

REPORT OF THE JOINT SUBCOMMITTEE
STUDYING PUBLIC FINANCING
OF STATEWIDE ELECTIONS
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA



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MEMBERS OF JOINT SUBCOMMITTEE

Willard J. Moody, Chairman
Robert B. Ball, Jr.
Vincent F. Callahan, Jr.
Julian F. Carper
Walter W. Craigie, Jr.
Alfred B. Cramer
Elmo G. Gross, Jr.
Richard J. Davis
Joseph V. Gartlan, Jr.
Elmon T. Gray
Sydney Lewis, Sr.
C. Hardaway Marks
Owen B. Pickett
Ford C. Quillen
James M. Thomson
William A. Truban

STAFF

Legal and Research

Division of Legislative Services

Administrative and Clerical

Office of Clerk, House of Delegates

**Report of the Joint Subcommittee
Studying Public Financing
of Statewide Elections
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
January, 1980**

To: Honorable John N. Dalton, Governor of Virginia
and
The General Assembly of Virginia

Conclusion:

The data that exists and the experience of other states does not justify the establishment of public financing of elections nor the setting of campaign expenditure limitations. Furthermore, it is not yet clear that campaign limitations would dilute any influence special interests may have because of campaign contributions. However, the data does lead to the conclusion that a large proportion of campaign funds are given by a small number of large contributors. The General Assembly should be kept aware of the nature of campaign funding.

Recommendation:

The State Board of Elections should provide the General Assembly with a detailed analysis of the contributions in each statewide election campaign.

There has long been a concern about the influence of money in political campaigns. Reformers have voiced fears that individuals or groups could gain undue influence from an officeholder by virtue of large contributions to his campaign for office. These same people have worried that the candidate with the most money would win, not necessarily because of his merit but because of his ability to fund more advertising. A related concern has been that elections were steadily becoming limited to wealthy individuals who had large sums of their own to spend or ready access to large amounts of money.

It was these concerns that led Congress and some states to pass legislation establishing a system of public financing of election campaigns and a limitation on campaign spending. The Congressional statutes apply only to Presidential races and have been largely upheld by the Supreme Court. Most state laws apply only to gubernatorial elections, although some have been extended to legislative campaigns.

Virginia has proceeded cautiously in this field. An earlier study committee tentatively recommended limitations on contributions and limitations, but that recommendation was rejected in favor of a system of disclosure requirements. Because of the sustained concern and the growing use by other states, the General Assembly in 1979 requested another study of the matter. (The resolution is in the Appendix.)

The subcommittee has collected a large amount of data in order to evaluate the nature of campaign giving in Virginia. The information, while providing some cause for concern, does not show that there is any pressing need for stronger regulation of campaign financing.

As Table 1 shows, there have been major increases in the last eight years in spending for statewide campaigns. (At this point, it should be emphasized that because of the wording of the resolution, the subcommittee restricted its analysis to statewide campaigns.) The total expenditures increased over 150% during the eight-year period. This large increase can be attributed to any number of factors. Inflation certainly accounted for a major portion of the increase. Also more competitive campaigns, as well as the more extensive use of television and professional advertising consultants led to heavier spending.

**Table 1 - Total Expenditures
of all Virginia Statewide General and Primary
Campaigns, 1969-1977**

	<u>1969</u> ¹	<u>1973</u> ²		<u>1977</u>	
Governor	1,679,158	2,301,341	(37.0) ³	4,347,780	(159.0)
Lt. Governor	477,915	466,990	(-2.3)	1,732,640	(262.5)
Attorney General	601,991	319,170	(-47.0)	885,077	(47.0)
Totals	2,759,064	3,087,501	(11.9)	6,965,497	(152.4)

¹ Source: William Buchanan, "Campaign Finance in Virginia: The Cost of the Laws," Tayloe Murphy Institute, 1970.

² Source for 1973 and 1977 data: Reports on file with State Board of Elections.

³ Numbers in parenthesis indicate percentage change from 1969.

One of the obstacles the subcommittee faced was the lack of an adequate base of comparison. The detailed disclosure requirements were not enacted until 1975. The 1969 figures in Table 1 were based strictly on estimates furnished by the parties. Only the 1977 data is available on any basis other than an aggregate basis. Thus, the subcommittee was unable to compare the prevalence of large contributors in 1977 with any previous year. Cross-state comparisons are fraught with difficulty because of unique political situations, and little is possible anyway because of a scarcity of systematic research at the state level.

In the 1977 statewide campaigns, a pattern observed elsewhere held true in Virginia. The contributors of small amounts were large in numbers but relatively small in their impact on the total amounts collected. Table 2 shows that, generally, about 90% of the contributors gave only one quarter of the money collected by the candidates. The overwhelming proportion was received in amounts of over \$100.

**Table 2 - Breakdown of Contributors and Contributions
Over and Above \$100, for Overall Campaigns,
by 1977 Major Candidates**

	<u>\$100 and Under</u>				
	<u>No.</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Avg.</u>
Dalton	18,854	(90.1)	\$571,093	(27.3)	\$30
Howell	8,588	(88.7)	225,725	(15.8)	26
Canada	4,812	(97.5)	68,565	(34.7)	14
Robb	4,006	(83.6)	137,535	(21.4)	34
Coleman	2,805	(88.5)	94,336	(28.8)	34
Lane	1,682	(86.7)	83,607	(29.9)	50
	<u>Over \$100</u>				
	<u>No.</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Avg.</u>
Dalton	2,063	(9.9)	\$1,518,538	(72.7)	\$736
Howell	1,087	(11.3)	1,203,963	(84.2)	1108
Canada	125	(2.5)	128,848	(65.3)	1031
Robb	785	(16.4)	503,996	(78.6)	642
Coleman	364	(11.5)	233,360	(71.2)	641
Lane	258	(13.3)	195,986	(70.1)	760

Going further, the data shows that over a third of the money received by all the major candidates in 1977 came in amounts of \$5000 or more. By any measure, these are substantial

amounts of money and cause us concern. It must be pointed out, however, that several of the very large single contributions came not from individuals, but from party functions or sources, such as a fundraiser featuring President Carter.

Undoubtedly, a relatively small group of individuals, companies, and organizations provide the bulk of the money used by candidates for governor, lieutenant governor and attorney general. However, we are not prepared to recommend that any steps be taken to change the present system. We reach this conclusion for several reasons.

First of all, except for one primary candidate who relied almost entirely on contributions from his family, the data does not show an overwhelming dependence on a few very large contributors by any candidate. Furthermore, there has been no evidence showing that large contributors received any special considerations or favors as a result of their gifts, or are able to exercise any undue influence.

Secondly, we are not convinced by the experience of other states and the Federal government that limitations would diminish the influence, if any, of special interests. There is, in fact, a reexamination of these policies now in progress. A major study has concluded that the limits on contributions to candidates for Congress have made it difficult for candidates to raise enough money and forced them to turn to personal sources and political action committees, which are less accountable. (See *An Analysis of the Impact of the Federal Election Campaign Act, 1972-78*, prepared by the Institute of Politics of Harvard University for the Committee on House Administration of the U.S. House of Representatives.) These developments run counter to the very intention of the reforms.

The rapid development of political action committees (PACs) on the heels of the passage of campaign financing regulation was a concern to the subcommittee. These groups were not very active in the 1977 election, but were more prevalent in the recently completed General Assembly elections. Their impact, in this state and elsewhere, has yet to be evaluated. We do not want to recommend any legislation that would further encourage their growth until we know their effect.

In conclusion, there are disturbing aspects of the patterns of campaign financing that we have seen. But regulation of campaign financing by states is a new development and there have been just two gubernatorial elections to date in states where public financing and expenditure limitations were in effect. It would be best to wait until these experiences have been assessed before moving further into this area. However, it would be advisable for the General Assembly to keep abreast of the financing of campaigns in Statewide elections. To this end, we recommend that the State Board of Elections furnish to the General Assembly a detailed analysis of the financing of campaigns for statewide office.

The recommended legislation is attached in the appendix to this report. We hope that the General Assembly will concur in our recommendations.

Respectfully submitted,

Willard J. Moody, Chairman
Robert B. Ball, Jr.
Vincent F. Callahan, Jr.
Julian F. Carper
Walter W. Craigie, Jr.
Alfred B. Cramer
Elmo G. Gross, Jr.
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Appendix

1. House Joint Resolution No. 230, authorizing the study.
2. Recommended legislation.

HOUSE JOINT RESOLUTION NO. 230

Requesting the Committees on Privileges and Elections of the House of Delegates and the Senate to study public financing of Statewide elections.

WHEREAS, it is to the benefit of Virginia that as many persons as possible have the opportunity to run for public office; and

WHEREAS, the costs of running for Statewide office in the Commonwealth have escalated significantly in recent years; and

WHEREAS, these increased costs may, in the near future, severely restrict the field of potential candidates to those with large personal wealth; and

WHEREAS, there has been experience on the federal level and in other states with the public financing of elections; and

WHEREAS, there was introduced in the nineteen hundred seventy-eight General Assembly legislation establishing a system of public financing of elections; and

WHEREAS, the United States Supreme Court has rendered a decision and established guidelines since the last General Assembly study on this matter; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Committees on Privileges and Elections of the House of Delegates and the Senate are requested to study public financing of elections. The chairman of each committee is requested to appoint three members of his committee and two citizens from the State at large to form a subcommittee for this study. Such subcommittee membership shall also include the chairman of the Democratic and Republican Caucuses of the House of Delegates, the chairmen of the Democratic and Republican Caucuses of the Senate of Virginia, the State chairman of the Democratic Party and the State chairman of the Republican Party. The Committees are requested to submit their findings and recommendations to the nineteen hundred eighty General Assembly.

A BILL to amend the Code of Virginia by adding in Chapter 9 of Title 24.1 a section numbered 24.1-263.1, requiring the State Board of Elections to prepare an analysis of campaign finances.

Be it enacted by the General Assembly of Virginia: .

1. That the Code of Virginia is amended by adding in Chapter 9 of Title 24.1 a section numbered 24.1-263.1 as follows:

§ 24.1-263.1. Analysis of finances.—The State Board of Elections shall prepare a detailed analysis of the contributions received by candidates for governor, lieutenant governor and attorney general. The analysis shall include a summary of each candidate's contributions by size of contribution and occupation of contributor. The analysis shall cover all primary and general election candidates and be based on the reports filed with the Board in accordance with § 24.1-257. The analysis shall be reported to the General Assembly no later than fourteen months after the election is held.