

Agenda

Item #3



STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

To: Commissioners
From: Jonathan Wayne, Executive Director
Date: November 10, 2009
Re: Update on Commission Rule-Making

At the September 8, 2009 meeting, the Ethics Commission agreed to accept comments on proposed amendments to Chapter 3, Section 4(4) of the Commission's Rules (attached). This rule sets forth the procedures that the Commission would use if there was insufficient money in the Maine Clean Election (MCE Fund) to pay public campaign funds to candidates. The general procedure set forth in 21-A M.R.S.A. § 1125(13) (also attached) is that the Commission will reduce the public funds payments made to Maine Clean Election Act (MCEA) candidates and will authorize the candidates to raise campaign contributions up to \$350 per contributor per election for House and Senate candidates and up to \$750 per contributor per election for gubernatorial candidates.

During the week of September 28, 2009, I spoke with representatives of the three political parties in Maine and with the legislative caucuses concerning the potential for a shortfall in the MCE Fund during the 2010 elections. I encouraged them to use the rulemaking as an opportunity to advise you about the best policy for reducing MCEA payments in 2010 if it should become necessary. I also spoke with representatives of the Maine Citizens for Clean Elections and attorney Dan Billings, who had made comments about this topic at your previous rule-making. On October 8, 2009, I sent a formal invitation to comment on the proposed rule to our list of interested persons.

In response to a suggestion by the Maine Citizens for Clean Elections, the Commission staff prepared a November 3rd memo with attachments that illustrated some options for how the Commission could reduce MCEA payments in the 2010 elections if it had to reduce the overall cost of the program by \$600,000. (The Commission staff continues to hope that this reduction will not be necessary.) The attachments illustrated four options (1A, 1B, 2A, and 2B). One important policy choice is whether the Commission would reduce the initial general election payments that MCEA candidates receive in June 2010 or whether the Commission would reduce the matching funds payments that *some* MCEA candidates receive in September and October.

As they relate to the *gubernatorial* candidates, all four options propose to reduce the matching funds payments. The Commission staff believes that it is important that if a MCEA gubernatorial candidate wins his or her party primary on June 8, 2009, the

candidate should receive the full initial general election payment of \$600,000 so that they can immediately start their general election campaign as they had planned.

As they relate to *legislative* candidates, Options 1A and 1B would reduce the initial payments that legislative candidates would receive in June 2010. Options 2A and 2B would reduce the matching funds payments made to legislative candidates in September and October.

Written Comments Received to Date

The Commission has received two sets of written comments:

- combined comments from the 2010 gubernatorial campaigns of Sen. Elizabeth Mitchell and Sen. Peter Mills, and
- comments from the Democratic legislative caucuses. The caucuses favor Option 1A, which would involve candidates receiving a reduced initial general election payment in June 2010. In this proposal, House candidate could cover the reduction by raising two contributions of \$350 and Senate candidates could cover the reduction by raising six contributions of \$350. The caucuses do not favor Options 2A and 2B, because they believe the fundraising would be too burdensome on candidates.

Unanticipated Fundraising Costs for Gubernatorial Candidates

If the Commission had to reduce total MCEA payments to 2010 candidates by \$600,000, Senators Mitchell and Mills favor Option 1A in which they would raise \$142,000 in campaign contributions. However, they explain that raising the \$142,000 in contributions will require a substantial effort similar to raising seed money for their campaigns. They state that the effort would necessitate expenses for fundraising appeals, events, and considerable staff time. The Senators estimate that the cost of raising \$142,000 would be \$50,000. They argue that these are fundraising expenses that they did not budget for when deciding to qualify for MCEA funding, and that they would not otherwise spend if the MCE Fund had sufficient resources.

The candidates therefore ask that, if they are required to raise \$142,000 in campaign contributions, that they would be permitted to raise an *additional* \$50,000 to cover their fundraising costs. They are *not* suggesting that they receive an increase in their MCEA funding. They are asking for an authorization to raise additional money so that – if they become their parties’ nominees – they will be able to spend \$1,200,000 on communications to voters and other campaign activities (as they had planned when they enrolled in the program) and an additional \$50,000 in unanticipated fundraising costs.

The Commission staff received the suggestion yesterday, and has not had time to digest it. We agree that having to raise \$142,000 in the summer of 2010 would be a very significant change in the program and that “it costs money to raise money.” The staff

needs to consider whether the current statutory language in the MCEA would allow the Commission to grant their proposal if you agree with it as a matter of policy. The proposal by the gubernatorial candidates effectively turns a \$1,200,000 general election campaign for MCEA candidates into a \$1,250,000 campaign. At first glance, the current language in MCEA probably would permit this, but the Commission staff will confer with the Commission's counsel prior to the November 19th public hearing.

Staff Suggestion on Text of the Proposed Rule

Based on my initial conversations with legislative caucus staff, I would suggest deleting or amending the first sentence of Section 4(4)(D):

In apportioning a payment reduction to certified candidates, the Commission shall seek to avoid allowing certified candidates to fundraise in the final six weeks before a general election or a contested primary election.

Some of the caucus staff interpreted this to mean that the Commission would entirely halt fundraising by MCEA candidates who had received reduced public funds payments during the final six weeks before an election. That was not the staff's intention in drafting this sentence.

Steps after November 19, 2009 Public Hearing

The deadline for written comments is December 4, 2009. It is anticipated that you would adopt any amendments to the rule at your January meeting.

Chapter 3, Section 4(4). Distributions Not to Exceed Amount in Fund Authorizing Contributions due to Shortfall in the Fund.

- A. Authorization by Commission to accept contributions.** If the Commission determines that the revenues in the Fund ~~are~~ may be insufficient to ~~meet distributions~~ make payments under ~~this chapter~~ section 1125 of the Act, the Commission ~~will~~ may reduce payments of public campaign funds to certified candidates and ~~permit certified candidates them~~ to accept and spend contributions in accordance with the Act [§1125(13)].
- B. Limitations on permitted contributions.** If permitted to accept contributions, a certified candidate may not accept a contribution in cash or in-kind from any contributor, including the candidate and the candidate's spouse or domestic partner, that exceeds \$750 per election for gubernatorial candidates and \$350 per election for State Senate and State House candidates. A candidate may not solicit or receive any funds in the form of a loan with a promise or expectation that the funds will be repaid to the contributor. If a contributor made a seed money contribution to a candidate, the amount of the seed money contribution shall count toward the contribution limit for the primary election. For a replacement candidate or candidate in a special election, a seed money contribution shall count toward the contribution limit for the election in which the candidate is running.
- C. Apportioning reductions in public funds payments.** When the Commission has determined the amount of the projected shortfall, it shall identify which payments of public campaign funds will be reduced due to the shortfall and the amounts of the reductions. If the initial payments for the general election will be reduced, the Commission shall reduce proportionally those payments to all certified candidates, unless convincing policy reasons are present to reduce the payments differently.
- D. Campaign contributions to replace matching funds.** In apportioning a payment reduction to certified candidates, the Commission shall seek to avoid allowing certified candidates to fundraise in the final six weeks before a general election or a contested primary election. The Commission shall, as much as possible, reserve revenues in the Fund to pay matching funds to candidates. The Commission may permit candidates to raise contributions in advance that the candidate could spend as matching funds if authorized by the Commission. If permitted to raise such contributions, the candidate shall deposit them in a separate account with a bank or other financial institution. The candidate may spend the contributions as matching funds only if authorized by the Commission staff. The unauthorized expenditure of contributions raised to replace matching funds is a substantial violation of the Act and this rule.

- E. **Written notice to candidates.** The Commission shall will notify participating and certified candidates in writing of any projected shortfall in the Fund and will specify timelines and procedures for compliance with this chapter subsection in the event of any such a shortfall.
- F. **Procedures for candidates.** The candidate shall deposit any authorized contributions into the campaign account into which Maine Clean Election Act funds have been deposited, except that any contributions raised to replace matching funds permitted under paragraph D of this subsection must be deposited in a separate account. The candidate shall disclose all contributions received in regular campaign finance reports. The Commission's expenditure guidelines for Maine Clean Election Act funds apply to the spending of the contributions authorized under this subsection. After the election, the candidate may dispose of any contributions which the candidate has not spent according to the restrictions set forth in 21-A M.R.S.A. § 1017(8).
- G. **Effect of fundraising on matching funds calculation.** If the Commission authorizes a certified candidate to accept campaign contributions pursuant to section 1125(13) of the Act and this subsection, the amount of the contributions that the candidate has been authorized to spend shall be treated as fund revenues received by the candidate for the purpose of calculating matching funds. Any reduction in the amount of public campaign funds paid to a certified candidate under sections 1125(8) or (10) of the Act will not affect the fundraising or spending threshold that triggers accelerated reporting by an opponent of the certified candidate under 21-A M.R.S.A. § 1017(3-B).



STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

MEMORANDUM

To: Interested Persons
From: Jonathan Wayne, Executive Director
Date: October 8, 2009
Subject: Invitation to Comment on Proposed Rule Amendments

Summary of Proposed Amendments

The Ethics Commission is soliciting comments on proposed amendments to Chapter 3, Section 4(4) of the Commission's Rules (attached). This rule sets forth the procedures that the Commission would use if there was insufficient money in the Maine Clean Election (MCE Fund) to pay public campaign funds to candidates. The general procedure set forth in 21-A M.R.S.A. § 1125(13) (attached) is that the Commission will reduce the public funds payments made to Maine Clean Election Act (MCEA) candidates and will authorize the candidates to raise campaign contributions up to \$350 per contributor per election for House and Senate candidates and up to \$750 per contributor per election for gubernatorial candidates.

In the proposed amendment, the Commission would reduce payments to all candidates (House, Senate, and Governor) proportionately. The Commission would, as much as possible, reserve money in the Fund to pay matching funds to candidates and would seek to avoid allowing MCEA candidates to fundraise in the final six weeks before a general election. These proposals were based on comments received by the Commission on July 30, 2009 in a previous rulemaking. The Commission staff included these policy choices in the draft rule for purposes of generating discussion and no decisions have been made by the Commissioners as to how to reduce public funds payments. MCEA candidates could dispose of unspent contributions similar to traditionally financed candidates under 21-A M.R.S.A. § 1017(8) (attached).

Opportunities to Comment

The Commission will hold a public hearing on Thursday, November 19, 2009 at 9:00 a.m. at which you are invited to comment on the changes to the rule. The public hearing will be held in Room 208 of the Burton M. Cross Office Building, 111 Sewall Street in Augusta.

Written and e-mailed comments are also welcome. **If you submit written comments by Monday, November 9, I will include your comments in the packet that the Commissioners read before the November 19 hearing.** (My e-mail address is Jonathan.Wayne@maine.gov.) The deadline for written and e-mailed comments is 5:00 p.m. on December 4, 2009.

In addition to your policy suggestions, the Commission would welcome specific language changes you would like to propose.

Possible Topics for Comment

The Commission members would be interested in all comments from the public on the proposed amendments. In particular, the Commission staff invites comments on the following issues in case it should be necessary to reduce candidates' MCEA payments in 2010:

- Should the Commission reduce payments for House, Senate, and gubernatorial candidates proportionately?
- Is it better to
 - A. reduce the initial payments received by all candidates in June
 - B. reduce the matching funds payments that all candidates are eligible to receive (usually candidates receive matching funds in September or October), or
 - C. let each candidate decide which payment will be reduced (for example, the Commission could presumptively reduce the matching funds payments for each candidate, unless the candidate alerts the Commission that the candidate prefers a reduction in the June initial payment and to remain eligible to receive the full matching funds).
- If it is necessary to reduce matching funds payments, should the Commission permit the candidates to raise the funds earlier (for example, beginning in June) and to deposit them in a separate account to avoid candidates raising funds in the last few weeks before the general election?

Steps after November 19, 2009 Public Hearing

The Commission likely will make any amendments to the rule at its January 2010 meeting. The date for that meeting has not been determined. The rule changes would be considered routine technical, so they would not be submitted to the Legislature for its consideration.

If you have any questions, please telephone me at 287-4179. Thank you for your consideration of the proposed amendments.

**Procedure in Maine Clean Election Act Addressing
Insufficient Money in Maine Clean Election Fund
(21-A M.R.S.A. § 1125(13))**

13. Distributions not to exceed amount in fund. The Commission may not distribute revenues to certified candidates in excess of the total amount of money deposited in the fund as set forth in section 1124. Notwithstanding any other provisions of this chapter, if the commission determines that the revenues in the fund are insufficient to meet distributions under subsections 8 or 9, the commission may permit certified candidates to accept and spend contributions, reduced by any seed money contributions, aggregating no more than \$750 per donor per election for gubernatorial candidates and \$350 per donor per election for State Senate and State House candidates, up to the applicable amounts set forth in subsections 8 and 9 according to rules adopted by the commission.



DISPOSITION OF SURPLUS CAMPAIGN FUNDS

21-A M.R.S.A. Section 1017(8)

Disposition of surplus. A treasurer of a candidate registered under section 1013-A or qualified under sections 335 and 336 or sections 354 and 355 must dispose of a surplus exceeding \$100 within 4 years of the election for which the contributions were received by:

- A. Returning contributions to the candidate's or candidate's authorized political committee's contributors, as long as no contributor receives more than the amount contributed;
- B. A gift to a qualified political party within the State, including any county or municipal subdivision of such a party;
- C. An unrestricted gift to the State. A candidate for municipal office may dispose of a surplus by making a restricted or unrestricted gift to the municipality;
- D. Carrying forward the surplus balance to a political committee established to promote the same candidate for a subsequent election;
- D-1. Carrying forward the surplus balance for use by the candidate for a subsequent election;
- E. Transferring the surplus balance to one or more other candidates registered under section 1013-A or qualified under sections 335 and 336 or sections 354 and 355, or to political committees established to promote the election of those candidates, provided that the amount transferred does not exceed the contribution limits established by section 1015;
- F. Repaying any loans or retiring any other debts incurred to defray campaign expenses of the candidate;
- G. Paying for any expense incurred in the proper performance of the office to which the candidate is elected, as long as each expenditure is itemized on expenditure reports; and
- H. A gift to a charitable or educational organization that is not prohibited, for tax reasons, from receiving such a gift.

The choice must be made by the candidate for whose benefit the contributions were made.

Date: November 9, 2009
To: Maine Ethics Commission
From: Mitchell for Governor/Mills for Governor
RE: MCEA: Gubernatorial Proposal

Thank you for the invitation to comment on proposed reductions to the Maine Clean Elections Act funding and the impact the suggested options will have on the Clean Elections candidates for Governor.

The initial distribution of funds upon candidate qualification and upon winning the primary is a critical factor in the decision for a candidate to risk the rigors of public financing. Because the MCEA funds are limited, Clean Elections candidates must carefully plan strategically to spend these funds to stay competitive with a privately financed candidate. Because the public funding option allows a campaign to spend its limited resources on voter contact rather than raising funds, losing part of the initial disbursement would significantly handicap a MCEA-financed gubernatorial candidate. To change the playing field mid-game will discourage future candidates from choosing to run public campaigns for statewide office. The cost and challenge of a statewide campaign already makes the choice very difficult and we have yet to know whether or not one can succeed against better-financed opponents.

We understand the need for MCEA to remain within its budgeted resources. We also believe it a safe assumption that the gubernatorial campaigns will trigger matching funds in the 2010 election. If funding must be reduced, reductions should come from matching funds, giving the candidate time to raise enough money to replace that loss revenue. Cutting from matching funds, if needed, does allow the MCEA to remain within its budgeted resources. For that reason we do support Option 1A (\$142,000 cut to the gubernatorial campaigns) with three very important caveats.

- 1) That the funds be taken from matching funds, rather than the initial disbursement. Given the high probability of matching funds being used in the fall 2010 election for the Gubernatorial races, this does mean the MCEA will meet its budget targets.
- 2) That the campaigns raise funds required at the level of a traditionally funded candidate (\$750 maximum) and that those funds be put into a segregated account by the candidate – not given to MCEA. The candidate will only be allowed to spend from that account with approval of the Ethics Commission, based on the trigger of matching funds.
- 3) An additional \$50,000 (for a total of \$192,000) of fundraising should be authorized in order to cover the expense of funding otherwise-unnecessary fundraising.

The decision to run using the clean elections system versus using traditional funding is not an easy one. Both types of campaigns require tremendous amounts of work, either raising traditional donations or raising seed money and qualifying contributions.

The Clean Elections candidate does require a very different strategy for the actual campaign. All of the fundraising work collecting the seed money and the qualifying contributions is up front – in the first six months of the campaign. Once the seed money and qualifying contributions are met, the candidate and the campaign focus on the grassroots work of contacting voters and getting the campaign's message out. It requires extraordinary discipline with limited funds. In a traditionally

funded campaign, there is always an opportunity to raise more money for a last minute mailing, an upgrade of the website, or any of the other myriad of expenses of a campaign. Clean Elections candidates have a very strict budget, and once that budget is spent, no additional money can be raised. That requires a campaign plan that shifts resources from fund raising to grassroots as soon as the seed money and qualifying contributions are completed.

Essentially, this cut in matching funds is a game changer for the Clean Elections candidate. Raising the additional funds of \$142,000 will require the equivalent effort of raising the seed money, even though it is in larger amounts. When deciding to run as a MCEA funded candidate, this new obligation was not part of the consideration. Campaigns have not allocated their limited resources towards additional fund raising, and it cannot be under estimated the amount of resources it will take to raise these funds. Clean Elections campaigns are very lean, and there simply are no budgeted resources to raise those additional funds.

Because this shortfall in MCEA funding will require MCEA candidates to significantly change their campaign strategy in order to raise the now missing matching funds, the campaigns will incur significant expenses. Fundraising appeals, events, and considerable time and effort will be required, and unlike a traditional candidate, this effort is not part of the MCEA funded campaign's budget. In order to pay for and accomplish this task, it will be necessary to raise funds beyond what the shortfall is predicted to be in matching funds.

For this reason, we are asking that campaigns be allowed to raise an additional \$50,000 into the segregated matching fund account to cover these new unanticipated costs. It is important to note that while the campaign will incur the expense of fundraising, those funds will not be available to the campaign unless matching funds are triggered. We are not asking to add \$50,000 in fund raising to the initial disbursement after the primary even though the campaign will have to expend that amount to raise the matching funds. The campaign will only be authorized to spend those additional funds once matching funds are triggered.

We understand the need to meet the shortfall in MCEA funds. We are simply asking to keep the playing field level. The Clean Elections system will only retain its appeal for gubernatorial candidates if there is a strategic advantage to candidates. Handicapping MCEA candidates by taking the shortfall from the initial distribution, and not recognizing the very real costs of the campaign having to raise its own matching funds will make it extremely unlikely that future candidates for governor will elect to use the system in the future.

Thank you for your consideration.

Sincerely,

Elizabeth Mitchell,
Candidate for Governor

Peter Mills,
Candidate for Governor

Date: November 9, 2009
To: Maine Ethics Commission
From: Maine Senate Democrats / Maine House Democrats
RE: MCEA: Legislative Proposal

Thank you for the opportunity to comment on the proposed reductions to Maine Clean Elections Act funds, the proposed changes the MCEA program in 2010, and the impact of those changes on MCEA – certified Legislative candidates.

We are happy to say that we support option 1-A as proposed by the Commission's Staff as it pertains to Legislative candidates. While initial disbursement funds are an essential part of the MCEA and the proposed cuts will be difficult for legislative candidates, we believe they are the best option. Option 1-A spreads \$321,300 worth of cuts across 323 candidates for House and Senate. This option will result in cuts to initial disbursements of \$700 for candidates for the House and \$2100 for candidates for the Senate. MCEA certified candidates would then be able to raise this reduction from private sources.

We support option 1-A as proposed because options 2-A and 2-B, while perhaps attractive as they avoid cuts to the initial disbursements for legislative candidates, would require them to raise prohibitive amounts of money. For example, option 2-A would require a candidate for the senate to raise \$4,472, nearly twice the amount under 1-A. Option 2-B is no better, as some candidates would be required to raise upwards of \$24,000 in private funds, or roughly twelve times the amount proposed in 1-A.

While we do support option 1-A as proposed however, we do have several proposals we would like to make:

- That candidates be allowed to raise private contributions in the same amounts as a privately financed candidate, or up to \$350 per election. These funds would be put into the same account as their MCEA initial disbursements and would be spent as if they were part of that same disbursement.
- It is imperative that MCEA candidates be allowed to raise money in the same amounts as their private counterparts. Raising private funds will already be a substantial task for MCEA candidates who were initially promised the opportunity to run for office without needing to raise any private funds. Requiring them to raise these funds only in amounts of \$100 or less would place an undue burden on these candidates and mad a tough situation even worse.
- That candidates only be allowed to raise these private funds from individuals, not from corporations, political action committees, or lobbyists. The MCEA was created with the goal of reducing the influence of corporations' and interest groups' money in the political process. Allowing MCEA candidates to raise private money from the sources for the election campaigns would be a mockery of the system.

We feel that these proposals would strengthen option 1-A as it is currently proposed and create a workable solution for MCEA candidates running in the 2010 elections. While the current situation is not ideal, we feel with the these proposed changes option 1-A can offer the strongest possible system for legislative candidates who want to use the MCEA.

Thank you for your consideration.

Sen. Phillip Bartlett,
Senate Majority Leader

Rep. John Piotti,
House Majority Leader



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AND ELECTION PRACTICES
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To: Interested Persons
From: Jonathan Wayne, Executive Director
Date: November 3, 2009
Re: Options for Reducing MCEA Payments to 2010 Candidates

Thank you for your interest in commenting on the Commission's proposed rule on how to reduce payments to Maine Clean Election Act (MCEA) candidates in case there is a shortfall in the Maine Clean Election Fund in 2010. The information in this memo is being provided in response to a suggestion by the Maine Citizens for Clean Elections that the Commission staff should illustrate the different options for reducing MCEA payments in the 2010 elections.

Please note that the time of the November 19th public hearing for the rulemaking has been changed from 9:00 a.m. to 10:00 a.m. Any written comments received by Monday, November 9th will be included in the packet of materials that is sent to the Commissioners for the November 19th public hearing.

The Commission staff hopes any shortfall in the MCE Fund for the 2010 elections will be minimal. The two most important variables will be which gubernatorial candidates qualify for MCEA funding and win their primary elections. For purposes of illustrating the options, we are assuming a shortfall of roughly \$600,000:

- Five candidates for Governor will qualify for MCEA funding in the 2010 primary elections.
- Two candidates for Governor in the 2010 general election will be funded by the MCEA.
- As a result, the Commission will need to reduce the cost of the program by paying \$600,000 less to candidates, and will authorize MCEA candidates to raise that total amount in campaign contributions.

If fewer gubernatorial candidates qualify for MCEA funding in 2010, the shortfall could be considerably less than \$600,000.

Reducing Payments to Gubernatorial Candidates

The Commission staff is starting with the presumption that if it becomes necessary to reduce MCEA funding for gubernatorial candidates for the general election, it would be better to make the full initial payment in June 2010 and to reduce the matching funds

payments. The Commission could inform the gubernatorial candidates in June 2010 that their matching funds payments will be reduced by a specific amount and that the candidates could accept campaign contributions of up to \$750 per donor in a separate bank account which they could spend if authorized by the Commission.

Options 1A and 1B for Saving \$600,000

Reducing the initial payments made to legislative candidates in June 2010, and reducing the matching funds paid to gubernatorial candidates

Options 1A and 1B would reduce the initial payments that 255 House candidates (\$4,144) and 68 Senate candidates (\$19,078) would receive in June 2010. (Please see attached chart.) The benefit of Options 1A and 1B for legislative candidates (compared to Options 2A and 2B) is that the fundraising burden is lighter and more manageable because it is spread over more legislative candidates. Another benefit is that the candidates will be confident that the matching funds component of the MCEA program will operate as it has in past elections. The downside of Options 1A and 1B is that MCEA candidates for the Legislature would not receive the essential bargain of qualifying as an MCEA candidate: receiving from the state in June of the election year an adequate amount to run a general election campaign (\$4,144 or \$19,078). All legislative candidates would have to raise a portion of that initial campaign funding.

In the attached chart, for purposes of comparison we have shown two alternatives, Option 1A and Option 1B. Option 1A places a greater fundraising burden on candidates for Governor because of their greater potential to raise campaign contributions.

Options 2A and 2B for Saving \$600,000

Making the full initial payments to all candidates in June 2010, and reducing the matching funds paid to all MCEA candidates

In Options 2A and 2B, the Commission would make the full general election initial payment to all MCEA candidates in June 2010. In June (once the primary election results are known), the Commission would advise legislative and gubernatorial candidates that:

- the Commission would need to reduce the amount of matching funds it could pay to MCEA candidates
- to cover this reduction, the candidates could raise campaign contributions and deposit them in a separate bank account
- if the Commission authorizes a candidate to spend matching funds, the candidate could use the campaign contributions to replace the reduction in the matching funds payment.

For the sake of projecting the cost of the MCEA program, the Commission staff is presuming that 140 House candidates will be authorized to spend a total of \$381,916 in matching funds and 30 Senate candidates will be authorized to spend a total of \$362,914 in matching funds. Please understand that these authorization amounts are merely presumptions based on matching funds authorized in past election years. The actual amounts of matching funds authorized for 2010 candidates could easily be less than the projected amounts.

In both Options 2A and 2B, the Commission would intend to save \$125,000 in matching funds paid to House candidates, \$125,000 in matching funds paid to Senate candidates, and \$175,000 from each of the two gubernatorial candidates. (The Commission could adjust this allocation among the different groups of candidates.)

One benefit of Options 2A and 2B for legislative candidates in 2010 (compared to Options 1A and 1B) will be that the candidates would obtain the basic bargain of qualifying as a MCEA candidate: receiving from the state an adequate amount of campaign funding for the 2010 general election. Another benefit would be that fewer candidates would be inconvenienced by fundraising. Most likely, the candidates who would raise contributions to replace reduced matching funds would be those in the more competitive races.

One downside of Options 2A and 2B is that some candidates will not know whether they will be authorized to spend matching funds or not. So, some candidates will raise campaign contributions unnecessarily and never be authorized to spend them. Another downside is that the candidates who anticipate being in competitive general elections might choose not to join the MCEA program and instead fully fund their campaign through contributions. Also, some might not raise campaign contributions in July – September and have to raise them in October relatively close to the general election when they would prefer to be focusing on interacting with voters.

Option 2A – All Candidates Receiving Matching Funds Raise Campaign Contributions. In Option 2A, the first matching funds that legislative candidates would be authorized to spend would be campaign contributions that they raised themselves.

House candidates would have to raise the first \$914 in matching funds that they would be authorized to spend. If the Commission-authorized a House candidate to spend more than \$914 in matching funds, then the Commission would pay the remaining amount of matching funds.

On the Senate side, candidates would have to raise the first \$4,472 in matching funds that they were able to spend.

Option 2B – Only the Candidates in the Most Competitive Races Raise Campaign Contributions. In Option 2B, matching funds would first be paid by the Commission up to a fixed amount. Candidates would have to use campaign contributions to cover any matching funds authorizations over that amount.

The Commission would pay up to \$2,278 in matching funds to House candidates. This would be sufficient to cover most of the House candidates who would be authorized to spend matching funds. Of the 140 House candidates authorized to spend matching funds, only about one-third of them would have to raise more than \$1,000 in matching funds.

On the Senate side, the Commission would pay up to \$13,435 in matching funds to Senate candidates. The candidates would raise any additional matching funds that they

were authorized to spend. This would be sufficient to cover all but eight of the Senate candidates who would be authorized to spend matching funds.

Thank you for your consideration of these options. Please let me know if you have any questions.

**Options 1A and 1B - Reducing June 2010 Initial Payments to Legislative Candidates
and Matching Funds to Gubernatorial Candidates**

Option 1A	Payments as Originally Projected				Payments Reduced to Save Roughly \$600,000 (greater burden on gubernatorial candidates)			
	Original payment amount	# of candidates projected	Total of Initial Payments	Reduction (raised by candidate)	Reduced Initial Payment	Savings	Number of contributions each candidate would raise	
House (reduced initial payment)	\$4,144	255	\$1,056,720	\$700	\$3,444	\$178,500	2 conts of \$350	
Senate (reduced initial payment)	\$19,078	68	\$1,297,304	\$2,100	\$16,978	\$142,800	6 conts of \$350	
Governor (reduced matching funds)	\$600,000	2	\$1,200,000	\$142,000	\$458,000	\$284,000	189 conts of \$750	
						\$605,300		

Option 1B	Payments as Originally Projected				Payments Reduced to Save Roughly \$600,000 (17% reduction across all candidates)			
	Original payment amount	# of candidates projected	Total of Initial Payments	Reduction (raised by candidate)	Reduced Initial Payment	Savings	Number of contributions each candidate would raise	
House (reduced initial payment)	\$4,144	255	\$1,056,720	\$704	\$3,440	\$179,642	2.0 conts of \$350	
Senate (reduced initial payment)	\$19,078	68	\$1,297,304	\$3,243	\$15,835	\$220,542	9.3 conts of \$350	
Governor (reduced matching funds)	\$600,000	2	\$1,200,000	\$102,000	\$498,000	\$204,000	136.0 conts of \$750	
			\$3,554,024			\$604,184		

Options 2A and 2B for Senate Candidates

	Matching Funds Authorized	Option 2A Candidate raises first \$4,472 in matching funds. Commission pays remainder.		Option 2B Commission pays up to \$13,345 in matching funds. Candidate raises remainder.	
		State Pays	Candidate Raises	State Pays	Candidate Raises
Senate Candidate 1	\$38,156	\$33,684	\$4,472	\$13,435	\$24,721
Senate Candidate 2	\$38,156	\$33,684	\$4,472	\$13,435	\$24,721
Senate Candidate 3	\$31,597	\$27,125	\$4,472	\$13,435	\$18,162
Senate Candidate 4	\$30,207	\$25,735	\$4,472	\$13,435	\$16,772
Senate Candidate 5	\$28,490	\$24,018	\$4,472	\$13,435	\$15,055
Senate Candidate 6	\$25,694	\$21,222	\$4,472	\$13,435	\$12,260
Senate Candidate 7	\$20,264	\$15,792	\$4,472	\$13,435	\$6,829
Senate Candidate 8	\$19,914	\$15,442	\$4,472	\$13,435	\$6,479
Senate Candidate 9	\$11,207	\$6,735	\$4,472	\$11,207	\$0
Senate Candidate 10	\$10,056	\$5,584	\$4,472	\$10,056	\$0
Senate Candidate 11	\$9,812	\$5,340	\$4,472	\$9,812	\$0
Senate Candidate 12	\$9,566	\$5,093	\$4,472	\$9,566	\$0
Senate Candidate 13	\$7,147	\$2,674	\$4,472	\$7,147	\$0
Senate Candidate 14	\$6,666	\$2,194	\$4,472	\$6,666	\$0
Senate Candidate 15	\$6,666	\$2,194	\$4,472	\$6,666	\$0
Senate Candidate 16	\$6,666	\$2,194	\$4,472	\$6,666	\$0
Senate Candidate 17	\$6,666	\$2,194	\$4,472	\$6,666	\$0
Senate Candidate 18	\$6,573	\$2,101	\$4,472	\$6,573	\$0
Senate Candidate 19	\$6,041	\$1,568	\$4,472	\$6,041	\$0
Senate Candidate 20	\$5,735	\$1,263	\$4,472	\$5,735	\$0
Senate Candidate 21	\$5,315	\$843	\$4,472	\$5,315	\$0
Senate Candidate 22	\$5,245	\$773	\$4,472	\$5,245	\$0
Senate Candidate 23	\$4,688	\$216	\$4,472	\$4,688	\$0
Senate Candidate 24	\$4,328	\$0	\$4,328	\$4,328	\$0
Senate Candidate 25	\$3,094	\$0	\$3,094	\$3,094	\$0
Senate Candidate 26	\$2,965	\$0	\$2,965	\$2,965	\$0
Senate Candidate 27	\$2,965	\$0	\$2,965	\$2,965	\$0
Senate Candidate 28	\$2,965	\$0	\$2,965	\$2,965	\$0
Senate Candidate 29	\$2,965	\$0	\$2,965	\$2,965	\$0
Senate Candidate 30	\$2,860	\$0	\$2,860	\$2,860	\$0
TOTALS	\$362,670	\$237,670	\$125,000	\$237,670	\$125,000

Options 2A and 2B for House Candidates

	Matching Funds Authorized	Option 2A Candidate raises first \$914 in matching funds. Commission pays remainder.		Option 2B Commission pays up to \$2,278 in matching funds. Candidate raises remainder.	
		State Pays	Candidate Raises	State Pays	Candidate Raises
House Candidate 1	\$8,288	\$7,374	\$914	\$2,278	\$6,010
House Candidate 2	\$8,288	\$7,374	\$914	\$2,278	\$6,010
House Candidate 3	\$8,288	\$7,374	\$914	\$2,278	\$6,010
House Candidate 4	\$8,288	\$7,374	\$914	\$2,278	\$6,010
House Candidate 5	\$7,705	\$6,791	\$914	\$2,278	\$5,427
House Candidate 6	\$6,629	\$5,715	\$914	\$2,278	\$4,351
House Candidate 7	\$6,629	\$5,715	\$914	\$2,278	\$4,351
House Candidate 8	\$5,611	\$4,697	\$914	\$2,278	\$3,333
House Candidate 9	\$5,350	\$4,435	\$914	\$2,278	\$3,071
House Candidate 10	\$5,350	\$4,435	\$914	\$2,278	\$3,071
House Candidate 11	\$5,312	\$4,398	\$914	\$2,278	\$3,034
House Candidate 12	\$5,312	\$4,398	\$914	\$2,278	\$3,034
House Candidate 13	\$5,299	\$4,385	\$914	\$2,278	\$3,021
House Candidate 14	\$4,408	\$3,494	\$914	\$2,278	\$2,130
House Candidate 15	\$4,408	\$3,494	\$914	\$2,278	\$2,130
House Candidate 16	\$4,407	\$3,493	\$914	\$2,278	\$2,128
House Candidate 17	\$4,401	\$3,487	\$914	\$2,278	\$2,123
House Candidate 18	\$4,401	\$3,487	\$914	\$2,278	\$2,123
House Candidate 19	\$4,399	\$3,485	\$914	\$2,278	\$2,121
House Candidate 20	\$4,399	\$3,485	\$914	\$2,278	\$2,121
House Candidate 21	\$4,349	\$3,435	\$914	\$2,278	\$2,071
House Candidate 22	\$4,346	\$3,432	\$914	\$2,278	\$2,068
House Candidate 23	\$4,346	\$3,432	\$914	\$2,278	\$2,068
House Candidate 24	\$4,229	\$3,315	\$914	\$2,278	\$1,950
House Candidate 25	\$4,212	\$3,297	\$914	\$2,278	\$1,933
House Candidate 26	\$4,212	\$3,297	\$914	\$2,278	\$1,933
House Candidate 27	\$4,021	\$3,106	\$914	\$2,278	\$1,742
House Candidate 28	\$4,021	\$3,106	\$914	\$2,278	\$1,742
House Candidate 29	\$3,756	\$2,842	\$914	\$2,278	\$1,478
House Candidate 30	\$3,639	\$2,725	\$914	\$2,278	\$1,361
House Candidate 31	\$3,639	\$2,725	\$914	\$2,278	\$1,361
House Candidate 32	\$3,639	\$2,725	\$914	\$2,278	\$1,361
House Candidate 33	\$3,639	\$2,725	\$914	\$2,278	\$1,361
House Candidate 34	\$3,639	\$2,725	\$914	\$2,278	\$1,361
House Candidate 35	\$3,604	\$2,690	\$914	\$2,278	\$1,326
House Candidate 36	\$3,604	\$2,690	\$914	\$2,278	\$1,326
House Candidate 37	\$3,540	\$2,626	\$914	\$2,278	\$1,262
House Candidate 38	\$3,540	\$2,626	\$914	\$2,278	\$1,262
House Candidate 39	\$3,540	\$2,626	\$914	\$2,278	\$1,262
House Candidate 40	\$3,525	\$2,611	\$914	\$2,278	\$1,247
House Candidate 41	\$3,509	\$2,595	\$914	\$2,278	\$1,231
House Candidate 42	\$3,509	\$2,595	\$914	\$2,278	\$1,231
House Candidate 43	\$3,505	\$2,591	\$914	\$2,278	\$1,227
House Candidate 44	\$3,505	\$2,591	\$914	\$2,278	\$1,227
House Candidate 45	\$3,477	\$2,563	\$914	\$2,278	\$1,198
House Candidate 46	\$3,475	\$2,561	\$914	\$2,278	\$1,196
House Candidate 47	\$3,475	\$2,561	\$914	\$2,278	\$1,196
House Candidate 48	\$3,459	\$2,545	\$914	\$2,278	\$1,181

Options 2A and 2B for House Candidates

	Matching Funds Authorized	Option 2A Candidate raises first \$914 in matching funds. Commission pays remainder.		Option 2B Commission pays up to \$2,278 in matching funds. Candidate raises remainder.	
		State Pays	Candidate Raises	State Pays	Candidate Raises
House Candidate 49	\$3,456	\$2,542	\$914	\$2,278	\$1,178
House Candidate 50	\$3,456	\$2,542	\$914	\$2,278	\$1,178
House Candidate 51	\$3,440	\$2,526	\$914	\$2,278	\$1,162
House Candidate 52	\$3,440	\$2,526	\$914	\$2,278	\$1,162
House Candidate 53	\$3,419	\$2,505	\$914	\$2,278	\$1,141
House Candidate 54	\$2,828	\$1,914	\$914	\$2,278	\$550
House Candidate 55	\$2,828	\$1,914	\$914	\$2,278	\$550
House Candidate 56	\$2,733	\$1,819	\$914	\$2,278	\$455
House Candidate 57	\$2,712	\$1,798	\$914	\$2,278	\$434
House Candidate 58	\$2,712	\$1,798	\$914	\$2,278	\$434
House Candidate 59	\$2,632	\$1,718	\$914	\$2,278	\$353
House Candidate 60	\$2,632	\$1,718	\$914	\$2,278	\$353
House Candidate 61	\$2,619	\$1,705	\$914	\$2,278	\$341
House Candidate 62	\$2,605	\$1,691	\$914	\$2,278	\$327
House Candidate 63	\$2,605	\$1,691	\$914	\$2,278	\$327
House Candidate 64	\$2,550	\$1,636	\$914	\$2,278	\$272
House Candidate 65	\$2,550	\$1,636	\$914	\$2,278	\$272
House Candidate 66	\$2,550	\$1,636	\$914	\$2,278	\$272
House Candidate 67	\$2,539	\$1,625	\$914	\$2,278	\$261
House Candidate 68	\$2,539	\$1,625	\$914	\$2,278	\$261
House Candidate 69	\$2,506	\$1,592	\$914	\$2,278	\$228
House Candidate 70	\$2,460	\$1,546	\$914	\$2,278	\$182
House Candidate 71	\$2,460	\$1,546	\$914	\$2,278	\$182
House Candidate 72	\$2,411	\$1,496	\$914	\$2,278	\$132
House Candidate 73	\$2,355	\$1,441	\$914	\$2,278	\$76
House Candidate 74	\$2,355	\$1,441	\$914	\$2,278	\$76
House Candidate 75	\$2,314	\$1,400	\$914	\$2,278	\$35
House Candidate 76	\$2,314	\$1,400	\$914	\$2,278	\$35
House Candidate 77	\$2,182	\$1,268	\$914	\$2,182	\$0
House Candidate 78	\$2,133	\$1,219	\$914	\$2,133	\$0
House Candidate 79	\$2,133	\$1,219	\$914	\$2,133	\$0
House Candidate 80	\$2,105	\$1,191	\$914	\$2,105	\$0
House Candidate 81	\$1,909	\$995	\$914	\$1,909	\$0
House Candidate 82	\$1,909	\$995	\$914	\$1,909	\$0
House Candidate 83	\$1,909	\$995	\$914	\$1,909	\$0
House Candidate 84	\$1,909	\$995	\$914	\$1,909	\$0
House Candidate 85	\$1,802	\$888	\$914	\$1,802	\$0
House Candidate 86	\$1,787	\$872	\$914	\$1,787	\$0
House Candidate 87	\$1,787	\$872	\$914	\$1,787	\$0
House Candidate 88	\$1,757	\$843	\$914	\$1,757	\$0
House Candidate 89	\$1,737	\$823	\$914	\$1,737	\$0
House Candidate 90	\$1,737	\$823	\$914	\$1,737	\$0
House Candidate 91	\$1,731	\$817	\$914	\$1,731	\$0
House Candidate 92	\$1,731	\$817	\$914	\$1,731	\$0
House Candidate 93	\$1,725	\$811	\$914	\$1,725	\$0
House Candidate 94	\$1,702	\$788	\$914	\$1,702	\$0
House Candidate 95	\$1,702	\$788	\$914	\$1,702	\$0
House Candidate 96	\$1,657	\$742	\$914	\$1,657	\$0
House Candidate 97	\$1,654	\$740	\$914	\$1,654	\$0

Options 2A and 2B for House Candidates

	Matching Funds Authorized	Option 2A Candidate raises first \$914 in matching funds. Commission pays remainder.		Option 2B Commission pays up to \$2,278 in matching funds. Candidate raises remainder.	
		State Pays	Candidate Raises	State Pays	Candidate Raises
House Candidate 98	\$1,654	\$740	\$914	\$1,654	\$0
House Candidate 99	\$1,651	\$736	\$914	\$1,651	\$0
House Candidate 100	\$1,651	\$736	\$914	\$1,651	\$0
House Candidate 101	\$1,596	\$682	\$914	\$1,596	\$0
House Candidate 102	\$1,545	\$631	\$914	\$1,545	\$0
House Candidate 103	\$1,545	\$631	\$914	\$1,545	\$0
House Candidate 104	\$1,482	\$568	\$914	\$1,482	\$0
House Candidate 105	\$1,471	\$557	\$914	\$1,471	\$0
House Candidate 106	\$1,471	\$557	\$914	\$1,471	\$0
House Candidate 107	\$1,410	\$496	\$914	\$1,410	\$0
House Candidate 108	\$1,410	\$496	\$914	\$1,410	\$0
House Candidate 109	\$1,407	\$493	\$914	\$1,407	\$0
House Candidate 110	\$1,246	\$332	\$914	\$1,246	\$0
House Candidate 111	\$1,246	\$332	\$914	\$1,246	\$0
House Candidate 112	\$1,157	\$243	\$914	\$1,157	\$0
House Candidate 113	\$1,065	\$151	\$914	\$1,065	\$0
House Candidate 114	\$1,065	\$151	\$914	\$1,065	\$0
House Candidate 115	\$1,017	\$103	\$914	\$1,017	\$0
House Candidate 116	\$1,017	\$103	\$914	\$1,017	\$0
House Candidate 117	\$869	\$0	\$869	\$869	\$0
House Candidate 118	\$869	\$0	\$869	\$869	\$0
House Candidate 119	\$869	\$0	\$869	\$869	\$0
House Candidate 120	\$861	\$0	\$861	\$861	\$0
House Candidate 121	\$861	\$0	\$861	\$861	\$0
House Candidate 122	\$861	\$0	\$861	\$861	\$0
House Candidate 123	\$861	\$0	\$861	\$861	\$0
House Candidate 124	\$861	\$0	\$861	\$861	\$0
House Candidate 125	\$806	\$0	\$806	\$806	\$0
House Candidate 126	\$784	\$0	\$784	\$784	\$0
House Candidate 127	\$784	\$0	\$784	\$784	\$0
House Candidate 128	\$784	\$0	\$784	\$784	\$0
House Candidate 129	\$784	\$0	\$784	\$784	\$0
House Candidate 130	\$784	\$0	\$784	\$784	\$0
House Candidate 131	\$784	\$0	\$784	\$784	\$0
House Candidate 132	\$784	\$0	\$784	\$784	\$0
House Candidate 133	\$784	\$0	\$784	\$784	\$0
House Candidate 134	\$784	\$0	\$784	\$784	\$0
House Candidate 135	\$784	\$0	\$784	\$784	\$0
House Candidate 136	\$682	\$0	\$682	\$682	\$0
House Candidate 137	\$682	\$0	\$682	\$682	\$0
House Candidate 138	\$682	\$0	\$682	\$682	\$0
House Candidate 139	\$682	\$0	\$682	\$682	\$0
House Candidate 140	\$682	\$0	\$682	\$682	\$0
TOTALS	\$381,916	\$256,916	\$125,000	\$256,916	\$125,000