



# FROM THE CENTER OUT

## *Campaign Finance Research Featured Before N.C. State Board of Elections and on Cable TV*

On August 21, 1986, Ran Coble, executive director of the N.C. Center for Public Policy Research, spoke before the N.C. State Board of Elections on campaign finance issues. His remarks summarized the findings of an ongoing 18-month Center study. OPEN/net, state government's public events television network, taped the meeting, and on August 29, aired selected portions in a two-hour special on campaign finance. The show included a live 30-minute question-answer period. Ran Coble participated in the live broadcast, along with Alex K. Brock, executive director of the State Board of Elections, and Yvonne Southerland, deputy director and head of the Board's Campaign Reporting Office.

The N.C. Agency for Public Telecommunications administers OPEN/net, a cable channel covering government agency meetings and public policy issues. The August 29 campaign finance show appeared on cable TV systems serving 150 cities and towns across North Carolina.

The Center first released research on campaign finance issues in May 1985, when it sponsored a seminar in Raleigh. At the day-long event, 135 people heard campaign finance experts speak on national and state political races and on trends in campaign financing. The Center hopes to publish the results of this research project in a book-length report later this year. Below are excerpts from Coble's speech, given to the N.C. Board of Elections on August 21, televised on August 29, and edited here for space.

Let's think a minute about why campaign finance is important to every citizen in North Carolina. There are at least four reasons:

(1) because the ability to raise money affects who can even run for office;

(2) because the ability to raise a large amount of money can affect who wins, though not always;

(3) because campaign contributions can affect policy in the years to come, as candidates are inevitably affected by where their support came from; and

(4) because campaign contributions give the people who write the checks access to policy-makers.

What matters is not that the relationship between money and influence exists in North Carolina politics—nothing is ever likely to change that. What matters is that the connection be clearly in public view. As one candidate for governor told us, "We are going to lose the entire integrity of what democracy in this country is all about if we can't do something about the money aspect of races."

### Goals of the North Carolina Campaign Reporting Act

To begin our discussion of campaign finance, let's take a quick look at North Carolina's Campaign Reporting Act.<sup>1</sup> The N.C. General Assembly enacted that law on April 11, 1974, perhaps in large part as a response to the Watergate scandal in Washington. Most state laws in this field were passed within a few years after Watergate.

There were two main goals these state campaign finance laws were trying to serve. Because of the secrecy surrounding contributions in the 1972 presidential campaign and the ensuing problems known as "Watergate," the state laws were first designed to disclose to the public where a candidate got the money to run for office. Second, because a few very rich individuals had played such a prominent role in financing both the Republican

and Democratic nominees in the 1972 election (Clement Stone for Nixon and Stewart Mott for McGovern), the laws tried to lessen the influence of a few wealthy individuals and instead enhance participation by large numbers of citizens who would give small amounts of money.

North Carolina's Campaign Reporting Act serves both of these goals. The goal of *public disclosure* is served by the requirement in our law that winning candidates must file four reports during the course of the campaign, reporting *all* contributions and expenditures. And, if someone gives more than \$100 to a candidate, then the candidate's treasurer must send in the name and address of the contributor, the date and amount of the contribution, and the cumulative total given thus far by that contributor. Thus, campaign finance reports in North Carolina disclose to the voters where a candidate's financial support is coming from, before the voters have to make decisions in the primary and before the general election.

Our North Carolina law also serves the goal of *enhancing participation* in the elections process by a large number of citizens, in that our law says that no one contributor can give more than \$4,000 per candidate per election. All of this information on contributions and expenditures is considered a public record, and thus anyone can walk into the State Board of Elections' Campaign Reporting Office and ask to see it.

## Comparison of the N.C. Law with Other State Laws<sup>2</sup>

Over the past year, part of the Center's research on campaign finance has been devoted to comparing N.C.'s law with those of the other 49 states. We have analyzed those laws and sent a written copy of our analysis back to each state to let each state verify that we interpreted its law correctly. All in all, I think we would conclude that the N.C. law is a little better than average among the states.

There are several ways that North Carolina is like most other states. In all 50 states, individuals may contribute to campaigns, and campaign finance reports are public records. Like 23 other states, we limit the size of the contribution any one person can give. Here, the limit is \$4,000.<sup>3</sup> In 17 of the 23 states, the limit is less than \$4,000; 8 of these 17 have a limit of \$1,000 or less.

North Carolina is in a minority of states regarding other points. We are one of 20 states that prohibit contributions by corporations, and one of

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*"Politics has got so expensive that it takes lots of money to even get beat with."*

—Will Rogers

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only eight that prohibit contributions by labor unions. But prohibitions don't necessarily speak to enforcement. For example, in Louisiana, Gov. Edwin Edwards' response to charges that he had received illegal *corporate* contributions was, "It is illegal for them to *give* but not for me to *receive*." It turned out he was right.<sup>4</sup>

As many of you know, the 1985-86 General Assembly did consider a bill that would have allowed contributions by corporations.<sup>5</sup> Both the Republican Governor and Democratic Speaker of the House opposed the bill, however, so it died in the House of Representatives.

Thirteen states allow either a state tax *deduction or credit* for a contribution to a candidate. The idea behind allowing the tax deduction was to encourage citizens to participate in campaigns, even if in a small way. North Carolina allows a tax *deduction*, but the maximum is only \$25. Finally, only 19 states, including North Carolina, have some system of public financing of campaigns. In our system, a taxpayer can choose to have \$1 of his or her taxes to go into what is called the State Campaign Fund.<sup>6</sup> This fund is distributed to the Democratic and Republican parties according to how many people are registered as Democrats or Republicans. In 1984, only 16 percent of the taxpayers exercised this option, but that much involvement sent \$857,391 into the fund.

## Criticisms of the North Carolina Law

Our research shows that N.C.'s law is a little better than the average state law in terms of being comprehensive and reasonable. And, the Campaign Reporting Office staff report that they get about 90 percent compliance by all candidates or committees subject to the law. Even so, our interviews with candidates, election officials, news reporters, and citizens across the state uncovered three criticisms of our law.

*First, all the campaign reports aren't filed in one place in North Carolina.* Campaign reports on legislative races in *single-county* districts are only

filed at the county level, *not* with the State Board of Elections. Reports on legislative races from *multi-county* districts are filed with the State Board in Raleigh. To see *all* the campaign finance reports, you'd have to travel to 16 different counties,

from Henderson County in the mountains to Onslow County down east.<sup>7</sup>

*Second, our law doesn't require the campaign finance reports to list the occupation or business affiliation of contributors who give more than*

## *Proposed Federal Changes in Campaign Finance Law*

**D**uring 1987, Congress appears headed for a full fledged discussion of changes in *federal* campaign finance laws. "It is an idea whose time has come," Senate Majority Leader Robert C. Byrd told *The New York Times* on Nov. 19, 1986. Prominent Republicans, including Senate Minority Leader Robert Dole, have also indicated that changes in the financing of Congressional campaigns should be considered.

"We have strong bipartisan support for comprehensive campaign finance reform in the 100th (1987-88) Congress," says Julie Abbot of Common Cause, the group's senior political organizer for the South and Southwest. "We expect to have committee hearings in both the House and Senate and a bill reported out by both."

In 1986, Congress took some major steps toward changing the federal campaign finance laws. On August 12, the Senate voted to limit contributions by the more than 4,000 political action committees (PACs) that contribute at the federal level. In a 69-30 vote, the Senate gave preliminary approval to a plan which would limit PAC contributions to candidates for the U.S. House to \$100,000 each and for the U.S. Senate on a sliding scale according to the size of the state.<sup>1</sup> The bill never gained final approval in the Senate and died in the 99th Congress (the House never took up the bill). New legislation has to start all over in a new session of Congress.

In 1987, Common Cause will be one of the chief advocates for comprehensive campaign finance reform. "Common Cause does not believe that public disclosure is enough," says Abbot. You need limitations in four areas, she

says: a limit on overall campaign spending, a limit on how much personal wealth can be used, a limit on aggregate spending by PACs, and "the linchpin to all this—some kind of partial public financing." These four limitations would apply to candidates for both the U.S. House and Senate. Public financing would be a modified version of the public financing system currently used for presidential races, she says. Currently, federal funds match whatever funds a presidential candidate raises from individuals (not from PACs), within specified limits of various sorts.

"If we get a bill passed in 1987, it would probably apply to the 1988 elections," says Abbot.

If PAC money is limited at the federal level, and if PACs think that they cannot have much of an impact in statewide races for governor and other Council of State races (see main story), then one might logically expect an ever larger influx of PAC contributions in future *state* legislative races. The members of the General Assembly will probably have to decide whether that is a good thing or a bad thing and what lessons we should learn from our more than a decade of experience with N.C.'s Campaign Reporting Act.

### FOOTNOTE

<sup>1</sup>Under the bill, if a candidate for the U.S. House was opposed, an additional \$25,000 was allowed for both the primary and the general election. The bill limited the amounts Senate candidates could spend to a range of \$175,000 to \$750,000 for *each* candidate, depending on a state's population; the limit in North Carolina, under the bill, would be \$35,000 x 11 Congressional districts + \$25,000 if there was a runoff, or a possible total of \$410,000 per candidate.

\$100. Eighteen states *do* have such a requirement.

*Third, the penalties we have for violating the act may be too weak.* For example, if you file a report *late*, the fine is \$20 per day. If you don't file a report at all, you can be charged with a mis-

demeanor and fined up to \$1000, jailed for a year, or both. Some believe the problem in enforcement is not weak statutory penalties, but rather insufficient funding for the Campaign Reporting Office. The Campaign Reporting Office has two

### The Cost of Running for Statewide Office in North Carolina: Total Expenditures for 1984 Statewide Races

Candidates on November Ballot	Contributions	Loans	Expenditures
<b>A. Governor</b>			
James G. Martin (R) *	\$ 2,984,544.17	\$ 58,000.00	\$ 2,935,175.86
Rufus Edmisten (D)	3,955,207.56	423,100.00	4,453,198.21
<b>B. Lieutenant Governor</b>			
Robert B. Jordan, III (D) *	1,281,615.71	254,000.00	1,544,727.44
John H. Carrington (R)	183,289.85	241,657.70	421,800.59
<b>C. Attorney General</b>			
Lacy Thornburg (D) *	376,172.44	-0-	365,404.25
Allen C. Foster (R)	11,385.00	15,227.16	26,291.71
<b>D. Insurance Commissioner</b>			
James E. Long (D) *	337,102.89	11,868.70	292,220.30
Richard T. Morgan (R)	2,225.00	1,000.00	3,224.95
<b>E. Labor Commissioner</b>			
John C. Brooks (D) *	24,105.57	11,000.00	34,758.03
Margaret Plemmons (R)	4,159.06	-0-	4,627.25
<b>F. Secretary of State</b>			
Thad Eure (D) *	9,141.52	-0-	9,034.75
Patric Dorsey (R)	5,054.97	-0-	5,505.23
<b>G. Agriculture Commissioner</b>			
James A. Graham (D) *	69,138.05	-0-	39,422.54
Leo Tew (R)	1,855.00	320.00	2,179.42
<b>H. State Auditor</b>			
Edward Renfrow (D) *	62,426.94	-0-	56,683.04
James Eldon Hicks (R)	7,626.21	4,884.70	7,626.21
<b>I. Superintendent of Public Instruction</b>			
Craig Phillips (D) *	24,806.60	-0-	18,930.22
Gene S. Baker (R)	11,273.50	-0-	10,862.88
<b>J. State Treasurer</b>			
Harlan E. Boyles (D) *	4,552.00	-0-	3,556.36

Source: N.C. Center analysis of the records at the Campaign Reporting Office of the N.C. State Board of Elections, as of December 31, 1984. Amounts shown do *not* include changes from amended campaign reports filed after that date.

\* Denotes winners of elections.

full-time staff people and a budget (fiscal year 1986-87) of \$106,724. Those advocating more funds want the General Assembly to appropriate money to computerize the records and allow the office staff to be more than record keepers. The staff's response to this is that the *press* already serves that analytical function quite well, so why should taxpayers pay for what they already get for free?

## Where the Money Comes From in North Carolina Campaigns

I'd like to switch now to comments about where the money for campaigns in North Carolina comes from, because how a state structures its campaign finance law can either encourage or discourage money from different sources. I want to talk about five possible sources of funds: (1) contributions from the candidate and his or her family; (2) large contributions from a few individuals or families; (3) small contributions from a large number of people; (4) political parties; and (5) political action committees.

*Contribution From the Candidate and Family.* North Carolina's campaign law allows *unlimited* contributions by a candidate and his or her family members. In 1984, the candidate for statewide office who best exemplified the advantage of personal wealth in North Carolina was Lauch Faircloth. Faircloth spent more than \$2 million in his race for the Democratic nomination for governor. Of that amount, 42 percent (\$882,000) came from loans to the campaign by Faircloth or members of his family. Since less than 2 percent of these loans were repaid as of the end of 1984, family wealth was obviously a real advantage.

*Large Contributions From a Few Individuals.* North Carolina law limits contributions from an individual *outside* the candidate's family to \$4,000 per candidate per election. In the 1984 governor's race, the candidate who got the largest number of \$4,000 contributions was Democratic nominee and former Attorney General Rufus Edmisten. Sixty people gave the maximum \$4,000 allowed under the law to Edmisten; another 837 people gave \$1,000 or more. Three families other than his own gave \$47,668 to his campaign. Johnnie C. Setzer, a former Democratic National Committee member, and two members of her family gave a total of \$17,000 to Edmisten. By contrast, only 19 people gave the maximum \$4,000 contribution to Governor Martin, and 603 gave \$1,000 or more. Like Edmisten, Martin drew large amounts of

support from a few families. For example, then-Congressman James Broyhill and nine other members of the Broyhill family gave \$24,084 to the Martin campaign.

*Small Contributions From a Large Number of People.* The original campaign finance laws were designed to reduce the influence of a few wealthy individuals and to encourage more small contributions from a large number of people. The goal was also to enhance competition for elective office. The two parties' nominees for governor in 1984 both demonstrated widespread support. More than 5,000 people (5,056) gave \$100 or more to Martin's campaign; more than 7,000 (7,240) people gave \$100 or more to Edmisten's campaign. People giving small amounts play a significant role in a campaign. "You need to have the \$15-\$25 contributors to get people involved," one candidate for governor told us. "But you also have got to have some \$4,000 givers too, in order to win."

*Political Parties.* Our research shows political parties are not significant contributors in North Carolina elections. In both Martin's and Edmisten's campaigns, funds from county party contributions, state party contributions, and publicly financed funds coming from tax checkoffs and going to the parties, all *combined*, amounted to less than 3 percent of each candidate's total contributions.

*Political Action Committees.* Called PACs, these committees are significant contributors in North Carolina elections, even though they too are limited to giving no more than \$4,000 per election. The number of PACs has grown in North Carolina from only 29 in 1974 to 259 in 1984. At the same time, their financial attention seems to be shifting from races for high-level statewide office to legislative races at the district level. In 1984, money from PACs was not a significant factor in either the very expensive Helms-Hunt race for the U.S. Senate or the governor's race. Ninety-five percent of Senator Helms' money came from *individual* contributions, not from PACs; 91 percent of the contributions to Hunt came from individuals. In the governor's race, only 2.4 percent of the \$11 million spent came from political action committees.

The number of PACs is growing and the amount of money contributed by PACs is shifting from statewide races to Congressional and state legislative races. According to Common Cause, PAC contributions to Congressional races nationwide increased 54 percent from 1983 to 1985. Incumbent members of the U.S. House elected in 1984 received a record 44 percent of their campaign funds

from PACs, up from 34 percent in 1980, and 37 percent in 1982, reported Common Cause.<sup>8</sup>

Political action committees are also a growing force in state legislative races in North Carolina. *The Charlotte Observer* spent six months researching contributions in state legislative races and found that in 1984 legislative races, one of every four dollars came from political action committees. In those races, 206 PACs gave a total of \$511,914 to 267 candidates. The PACs ranking at the top of the spending charts were the N.C. Medical Society, which gave \$36,300, and the N.C. Academy of Trial Lawyers, which gave \$31,000. Other PACs ranking among the top 10 represented textile manufacturers, the realtors association, beer wholesalers, the N.C. Association of Educators, chiropractors, Duke Power Company, Carolina Power and Light Company, and Veeco Power Company.<sup>9</sup>

PACs give more to incumbents than challengers, thus cutting against one general goal of campaign finance laws—to enhance competition and not lock in incumbents. *Incumbent* state legislators received an average contribution of almost \$2,800 (\$2,792) from PACs, while *challengers* only got about \$1,000 (\$1,009), and thus, it should be no surprise that eight out of every 10 incumbents seeking re-election to the legislature in 1984 won. PACs also ensure that they will give to a winner by giving to both Republican and Democratic nominees.

This movement of PAC giving down toward state legislative races makes real political sense. You can get probably more bang for your buck there. For example, utility companies are regulated predominantly at the state level; the doctors, lawyers, and chiropractors are licensed or regulated at the state level; the educators' salaries, for the most part, are set by the state legislature; and a beer wholesaler's whole economic life revolves around the legislature's taxing powers over alcoholic beverages and laws setting drinking ages.

## Conclusion

The Center conducted this research because we believe a strong public disclosure law governing giving and spending in political campaigns will go further than almost any other public policy to encourage integrity and openness in state government in North Carolina.

The Center is very pleased that the State Board of Elections allowed us to make this presentation, and the citizens of North Carolina should be grateful to you, the members of the N.C. State Board

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*"Everybody knows that half the money spent in a political campaign is wasted. The trouble is nobody knows which half."*

*— the late Calif. Rep.  
Robert W. Crown*

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of Elections, for taking the time to think about and discuss how political campaigns are financed in North Carolina. I'll be glad to answer any questions. Thank you very much for your time. □□

## FOOTNOTES

<sup>1</sup>Chapter 1272 of the 1973 Session Laws (2nd Session, 1974), now codified as N.C.G.S. Chapter 163, Article 22A. All subsequent provisions of the N.C. law mentioned in the article can be found in G.S. 163-278.6 to 163-278.40I.

<sup>2</sup>All data reported in this section is based on original Center research to be published in a book-length report, planned for later in 1987. The data is from responses to surveys of agencies administering the campaign finance laws in all 50 states. Some minor changes in these tabulations may be expected between publication of this preliminary data and publication of the final report.

<sup>3</sup>North Carolina's \$4,000 limit is in G.S. 163-278.13, which allows no individual or political committee contribution to any candidate or other political committee in excess of \$4,000 for an election; and allows no candidate or political committee to accept or solicit a contribution in excess of \$4,000 for an election. In addition, the statute provides an exemption to the candidate and his immediate family and to the state, district, and county executive committee of any political party recognized under G.S. 163-96. The statute goes on to define an "election" as any primary, second primary, or general election in which the candidate may be involved, whether or not the candidate is opposed.

<sup>4</sup>As reported in *State Policy Reports*, Vol. 3, Issue 6, March 1985, p. 27.

<sup>5</sup>Considered as an amendment to a bill making various technical changes in election laws, this proposal passed the N.C. Senate 39-7 on July 2, 1985, but died on the House floor by a 6-87 vote on July 5, 1985.

<sup>6</sup>G.S. Chapter 163, Article 22B (163-278.41 to 163-278.45).

<sup>7</sup>The 16 counties are: Burke, Columbus, Cumberland, Durham, Forsyth, Guilford, Henderson, Iredell, Mecklenburg, Moore, New Hanover, Onslow, Randolph, Rowan, Wake, and Wayne. These 16 counties are single county districts for either House or Senate seats. Four other counties are also single county districts for either judicial or prosecutorial districts (Alamance, Buncombe, Gaston, and Pitt). Finally, 40 counties (all with a population of 50,000 or more, which includes all 20 counties named above) operate campaign reporting offices for elections to county-level positions.

<sup>8</sup>*Common Cause Magazine*, March/April 1986, p. 41 and May/June 1985, p. 39. Also, see *Congressional Quarterly*, June 8, 1985, p. 1117.

<sup>9</sup>The Center is grateful for the continuing cooperation of *The Charlotte Observer* and its partnership in conducting research on campaign financing. *The Charlotte Observer* originally published its research on contributions in state legislative races in installments in its June 16-20, 1985 editions, now available as a special eight-page reprint.