

Emily Scarr, Maryland PIRG Director
HB1125: Public Financing Act – Candidate and Matching Fund
Revisions (Maryland Fair Elections Act)
Thursday, February 27th, 2020
Ways and Means Committee
FAVORABLE

Maryland Public Interest Research Group (Maryland PIRG) is a citizen funded public interest advocacy organization with grassroots members across the state.

In 2013, the Maryland General Assembly passed the Campaign Finance Reform Act of 2013 which made it possible for Maryland counties to build small donor campaign finance programs locally. Since, Montgomery County, Howard County, Prince George’s County, and Baltimore City have all established these new campaign finance systems, and Montgomery County has successfully run their first election using the new system. And, Baltimore County and Anne Arundel County have also begun the process of establishing local programs. **Now, it is time to modernize Maryland’s Gubernatorial public financing system and work to expand the program to include Comptroller, Attorney General, and ultimately General Assembly races.**

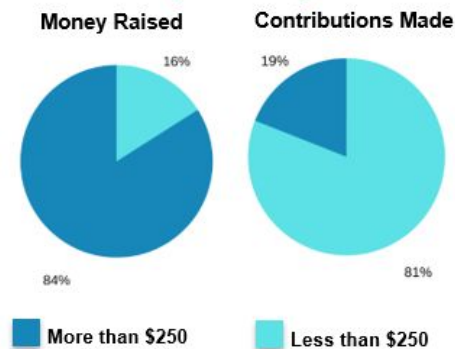
The [Maryland PIRG Foundation just released a report](#) which found that the people and entities that donate to Maryland’s Gubernatorial campaigns are not reflective of Marylanders who are eligible to vote in these elections. The report finds that the money raised comes primarily from out of state or non individuals who contribute disproportionately large sums of money (*Executive Summary attached*). [1]

Big money--the large contributions that most people can’t afford--drowns out the voice of small donors.

For example, over the last three races for governor, 84% of the money raised came from contributions over \$250, despite the fact that they represented less than a fifth (19%) of total donations to candidates.

In September, [Maryland PIRG Foundation released a report](#) which found that Montgomery County’s Fair Elections program showed strong results in its first use. The report looks at data from 57 candidates for county office, 35 of whom participated in the program and 24 qualified to receive matching funds.[2]

Fig 1. Percent of fundraising from small donors (\$250 or less)



Key findings:

- Candidates who qualified received nearly twice as many donations from Montgomery County residents than those not participating in the program (850 vs 434).
- Candidates participating in the program received an average contribution of \$86 compared to \$1,145 for non participating candidates.
- Candidates running for county council seats were able to use the small donor system to run competitive races. The average contribution, including matching funds, for candidates participating in the program was similar to the average contribution for candidates accepting large contributions. (\$306 vs \$292)

HB1125 is modelled after the success of similar programs in the state and country, with adjustments to meet needs of a state-wide race.

A Fair Elections program will be better for candidates and elected officials, better for the public, and better for Maryland.

We believe that in Maryland, the amount of money your family makes - your race, your gender - should **not** determine the volume of your voice in our elections. But the rise of corporate and large campaign contributions has forced Maryland elected officials and candidates to be increasingly dependent on these donors, giving them less time to hear from and serve their constituents.

The **Fair Elections Act** is a voluntary program which enables candidates to run for office with small donations from their constituents and remaining competitive with those who accept large and corporate contributions. This serves the dual purpose of reducing corporate and large donor campaign spending and re-engaging the community in the electoral process. And with a Fair Election program in place, we hope to expand opportunities to run for office, so candidates of all backgrounds can run based on the strength of their ideas not access to money.

These types of programs are popular, effective, and gaining momentum.

BACKGROUND: Recent decisions from the Supreme Court have unleashed a wave of mega donors into the electoral process and we are feeling the effects at the local level. The meteoric rise of election spending since these Supreme Court decisions means candidates and elected officials are often trapped spending an increasing amount of time fundraising from big donors, giving them less time to hear from and serve their constituents. It has also exacerbated the already shrinking faith that citizens have in their elected officials and government.

An October 2017 Poll from the University of Maryland and the Washington Post found that Americans, regardless of political affiliation agree the money in politics is a big issue and are not happy with the way our democracy is going.[3]

- 36% said they are not proud of the way democracy works in America, up from 18% in 2014.
- Money in politics was listed as the #1 cause for dysfunction in the U.S. political system, with a whopping 96% of participants blaming money in politics for causing dysfunction and 94% of participants blame wealthy political donors for causing dysfunction.

WHAT YOU CAN DO: Small donor public financing enables candidates to run a competitive race without relying on large or corporate donors. In addition to local programs across Maryland, similar programs have proved effective in Connecticut and New York City, where more than 90% of candidates frequently participate in the program.[4]

The fight to overturn Citizens United will be long, but this is something you can do now. There is no doubt that our democracy is in a fragile state, especially down the road in D.C. You have an incredible opportunity to empower Maryland residents in our elections and build a democracy for the people. I hope you take it.

We recommend a favorable report.

[1] Big Money in Maryland Elections: Who's Funding Elections for Governor? Maryland PIRG Foundation 2020, <https://marylandpirg.org/reports/mdp/big-money-maryland-elections>

[2] Fair Elections in Montgomery County: Matching Program Encourages and Empowers Small Donors, Maryland PIRG Foundation, September 2019, <https://marylandpirg.org/reports/mdp/fair-elections-montgomery-county-0>

[3] Most Americans say politics have reached a dangerous new low point, Washington Post and University of Maryland, October 28, 2017, https://www.washingtonpost.com/page/2010-2019/WashingtonPost/2017/10/28/National-Politics/Polling/release_497.xml

[4] States, Counties, and Municipalities Empower Small Donors and Curb the Power of Big Money in Politics, Demos, June 28, 2017, <http://www.demos.org/publication/public-funding-electoral-campaigns-how-27-states-counties-and-municipalities-empower-sma>

Executive Summary

In Maryland’s gubernatorial elections, the people and companies that donate to campaigns are not reflective of the Marylanders who vote in these elections. On average, donors make large contributions that most Marylanders can’t afford, only a small percentage of the population is making contributions, and the majority of money comes from donors who aren’t eligible to vote in these elections.

Candidates for office rely on these donors to fund their campaigns. As a result, campaign contributions from a small set of large and out of state donors have too much influence over who can run for office, what issues make it onto the agenda, and often who wins.

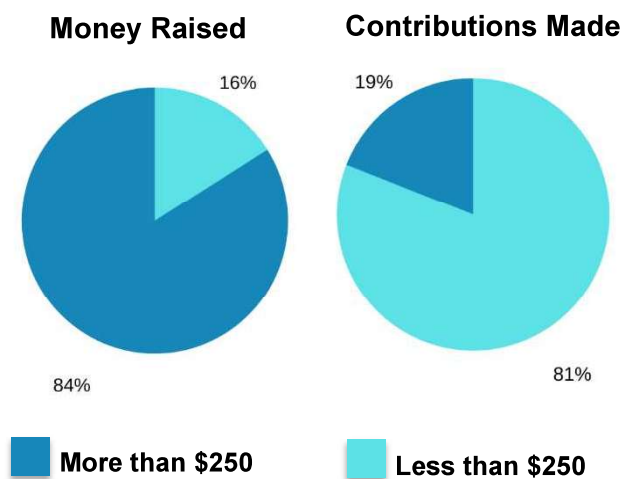
This report analyzes the contributions received, and expenditures of, Maryland’s gubernatorial candidates in 2010, 2014, and 2018 gubernatorial elections. Over the last 3 election cycles, primary election candidates have spent more than 4 million dollars on average. General election candidates spent an additional 4.5 million. And the evidence indicates that donors in Maryland’s gubernatorial elections aren’t reflective of Maryland’s population.

Our review of the data shows that:

1. Big money--the large contributions that most people can’t afford--drowns out the voice of small donors.

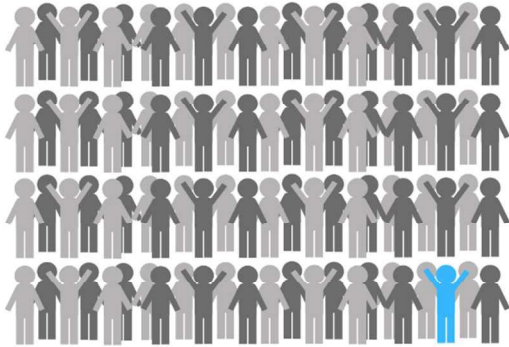
Contributions over \$250 make up the vast majority (84%) of the total money contributed to campaigns, despite representing just 19% of total donations to candidates.¹

Fig 1. Percent of fundraising from small donors (\$250 or less)



¹ These numbers are direct contributions and exclude a number of contributions types. See Methodology for details. Additionally, this statistic uses a total contributions amount that excludes public matches. When including public matches received by candidates in the contributions total, the individual contributions over \$250 account for 79% of total spending.

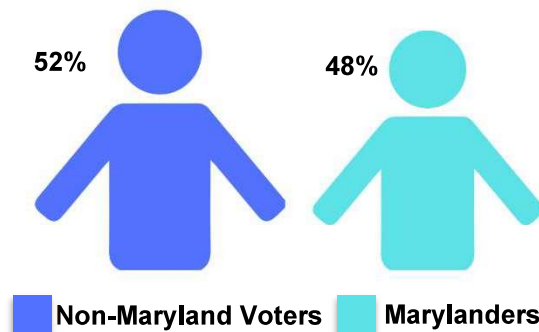
Fig 2. Percent of Marylanders contributing to gubernatorial campaigns



2. Maryland voters generally don't contribute to elections. On average, there are more than 50 thousand (50,056) contributions to gubernatorial campaigns by Maryland residents every election cycle, which is barely 1% of Maryland's nearly-five million (4,702,570) voting age population.²

3. Over half of the money raised does not come from Maryland voters. 52% of the money contributed to gubernatorial races comes from either out-of-state donors or non-individuals, such as corporations or PACs.³

Fig 3. Percent of money coming from Marylanders vs non-individuals and out-of-state donors.



But, it doesn't have to be this way.

Counties throughout Maryland are stepping up to give political power to Marylanders by adopting small-donor matching public campaign financing systems. In 2013, the Maryland General Assembly passed the "Campaign Finance Reform Act of 2013" which enabled counties to establish public financing for county legislative and executive offices.⁴ Montgomery County, Howard County, Prince George's County and Baltimore City have

² "Estimates of the Voting Age Population for 2018," *Federal Register*, <https://www.federalregister.gov/documents/2019/10/04/2019-21663/estimates-of-the-voting-age-population-for-2018>

³ This calculation includes all public match contributions.

⁴ "Campaign Finance Reform Act of 2013," *Maryland General Assembly*, <http://mgaleg.maryland.gov/mgawebwebsite/legislation/details/hb1499?ys=2013rs>.

adopted such systems,^{5 6} and Montgomery County used a small-donor matching program in 2018.⁷ These systems provide candidates for office with limited matching funds if they agree to only accept contributions from small donors and meet qualifying thresholds for money raised and donors reached.⁸

A small donor campaign financing program for gubernatorial races can address the challenges identified by the data. Maryland should model the successes of Montgomery County and others to implement an opt-in small donor matching program for the governor's race.

⁵ "County Public Financing Program," *Maryland State Board of Elections*, https://results.elections.maryland.gov/campaign_finance/County_public.html

⁶ "City of Baltimore: File # 19-0403," *Baltimore City Council*, <https://baltimore.legistar.com/LegislationDetail.aspx?ID=3994414&GUID=AE392449-874F-43A0-ADDC-A1C4FE47EC8B>

⁷ "Montgomery County Department of Finance Earns Two NACo Achievement Awards," *Montgomery County Government*, https://www2.montgomerycountymd.gov/mcgportalapps/Press_Detail.aspx?Item_ID=23200

⁸ Lamone, Linda H., Jared DeMarinis, and David Crow, "Summary Guide: Public Election Fund," *Montgomery County, Maryland*, https://www.montgomerycountymd.gov/BONDS/Resources/Files/PEF_Summary_Guide.pdf

Fair Elections in Montgomery County

2018 Matching Program Encourages and
Empowers Small Donors



Executive Summary

“Big money” – the large donations that come from a few mega-donors and special interests – dominates current American politics, shaping everything from who runs for office to a candidate’s ability to communicate their message to the public. Traditional campaign financing favors those with money or access to money, and people of color, women, low income folks, young people, and immigrants are often left out.

But it doesn’t have to be this way. Around the country, cities, counties and states are taking action to fight back against large donors’ dominance of politics. One such effort is the Fair Elections law adopted in Montgomery County, Maryland, which provides candidates for county-level positions with limited matching funds if they agree to accept contributions only from small donors.

The programs goals include encouraging greater participation, reducing the influence of large donors, and enabling more residents to be able to run for public office.

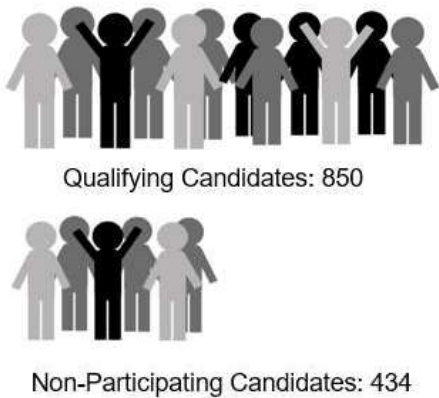
This report analyzes the fundraising data from the 2018 county elections, the first election in Maryland to use a small donor matching system. Overall, the small donor matching system was largely successful in achieving its stated goals. Our review of the data concludes that:

1. Small donors accounted for a significantly larger portion of the fundraising for candidates in the program. Candidates who qualified for the matching program raised 98% of their money in small contributions (\$150 or less) and matching funds compared to 3% for candidates who did not participate.¹



3. Individual donors participated at a higher rate when candidates participated in the small donor program. Candidates who qualified for the program on average received 96% more contributions from individuals than candidates who did not participate in the program. (850 vs 434)

Fig 3. Average Number of Contributions from Individuals



2. The average donation was dramatically smaller for qualifying candidates. Candidates qualifying for the program received an average contribution of \$86 compared to \$1,145 for non-participating candidates.²

Fig 2. Average Size of Contributions



4. Candidates running for county council seats were able to use the small donor system to run competitive races. Once you add matching funds, the average contribution for candidates participating in the program was similar to the average contribution for candidates accepting large contributions. (\$306 for qualifying vs \$292 for non-participating)

Fig 4. Average Total Contribution (Including Match)



¹ When you remove Blair's fundraising from the analysis, the percent of fundraising from small contributions for non-participating candidates rises to 9%. See Page 5 "Impacts of Small Donor Matching Program."

² When you remove candidate Blair's fundraising from the analysis, the average contribution for non-participating candidates drops to \$435. See Page 5 "Impacts of Small Donor Matching Program."



Summary of Fair Elections Act as Drafted

Threshold to Qualify for Small Donor Matching Program			
	Governor	Comptroller	Attorney General
Number of Donations	1,500	1,000	1,000
Amount of Donations	\$120,000	\$80,000	\$80,000

*Must forgo contributions greater than \$250 and only accept contributions from individuals (no money from corporations, etc.). Multiple contributions from one person cannot exceed \$250.

Match Ratios			
	Governor	Comptroller	Attorney General
First \$50	9 to 1	8 to 1	8 to 1
Second \$50	5 to 1	4 to 1	4 to 1
Third \$50	2 to 1	2 to 1	2 to 1
Final \$100	Accepted, no match	Accepted, no match	

*Only contributions from Maryland residents are matched. No match provided for last \$100.

	Governor	Comptroller	Attorney General
Match Cap	\$3,000,000	\$750,000	\$750,000

*Once the cap is reached, candidates can continue to raise donations from individuals of \$250 or less but will not receive any matching funds. The match cap is per election.

Example Candidate Performance		
	Total Raised if Candidates Reach Program Cap	Donors & Amount to Reach Program Cap
Governor	\$3,562,500 (\$3mil match + \$562,500)	Raise \$150 donations from 3,750 donors
Comptroller	\$856,800 (\$749,700 match + \$107,100)	Raise \$100 donations from 1,071 donors
Attorney General	\$843,750 (\$750,000 match + \$93,750)	Raise \$50 donations from 1,875 donors

Anticipated Cost to State
\$6.875 million a year would cover operating costs and 4 primary and 2 general election candidates for each Governor, Comptroller, and Attorney General, assuming a full match.