitations, data on voter turnout are not consistent across states or data sources. Depending on the source, the numerator of the turnout calculation (i.e., who cast a ballot in an election) may include the total number of approved ballots cast, the number of ballots counted whether or not they were approved, self-reports of voting information, or the number of ballots cast for the highest office on a ticket, such as for president. For example, official voter turnout data compiled by the Election Assistance Commission (EAC) are based on surveys of states; however, states vary in their policies, for example, related to voter registration, as well as in which turnout statistics they report.⁶⁹ Some states report voter turnout as the highest number of votes for the highest office. Further, which specific statistic is reported is not necessarily constant over time. For example, EAC data prior to 2004

⁶⁷VAP includes U.S. residents age 18 and older. VEP accounts for the statutory ability of individuals to vote. Depending on the specific measure, estimates of VEP may exclude noncitizens, criminals disqualified under state felon disenfranchisement laws, or other U.S. residents of voting age who are disqualified from voting.

⁶⁸Historically, voter turnout is higher in presidential years than in years without a presidential election.

⁶⁹EAC was established by the Help America Vote Act (HAVA) of 2002, Pub. L. No. 107-252, 116 Stat. 1666 (2002). EAC is an independent, bipartisan commission responsible for, among other things, developing guidance to meet HAVA requirements, serving as a national clearinghouse of information about election administration, and certifying voting systems.

provide voter turnout based on the number of votes for the highest office on the ticket. Beginning in 2004, EAC reported total ballots cast, counted, or total voters participating for Maine and Arizona, but has not consistently reported the vote for highest office in these states. The Federal Election Commission (FEC) also provides information on turnout for federal elections, but the specific highest office in a given state and year could be for a state office such as governor that would not be reported along with federal election results.

Other voter turnout statistics, including those based on surveys of U.S. residents as part of the Census Bureau's Current Population Survey (CPS) or the American National Election Studies, rely on respondents' selfreports of voting behavior.⁷⁰ However, self-reports of voting behavior are subject to overreporting because many respondents perceive that voting is a socially desirable behavior. Additionally, estimates of voting based on self-reports can fluctuate depending on the wording of the question used in a survey. Further, survey results are generalizable only to the population covered by the survey, or sampling, frame.⁷¹ The CPS sampling frame excludes individuals living in group quarters such as nursing homes, meaning that estimates of turnout based on CPS data would not include turnout among these individuals. Data on other forms of voter participation, such as volunteering for a campaign, contacting media, donating money, fundraising, and contacting representatives on issues of concern, are limited because they are rarely collected with the express purpose of making state-level estimates, and surveys with this information are not usually designed in a manner to allow comparison across individual states over many years.

In addition, measurements of the denominator of voter turnout differ with respect to whether citizenship or other factors that affect eligibility are taken into account. Turnout estimates produced by the Census Bureau

⁷⁰CPS is a monthly survey of about 50,000 households conducted by the Census for the Bureau of Labor Statistics on the labor force characteristics of the U.S. population. Estimates obtained from the CPS include those on employment, unemployment, earnings, as well as other subjects including voting and registration. American National Election Studies conducts national surveys of the American electorate in election years, among other things.

⁷¹The sampling frame is the source of information used in selecting those households or individuals for a survey sample. While an ideal sampling frame would include all individuals or units from the target population of interest, most sampling frames are limited to some available subset of the population.

have historically used the VAP as a denominator, which includes those U.S. residents age 18 and older. In theory, a more accurate estimate of voter turnout can be made by adjusting VAP to account for the statutory ability of individuals to vote, in particular by removing noncitizens from the estimate. This is particularly important at the state level because the proportion of noncitizens varies across states and over time.⁷² However, the practical application of such adjustments may be complicated by the timing of available data relative to the date of the election or by other data limitations. For example, although the Census Bureau began to produce estimates of a citizen VAP for EAC in 2004, the estimate is calculated as of July 1 of the election year and does not adjust for population changes that may occur between July and the time of the election. Other alternatives for adjusting VAP for citizenship include calculating estimates between decennial Census surveys. The Census data currently provided to EAC include adjustments for citizenship based on another alternative, the American Community Survey (ACS).⁷³ The ACS uses a different sampling frame than other surveys used to adjust for citizenship, such as the CPS, and has slightly different estimates of citizenship.⁷⁴ In addition to adjustments for citizenship, researchers have also adjusted VAP to account for other factors that affect eligibility to vote, including state felony disenfranchisement laws, and overseas voting, among others. To make these adjustments, researchers use alternative data sources such as information on the population in prison from the Department of Justice's Bureau of Justice Statistics; however, these adjustments cannot always be applied similarly because of differences across states over time (such as in the proportion of probationers that are felons).

Lastly, changes in voter turnout cannot be attributed directly to public funding as there are a number of factors that affect voter turnout. Voter turnout can be affected by demographic factors such as age, income, how recently a person registered to vote, and previous voting history. For example, studies have shown that much higher percentages of older

⁷⁴The ACS sampling frame includes some individuals excluded from the CPS, including residents of group quarters such as nursing homes, prisons, and college dormitories.

⁷²Citizenship rates vary across states and adjusting VAP to create a "citizen VAP" can lead to changes in state-level estimates of voter turnout.

⁷³ACS is a nationwide survey conducted by the U.S. Census Bureau that collects population, economic, social, demographic, and housing information every year instead of every 10 years. ACS began testing in 1996 and was fully implemented to allow for small area estimates in 2005. Census has combined original ACS data with supplementary data to create an ACS data file suitable for state level estimates starting in 2000.

	Antericans vote than do younger chizens. Voter turnout can also be influenced by a broad range of contextual factors, including the candidates and their messages, mobilization efforts, media interest, campaign spending, and negative advertising. These potential confounding factors, along with aforementioned difficulties in calculating precise and consistent turnout information at the state level, prevented us from quantifying the extent to which, if any, Maine's and Arizona's public financing programs affected these states' voter turnout. Additional information about factors influencing the determination of changes in voter participation in Maine and Arizona can be found in the e-supplement accompanying this report—GAO-10-391SP.
Concluding Observations	Seven years ago our 2003 report concluded that with only two elections from which to observe legislative races—2000 and 2002—it was too early to precisely draw causal linkages to resulting changes. Today, following three additional election cycles—2004, 2006, and 2008—the extent to which there were changes in program goals is still inconclusive. There were no overall observable changes in three of the four goals, and we cannot attribute observed changes with regard to the winner's victory margin in Maine and Arizona to the public financing programs because other factors, such as changing economic conditions and candidate popularity, can vary widely and affect election outcomes. Further, essential data needed, such as uniform voter registration and turnout data across states, do not currently exist to enhance analyses conducted and, in the case of the fifth goal, increasing voter participation, to allow for analysis of changes. While undertaking considerable efforts to obtain and assemble the underlying data used for this report and ruling out some factors by devising and conducting multiple analytic methods, direct causal linkages to resulting changes cannot be made, and many questions regarding the effect of public financing programs remain. Public financing programs have become an established part of the political landscape in Maine and Arizona and candidates have chosen to participate or not participate based on their particular opponents and personal circumstances and values. The public financing program is prevalent across these states, and in each election cycle new strategies have emerged to leverage aspects of the public financing program by candidates and their supporters to gain advantage over their opponents. The trend of rising independent expenditures as an alternative to contributing directly
	to candidates is clear and its effect is as yet undetermined.

Americans vote than do younger citizens. Voter turnout can also be

Third-Party Views and Our Evaluation	We requested comments on this draft from the Maine and Arizona Offices of the Secretary of State and the commissions overseeing the public financing programs in each state. We received technical comments from the Arizona Citizens Clean Elections Commission, which we incorporated as appropriate. We did not receive any comments from the other agencies.
	We are sending copies of this report to interested congressional committees and subcommittees. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.
	If you or your staffs have any questions concerning this report, please contact me at (202) 512-8777 or jenkinswo@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.
	William O. Jenkins, Jr. Director, Homeland Security and Justice Issues

Appendix I: Objectives, Scope, and Methodology

Objectives	 In accordance with the congressional direction specified in Senate Report 110-129 to revisit and update our 2003 report on the public financing programs in Maine and Arizona¹ to account for data and experiences of the past two election cycles,² this report provides data related to candidate program participation, including the number of legislative candidates who chose to use public funds to run for seats in the 2000 through 2008 elections in Maine and Arizona and the number of races in which at least one legislative candidate ran an election with public funds; and describes statistically measurable changes and perceptions of changes in the 2000 through 2008 state legislative elections in five goals of Maine's and Arizona's public financing programs—(1) increasing electoral competition by, among other means, reducing the number of uncontested races (i.e., races with only one candidate per seat in contention); (2) increasing voter choice by encouraging more candidates to run for office; (3) curbing increases in the cost of campaigns; (4) reducing the influence of interest groups and, thereby, enhance citizens' confidence in government; and (5) increasing voter participation (e.g., voter turnout)—and the extent to which these changes could be attributed to the programs.
Overview of Our Scope and Methodology	To obtain background information and identify changes since our 2003 report, we conducted a literature search to identify relevant reports, studies, and articles regarding the public financing programs in Maine and Arizona, as well as campaign finance reform issues generally, which had been published since May 2003 when our report was issued. Based on our literature review, discussions with researchers who have published relevant work on public financing programs or state legislatures, and suggestions by state officials in Maine and Arizona, we interviewed 9 researchers ³ and 17 representatives of advocacy groups and other
	 ¹GAO, Campaign Finance Reform: Early Experiences of Two States That Offer Full Public Funding for Political Candidates, GAO-03-453 (Washington, D.C.: May 9, 2003). ²S. Rep. No. 110-129 at 73 (2007). Since the Senate Report was issued in 2007, the report language referred to the past two election cycles, 2004 and 2006. However, due to the timing of our work, we included the past three election cycles in our report—2004, 2006, and 2008. ³We interviewed Thomas M. Carsey, Robert E. Hogan, Ruth S. Jones, Ray J. La Raja, Neil Malhotra, Kenneth R. Mayer, Michael P. McDonald, Richard G. Niemi, and Peverill Squire.

electoral outcomes, or state legislatures.

These researchers have conducted studies or research on public financing programs,

organizations concerned with campaign finance reform or issues related to state legislative elections.⁴ See the bibliography for a listing of the reports and studies we reviewed.

We reviewed the state statutes governing the public financing program— Maine's Clean Election Act and Arizona's Citizens Clean Elections Act from 2002 through 2009 and other documentation related to the public financing program, such as candidate handbooks and annual reports, to determine any changes in the programs since our 2003 report. In addition, we interviewed state election officials in the commissions responsible for administering the two programs—Maine's Commission on Governmental Ethics and Election Practices and Arizona's Citizens Clean Elections Commission. We also interviewed officials in Maine's and Arizona's Offices of the Secretary of State, the agencies responsible for supervising and administering state elections activities, such as tabulating official election results. Through our discussions with Maine and Arizona state officials and our review of changes to the public financing statutes in both states from 2002 through 2009, we determined that the five goals of the public financing programs, as set out in our 2003 report, have not changed.⁵

We reviewed the Web sites of Maine's Commission on Governmental Ethics and Election Practices (www.state.me.us/ethics) and Arizona's Citizens Clean Elections Commission (www.azcleanelections.gov) to obtain information on the public financing programs, such as candidate handbooks and forms necessary in order to run for office. Additionally, we reviewed information on state elections on the Web sites of Maine's Secretary of State (http://www.maine.gov/sos) and Arizona's Secretary of State (http://www.azsos.gov). Officials from these state agencies told us that their respective Web sites were current and reliable for our review.

In addressing the objectives, we obtained and analyzed, to the extent possible, available statistical data from Maine's and Arizona's commissions

⁴We interviewed representatives from the Campaign Finance Institute, Center for Governmental Studies, Clean Elections Institute, Congressional Research Service, Goldwater Institute, Institute for Justice (Arizona Chapter), League of Women Voters of Arizona, Maine Citizens for Clean Elections, National Conference of State Legislatures, National Institute on Money in State Politics, and Public Campaign.

⁵There are other goals of public financing programs, such as increasing the amount of time candidates spend with voters. However, we did not measure these goals or assess the extent to which they may have been met because we focused our review on updating those goals we identified in our 2003 report.

and Secretaries of State offices on candidate program participation, election outcomes, and reported campaign spending from the 1996 through 2008 state legislative elections. We assessed the quality and reliability of electronic data provided to us by officials in Maine and Arizona by performing electronic testing for obvious errors in accuracy and completeness; validating the data using other sources; and reviewing the associated documentation, such as system flow charts. We also interviewed state officials about their data systems and any issues or inconsistencies we encountered with the processing of the data. When we found discrepancies, such as nonpopulated fields, we worked with state officials to correct the discrepancies before conducting our analyses. Based on these tests and discussions, we determined that the data included in the report were sufficiently reliable for our purposes. Although the public financing programs in Maine and Arizona cover both legislative and certain statewide offices, we limited the scope of our review to legislative candidates, since most of the elections for statewide offices occurred every 4 years and sufficient data would not have been available to conduct our analyses and draw conclusions.⁶

To obtain candidates' and interest groups' perspectives about the public financing programs, we conducted telephone interviews with a nonprobability sample of 22 out of 653 candidates who ran in 2008 state legislative primary and general elections in Maine (11 out of 452 candidates) and Arizona (11 out of 201 candidates). We conducted interviews with candidates from each state from June through September 2009. We selected these candidates to reflect a range of those who did and did not use public financing, won or lost in primary and general elections, had different political party affiliations, ran for election in different legislative chambers, and were incumbents and challengers. In our interviews, we asked similar, but not identical, questions to those from our 2003 report.⁷ Specifically, we included questions about the candidates' views on factors influencing their decision to participate or not participate in the public financing program, the effects of the public financing

⁶In Maine, public financing is available for candidates for state legislative offices and governor. In Arizona, public financing is available for candidates running for the following statewide offices: legislature, governor, secretary of state, attorney general, state treasurer, superintendent of public instruction, state mine inspector, and corporation commissioners.

⁷For our 2003 report, we conducted a mail survey of all candidates for office in Maine's and Arizona's 2000 elections. Due to different methods used, the results from the candidate survey presented in our 2003 report and the results from the telephone interviews are not comparable.

program on electoral competition and campaign spending, and changes in the influence of interest groups on elections. We coded the candidates' responses to the interview questions and conducted a content analysis to categorize responses and identify common themes.

Further, we interviewed a nonprobability sample of 10 interest group representatives—5 in Maine and 5 in Arizona. In Maine, we selected these interest groups from a listing of approximately 80 registered interest groups provided by a Maine state official. In Arizona, we selected interest groups from a total of approximately 220 interest groups, which we identified through the Arizona Secretary of State campaign finance Web site as contributors to campaigns during the 2008 election cycle.⁸ We selected these interest groups based on several factors, including industry sectors, such as communications or construction, range of contributions made to political campaigns, and availability and willingness of the representatives to participate in our interviews. Results from these nonprobability samples cannot be used to make inferences about all candidates or interest groups in Maine and Arizona. However, these interviews provided us with an overview of the range of perspectives on the effects of the public financing programs. Results from the candidate interviews are included in report sections regarding candidate participation, voter choice, electoral competition, campaign spending, and interest group influence. Results from the interest group interviews are included in report sections regarding electoral competition, campaign spending, and interest group influence.

Further details about the scope and methodology of our work regarding each of the objectives are presented in separate sections below.

Candidate Participation

To provide data related to candidate program participation, including the number of legislative candidates who chose to use public funds to run for legislative seats ("participating candidates") in the 2000 through 2008 elections in Maine and Arizona and the number of races in which at least one candidate ran an election with public funds, we obtained data from Maine's and Arizona's commissions and Offices of the Secretary of State. Specifically, for each state, we obtained or calculated data showing

⁸ We identified interest groups that made contributions during the 2008 election cycle, November 2006 through November 2008.

	 the number of legislative candidates who chose to use public funds to run for seats in the 2000 through 2008 elections,⁹ the seats (i.e., House or Senate) for which they were candidates, the political party affiliation of the candidates, whether the candidates were incumbents¹⁰ or challengers, whether the candidates were successful in their races, and the number of races in which at least one legislative candidate ran an election with public funds.
	As used in our report, "challengers" consist of all nonincumbent candidates. Thus, a candidate who was not an incumbent is called a challenger, even if that candidate did not face an opponent. Also, in counting races to calculate the proportion of races with at least one participating candidate, we included all races in which there was a candidate on the ballot regardless of whether or not the candidate faced a challenger. Additionally, we eliminated from our analyses all candidates with zero votes and write-in candidates whose names did not appear on the ballot.
Electoral Competition	In designing our approach to assess electoral competition, we first reviewed literature published since our 2003 report and interviewed researchers and representatives of organizations and advocacy groups who are concerned with public financing and campaign finance reform issues in general. Specifically, we reviewed articles and interviewed researchers and representatives of organizations concerned with public financing issues who had conducted studies and research on electoral competition in states. Based on our review of the literature and these discussions, we concluded that there is no agreement on a standardized methodology to measure electoral competitiveness in state legislative elections. Thus, we used many of the same measures of electoral competition as those in our 2003 report, including the • winners' victory margins, which refers to the difference between the percentage of the vote going to the winning candidate and the first runner up;
	⁹ We used state-level data on individual elections and candidates to generate a rate of participation in public financing programs.

¹⁰For purposes of this report, we defined an incumbent as a candidate who held a seat from the previous legislative session in the same chamber.

	 percentages of contested races; which refers to the percentage of all races with at least one more candidate running than the number of seats in contention; and, incumbent reelection rates, which refers to the percentage of incumbents who were reelected.¹¹ To assess changes in electoral competition in Maine and Arizona, we examined changes in these three measures of electoral competition in state legislative races by comparing the two elections before public financing. However, unlike our 2003 report, we obtained and analyzed general election data from 1996 through 2008 from four comparison states that did not offer public financing programs for legislative candidates to determine if changes identified in Maine's and Arizona's general election outcomes for that same time period were similar to or different from changes observed in the four comparison states.¹²
Four Comparison States	We selected the four comparison states—Colorado, Connecticut, Montana, and South Dakota—based on a number of factors, including geographic proximity to Maine or Arizona; the capacity of the state legislature; ¹³ the presence of legislative term limits; structure of the state legislature, such as legislative districts with more than one representative; and district size. In selecting our comparison states, we also reviewed other factors such as demographic and economic characteristics, including age, race, and poverty levels, and urban/rural population distribution, and recommendations from researchers and experts with knowledge of state legislatures we interviewed. Although all states were potentially candidates for comparison to Maine and Arizona, we eliminated some
	¹¹ In our 2003 report, we measured winners' victory margins by determining the difference between the percentage of votes received by the winning incumbents and the second-place finishers and defined a competitive race as one in which the difference in the percentage of the vote garnered between the winning incumbent and the runner-up was 15 points or less. See GAO-03-453.
	¹² We did not compare primary election outcomes since the states' systems for nominating candidates for the general election differ considerably and therefore are not comparable.
	¹³ The National Conference of State Legislatures defines legislative capacity as the ability of the legislature to function as an independent branch of government, capable of balancing the power of the executive branch and having sufficient information to make independent, informed policy decisions. Factors such as the amount of time legislators spend on legislative work, annual compensation, and the ratio of legislative staff to number of legislators, can affect the level of legislative capacity.

states (such as those with odd-year election cycles or a unicameral legislature) from our review because of their dissimilarity to Maine and Arizona, and focused primarily on those states that were recommended to us by researchers and experts we interviewed with knowledge of state legislatures. We also considered whether a state had reliable electronic data that covered the 1996 through 2008 general elections and whether the state was able to provide the data to us within the time frame of our review. No state we considered perfectly matched Maine or Arizona across the full range of characteristics we reviewed. Table 20 summarizes some of the characteristics we used to select the four comparison states for comparison to Maine and Arizona.

Table 20: Characteristics of the State	Legislatures in Maine, Arizona	, and Their Respective Comparison States
	,	

State	Public financing available for legislative candidates	Legislative capacity ^ª	Term limits	Contribution limits	Single or multimember districts (chamber)	Number of constituents per House district ^ь	Number of constituents per Senate district [⊧]
Maine	Yes	III	Yes	Yes	Single (both chambers)	8, 400	36,400
Connecticut	No°	II	No	Yes	Single (both chambers)	22,600	94,600
Montana	No	III	Yes	Yes	Single (both chambers)	9,000	18,000
South Dakota	No	111	Yes	Yes	Single (Senate) Multimember ^ª (House)	10,800	21,600
Arizona	Yes	II	Yes	Yes	Single (Senate) Multimember (House)	85,500	171,000
Colorado	No	II	Yes	Yes	Single (both chambers)	66,200	122,900
Montana	No	111	Yes	Yes	Single (both chambers)	9,000	18,000
South Dakota	No	111	Yes	Yes	Single (Senate) Multimember (House)	10,800	21,600

Source: National Conference of State Legislatures.

^aReflects the National Conference of State Legislatures' categorization of legislative capacity, which uses a color-coding system to signify differences among the 50 states. Category I (red) legislatures generally require legislators to spend 80 percent or more of a full-time job working as legislators, have the largest ratio of legislative office staffs to number of legislators, and generally have the highest compensation. Category II (white) legislatures generally require legislators to spend more than two-thirds of a full-time job working as legislators, have intermediate-sized staff, and compensate legislators at a rate which usually not enough to allow them to make a living without having other sources of income. Category III (blue) legislatures generally require legislators to spend the equivalent of half of a full-time job doing legislative work, have relatively small staffs, and offer low levels of compensation. See National Conference of State Legislatures, Full and Part-Time Legislatures, http://www.ncsl.org/?tabid=16701.(accessed on Jan. 22, 2010).

^bConstituents per district are as of 2000.

[°]Public financing was available to candidates running in Connecticut's 2008 legislative elections for the first time.

"The exception are two House districts, which are subdivided into single-member districts.

We conducted analyses, to the extent possible, of the four comparison states' election data for 1996 through 2008 for comparison with Maine and Arizona to determine whether any trends or patterns observed in states with public financing were also seen in the four comparison states that do not have public financing programs.¹⁴ For our analyses, we compared Maine with the election outcomes of Connecticut, Montana, and South Dakota. We compared Arizona with the election outcomes of Colorado, Montana, and South Dakota.¹⁵ Generally, when conducting these analyses, we separated House and Senate elections and grouped Maine's and Arizona's election outcomes before the public financing program became available (1996 and 1998 elections) and election outcomes after public financing (2000 through 2008) with election outcomes in the comparison states during the same time periods.

Victory Margins

We measured victory margins in three ways. First, we calculated the average margin of victory for contested elections, defined in singlemember districts as the difference in the number of votes between the winner and first runner up, divided by the total vote count. This measure is generally equivalent to the calculation of margin of victory in our 2003

¹⁴We assessed the reliability of the data from each of the four comparison states by performing electronic testing for obvious errors in accuracy and completeness; validating the data using other sources; reviewing the associated documentation, such as system flowcharts; and interviewing state officials about their data systems. We found the data to be sufficiently reliable for our analyses.

¹⁵Connecticut's 2008 election is omitted from our comparative multivariate analyses, since full public financing was available for the first time to state legislative candidates in the 2008 election cycle. The results from the analyses excluding Connecticut in 2008 are consistent with those that include it.

	report. ¹⁶ For multimember districts, we defined the margin of victory as the number of votes going to the second winner minus the number of votes going to the runner up, excluding the number of votes going to the first winner from the denominator. Second, we compared whether changes in the margin of victory had an effect on the competitive nature of elections as defined by the distribution of the vote outcome between the winner and first runner-up. We compared close elections—defined as a difference of less than 10 percentage points in votes between the winning and losing candidates—with elections that were not as close—10 percentage points or more difference in votes between the winning and losing candidates. Third, we compared "landslide elections" or races with decisive winners—defined as a difference of more than 20 percentage points in votes between the winning and losing candidates. with elections as difference of more than 20 percentage points in votes between the winning and losing candidates—with elections that were not landslides—defined as 20 percentage points or less difference in votes between the winning and losing candidates.
Number of Contested Races	We measured the number of contested races by contrasting elections in which the number of candidates exceeded the number of seats available in the race with elections in which the number of candidates was equal to the number of seats available.
Incumbent Reelection Rates	We measured incumbent reelection rates in two ways. First, for those general election races with incumbents that were contested, we calculated the percentage of races with incumbents who won compared to all races with incumbents. ¹⁷ Second, we calculated the percentage of individual incumbents who won, relative to all incumbents who ran. ¹⁸ To assess
	¹⁶ See GAO-03-453 for more information.
	¹⁷ Races with more incumbents than seats available, and races in multimember districts where only one of two incumbents running won, were classified as "wins." Given the infrequency of these events, we do not have reason to believe that classifying these events as losses would have an effect on our statistical analyses.
	¹⁸ To account for incumbents who lost in primary elections, we also calculated the individual incumbent reelection rate for all incumbents running including all incumbents who participated in primary elections and found similarly high reelection rates. Primary

who participated in primary elections and found similarly high reelection rates. Primary processes vary across states and parties. While most general election incumbents in Maine, Arizona, Colorado, and Montana had competed in a primary, a large proportion of incumbents in general elections in Connecticut and South Dakota were not participants in primaries. Additionally, several incumbents who won primaries did not run in general election races, while several who lost primaries nevertheless ran in the general election.

	whether our calculations of incumbent reelection rates were sensitive to redistricting that forced incumbents from formerly separate districts to run against each other, we calculated the individual incumbency reelection rate excluding incumbents who participated in races with more incumbents than seats. ¹⁹ Although we were not able to assess other potential effects of redistricting on incumbent reelection rates, such as those caused by demographic changes in a candidates' constituency, we conducted a limited analysis of geographic changes in state legislative district boundaries. ²⁰
Multivariate Analyses	We used two types of multivariate statistical methods, fixed effects regression and hierarchical loglinear models, to evaluate how the competitiveness of races in Maine and Arizona changed after the implementation of public financing programs. ²¹ Although multivariate methods do not allow us to directly attribute changes in outcomes to states' public financing programs, they do allow us to assess whether changes in Maine and Arizona were unique relative to a set of comparison states, controlling for other factors, and whether the observed changes were different from what would have occurred by chance. Our statistical models and estimates are sensitive to our choice of comparison states for
	¹⁹ In 2004, three of Maine's general election races (two House and one Senate), as well as two of Montana's House primary races and one of Montana's House general election races involved paired incumbents. In 2002, one primary and one general election in Connecticut involved paired incumbents. Also in 2002, three Arizona House primary elections and one each in a South Dakota House primary and general race involved more incumbents than seats available. South Dakota also had a primary in 2000 with more than one incumbent that was not likely a result of redistricting. Colorado experienced no multiincumbent race following the 2000 Census.
	²⁰ We examined district boundary changes following the 2000 Census in Arizona, South Dakota, Colorado, and Connecticut. Our analysis revealed that the average district in Arizona experienced a much higher degree of geographic change than districts in other states. Electronic boundary files were not available for legislative boundaries in Maine and Montana prior to the boundaries based on the 2000 Census.
	²¹ Fixed effects models compare how an outcome changes over time within states or legislative districts, in our case. Fixed effects models allow us to conclude that differences between states or districts at one point in time, such as laws, could not have affected the outcomes. We can rule out these factors because we only compare how the outcomes change within one state or district versus another, not how the outcomes differ at one tim Hierarchical loglinear regression models involve comparing the relative fit of simpler models with more complex models for the purpose of determining which factors do and d not have significant direct or indirect (i.e., interactive) effects on the outcomes of interest

Maine and Arizona, thus researchers testing different comparison states may find different results.

We estimated fixed effects regression models to rule out broad groups of variables that may explain the patterns in our data without directly measuring them. Fixed effects models account for unmeasured factors that do not change over time (such as the structure of the state legislature), or that change in the same way (such as which party controls the U.S. Congress), for all states or legislative districts. This feature is particularly useful for our analysis because comprehensive and reliable data are not available on many of the factors that affect the competitiveness of state elections, such as long-term district partisanship, local economic conditions, and candidate quality.

We estimated a variety of fixed effects models to gauge the sensitivity of the results to different assumptions and alternative explanations. These included the following:

- Models that included fixed effects for districts and each combination of state and chamber of the legislature. These models estimate the district effects separately than the state effects.²²
- Models that excluded multimember districts. These models confirm that our results are not sensitive to our choice of measure of margin of victory for multimember districts.
- Models that logged the margin of victory to normalize the data to account for outlying data. These models reduce the potential influence of highly uncompetitive races.
- Models that excluded races with no incumbent running for reelection. These models account for the possibility that term limits influenced whether a race was contested because they exclude those seats that were open because of term limits.
- Models that excluded races from Connecticut in 2008 when public funding became available. Full public financing was available for the first time to state legislative candidates in the 2008 elections in Connecticut.
- Models that excluded races in which the number of incumbents exceeded the number of available seats. These models confirm that

²²Redistricting following the release of data from the 2000 decennial Census complicates the use of district fixed effects because district boundaries are not guaranteed to have stayed the same. We used both types of fixed effects as a sensitivity analysis, in part to maximize control, but we acknowledge that, for the district fixed effects models, the assumption that district boundaries did not change substantially may not hold.

our results are not sensitive to our definition of an incumbent "win" when more incumbents than available seats participated in a race.

We included fixed effects for each year and, where appropriate, controlled for whether an incumbent was running for reelection. We estimated the models of both continuous and binary outcomes using linear probability models and robust variance estimators, due to the fact that all of our covariates are binary (i.e., all of the variables stand for the presence or absence or something, such as incumbency).²³

We also estimated loglinear models to evaluate the changes in these outcomes in House and Senate elections in Maine, Arizona, and the four comparison states. In our analyses, we fit hierarchical models to the observed frequencies in the different four-way tables or five-way tables formed by cross-classifying each of the four outcomes by state (Arizona vs. other states and Maine vs. other states), chamber (Senate vs. House), time period (before public financing programs were available in elections prior to 2000 and after public financing programs were available in 2000 and later elections), and whether an incumbent was or was not involved in the race.

We followed procedures described by Goodman (1978) and fit hierarchical models that placed varying constraints on the odds and odds ratios that are used to describe the associations of state, chamber, and time period with each outcome.²⁴ Ultimately, we chose from among these different models a "preferred" model that included factors that were significantly related to the variation in each outcome and excluded those factors that were not.²⁵

 $^{25}\!\rm We$ used likelihood ratio chi-squared tests to identify which models significantly explained variation.

²³Linear probability models and robust variance estimators are statistical methods to determine the best fit line or curve that corresponds to the data and to test assumptions about the models used, respectively.

²⁴See Leo A. Goodman, *Analyzing Qualitative/Categorical Data* (Lanham, Maryland: Abt Books, 1978). These procedures compare models hierarchically to determine which, if any, set of variables can adequately predict variation in the outcome. In general, more parsimonious models (those with fewer variables) are preferable to those with more variables, so long as excluding variables does not erode how well the model fits the observed data.

We are issuing an electronic supplement concurrently with this report— GAO-10-391SP. In addition to summary data on election outcomes in Maine and Arizona, the e-supplement contains additional discussion on the following issues:

- summary tables of the election data obtained from the four comparison states;
- fixed effects model assumptions, sensitivity analysis, and results;
- loglinear model methods and results;
- margin of victory measures in multimember districts;
- incumbency reelection rates and the potential effect of district boundary changes following the 2000 Census; and
- voter turnout calculations and data.

Voter Choice	To determine whether public financing encouraged more state legislative candidates to run for office, we calculated the average annual number of candidates per legislative primary and general election races for seven election cycles, including two elections preceding the public financing program—1996 and 1998—and five elections after public financing became available—2000 through 2008. Also, to determine whether there were different types of candidates running for office, we compared the percentage of races with third-party or independent legislative candidates who received at least 5 percent of votes cast for each of these seven election cycles. We chose our threshold based on research and interviews with state officials that suggested 5 percent of votes is commonly required for parties to gain access to and retain ballot placement. Ballot placement is critical in that it enables voters to use party information to make voting decisions, and allows them to see alternative party candidates at the same level as major party candidates without having to recall a specific candidate name. This definition of viability focuses on voter choice, and is distinct from whether a candidate is "electable" or competitive with other candidates.
Campaign Spending	To determine changes in candidate spending, we obtained available campaign spending and independent expenditure data from Maine and

Arizona.²⁶ Specifically, we obtained summarized campaign spending and independent expenditure data from Maine's Commission on Governmental Ethics and Election Practices, the state agency responsible for campaign spending reports. We found that Maine's campaign spending data for the 1996 through 2008 election cycles and independent expenditure data for the 2000 through 2008 election cycles were sufficiently reliable. In Arizona, we obtained campaign spending and independent expenditure data from the Secretary of State's office. Due, in part, to several upgrades to Arizona's campaign finance data systems over the time period reviewed, we found that Arizona's campaign spending data for the 2000 through 2008 election cycles and independent expenditure data for the 2008 election cycle were sufficiently reliable, with limitations as noted. For example, up to the 2008 election, Arizona's campaign spending database did not include precise data to identify and link each candidate to his or her campaign finance committee(s), the entities responsible for reporting candidates' contributions and spending.²⁷ Further, the candidates' campaign finance committees can span several election cycles and include spending reports for candidates who ran in several races for the same or different offices, such as House or Senate. Thus, to the extent possible, we matched candidates and candidate campaign finance committees through electronic and manual means, identified and calculated relevant candidate spending transactions, and sorted the data by election cycle dates. Further, although Arizona's Secretary of State office collected independent expenditure data from 2000 through 2008, it did not collect data on the intended beneficiaries of independent expenditures until the 2008 election cycle. Therefore, we limited our analysis of independent expenditures to the 2008 elections since we could not identify which candidates benefited from the expenditure. We worked with state officials responsible for the public financing programs and campaign finance data systems in Maine and Arizona to develop our methodology for analyzing these data. These officials reviewed summaries we wrote about their respective databases and agreed that they were generally accurate and reliable.

²⁶In general, independent expenditures are expenditures made by an individual or group other than by contribution to the candidate, that benefits a candidate, but without coordination with the benefiting candidate. Participating candidates in Maine's and Arizona's public financing programs receive matching funds based in part on independent expenditures made that benefit an opposing candidate.

²⁷For example, data from Arizona's campaign finance reports identify the candidate committee number and name of the committee, such as "Smith for State Senator," but not the individual candidate by name, such as "John Smith," or candidate number assigned by the Secretary of State.

	We calculated the average House and Senate legislative candidates' spending in Maine for seven election cycles, from 1996 through 2008 and in Arizona for five election cycles, from 2000 through 2008. For comparisons across years and to observe any trends, we adjusted all candidate spending for inflation with 2008 as the base year using the Department of Commerce's Bureau of Economic Analysis gross domestic product implicit price deflator.
Interest Group Influence and Citizens' Confidence in Government	To assess changes in interest group influence and citizens' confidence in government, we included questions in our interviews with candidates in Maine's and Arizona's 2008 elections and interviews with interest groups in both states. Also, we contracted with professional pollsters who conducted omnibus telephone surveys with representative samples of voting-age citizens in Maine and Arizona. ²⁸ Generally, this polling effort was designed to determine the extent to which voting-age citizens in each state were aware of their state's public financing program and to obtain their views about whether the program has decreased the influence of interest groups, made legislators more accountable to voters, and increased confidence in government.
	In order to compare responses, the survey consisted of largely similar questions to those asked for our 2003 report. ²⁹ The questions for Maine and Arizona were identical, except for some minor wording differences customized for the respective states, as shown in table 21. ³⁰ Follow-up questions (e.g., questions 2, 3, and 4 in each set) were not asked of any individual who, in response to question 1, acknowledged knowing "nothing at all" about the applicable state's clean election law or was unsure or declined to answer. Since we pretested largely similar questions with
	²⁸ An omnibus survey is a survey that includes questions on a number of topics.

²⁹For our 2003 report, we also contracted with pollsters to conduct omnibus telephone surveys in Maine and Arizona in 2002. See GAO-03-453 for more information about our 2002 surveys and results. For this report, Arizona respondents were inadvertently not given the option of "too soon to tell" when asked about the extent to which the clean election law has decreased or increased the influence of interest groups and increased or decreased their confidence in state government.

³⁰In designing the questions, we used the term "clean election" because this wording has been widely used in the media, was used in the ballot initiatives, and also is part of the title of the respective state's laws. Thus, in reference to voter awareness, the term "clean election" likely is more commonly recognized than an alternative term such as "public financing program."
members of the general public for our 2003 report, we did not pretest questions for this effort.

Table 21: Questions Used for the Maine and Arizona Surveys State Questions asked of voting-age citizens Maine I would like to ask you about Maine's clean election law. This law provides campaign money to 1. candidates running for governor and for candidates to the state legislature. Would you say you know a lot, some, a little, or nothing at all about Maine's clean election law? 2. Now, I would like to ask you about Maine legislators in general who ran their campaigns with public funds in the 2008 elections. Would you say that these state legislators who received public funds have been much more, somewhat more, somewhat less, or much less accountable to voters than legislators who did not get public funds, or has it not made any difference? To what extent do you think Maine's clean election law has decreased or increased the influence of З. special interest groups on legislators? Would you say the law has greatly decreased, somewhat decreased, has had no effect, has somewhat increased, or greatly increased the influence of special interest groups, or is it too soon to tell? To what extent has Maine's clean election law increased or decreased your confidence in state government? Would you say the law has greatly increased, somewhat increased, has had no effect, has somewhat decreased, or greatly decreased your confidence in state government, or is it too soon to tell? Arizona I would like to ask you about Arizona's clean election law. This law provides campaign money to 1. candidates running for statewide office, such as the Corporation Commission or governor and for candidates to the state legislature. Would you say you know a lot, some, a little, or nothing at all about Arizona's clean election law? 2. Now, I would like to ask you about Arizona legislators in general who ran their campaigns with public funds in the 2008 elections. Would you say that these state legislators who received public funds have been much more, somewhat more, somewhat less, or much less accountable to voters than legislators who did not get public funds, or has it not made any difference? To what extent do you think Arizona's clean election law has decreased or increased the influence of З. special interest groups on legislators? Would you say the law has greatly decreased, somewhat decreased, has had no effect, has somewhat increased, or greatly increased the influence of special interest groups? 4. To what extent has Arizona's clean election law increased or decreased your confidence in state government? Would you say the law has greatly increased, somewhat increased, has had no effect, has somewhat decreased, or greatly increased your confidence in state government. Source: GAO.

Contracted Polling
OrganizationsTo conduct the Maine poll, we contracted with Market Decisions
(Portland, Maine), the same polling organization that conducted the Maine
poll for our 2003 report. During October 19, 2009, to November 2, 2009, the
firm completed 404 telephone interviews with randomly selected adults
throughout Maine. The sample of the telephone numbers called was based
on a complete updated list of telephone prefixes used throughout the
state. The sample was generated using software designed to ensure that
every residential number has an equal probability of selection. When a
working residential number was called, an adult age 18 or older in the

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household was randomly selected to complete the interview. The 404
completed interviews represent a survey response rate of 42.5 percent.

To conduct the Arizona poll, we contracted with Behavior Research Center, Inc. (Phoenix, Arizona), the same polling organization that conducted the Arizona poll for our 2003 report. During September 9 through 18, 2009, the firm completed telephone interviews with 800 heads of households in Arizona. To ensure a random selection of households proportionately allocated throughout the sample universe, the firm used a computer-generated, random digit dial telephone sample, which selected households based on residential telephone prefixes and included all unlisted and newly listed households. Telephone interviewing was conducted during approximately equal cross sections of daytime, evening, and weekend hours—a procedure designed to ensure that all households were equally represented regardless of work schedules. Up to five separate attempts were made with households to obtain completed interviews. The 800 completed interviews represent a survey response rate of 42.98 percent.

Survey Error All surveys are subject to errors. Because random samples of each state's population were interviewed in these omnibus surveys, the results are subject to sampling error, which is the difference between the results obtained from the samples and the results that would have been obtained by surveying the entire population under consideration. Measurements of sampling errors are stated at a certain level of statistical confidence. The maximum sampling error for the Maine survey at the 95 percent level of statistical confidence is plus or minus 6.7 percent. The maximum sampling error for the Arizona survey at the 95 percent level of statistical confidence is plus or minus 5 percent.

Voter Participation (Turnout)

To examine changes in voter participation, we reviewed information about voter turnout data from the Census Bureau, Federal Election Commission, United States Election Assistance Commission, the American National Election Studies, and other resources, including two repositories of elections data and information—George Mason University's United States Election Project (the Elections Project) and the Center for the Study of the

American Electorate.³¹ We identified these sources through our review of the literature and through discussions with researchers. To determine the extent to which changes in voter participation could be assessed over time, we reviewed documentation and research on these potential data sources, including information on collection and measurement of the voting-age population (VAP) or voting-eligible population (VEP) and the type of turnout recorded. Finally, we examined data and methodologies for measuring changes in voter turnout and other forms of participation to determine whether changes in participation could be precisely measured at the state level. We found that the different data sources required to calculate changes in turnout are not always comparable across sources and over time, because of differences in the way that data are collected or changes in how turnout is defined. As such, there was no need to conduct electronic testing to further assess the reliability of the data for our purposes. This does not indicate that the data are unreliable for other purposes. We also discussed voter turnout calculations with state officials and researchers. Additional detail about our work related to voter participation is included in the e-supplement to this report— GAO-10-391SP.

We conducted this performance audit from November 2008 through May 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³¹Voter turnout is generally defined as the percentage of the voting-age population (VAP) or voting-eligible population (VEP) (voting age citizens who are not statutorily disqualified from voting) who cast a ballot in an election. These sources collect or compile information on VAP, VEP, voter registration, ballots cast or counted, or self-reported voting behavior.

Appendix II: Overview of the Public Financing Programs for Legislative Election Campaigns in Maine and Arizona

Maine voters, by a margin of 56 percent to 44 percent, passed the Maine Clean Election Act¹ (Maine's Act) in November 1996. Arizona voters, by a margin of 51 percent to 49 percent, passed the Citizens Clean Elections Act² (Arizona's Act) in November 1998. These ballot initiatives established optional financing programs for candidates desiring to use public funds to finance their campaigns as an alternative to traditional fundraising means, such as collecting contributions from individuals or political action committees. The Maine and Arizona programs were the first instances of state programs that offered public funding intended to fully fund most campaign costs of participating candidates seeking state legislature seats and certain statewide offices.³ Both states' public financing programs became available for candidates beginning with the elections in 2000.

Generally, participating candidates—those candidates who forgo private fund raising and who otherwise qualify to take part in the respective state's public financing program—are to receive specified amounts of money for their primary and general election campaigns. Under Maine's and Arizona's laws, nonparticipating candidates—those candidates who choose to continue using traditional means for financing campaigns—are subject to certain limits on contributions and reporting requirements.

This appendix provides an overview of the public financing programs for legislative election campaigns in Maine and Arizona. Detailed information is available on the Web sites of the state agencies responsible for administering the respective program—Maine's Commission on Governmental Ethics and Election Practices (www.state.me.us/ethics) and Arizona's Citizens Clean Elections Commission (www.azcleanelections.gov).

¹Maine Clean Election Act, 21-A M.R.S. § 1121 et seq.

²Arizona Citizens Clean Elections Act, A.R.S. § 16-940 et seq.

³In contrast, some states offer partial public funding programs that provide candidates with a portion, but not most, of the money expected to be necessary to run a campaign, generally by matching private contributions with public money at various ratios.

Maine's Public Financing Program

Purposes of Maine's Public Financing Program	Other than noting that the public financing program is an alternative financing option available to certain candidates, Maine's Act has no section that specifically details the purposes, goals, or objective of the law. To get the initiative on the ballot, a coalition of interest groups, the Maine Voters for Clean Elections, collected about 65,000 signatures. ⁴ At that time, the coalition and other proponents advertised that the public financing program would "take big money out of politics" by limiting what politicians spend on campaigns, reducing contributions from special interests, and increasing enforcement of election laws. They said that the initiative, if passed, would decrease the influence of wealthy individuals, corporations, and political action committees in politics, and would level the playing field so that challengers would have a chance against incumbents. They asserted that politicians would then spend more time focusing on the issues that affect all of their constituents rather than spend time on pursuing money for their campaigns. Further, proponents also advertised that the public financing program would allow candidates who do not have access to wealth the opportunity to compete on a more equal financial footing with traditionally financed candidates, restore citizen's faith and confidence in government, and give new candidates the opportunity to run competitively against incumbents. In 2003 we reported that according to Maine state officials and interest group representatives we interviewed there was not any organized opposition to the initiative when it was on the ballot. ⁵
	A 2007 report by the Maine Commission on Governmental Ethics and Election Practices reaffirmed that the goals of the program are generally to increase the competitiveness of elections; allow participating candidates to spend more time communicating with voters; decrease the importance of fundraising in legislative and gubernatorial campaigns;

⁴The coalition of interest groups included the American Association of Retired Persons (Maine Chapter), Maine A.F.L.-C.I.O., League of Women Voters of Maine, Common Cause/Maine, Natural Resources Council of Maine, Maine People's Alliance, Money and Politics Project, and Peace Action Maine.

⁵GAO, Campaign Finance Reform: Early Experiences of Two States That Offer Full Public Funding for Political Candidates, GAO-03-453 (Washington, D.C.: May 9, 2003).

reduce the actual and perceived influence of private money in elections; control the increase of campaign spending by candidates; and allow average citizens a greater opportunity to be involved in candidates' campaigns.⁶

Requirements to Receive Public Funding in Maine

In Maine, candidates who wish to participate in the state's public financing option and receive funds for campaigning must first be certified as a Maine Clean Election Act candidate. Certified candidates, among other things, must (1) forgo self-financing and all private contributions, except for a limited amount of "seed money," which are funds that may be raised and spent to help candidates with the qualifying process prior to certification, and (2) demonstrate citizen support by collecting a minimum number of \$5 contributions from registered voters. For example, as table 22 shows, to qualify for public financing during the 2008 election cycle, a candidate in a Maine House race had to gather \$5 qualifying contributions from at least 50 registered voters, and could raise no more than \$500 of seed money.

Table 22: Seed Money Limits and Number of Qualifying \$5 Contributions for MaineLegislative Candidates in the 2008 Election Cycle

	Seed mone	y limits (dollars)	Number of	
Office	Total cap	Individual Total cap contribution limit		
House of Representatives	\$500	\$100	50	
Senate	1,500	100	150	

Source: GAO analysis of Maine public financing laws.

Note: To help with the qualifying process, candidates seeking to be certified to receive public funding may raise and spend limited amounts of seed money.

Amounts of Allowable Public Funding for Participating Candidates in Maine

After being certified by the state as having met qualifying requirements, participating candidates receive initial distributions (predetermined amounts) of public funding and are also eligible for additional matching funds based on spending by privately funded opponents in conjunction with independent expenditures against the candidate or on behalf of an opponent.

⁶State of Maine, Report of the Commission on Governmental Ethics and Election Practices, 2007 Study Report: Has Public Funding Improved Maine Elections? Augusta, Maine, 2007. For example, in Maine's 2008 election each participating candidate in a contested race for the House of Representatives (i.e., a race with more than one candidate per seat in contention) received an initial distribution of public funds in the amount of \$1,504 for the primary election and an amount of \$4,144 for the general election.⁷ Also, under Maine's Act, the maximum allowable matching funds available to a participating candidate in a legislative race were capped at double the initial distribution that the candidate received for his or her contested race, as shown in table 23.

Table 23: Public Funding Available to Each Participating Candidate in the Maine 2008 Election Cycle

		Primary election			General election		
Office	Type of race	Initial distribution	Maximum allowable matching funds	Total maximum allowable public funds	Initial distribution	Maximum allowable matching funds	Total maximum allowable public funds
House of	Contested	\$1,504	\$3,008	\$4,512	\$4,144	\$8,288	\$12,432
Representatives	Uncontested	512	0	512	1,658	0	1,658
Senate	Contested	7,746	15,492	23,238	19,078	38,156	57,234
	Uncontested	1,927	0	1,927	7,631	0	7,631

Source: GAO analysis of Maine public financing laws.

Note: A contested race is a race with more than one candidate per seat in contention.

Under Maine's Act, prior to being amended in 2009, the commission was required to recalculate the initial distribution amounts at least every 4 years, based upon average expenditures in similar races in the two previous election cycles. Under this statute, the commission was not required to recalculate the initial distribution amounts in 2008 and intended to use the same payment amounts as in 2006. However, according to a state official, due to a shortfall in the state's General Fund budget, the Maine State Legislature approved a 5 percent reduction in the general election distribution amounts, which took effect in the 2008 legislative elections. Beginning in the 2012 elections, in response to a 2009 amendment, the state will be required to recalculate the initial distribution amounts every 2 years taking into account several factors such as average candidate spending and increases in costs of campaigning.

⁷Most (281 of the 300) of the legislative primary elections for Maine's House of Representatives in 2008 were uncontested.

	Matching funds are triggered when required reports show that the sum of a privately funded opponent's expenditures or obligations, contributions and loans, or fund revenues received exceeds a participating candidate's sum of fund revenues. Further, the calculation used to assess whether matching funds are triggered is to include reported independent expenditures that benefit an opponent's campaign. Generally, independent expenditures are any expenditures made by individuals or groups, other than by contribution to a candidate or a candidate's authorized political committee, for any communication (such as political ads or mailings) that expressly advocates the election or defeat of a clearly identified candidate. ⁸ During the final weeks before an election, the definition of independent expenditure expands beyond express advocacy to include a broader range of communications directed to the public.
Revenue Sources for Maine's Public Financing Program	Various revenue sources are used to support Maine's public financing program. As table 24 shows, appropriations were the largest funding source in Maine in 2008. Table 24 also indicates that in 2008, about 6 percent of Maine's funding came from state income tax checkoff donations and other voluntary donations. This included \$194,970 in funding from state income tax checkoff donations, which represented about 7 percent of the 665,503 total returns filed in tax year 2007 in the state.

⁸For example, express advocacy includes the use of phrases such as "vote for the governor," "reelect your representative," "support the democratic nominee," "cast your ballot for the Republican challenger," "defeat the incumbent," or "vote pro-life" or "vote pro-choice," if accompanied by a list of pro-life or pro-choice candidates. Clearly identified means the candidate's name or image appears in the communication; or that the candidate's identity is apparent by unambiguous reference.

Table 24: Revenue Sources and Amounts for Maine's Public Financing Program in 2008

Dollars in thousands			
Revenue sources		Annual revenue	Percentage
	of each year, the State Controller is to transfer cial dedicated fund (the Maine Clean Election	\$2,700	82%
Tax checkoffs: Under a tax checkoff progr paid to the Maine Clean Election Fund. A designate \$3.	am, a Maine resident can designate that \$3 be husband and wife filing jointly may each	200	6
Qualifying contributions: The \$5 qualifying deposited in the Maine Clean Election Fu		128	4
	erest earned, specified fines and penalties, and deposited in the Maine Clean Election Fund.	256	8
Total		\$3,284	100%
	Source: GAO analysis of Maine public financing laws.		
	races. It was not a gubernatorial election year. Annual re	venue dollars are rounded.	
Administration of Maine's Public Financing Program	Maine's Act utilizes a commission, the Ma Governmental Ethics and Election Practic financing program and enforce provisions consists of five members appointed by the appointment to the commission are subje committee of the state legislature having to confirmation by the state legislature. The director and a staff to carry out the day-to In addition to financing election campaign the public financing program, the Maine O for administrative and enforcement costs Maine's Act. In 2008, the commission's tot were \$3,357,472, including \$552,426 in per administrative costs.	ces, to implement the s of the act. The comp e Governor. Nominee ct to review by the jo jurisdiction over lega he commission is to b-day operations of the ns of candidates part Clean Election Fund is of the commission re cal expenditures from	mission es for bint standing al affairs and employ a ne program. icipating in is also to pay elated to n the fund

Appendix II: Overview of the Public Financing Programs for Legislative Election Campaigns in Maine and Arizona

Reduced Contribution Limits and Additional Reporting Requirements for Nonparticipating Candidates in Maine	Before the passage of Maine's Act, political campaigns were financed completely with private funds. There were no limitations placed on expenditures by candidates from their personal wealth. Under Maine's Act, nonparticipating candidates are not limited in the amount they may spend from their personal financial resources on their own campaigns. While not faced with limits on the total amount of money that they can raise or spend, nonparticipating candidates are subject to certain limitations on the amount that an individual, corporation, or political committee can contribute to the campaigns of nonparticipating candidates. In the 2008 elections, for example, a nonparticipating candidate for the state legislature could accept up to \$250 from a donor per election. Prior to the 2000 election, the candidates could have collected up to \$1,000 from individuals and up to \$5,000 from political committees and corporations. ⁹ Additional reporting requirements are placed on nonparticipating candidates who have one or more participating opponent must notify the commission when receipts, spending, or obligations exceed the initial allocation of public funds paid to the participating opponent. Further, the nonparticipating candidate must file up to three additional summary reports so that the commission can calculate whether the participating opponent is entitled to receive any matching funds.
Maine Reporting Requirements for Independent Expenditures	Under Maine law, individuals or organizations making independent expenditures in excess of \$100 during any one candidate's election must file reports with the state. Reporting requirements for independent expenditures are important for helping to determine if matching funds are triggered. Independent expenditures are generally defined as any expenditure for a communication, such as campaign literature or an advertisement that expressly advocates the election or defeat of a clearly identified candidate that is made independently of the candidate, the candidate's committee, and any agents of the candidate. However, under Maine's campaign finance laws, expenditures by a group or individual to design, produce, or disseminate a communication to support or oppose a clearly identified candidate during the final weeks before an election with a participating candidate will be presumed to be independent expenditures, even if the communication does not expressly advocate a

 $^{^9\}mathrm{The}$ contribution limit will increase to \$350 per donor for the 2010 legislative elections in Maine.

candidate's election or defeat. This "presumption period" was first implemented in the 2004 Maine election. In 2008, the presumption period was 21 days before a primary election and 35 days before a general election. The law relating to the presumption period for a general election increased the period from 21 to 35 days in 2007. As table 25 shows, Maine has reporting requirements based upon the amount and timing of the independent expenditures to help ensure that participating candidates receive any additional matching funds they may be eligible for in a timely manner, particularly in the days before the election.

Table 25: Maine Reporting Requirements for Independent Expenditures in the 2008Election Cycle

Independent expenditure description	Reporting requirement
Independent expenditure of more than \$250 in aggregate per candidate per election made within the presumption period	Report within 24 hours
Any independent expenditure, regardless of the amount, for a candidate who has over \$250 in aggregate independent expenditures in an election	Report within 24 hours
Independent expenditures aggregating in excess of \$100 per candidate in an election but not in excess of \$250	Reported in campaign finance report that covers the date the independent expenditure was made
Independent expenditures made during the 13-day period before an election	Report within 24 hours

Source: GAO analysis of Maine campaign finance laws.

Arizona's Public Financing Program

Purpose of Arizona's Public Financing Program	Arizona's Act contains a "findings and declarations" section that addresses the intent of the program. Specifically, the "findings" subsection of the Citizens Clean Elections Act, passed by voters in 1998, noted that the state's then-current election financing-system
	 allows elected officials to accept large campaign contributions from private interests over which they have governmental jurisdiction; gives incumbents an unhealthy advantage over challengers; hinders communication to voters by many qualified candidates;

	 effectively suppresses the voices and influence of the vast majority of Arizona citizens in favor of a small number of wealthy special interests; undermines public confidence in the integrity of public officials; costs average taxpayers millions of dollars in the form of subsidies and
	 special privileges for campaign contributors; drives up the cost of running for state office, discouraging otherwise qualified candidates who lack personal wealth or access to special interest funding; and requires that elected officials spend too much of their time raising funds rather than representing the public.
	Further, the "declarations" subsection of Arizona's 1998 Act stated that: "the people of Arizona declare our intent to create a clean elections system that will improve the integrity of Arizona state government by diminishing the influence of special interest money, will encourage citizen participation in the political process, and will promote freedom of speech under the U.S. and Arizona Constitutions. Campaigns will become more issue-oriented and less negative because there will be no need to challenge the sources of campaign money."
Requirements to Receive Public Funding in Arizona	As in Maine, Arizona candidates who wish to participate in the state's public financing option and receive funds for campaigning must first be certified as a Clean Election candidate. Certified candidates, among other things, must (1) forgo self-financing and all private contributions, except for a limited amount of "early contributions," which are funds that may be raised and spent to help candidates with the qualifying process prior to certification, and (2) demonstrate citizen support by collecting a set number of \$5 contributions from registered voters. To qualify for public financing during the 2008 election cycle, a candidate for Arizona's House of Representatives had to gather at least 220 qualifying \$5 contributions, and could collect no more than \$3,230 in early contributions, as shown in table 26.

Table 26: Early Contribution Limits and Number of Qualifying \$5 Contributions for Arizona Legislative Candidates in the 2008 Election Cycle

Dollars in thousands						
	Early cont	Number of				
Office	Total cap	Individual contribution limit	Qualifying contributions			
House of Representatives	\$3,230	\$130	220			
Senate	3,230	130	220			

Source: GAO analysis of Arizona public financing laws and Citizens Clean Election Commission data.

Note: To help with the qualifying process, candidates seeking to be certified to receive public funding may raise and spend limited amounts of early contributions. The amount of allowable early contributions are established in statute and adjusted for inflation every 2 years.

Amounts of Allowable Public Funding for Participating Candidates in Arizona

After being certified by the state as having met qualifying requirements, participating candidates receive initial distributions (predetermined amounts) of public funding and are also eligible for additional matching funds when an opposing nonparticipating candidate exceeds the participating candidate primary or general election spending limits.¹⁰

In Arizona's 2008 elections, each participating candidate for the House of Representatives or Senate who was in contested party primary elections (i.e., races with more than one candidate per seat in contention) received an initial distribution of public funds in the amount of \$12,921. After the primary, successful major party candidates who were in a contested general election race then received an additional \$19,382, as shown in table 27.¹¹ Independent candidates received 70 percent of the sum of the original primary and general election spending limits. Unopposed candidates (i.e., those in an uncontested race) received only the total of their \$5 qualifying contributions as the spending limit for that election.

¹⁰Participating candidates for the state legislature could also use \$610 of their personal moneys for their campaigns in 2008.

¹¹The Secretary of State is to adjust the base amount, established in Arizona's Act, for inflation every 2 years.

Table 27: Public Funding Available to Each Participating Candidate in the Arizona 2008 Election Cycle

		Primary election			General election		
Office	Type of race	Initial distribution	Maximum allowable matching funds	Total maximum allowable public funds	Initial distribution	Maximum allowable matching funds	Total maximum allowable public funds
House of Representatives	Contested	\$12,921	\$25,842	\$38,763	\$19,382	\$38,764	\$58,146
	Uncontested	a	a	a	а	а	a
Senate	Contested	12,921	25,842	38,763	19,382	38,764	58,146
	Uncontested	а	а	a	а	а	a

Source: GAO analysis of Arizona public financing laws and Citizens Clean Election Commission data.

Notes: A contested race is a race with more than one candidate per seat in contention.

^aIn Arizona, candidates in uncontested House and Senate races are only to receive an amount equal to the qualifying contributions for that candidate.

Participating candidates also received additional matching funds up to predetermined limits when an opposing nonparticipating candidate exceeded the primary or general election spending limits.¹² Matching funds were also provided to participating candidates when independent expenditures were made against them or in favor of opposing candidates in the race. The calculation to assess whether matching funds for participating candidates are triggered is to include reported independent expenditures that, in general, are made on behalf of nonparticipating or another participating candidate in the race by individuals, corporations, political action committees, or other groups. A January 2010 federal district court ruling held Arizona's Citizens Clean Election Act to be unconstitutional.¹³ More specifically, the U.S. District Court for the District of Arizona held that Arizona's matching funds provision burdens First Amendment speech protections, is not supported by a compelling state interest, is not narrowly tailored, is not the least restrictive alternative, and is not severable from the rest of the statute thereby rendering the whole

¹²During the 2008 primary election period, participating candidates were to receive matching funds in the amount equal to any excess of the opposing nonparticipating candidate's reported spending over the primary election spending limit, as previously adjusted, less 6 percent for the nonparticipating candidate's fundraising expenses and less the amount of early contributions raised for the participating candidates were to receive matching funds in the amount equal to any excess of the reported difference over the general election spending limit, as previously adjusted, and less 6 percent for the opposing nonparticipating candidate's fundraising expenses.

¹³*McComish v. Brewer*, 2010 U.S. Dist. LEXIS 4932 (D. Ariz. Jan. 20, 2010).

statute unconstitutional. On May 21, 2010, the U.S. Court of Appeals for the Ninth Circuit reversed the district court ruling on the basis that the matching funds provision imposes only a minimal burden on First Amendment rights, and bears a substantial relationship to the state's interest in reducing political corruption.¹⁴

In total, about \$6 million in public funds was distributed in 2008 to the 120 participating candidates for the Arizona legislature.

Revenue Sources for Arizona's Public Financing Program	Arizona's public financing program is supported through various revenue sources. As table 28 shows, a surcharge on civil and criminal fines and penalties was the largest funding source. Table 28 also indicates that in 2008, \$6.6 million, or about 39 percent of the fund's revenue, came from
	state income tax checkoff donations and other voluntary donations.

Table 28: Revenue Sources and Amounts for Arizona's Public Financing Program in 2008

Revenue sources	Annual revenue (dollars in thousands)	Percentage
Fines and penalties: This source is comprised of a 10-percent surcharge imposed on certain civil and criminal fines and penalties. Collections go in the Citizens Clean Elections Fund.	\$10,096	59%
Tax checkoffs and donations: By marking an optional checkoff box on their state income tax returns, Arizona taxpayers can make a \$5 contribution to the Citizens Clean Elections Fund. A taxpayer that checks this box receives a \$5 reduction (\$10 if filing jointly) in the amount of tax. Also, taxpayers may redirect a specified amount of owed taxes—up to 20 percent or \$550 (ceiling adjusted periodically), whichever is greater—to the Citizens Clean Election Fund and receive a dollar- for-dollar tax credit.	6,638	39
Qualifying Contributions: The \$5 qualifying contributions collected by participating candidates are deposited in the Citizens Clean Elections Fund.	229	1
Miscellaneous: Other income includes civil penalties assessed against violators of the Citizens Clean Elections Act.	37	0
Total	\$17,001	100%

Source: GAO analysis of Arizona public financing laws.

Note: Annual revenue dollars are rounded. Percentages may not add to 100 due to rounding.

¹⁴McComish v. Bennett, 2010 U.S. App. LEXIS 10442 (9th Cir. Ariz. May 21, 2010).

Administration of Arizona's Public Financing Program	Arizona's Act established the Citizens Clean Elections Commission to implement the public financing program and enforce provisions of the act. The commission consists of five members selected by the state's highest- ranking officials of alternating political party affiliation. ¹⁶ No more than two commissioners may be from the same political party or county, and commissioners may not have run for or held office, nor been appointed to or elected for any office for the 5 years prior to being chosen as a commissioner. One new commissioner is to be appointed each year. As established by Arizona's Act, the commission is to employ an Executive Director to facilitate administration of the program. The Executive Director is responsible for, among other things, educating and assisting candidates in compliance with the act's requirements, limits, and prohibitions, assisting candidates in participating and obtaining public funding, as well as determining additional staffing needs and hiring accordingly. Arizona's Act caps commission spending for a calendar year at \$5 times the number of Arizona resident personal income tax returns filed the previous calendar year. ¹⁶ Of that amount, the commission may use up to 10 percent for administration and enforcement activities and must use 10 percent or more for voter education activities. The remainder of commission spending goes to participating candidates' campain funds. In calendar year 2008, the commission's expenditures totaled \$14,711,043— \$850,447 for administration and enforcement, \$6,179,857 for voter education, and \$7,710,739 for campain funds. With regard to the \$7,710,739 spent for campain funds in 2008, \$1,715,395 was for statewide candidates and \$5,995,344 was for legislative candidates. The commission's responsibility for administering and enforcing Arizona's Act covers related contribution limits, spending limits, and reporting requirements that affect both participating and nonparticipating candidates. Cases of possible violations may be initiated with the commis
	¹⁵ In Arizona, the highest ranking office is governor, which is succeeded by the secretary of state, attorney general, state treasurer, superintendent of public instruction, corporation commissioners in the order of seniority, mine inspector, Senate majority and minority leaders and House majority and minority leaders. The commissioners that served in 2009

the highest-ranked Republican and Democrat at the time of the appointments. ¹⁶The Arizona Citizens Clean Elections Commission may exceed the expenditure limit during a calendar year, provided that it is offset by an equal reduction of the limit during another calendar year within the same 4-year period beginning January 1 immediately after a gubernatorial election.

were variously appointed by the governor, secretary of state, or attorney general, who were

through information that comes to the commission's attention internally. The commission may assess civil penalties after investigating compliance matters and finding probable cause of a violation unless the candidate comes into compliance within a set time frame or settlement agreement is reached. Under certain circumstances, the commission can remove a legislator from office for violating specified Arizona Clean Elections Act spending or contribution limits. For example, the commission, for the first time, acted to remove a state legislator from office for exceeding spending limits by over 10 percent—about \$6,000—in his publicly funded election campaign during the 2004 primary election. The commission's action was upheld by an Arizona administrative law judge and an appeal by the legislator was unsuccessful in the Arizona court system.¹⁷

Reduced Contribution Limits and Additional Reporting Requirements for Arizona Nonparticipating Candidates Before the passage of Arizona's Act, political campaigns in Arizona were financed completely with private funds. There were no limitations placed on expenditures by candidates from their personal wealth. Under Arizona's public financing laws, nonparticipating candidates are not limited in the amount they may spend from their personal financial resources on their own campaigns. While not faced with limits on the total amount they can spend on their own campaigns, nonparticipating candidates are subject to certain limitations on the amounts of contributions they can accept. For example, in Arizona, contributions from individuals were limited to \$488 per donor for nonparticipating candidates for the state legislature for the 2008 election cycle. The Arizona act reduced the limits on individual contributions to nonparticipating candidates by 20 percent.

Nonparticipating candidates have additional reporting requirements. For example, a nonparticipating candidate opposed by a participating candidate, must, in general, file a report with the Secretary of State if the campaign's expenditures before the primary election exceed 70 percent of the original primary election spending limit imposed on a participating opponent or if the contributions to a nonparticipating candidate has exceeded 70 percent of the original general election spending limit.

¹⁷See, e.g., *In the Matter of: David Burnell Smith*, Administrative Law Judge Decision, No. 05F-040023-CCE (August 2005); *Smith v. Arizona Citizens Clean Elections Commission*, 132 P.3d 1187 (Ariz. 2006).

Arizona Reporting Requirements for Independent Expenditures	Under Arizona law, individuals or organizations making independent expenditures must file reports with the Secretary of State. According to commission officials, the commission coordinates with the Secretary of State to determine if participating candidates are eligible for matching funds based upon independent expenditures opposing participating candidates or supporting other candidates in their race. Under Arizona law, independent expenditures are generally defined as expenditures such as campaign literature or advertisements that expressly advocate the election or defeat of a clearly identified candidate that is made independently of the candidate, the candidate's committee, and any agents of the candidate. As table 29 shows, the amount and timing of the independent expenditure in relation to the election dictates when and how the independent expenditure must be reported.
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Table 29: Arizona Reporting Requirements for Individuals or Organizations Making Independent Expenditures in the 2008 Election Cycle

Independent expenditure description	Reporting requirement
Independent expenditures relating to a particular office exceeding \$610 in aggregate in an election cycle, which includes both the primary and general elections	Reported in campaign finance reports that cover the date the independent expenditure was made. Supplemental reports required each time previously unreported independent expenditures exceed \$1,000.
Independent expenditures relating to any one candidate or office made within 10 days before the primary or general election	Report within 24 hours
Independent expenditures less than \$610 in aggregate relating to a particular office in an election cycle	Not required to be reported

Source: GAO analysis of Arizona campaign finance laws and implementing rules.

In addition, according to commission and state officials, Arizona has made changes intended to improve and clarify the process of reporting independent expenditures, given their importance in determining matching fund disbursements under the public financing program. For example, these officials told us that they made a number of updates to the office's campaign finance system for the 2008 election to help improve the reporting and tracking of independent expenditures and the timely disbursement of matching funds to participating candidates. One update required individuals or committees making independent expenditures to report the unique identification number of the candidate that is the beneficiary of an independent expenditure. A Secretary of State official told us that prior to the 2008 election the beneficiary of the independent expenditure was inconsistently identified in a text field, and there was no systematic way to distinguish independent expenditures made on behalf of specific candidates or ballot initiatives.

Appendix III: Information on Public Financing Programs for State Legislative Election Campaigns in Connecticut and New Jersey

After Maine voters passed the Maine Clean Election Act¹ in November 1996 and Arizona voters passed the Citizens Clean Elections Act² in November 1998, a similar public financing law³ (Connecticut's Act) was introduced in the Connecticut state legislature in October 2005 and enacted in December 2005, establishing the Citizens' Election Program. Connecticut's Act established an optional financing program for candidates for the state legislature beginning in 2008 and certain additional statewide offices beginning in 2010 to use public funds to finance their campaigns as an alternative to traditional fundraising means, such as collecting contributions from individuals or political action committees. In addition, the New Jersey Fair and Clean Elections Pilot Project was enacted into law in August 2004⁴ and the 2007 New Jersey Fair and Clean Elections Pilot Project Act⁵ was enacted into law in March 2007. These acts respectively established pilot projects offering optional public financing of campaigns for candidates seeking election to the General Assembly from certain legislative districts for the 2005 election and for candidates seeking election to the General Assembly and the Senate from certain legislative districts in the 2007 election.

Detailed information is available on the Web sites of the state agencies responsible for administering the respective programs—Connecticut's State Elections Enforcement Commission (SEEC) (www.ct.gov/seec/site/default.asp) and New Jersey's Election Law Enforcement Commission (www.elec.state.nj.us).

¹Maine Clean Election Act, 21-A M.R.S. § 1121 et seq.

²Arizona Citizens Clean Elections Act, A.R.S. § 16-940 *et seq*.

³C.G.S. § 9-700 *et seq*.

⁴P.L. 2004, c.121, August 11, 2004.

⁵P.L. 2007, c.60, March 28, 2007.

Connecticut's Public Financing Program

Purpose of Connecticut's Public Financing Program	 Connecticut's Act established the Citizens' Election Program, which offered full public financing⁶ for participating candidates for the House of Representatives and Senate of the state legislature, also known as the General Assembly, beginning in 2008, and will expand to certain statewide offices, such as governor and attorney general, beginning in 2010.⁷ Connecticut's State Elections Enforcement Commission (SEEC) outlined the following goals of the public financing program: to allow candidates to compete without reliance on special interest money, to curtail excessive spending and create a more level playing field among candidates, to give candidates without access to sources of wealth a meaningful opportunity to seek elective office in Connecticut, and to provide the public with meaningful and timely disclosure of campaign finances.⁸
Requirements of the Public Funding Program in Connecticut	In Connecticut, candidates for the state legislature who wish to receive public funds for campaigning must qualify by, among other things, (1) raising a certain total amount of money, in amounts between \$5 and \$100, in qualifying contributions from individuals, and (2) collecting a certain number of these qualifying contributions from individuals who reside in
	⁶ This type of program has been referred to as a "full" public campaign financing program. Full public campaign financing programs, in theory, are generally intended to be sufficient to cover most campaign costs. In contrast, some states offer partial public funding programs that provide candidates with a portion, but not most, of the money expected to be necessary to run a campaign, generally by matching private contributions with public money at various ratios.
	⁷ These statewide offices are Governor, Lieutenant Governor, Attorney General, State Comptroller, State Treasurer, and Secretary of the State. The next election for these offices will be held in 2010.
	⁸ In addition to administering the public financing program, SEEC has a number of other responsibilities, including the investigation of possible violations of the election laws and the inspection of campaign finance records and reports. The governor and the four highest ranking leaders of the General Assembly each make appointments to the five-member Commission.

the district for which the candidate seeks legislative office, as shown in table 30. In addition, candidates can contribute a limited amount of personal funds to their candidate committees before applying for the initial distribution of public funds. The maximum amount of personal funds allowed per candidate varies depending on the office sought. Any allowable amount of personal funds a candidate contributes is not considered as part of the qualifying contributions, and reduces the initial distribution by a corresponding amount.

Table 30: Qualifying Contribution Requirements for Candidates in Connecticut's Legislative Elections in 2008

Office	Total minimum amount of qualifying contributions (dollars)ª	Minimum number of individual qualifying contributions from individuals residing in the candidate's legislative district	Maximum amount allowable from candidate's personal funds (dollars)
House of Representatives	\$5,000	150	\$1,000
Senate	15,000	300	2,000

Source: GAO analysis of Connecticut public financing law

^aContributions are to be in amounts between \$5 and \$100 from individuals. Qualifying contributions must be monetary and do not include in-kind contributions.

After meeting the requisite qualifications and meeting the ballot requirements administered by the Secretary of State, participating candidates from major political parties may receive initial distributions of public funding as shown in table 31. Minor party candidates can receive varying amounts of public funding⁹ depending on whether they meet

⁹If a candidate for the same office representing the same minor party in the prior election received at least 20 percent of the votes cast for that office, the eligible minor party candidate in the current election may receive the same amount of public funds for the general election campaign as the major party candidates. If a candidate for the same office representing the same minor party in the prior election received at least 10 or 15 percent of the votes cast for that office, the current minor party candidate may receive one-third or two-thirds respectively of the amount of public funds for the general election campaign as the major party candidates and may continue to collect contributions meeting the criteria for qualifying contributions to make up the difference between the amount received and the amount of the full grant. Eligible petitioning party candidates, those not nominated by a major or minor political party, who secure a place on the ballot by filing a requisite nominating petition, are eligible to receive funding similar to that of eligible minor party candidates. Additionally, if a minor party for the same office represents the same minor party in the prior election received less than 10 percent of the votes cast for that office, the current minor party candidate may collect signatures on a nominating petition in order to qualify for a grant.

certain requirements.¹⁰ For elections held in 2010 and thereafter, SEEC is to adjust the amount of public funding for legislative candidates every 2 years to account for inflation.

Table 31: Public Funding Available to Major Party Candidates in Connecticut Primary and General Elections in 2008

Office	Primary election [®]	General election ^b	
State Representative	\$10,000	\$25,000	
State Senator	35,000	85,000	

Source: GAO analysis of Connecticut public financing law.

^aIf the participating candidate is in a party-dominant district (defined as districts in which the percentage of active registered district voters who are enrolled in a major party exceeds the percentage of active registered district voters enrolled in another major party by at least 20 percentage points), then the amount of public funding for a primary election increases to \$25,000 for a state representative candidate and to \$75,000 for a state senator candidate.

^bIf the participating candidate is unopposed in the general election, the amount of public funding is reduced by 30 percent. If the participating candidate's opponent is from a minor party or has not raised funds in an amount equal to the qualifying contribution thresholds, then the amount of public funding is reduced by 60 percent.

Participating candidates are also eligible for supplemental public funding up to certain specified amounts, based on spending by nonparticipating or participating opposing candidates whose aggregate contributions, loans, or other funds received or spent exceed the applicable spending limit—the amount of qualifying contributions plus applicable full initial distribution for a participating candidate in that race. In addition, on the basis of required independent expenditure reports or a SEEC determination, a participating candidate can also receive additional matching funds, in general, if such independent expenditures are made with the intent to promote the defeat of the participating candidate. Such additional funds are to be equal to the amount of the independent expenditure but may not exceed the amount of the applicable primary or general election grant for the participating candidate. If such independent expenditures are made by an opposing nonparticipating candidate's campaign, additional matching funds are only to be provided if the nonparticipating candidate's campaign

¹⁰An August 27, 2009, federal district court ruling (*Green Party of Connecticut, v. Garfield* 648, F. Supp. 2d 298 (2009)) held that the Connecticut public financing program placed an unconstitutional discriminatory burden on minor party candidates' First Amendment protected right to political opportunity by enhancing major party candidates' relative strength beyond their past ability to raise contributions and campaign, without imposing any countervailing disadvantage to participating in the public funding scheme. This case was appealed to the U.S. Court of Appeals for the Second Circuit in September 2009.

	expenditures plus the amount of independent expenditures, exceed the applicable initial public funding amount for the participating candidate. ¹¹
Revenue Sources and Expenditures Made from Connecticut's Public Financing Program Fund	The primary revenue source for Connecticut's public financing program is derived from the sale of abandoned or unclaimed property in the state's custody, such as funds left in saving or checking accounts; stocks, bonds, or mutual fund shares; and life insurance policies. As of March 3, 2010, the Citizens' Clean Election Fund has about \$43 million, a fund established by Connecticut's Act for the public financing program. In addition, the Citizens' Election fund receives funds from voluntary contributions and interest earned on the fund's assets, and if the amount from the sale of abandoned or unclaimed property is less than the amounts specified under state law to be transferred to the Citizens' Election Fund, then the difference is to be made up from corporation business tax revenues. During the 2008 election cycle, about \$8.3 million was distributed to 250 participating candidates in the general election and about \$3 million was expended for SEEC administrative costs. ¹²
Candidate Participation in Connecticut's Public Financing Program in 2008	About three-fourths (250 of 343) of legislative candidates in Connecticut's general election participated in the public financing program, and there was at least one participating candidate in over 80 percent of the races, as shown in table 32.

¹¹An independent expenditure, in general, is an expenditure that is made, without the consent, knowing participation, or consultation of a candidate or agent of a candidate committee. Independent expenditures, to promote the success or defeat of a candidate's campaign, in excess of \$1,000 in the aggregate must be reported to SEEC by the person or entity that makes the expenditure.

¹² According to the Director of the Connecticut Citizens' Election Program, approximately \$1 million was returned as surplus funds to the Citizens' Election Fund from public grant funds distributed for the 2008 election cycle. The surplus funds were returned in calendar years 2008 and 2009.

Table 32: Number of Candidates Who Used Public Financing and Number of Raceswith at Least One Participating Candidate in Connecticut's Legislative GeneralElection in 2008

Candidates and races		
Candidates ^a	Number	Percentage
Nonparticipating	93	27%
Participating	250	73
Total	343	100%
Races⁵		
With no participating candidates	34	18
With at least one participating candidate	153	82
Total	187	100%

Source: Data provided by the State Elections Enforcement Commission.

Note: Connecticut has 151 House districts and 36 Senate districts.

^aIn counting participating candidates, we include candidates who joined the program but did not apply for grants. A few chose not to apply because they were unopposed and did not need the funds, and a few did not apply because they did not reach the qualifying thresholds.

^bIn counting election races, we included all 187 districts in which there was a candidate on the ballot regardless of whether or not the candidate faced a challenger.

Of the participating legislative candidates in Connecticut's general election, more than half, or 130 of 250 candidates, were incumbents. Of those participating candidates who were elected to office, about 95 percent of the incumbents were elected, or 123 of 130 participating incumbent candidates, and about 23 percent of the challengers were elected, or 28 of 120 participating challenger candidates, as shown in table 33.

Table 33: Participating Candidates in Connecticut's Public Financing Program in the Legislative General Elections in 2008

	House of		
	Representatives	Senate	Total
Campaign status of participating candidates			
Number of incumbents	101	29	130
Number of challengers	94	26	120
Total	195	55	250
Participating candidates elected			
Number of participating incumbents elected	95	28	123
Number of participating challengers elected	24	4	28
Total	119	32	151

Source: GAO analysis of Connecticut state reports.

New Jersey's Public Financing Program

Purpose of New Jersey's Public Financing Program	In 2004, the New Jersey Fair and Clean Elections Pilot Project was enacted into law and established an optional public financing program for General Assembly candidates in two legislative districts in the 2005 general election. ¹³ Under New Jersey's 2005 public financing program for legislative candidates, the state Democratic party chairperson and the state Republican chairperson each chose one district to participate in the program. In one of the selected districts, two out of the four candidates for the state Assembly qualified for public funds, and in the other district, no candidates qualified. ¹⁴ In 2007, the state legislature expanded the number of districts covered by the program to Senate and General Assembly candidates in three legislative districts and made several changes in the program, such as decreasing the number of contributions each candidate was required to collect from registered voters in his or her district. ¹⁵ The goals of the 2007 New Jersey Clean Elections Pilot Project are • to end the undue influence of special interest money, • to improve the unfavorable opinion of the political process, and • to "level the playing field" by allowing ordinary citizens to run for office.
Requirements of the Public Financing Program in the 2007 New Jersey Clean Elections Pilot Project	To participate in the 2007 Clean Elections Pilot Project, candidates needed to, among other things, (1) file a declaration of intent to seek certification with the New Jersey Election Law Enforcement Commission (ELEC), the agency responsible for the public financing program; (2) agree to participate in at least two debates; and (3) after certification, limit their expenditures to the amounts raised as "seed money" and qualifying contributions, and public funds received from the fund. During the qualifying period, candidates may accept seed money contributions of \$500 or less from individuals registered to vote in New Jersey, but in
	¹³ New Jersey has 40 legislative districts with one senator and two Assembly members in each district, and elections are held in odd-numbered years. Each Assembly member has a 2-year term and each senator has a 4-year term.
	¹⁴ The 6th and 13th legislative districts were selected for the 2005 pilot project.

¹⁴The 6th and 13th legislative districts were selected for the 2005 pilot project.

 $^{^{\}rm 15}$ The three legislative districts selected for the 2007 pilot project were the 14th, 24th, and 37th districts.

aggregate seed money contributions may not exceed \$10,000.¹⁶ A candidate seeking certification must obtain at least 400 contributions of \$10 (i.e., \$4,000) to receive the minimum amount of public funds available and at least 800 contributions of \$10 (i.e., \$8,000) to receive the maximum amount of public funds. The contributions must be from registered voters from the legislative district in which the candidate is seeking office. In addition, if two state Assembly candidates from the same party are running in the same legislative district, they both must agree to participate in the public funds.

The amount of public funds received by a certified candidate depended upon several criteria: (1) whether or not the candidate is opposed, (2)whether or not the candidate is a major party candidate, and (3) whether the candidate ran in a "split" district, one that, in general, was selected jointly by members of the majority and minority parties in the legislature. After being certified, a candidate nominated by a political party who has also received at least 400 qualifying contributions would receive a grant amount of \$50,000 if opposed and \$25,000 if unopposed. If the candidate were running in a "competitive" district, then such a candidate could collect funding in equal proportion to the number of remaining qualifying contributions (after the initial 400) up to a maximum of 800 qualifying contributions for a total amount of public funds not to exceed the average amount of money spent by all candidates in the two preceding general elections for those offices. If a candidate is running in one of the two "nonsplit" districts, that is, one district selected by the members of the majority political party, and one district selected by the members of the minority political party, then the candidate could collect funding in equal proportion to the number or remaining qualifying contributions (after the initial 400) up to 800 qualifying contributions for a total not to exceed \$100,000.¹⁷ Qualifying contribution amounts received would be deducted from grant amounts. For example, if a candidate raised 400 \$10 gualifying contributions, the amount dispersed to the candidate would be \$46,000 (\$50,000 minus \$4,000 collected in gualifying contributions).

¹⁶Candidates were permitted to use previously raised and reported contributions of \$500 or less from New Jersey registered voters for this purpose. All seed money contributions must be reported at the same time as qualifying contributions.

¹⁷Certified independent candidates receiving at least 400 qualifying contributions would receive \$25,000 or, if unopposed, \$12,500. Thereafter, the independent candidate would receive an amount in equal proportion to the number of remaining qualifying contributions up to a maximum of 800 contributions, for a maximum amount of \$50,000.

	Participating candidates may also receive additional funds under certain circumstances. When a campaign report of a nonparticipating candidate shows that the aggregate amount of contributions exceeds the amount of money provided to an opposing participating candidate, ELEC may authorize an additional amount of money equivalent to the excess amount, up to a maximum of \$100,000 to each opposing participating candidate in the same district as the nonparticipating candidate. ¹⁸ In addition, when a participating candidate files a written and certified complaint to ELEC, and ELEC determines that (1) a nonparticipating candidate is benefiting from money spent independently on behalf of the nonparticipating candidate or that (2) a participating candidate is the subject of unfavorable campaign publicity or advertisements by an entity not acting in concert with the opposing nonparticipating candidate, ELEC may authorize an additional amount of money up to a maximum of \$100,000 to the opposing participating candidate in the same legislative district who is not benefiting from the expenditure.
Revenue Sources and Expenditures for the 2007 New Jersey Clean Elections Pilot Project	For the 2007 pilot project, the New Jersey state legislature funded the program with approximately \$7.7 million from the state's general funds. In addition, voluntary donations, earnings received from the investment of money in the fund, and fines and penalties collected for violations of the public financing program are also sources of revenue. All unspent money is to be returned to the fund. About \$4 million was distributed to participating candidates for the 2007 pilot project. According to a state official, New Jersey's public financing program, which contains matching funds provisions, was not reauthorized for the 2009 elections due to both concerns about a federal district court ruling ¹⁹ holding that the matching funds provisions of Arizona's Citizens Clean Elections Act to be unconstitutional, as well as state budget constraints.

 $^{^{\}ensuremath{^{18}}}$ These additional funds are also known as rescue money.

¹⁹*McComish v. Brewer*, No. 2010 U.S. Dist. LEXIS 4932 (D. Ariz. Jan. 20, 2010). On May 21, 2010, the U.S. Court of Appeals for the Ninth Circuit reversed the district court ruling on the basis that the matching funds provision imposes only a minimal burden on First Amendment rights, and bears a substantial relationship to the state's interest in reducing political corruption. (2010 U.S. App. LEXIS 10442 (9th Cir. Ariz. May 21, 2010)).

Participation in the 2007 New Jersey Clean Elections Pilot Project	In the 2007 Pilot Program, 16 of the 20 legislative candidates running for office in the three legislative districts participated in the program, and every winning candidate participated. Two of the 16 participating candidates received funds in addition to their initial distribution of public funds due to independent expenditures made on behalf of opposing nonparticipating candidates.
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Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact	William O. Jenkins, Jr., (202) 512-8777 or jenkinswo@gao.gov
Staff Acknowledgments	In addition to the contact named above, Mary Catherine Hult, Assistant Director; Nancy Kawahara; Geoff Hamilton; Tom Jessor; Grant Mallie; Heather May; Amanda Miller; Jean Orland; Anna Maria Ortiz; Doug Sloane; Michelle Su; Jeff Tessin; Adam Vogt; and Monique Williams made significant contributions to this report.

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