NORTH CAROLINA CENTER FOR
PUBLIC POLICY RESEARCH INC.

NEWS RELEASE

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# STATE CAMPAIGN FINANCE DISCLOSURE LAW NEEDS FINE-TUNING, SAYS N.C. CENTER

North Carolina's campaign finance law should be beefed up to meet its goal of public disclosure of contributions to candidates for political office, says the N.C. Center for Public Policy Research. The Center says the law should be changed so that all candidates for the legislature file their campaign finance reports in Raleigh, and that the occupation of those who contribute more than $100 to a candidate should be disclosed.

Disclosure is the single greatest check on the excesses of campaign finance, says Kim Kebschull, a policy analyst at the Center and author of the new report. "The fact is that full disclosure is the citizens' first line of defense in guarding against political campaign excesses. Without disclosure, we have no way of knowing who's financing whom -- or the terms of that support," says Kebschull. Yet, compared to other states, North Carolina's campaign finance disclosure law has some glaring weaknesses, the Center says.

## Filing Campaign Finance Disclosure Reports in a Central Location

One of the major goals of campaign disclosure laws is the availability and accessibility to the public of the information disclosed by candidates, parties, and political committees. "The most obvious flaw in North Carolina's law is decentralized filing," says Kebschull. "Although all candidates for statewide office -- such as the governor and secretary of state -- file disclosure reports with the State Board of Elections in Raleigh, almost one-third of the candidates for the state legislature do not." Only legislative candidates from districts encompassing more than one county file with the State Board of Elections, while candidates from single-county districts file solely with their county boards of elections.

The state board therefore has reports for only 40 of the 50 state Senate races and 76 of the 120 state House of Representatives races. Reports from candidates for the 54 remaining seats are scattered in 16 counties across the state. "If citizens or reporters were interested in seeing all the campaign finance reports and gathering financial information on the races for all General Assembly seats, they would have to travel from Henderson County in the western part of the state all the way to Onslow County in the east -- a distance of 350 miles," says Kebschull.

Maintaining uniform reporting, auditing, and enforcement standards also is difficult under the current system, possibly allowing some violations to go undetected. According to the Center's 50-state survey, 46 states require some form of centralized filing for both statewide and legislative candidates. Some of these states -- neighboring Tennessee and Virginia, for example -- require all legislative candidates to submit reports to both a state agency and to county boards of elections. "North Carolina's law is clearly out of step with other states in this area," says Kebschull.

* The Center recommends that North Carolina join 46 other states in requiring all candidates for both statewide and legislative office in North Carolina to file their campaign disclosure reports with the State Board of Elections in Raleigh. Simultaneous filing with both the state and county boards of elections would be the most efficient method and would ensure immediate availability of the reports to the public, both in Raleigh and in the candidate's home district.

Disclosure of Contributors' Occupation

In order to trace more completely the sources of contributions and the interests behind them in state races, the laws of 20 states require disclosure of the occupation and/or principal place of employment of the contributor. North Carolina law does not. The federal government also requires occupational information from contributors to federal races -- the U.S. House of Representatives, U.S. Senate, and presidential campaigns -- in all states.

* The Center recommends that North Carolina join the federal government and the 20 other states that require the listing of the occupation and/or principal place of employment of contributors to candidates, parties, PACs, and other political committees.

"Requiring disclosure of a contributor's occupation or principal place of employment would focus a bright light on candidates' sources of support," says Kebschull. She added, "This information would enable interested citizens and the press to trace where a candidate was getting the majority of his or her money -- from bankers or from realtors, from doctors or from lawyers, from environmentalists or from developers. Knowing this would allow the public to evaluate candidates' sources of support along with their other qualifications for office, and to cast a vote based on more complete information."

There is considerable resistance to including contributors' occupations on disclosure reports, however. Some complain about the practical difficulties of requiring more information from already-busy candidates and committees. North Carolina state Republican Party Chairman R. Jack Hawke, who calls it a hassle, acknowledges that contributors' occupations are already required on reports submitted by candidates for federal office, "So maybe it wouldn't be that much of a problem to list them on state forms as well," he says. "I'm not sure it's worth the effort, though."

Putting a Limit on the Amount a Candidate's Family May Contribute

North Carolina's contribution limit for PACs, professional associations, and individuals is $4,000 per candidate per election. That means that an individual may contribute up to $12,000 during a campaign -- $4,000 in the party primary, $4,000 more if there's a runoff, and $4,000 in the general election. Political parties, along with the candidate and his or her immediate family, may give unlimited amounts.

Because North Carolina does not limit contributions by the candidate's immediate family, large gifts by family members have played an important role in North Carolina politics. During the 1984 gubernatorial election, for example, Democratic candidate Eddie Knox was given $40,128 by family members for his unsuccessful primary campaign, and eventual Democratic nominee Rufus Edmisten received more than $25,000 from his father and brother.

Unlike North Carolina, the laws of 22 other states do place limits on family contributions (often at the same amount as contributions by other individuals). This is done to prevent candidates with wealthy families from trying to buy elections or from deterring candidates with fewer financial resources from running for office.

* **The Center recommends that contributions by members of a candidate's family be limited in North Carolina, as is the case in 22 other states.** North Carolina's standard $4,000 per candidate per election limit should be made applicable to contributions by each member of a candidate's family. This would both help hold down down campaign costs and help level the playing field among candidates from a variety of economic backgrounds. It would not restrict the amount of money the candidates themselves are able to contribute to their own campaigns.

State Analysis of Campaign Finance Disclosure Reports

In many states, including North Carolina, the actual campaign finance reports submitted by candidates, political parties, and PACs are available for public viewing. In most states, they are available at the state campaign finance disclosure agency, but in North Carolina they are scattered across the state. "While it may be interesting to be able to examine the thousands of pages of raw reports, they are not compiled in such a way as to allow the public easy access to the information in them," says Kebschull.

The campaign finance agencies in 21 states are required by law to produce annual or periodic reports of campaign finance activities in the state. Most of these states have computer systems in operation to assist them in auditing, compiling, and summarizing the information contained in the disclosure reports.

The state of Oregon, for example, publishes information on contributions and expenditures that includes averages for both primaries and general elections, as well as trend data covering several elections. Other states, including Hawaii, Idaho, Missouri, Montana, New Jersey, and Washington, compile and report such data as the total amount of contributions to candidates from various sources, such as PACs, corporations, and labor unions; rankings of candidates by total expenditures; and summaries of trends in campaign fundraising and spending. Mary Ann McCoy, executive director of the Minnesota State Ethical Practices Board, says, "The board has considered dissemination of this information as a high priority and has directed its staff to provide these publications annually as a central part of the board's mission."

North Carolina's Campaign Reporting Office, by contrast, does not have the computer equipment to provide trends in campaign giving or breakdowns of contributions to and expenditures by certain sources. The office is able only to provide information on the total amount of all contributions received and all expenditures made by candidates for statewide office and for those legislative candidates who file with the State Board of Elections in Raleigh.

Campaign disclosure agencies are supposed to be watchdogs on keeping campaign finance clean. "I often counter, however, that at our funding level we are more accurately described as a political Chihuahua," says Karla Forsythe, executive director of the Alaska Public Affairs Commission. "North Carolina's Campaign Reporting Office has a similar problem," says Kebschull at the N.C. Center. "They do the best they can with what they have, but they need more money, more bark, and more bite."

* **The Center recommends that disclosure reports at the North Carolina Campaign Reporting Office be computerized and printed in a standard format.** Computerizing the vast amount of information collected would allow the office to provide data on trends in campaign finance and breakdowns of contributions to and expenditures by certain sources. It would also enable the office to detect violations of the law better. The General Assembly should then direct the Campaign Reporting Office to produce reports of campaign finance activities in North Carolina, says the Center.

To purchase the computer equipment and hire the additional staff necessary to provide complete information to the public, the Center recommends that the North Carolina General Assembly appropriate an additional $340,000 to the Campaign Reporting Office, bringing its annual budget from $139,732 (with three employees) in fiscal year 1989-90 to approximately $500,000. This budget -- which would still amount to less than 1/100 of 1 percent of the total annual state budget of $12 billion -- is very much in line with those of other states producing excellent disclosure reports for the public.

Background on North Carolina's Law and the Center's Report

North Carolina's Campaign Reporting Act was enacted almost 16 years ago -- on April 11, 1974 -- as a response to the Watergate scandal that erupted in Washington, D.C., in the early 1970s. Along with the other state campaign finance laws around the country, North Carolina's new law had three primary aims: (1) to disclose to the public where and from whom a candidate got the money to run for office, and how this money had been expended; (2) to lessen the influence of a few very wealthy contributors who could virtually bankroll entire campaigns; and (3) to enhance participation by large numbers of citizens who would give small amounts of money, thereby diminishing the influence of large contributors.

The new report by the N.C. Center for Public Policy Research examines whether North Carolina's Campaign Reporting Act serves the goals of public disclosure of the contributions to and expenditures by candidates, political parties, and political action committees (PACs), and broader public participation through limits placed on the amounts individuals and certain groups can contribute. The Center's findings are published in *Campaign Disclosure Laws: An Analysis of Campaign Finance Disclosure in North Carolina and a Comparison of 50 State Campaign Reporting Laws,* in which the laws of the other 49 states and the District of Columbia are examined in order to gauge nationwide trends in reporting and disclosure and to enable North Carolina to benefit from model laws in other states.

This report is the first in a series of three reports on campaign finance planned by the Center. The second report will compare North Carolina's law providing for public financing of state campaigns with those in 18 other states, and the third will examine the rising costs of running for state-level offices in North Carolina.

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit organization created to examine state government programs and important issues of public policy in North Carolina. The Center is supported in part by grants from the Z. Smith Reynolds and the Mary Reynolds Babcock Foundations, both in Winston-Salem. Other funding comes from 114 corporate contributors and more than 600 individual and organizational members. In addition to publishing Campaign Disclosure Laws, the Center publishes Article II: A Guide to the 1989-90 General Assembly and a quarterly magazine, North Carolina Insight. The Center has also conducted studies on disparities in funding among rich and poor school districts in North Carolina and on the remaining space in every one of North Carolina's 112 local landfills.

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Copies of the 275-page report on Campaign Disclosure Laws are available for $18.90 (plus $2.00 postage and handling) from the N.C. Center for Public Policy Research, 5 West Hargett St., Suite 701, P.O. Box 430, Raleigh, N.C., 27602, or call (919) 832-2839.

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For more information on the report on campaign finance disclosure laws, call Kim Kebschull at the N.C. Center for Public Policy Research at (919) 832-2839.

Table 2

**SUMMARY OF CAMPAIGN CONTRIBUTION REPORTING REQUIREMENTS**

Reports Required From Candidates, Political Action Committees, and Parties

| State | Maximum Number of Reports Filed by Candidates for Statewide Office | $ Amount at Which Contributions Must Be Itemized | Occupation of Contributor Required? |
|---|---|---|---|
| Alabama | 5 | $10 | No |
| Alaska | 7 | $100 | Yes |
| Arizona | 6 | $25 | No |
| Arkansas | 6 | $250 | Yes |
| California | 7 | $100 | if > $100 |
| Colorado | 5 | $25 | No |
| Connecticut | 4 | $30 | if > $1000 |
| Delaware | 3 | $100 | No |
| Florida | 6 | All | Yes |
| Georgia | 8 | $100 | No |
| Hawaii | 4 | $100 | No |
| Idaho | 5 | $50 | No |
| Illinois | 4 | $150 | No |
| Indiana | 4 | $100 | No |
| Iowa | 4 | $25/candidate, $200 PAC | No |
| Kansas | 3 | $50 | Yes |
| Kentucky | 7 | $300 | Yes |
| Louisiana | 8 | All | No |
| Maine | 7 | $50 | if > $50 |
| Maryland | 5 | All | No |
| Massachusetts | Bi-monthly | $50 | No |
| Michigan | 4 | $20 | if > $200 |
| Minnesota | 3 | $100 | Yes |
| Mississippi | 4 | $500/statewide candidate; $200/leg. and others | Yes |
| Missouri | 9 | $100 | No |
| Montana | 8 | $75/statewide candidate; $35/leg. and others | Yes |
| Nebraska | 7 | $100 | No |
| Nevada | 4 | $500 | No |
| New Hampshire | 7 | $25 | if > $100 |
| New Mexico | 6 | $100 | No |
| New York | 6 | $100 | No |
| North Carolina | 5 | $100 | No |
| North Dakota | 3 | $100 | No |
| Ohio | 5 | All | No |
| Oklahoma | 4 | $200 | No |
| Oregon | 6 | $100/statewide candidate; $50/leg. and others | Yes |
| Pennsylvania | 7 | $50 | if > $250 |
| Rhode Island | 7 | $200 | No |
| South Carolina | 3 | $100 | No |
| South Dakota | 4 | $100 | Yes |
| Tennessee | 4 | $100 | No |
| Texas | 6 | $50 | No, except for PACs |
| Utah | 5 | $50 | No |
| Vermont | 5 | $100 | No |
| Virginia | 13 | $100 | if > $250 |
| Washington | 9 | $25 | No |
| West Virginia | 6 | $50 | if > $250 |
| Wisconsin | 3 | $20 | if > $100 |
| Wyoming | 2 | All | No |
| District of Columbia | 10 | $50 | Yes |
| Average: | 5.6 | $96.72 | Yes: 20 No:31 |

## PROVISIONS IN STATE REPORTING LAWS DESIGNED TO ENCOURAGE LARGE NUMBERS OF CITIZENS TO PARTICIPATE IN CAMPAIGNS

1) Ceilings on the amount any one individual may contribute

2) Limits on contributions from members of the candidate's family

3) Limitations on contributions from large groups, such as labor unions, corporations, professional associations, and political action committees

4) Tax credits and tax deductions for political contributions

## PROVISIONS IN CAMPAIGN REPORTING LAWS DESIGNED TO DISCOURAGE POTENTIALLY CORRUPTING INFLUENCES

1) A prohibition or limit on direct corporate or union contributions

2) A prohibition or limit on contributions by regulated industries

3) Limits on contributions by political action committees

4) A prohibition or limit on solicitation of or by government employees