

# CLEAN ELECTIONS: ARIZONA 2004

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The Citizens Clean Elections Act, passed in 1998 by 51.2 percent of Arizona voters, established publicly financed elections in Arizona beginning in the 2000 election cycle. Since its inception, the program has sustained legal challenges and an attempt to place a contrary initiative on the Arizona ballot.<sup>1</sup> This year, a bill currently in the Legislature would, if passed, send a measure to voters aimed at scrapping public funding.<sup>2</sup>

These attempts at repealing public funding notwithstanding, the percentage of candidates choosing to participate in the Clean Elections program and reject private money has increased each year since the program began in 2000. In fact, a review of the past four election cycles — three under the Clean Elections system and one prior to its passage — shows:

- Almost 55 percent of the 2004 candidates participated in the program, up from 52 percent in 2002 and 25 percent in 2000.
- Clean Elections candidates were elected to all four Corporation Commission seats up for election in 2004, as well as 42 of the 90 seats in the Arizona Legislature.
- With public funding, the gap between fund raising by challengers and incumbents is closing.
- The margin between fund raising by winners and losers has increased in recent years but still remains considerably smaller than it was without Clean Elections funding.

#### THE ARIZONA CLEAN ELECTIONS SYSTEM

Candidates who choose to participate in the Arizona Clean Elections program limit receipts of private money and instead finance their campaigns with money provided by the Citizens Clean Elections Commission. To qualify for public funds, candidates must collect a set number of \$5 qualifying contributions from registered voters in their districts. The number of qualifying contributions depends on the office sought. For the 2004 election cycle, when all 90 state legislators and four Corporation Commissioners were elected, state legislative candidates had to collect 210 qualifying contributions, and Corporation Commission candidates needed 1,575.<sup>3</sup>

The exploratory and qualifying periods are the only times that candidates are permitted to collect private money. This seed money is used to facilitate the collection of the \$5 qualifying contributions. Seed-money contributions may only come from individuals and are limited both by how much an individual can contribute as well as the total amount candidates may receive. In 2004, an individual could contribute up to \$110. Legislative candidates could not collect more than \$2,830, and Corporation Commission candidates, no more than \$11,320. During this period, candidates may also contribute a small amount of personal money to their campaigns. State

<sup>&</sup>lt;sup>1</sup>"What We Do," *Clean Elections Institute, Inc.* [on-line]; available from http://www.azclean.org/about.html; Internet; accessed April 18, 2006.

<sup>&</sup>lt;sup>2</sup> Paul Davenport, "GOP Lawmakers Push to Repeal Public Campaign Funding," *Associated Press*, April 12, 2006.

<sup>&</sup>lt;sup>3</sup> "Citizens Clean Elections Act, Title 16, Chapter 6, Article 2, §16-950, Qualification for clean campaign funding, sec. D.

<sup>&</sup>lt;sup>4</sup> "Clean Elections Act' 2003 Biennial Adjustments," *Arizona Secretary of State* [on-line]; available from http://www.azsos.gov/election/2004/Info/CCEC\_Biennial\_Adjustment\_Charts.htm; Internet; accessed April 18, 2006.

legislative candidates could give up to \$550, while Corporation Commission candidates were allowed to spend twice as much on their campaigns.<sup>5</sup>

Candidates who opt in to the Clean Elections program receive disbursements from the Clean Elections fund for the primary and general elections based on whether they face opposition. They may receive additional funds, up to three times the initial allocation, in races where non-participating candidates spend more than the initial disbursement or when independent expenditures benefit opponents, regardless of whether the opponents are participating or non-participating candidates.

The Citizens Clean Elections Commission receives funding from a 10 percent surcharge on criminal and civil fines, the \$5 contributions participating candidates are required to collect, and from contributions to the commission that are eligible for tax credits.<sup>6</sup> Any funds that candidates do not spend must be returned to the Clean Elections fund.

#### THE 2004 ELECTION

In the 2004 election, when all 90 state legislators and four Corporation Commissioners were chosen, 109 of 200 of candidates accepted public financing. Fifty-five percent of primary- and general-election candidates participated in the Clean Elections program -3 percentage points more than participated in 2002 and 30 percentage points more than in the inaugural 2000 election cycle.

Clean Elections candidates were elected to all four Corporation Commission seats in 2004, as well as 42 of the 90 seats in the state legislature.

In the third election cycle in which public financing was available, publicly financed candidates received \$4.5 million while privately funded candidates collected just under \$2.3 million. The amounts of private and public money flip-flopped from 2000 to 2004, with 46 percent less private money in 2004 and more than twice as much public money. The 2000 cycle is the most recent election cycle in which similar offices were chosen. Significantly more money was raised in the 2002 election cycle because most statewides offices, including governor and secretary of state, were elected, in addition to all 90 legislators.

## **CLEAN ELECTIONS VS. PRIVATE FUNDS**

|                       | 1998         | 2000        | 2002         | 2004        |
|-----------------------|--------------|-------------|--------------|-------------|
| Clean Elections Funds | \$0          | \$2,096,469 | \$13,590,344 | \$4,521,000 |
| Private Funds         | \$10,849,305 | \$4,221,032 | \$6,024,205  | \$2,265,486 |
| TOTAL                 | \$10,849,305 | \$6,317,501 | \$19,614,549 | \$6,786,486 |

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<sup>&</sup>lt;sup>5</sup> Ibid.

<sup>&</sup>lt;sup>6</sup> "Frequently Asked Questions (FAQs)," *Citizens Clean Elections Commission* [on-line]; available from http://www.ccec.state.az.us/ccecweb/faq.asp?secId=4&Go=Go; Internet; accessed April 18, 2006.

#### SOURCES OF FUNDS

As evidenced by the name, proponents of Clean Elections funding cite the transparency of campaign finances as one of its main functions. The theory is that candidates elected free of special-interest money will be less beholden to traditional funding sources.

# Legislative Elections

Of the 192 candidates vying for legislative office in 2004, 103 participated in the Clean Elections program. Ninety-four percent of the funds reported by Clean Elections legislative candidates came from the Clean Elections fund. The remaining seed money was collected from individuals and limited to \$2,830 per candidate. Candidates who chose to forgo public financing and sought private contributions, instead, raised nearly half of their money from four sources: lawyers and lobbyists; the finance, insurance, and real estate sector; the health sector, which includes physicians, hospitals, nursing homes and pharmaceutical companies; and the candidates' personal contributions to their campaigns.

# SOURCES OF FUNDS, ARIZONA LEGISLATIVE CANDIDATES, 2004

|                                  |             | ICIPATING<br>NDIDATES | PARTICIPATING CANDIDATES |       |  |
|----------------------------------|-------------|-----------------------|--------------------------|-------|--|
|                                  |             | % OF                  |                          | % OF  |  |
| TYPE OF FUNDS                    | AMOUNT      | TOTAL                 | AMOUNT                   | TOTAL |  |
| Clean Elections Funds            | \$0         | 0%                    | \$3,559,078              | 94.3% |  |
| Private Funds                    | \$2,263,411 | 100%                  | \$216,733                | 5.7%  |  |
| TOTAL FUNDS                      | \$2,263,411 | 100%                  | \$3,775,811              | 100%  |  |
| ECONOMIC INTEREST                |             |                       |                          |       |  |
| Lawyers & Lobbyists              | \$405,765   | 17.9%                 | \$26,442                 | 0.7%  |  |
| Finance, Insurance & Real Estate | \$274,467   | 12.1%                 | \$11,590                 | 0.3%  |  |
| Health                           | \$208,560   | 9.2%                  | \$7,780                  | 0.2%  |  |
| Candidate Self-Finance           | \$180,137   | 8.0%                  | \$21,087                 | 0.6%  |  |
| General Business                 | \$110,787   | 4.9%                  | \$6,677                  | 0.2%  |  |
| Other/Retiree/Civil Servants     | \$99,246    | 4.4%                  | \$14,626                 | 0.4%  |  |
| Energy & Natural Resources       | \$67,506    | 3.0%                  | \$640                    | 0.02% |  |
| Construction                     | \$65,477    | 2.9%                  | \$3,848                  | 0.1%  |  |
| Transportation                   | \$54,964    | 2.4%                  | \$1,658                  | 0.04% |  |
| Agriculture                      | \$42,311    | 1.9%                  | \$2,515                  | 0.07% |  |
| Labor                            | \$37,468    | 1.7%                  | \$445                    | 0.01% |  |
| Communications & Electronics     | \$34,759    | 1.5%                  | \$2,534                  | 0.07% |  |
| Political Party                  | \$24,452    | 1.1%                  | \$3,745                  | 0.1%  |  |
| Ideology/Single Issue            | \$5,025     | 0.22%                 | \$980                    | 0.03% |  |
| Defense                          | \$2,700     | 0.12%                 | \$0                      | 0.0%  |  |
| Unknown/Unidentified             | \$649,789   | 28.7%                 | \$112,166                | 3.0%  |  |

<sup>&</sup>lt;sup>7</sup> "Clean Elections Act' 2003 Biennial Adjustments," Arizona Secretary of State [on-line]; available from http://www.azsos.gov/election/2004/Info/CCEC\_Biennial\_Adjustment\_Charts.htm; Internet; accessed April 18, 2006.

# Corporation Commission Races

Eight candidates competed in 2004 for four Corporation Commission slots. Only two Corporation Commission hopefuls did not accept public financing. One, a Libertarian, raised less than \$500 and was not required to file campaign-finance reports; the other collected just over \$2,000.

The Clean Elections fund provided participating Corporation Commission candidates with 92 percent of the \$745,190 they reported in contributions. Lawyers and lobbyists contributed less than 2 percent of the money in these races, and personal contributions accounted for less than 1 percent.

#### PROPORTION OF CLEAN ELECTIONS CANDIDATES

Supporters of public funding also contend that it levels the playing field, giving candidates of modest means equal access to the money needed to mount a viable campaign.

From 2000 to 2002, the number of Clean Elections candidates running for legislative office more than doubled. Though the number of Clean Elections candidates for House and Senate decreased from 2002 to 2004, there were fewer legislative candidates overall in 2004 than in previous cycles, and the relative number of Clean Elections legislative hopefuls actually increased.

In 2004, 60 percent of House candidates participated in the Clean Elections program compared with 56 percent in 2002 and 27 percent in 2000. For the Senate, 40 percent of candidates accepted public funding in 2004, compared with 37 percent in 2002 and 18 percent in 2000.

## BREAKDOWN OF HOUSE AND SENATE CANDIDATES BY FUNDING SOURCE

|                  | HOUSE |      |      |      |       | SEN  | ATE  |      |
|------------------|-------|------|------|------|-------|------|------|------|
| CANDIDATE TYPE   | 1998* | 2000 | 2002 | 2004 | 1998* | 2000 | 2002 | 2004 |
| Clean Elections  | 0     | 40   | 87   | 80   | 0     | 14   | 26   | 23   |
| Privately Funded | 119   | 110  | 68   | 54   | 55    | 62   | 44   | 35   |
| TOTAL            | 119   | 150  | 155  | 134  | 55    | 76   | 70   | 58   |

<sup>\*</sup> Public financing program not yet in effect.

In the 2002 election cycle, eight candidates ran for three Corporation Commission seats. In 2004, eight candidates ran again, but this time four Corporation Commission spots were up for grabs. As with legislative candidates, the total number of candidates seeking Corporation Commission seats was on the decline in 2004. The number of publicly financed Corporation Commission candidates, however, increased from five in 2002 to six in 2004, or from 63 percent to 75 percent.

## FUND RAISING BY CANDIDATE TYPE

While the number of both publicly and privately funded legislative candidates decreased in 2004 from previous election cycles, the candidates who did run raised average amounts higher than in any election cycle going back to 1998.

In states without public financing, the fund raising in races featuring incumbents is often one-sided. In 2004, however, challengers collected 95 percent more than challengers in 1998, the last cycle in which all races were privately financed.

The gap between incumbent and challenger fund raising was smaller in 2004 than in the three previous election cycles. Challengers received 29 percent less than incumbents in 2004, compared with 47 percent less in 2002, 46 percent less in 2000 and 57 percent less in 1998.

Incumbents and candidates for open seats also raised higher averages than in the three previous cycles. Open-seat candidates collected 90 percent more than in 1998, and incumbents raised nearly 18 percent more.

## AVERAGE FUND-RAISING BY CANDIDATE TYPE, ARIZONA LEGISLATURE

|                |          |          |          |          | %INCREASE |
|----------------|----------|----------|----------|----------|-----------|
| CANDIDATE TYPE | 1998     | 2000     | 2002     | 2004     | 1998-2004 |
| Incumbents     | \$31,372 | \$36,511 | \$33,084 | \$36,904 | 17.6%     |
| Challengers    | \$13,364 | \$19,608 | \$17,666 | \$26,162 | 95.8%     |
| Open Seats     | \$22,056 | \$23,053 | \$25,832 | \$41,963 | 90.3%     |

The averages include all candidates who were on the ballot, whether they raised money or not. Eighteen candidates raised no money or less than the threshold amount for reporting in 1998, while 17 reported no money in 2000, 11 in 2002 and 13 in 2004. All but two lost their races, and none participated in the public-funding program. Many were third-party candidates, who typically raise little money, while some were major-party candidates who tended to lose the primary election. Almost all were challenging incumbents or running for an open seat.

A breakdown of races with only participating candidates or both participating and non-participating candidates compared to those with only non-participating candidates shows a greater disparity between fund raising by incumbents and challengers when candidates do not accept public financing.

In 2004 races in which all of the candidates chose private financing over public funding, all but one of the nine House candidates were incumbents. The lone challenger raised less than the \$500 reporting threshold, while the incumbents raised an average of \$14,454. Five of the 20 Senate candidates were challenging incumbents; they raised 98 percent less, on average, than did the 13 incumbents. These figures are particularly startling when compared with figures for candidates in races with both participating and non-participating candidates. On average, challengers in those types of races received amounts closer to incumbents than did challengers in privately financed races. House challengers received 28 percent less than incumbents, and Senate challengers raised 35 percent less.

The following tables show the average amounts raised when races featured only non-participating candidates and when they included publicly financed candidates.

#### AVERAGE FUND-RAISING FOR RACES WITH ONLY NON-PARTICIPATING CANDIDATES

|                | HOUSE             |         |          |          | SEN      | ATE      |          |
|----------------|-------------------|---------|----------|----------|----------|----------|----------|
| CANDIDATE TYPE | 1998 2000         | 2002    | 2004     | 1998     | 2000     | 2002     | 2004     |
| Incumbents     | \$29,842 \$24,240 | \$8,504 | \$14,454 | \$33,922 | \$31,791 | \$21,926 | \$33,433 |
| Challengers    | \$13,620 \$25,989 | ) –     | \$0      | \$12,504 | \$8,703  | _        | \$701    |
| Open Seats     | \$17,304 \$14,700 | \$9,477 | _        | \$31,000 | \$25,252 | \$13,997 | \$70,926 |

#### AVERAGE FUND-RAISING FOR RACES WITH PARTICIPATING CANDIDATES

|                | HOUSE    |          |          | 5        |          |          |
|----------------|----------|----------|----------|----------|----------|----------|
| CANDIDATE TYPE | 2000     | 2002     | 2004     | 2000     | 2002     | 2004     |
| Incumbents     | \$40,639 | \$30,980 | \$36,644 | \$42,633 | \$48,093 | \$53,668 |
| Challengers    | \$19,810 | \$17,304 | \$26,210 | \$27,756 | \$18,632 | \$34,961 |
| Open Seats     | \$24,795 | \$26,191 | \$28,263 | \$20,288 | \$29,307 | \$43,474 |

Meanwhile, House candidates who were challenging incumbents in races where all candidates were publicly financed actually raised more than did the incumbent officeholders in 2004. Challengers raised an average of \$30,496, while incumbents raised an average of \$25,690.

The average raised by Senate incumbents in races where all candidates were publicly financed was \$38,109, more than double the \$16,272 that their challengers raised. However, the difference stemmed in large part from matching funds given to one Senate candidate after independent expenditures were made on behalf of her publicly financed opponent. Without those matching funds, the average for incumbents would drop to \$26,789.

Legislative winners, losers and primary losers all raised higher average amounts in 2004 than in 1998, before public financing was available. Though slightly less in 2004 than in 2000 and 2002, the amount of money raised by losing candidates jumped the most: 71 percent from 1998 to 2004. After an initial decline in 2000, the average for primary losers increased in 2002 and 2004, and is now nearly 67 percent higher than before Clean Elections funding was available.

The gap between fund raising by winners and losers has grown since 2002 but still remains more equitable than in 1998. In 2004, winners raised an average 48 percent more than losing candidates, compared with 27 percent more in 2002, 37 percent more in 2000 and 96 percent more in 1998.

# AVERAGE FUND RAISING BY CANDIDATE STATUS

|                  |          |          |          |          | %INCREASE |
|------------------|----------|----------|----------|----------|-----------|
| CANDIDATE STATUS | 1998     | 2000     | 2002     | 2004     | 1998-2004 |
| Winners          | \$28,766 | \$35,096 | \$33,519 | \$37,136 | 29.1%     |
| Losers           | \$14,699 | \$25,559 | \$26,290 | \$25,148 | 71.1%     |
| Primary Losers   | \$16,988 | \$14,925 | \$21,705 | \$28,287 | 66.5%     |

In 2004, winning and losing legislative candidates who participated in the Clean Elections program raised more, on average, than those who did not. Clean Elections winners received 8 percent more and losing candidates 22 times more than their privately funded counterparts. Primary losers who did not participate collected an average 8 percent more than those who did. However, one non-participating House candidate raised nearly \$123,000, elevating that average.

Over the past three election cycles, average fund raising by Clean Elections legislative winners, losers and primary losers has increased each year for each group. Privately funded candidates, however, have seen more fluctuations in their averages over the last four cycles, with winners and primary losers generally raising more, and losers raising far less. Privately funded losing candidates often include third-party candidates who typically raise small amounts or less than the \$500 reporting threshold.

# AVERAGE FUND RAISING BY PARTICIPATING AND NON-PARTICIPATING CANDIDATES

|                  | PUBLIC FUNDING |          |          | P        | RIVATE F | UNDING   |          |
|------------------|----------------|----------|----------|----------|----------|----------|----------|
| CANDIDATE STATUS | 2000           | 2002     | 2004     | 1998     | 2000     | 2002     | 2004     |
| Winners          | \$31,895       | \$34,675 | \$38,704 | \$28,766 | \$35,686 | \$32,882 | \$35,764 |
| Losers           | \$34,363       | \$35,770 | \$40,695 | \$14,699 | \$19,303 | \$1,996  | \$1,828  |
| Primary Losers   | \$22,299       | \$24,526 | \$27,409 | \$16,988 | \$13,272 | \$18,737 | \$29,579 |

#### CONTRIBUTION AND SPENDING LIMITS

Legislative candidates who qualified for Clean Elections funds in 2004 received \$11,320 for the primary election and an additional \$16,980<sup>8</sup> for a contested general election. Corporation Commission candidates collected a primary disbursement of \$45,280 and \$67,920<sup>9</sup> for the general election. If matching funds triggers were met, when an opponent spent more than the Clean Elections allocations or independent expenditures affected the race, candidates could receive up to three times the original grant. <sup>10</sup> Clean Elections candidates who did not face primary- or general-election opposition received the amount submitted in \$5 qualifying contributions.

Nonparticipating candidates are subject to limits on contributions from individuals and political action committees (PACs). Legislative candidates could receive \$280 from individuals and PACs, \$1,440 from certified Super PACs, and a combined total of \$7,192 from all PACs other than political parties. Corporation Commission candidates were limited to \$720 from individuals and PACs, \$3,600 from Super PACs, and a combined \$71,888 from all PACs other than political parties. PACs other than political parties.

<sup>10</sup> Arizona Revised Statutes (A.R.S.), "Citizens Clean Elections Act, Title 16, Chapter 6, Article 2," §16-952 Equal funding of candidates, sec. E.

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<sup>&</sup>lt;sup>8</sup> "'Clean Elections Act' 2003 Biennial Adjustments," *Arizona Secretary of State* [on-line]; available from http://www.azsos.gov/election/2004/Info/CCEC\_Biennial\_Adjustment\_Charts.htm; Internet; accessed April 18, 2006.

<sup>9</sup> Ibid.

<sup>&</sup>lt;sup>11</sup> "2003-2004 Election Cycle Campaign Contribution Limits," *Arizona Secretary of State* [on-line]; available from http://www.azsos.gov/election/2004/Info/Campaign\_Contribution\_Limits\_2004.htm; Internet; accessed April 18, 2006.

<sup>12</sup> Ibid.