

Boosting the Impact of Small Donors

How a Small Donor Matching Program Would Reshape the Cook County State's Attorney Democratic Primary

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Illinois PIRG
Education Fund

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Introduction

As campaign season kicks in in Illinois and across the country, the influence of big money on our elections is more evident than ever. As the New York Times reported last fall, fewer than 158 families are responsible for nearly half of all early campaign money raised in the 2016 presidential raceⁱ. Illinois continues to set new records: in early February, a State Representative candidate received a single contribution of \$500,000 in a Democratic primary.

While the figures may grow ever more eye-popping, this story is nothing new and the public is broadly convinced that big money has undue-influence on our elections. There is support across the political spectrum for limiting this influence, with 84% of Democrats and 72% of Republicans supporting stronger campaign finance laws.ⁱⁱ

It is time to move beyond documenting the problem to seriously consider available solutions. Programs where small contributions are matched with limited public funds for candidates who agree to turn down large contributions are gaining increasing support. New York City has run such a program for years, and this fall voters in Maine and Seattle voted to support similar programs.

There are bills in Congress, including the Fair Elections Now Act sponsored by Senator Durbin, to create similar programs for

Congressional Elections. In January Aldermen Joe Moore, Michelle Harris and John Arena introduced an ordinance for a small donor for Chicago Elections. There are similar efforts underway in Evanston, Oak Park, and Cook County.

This report examines how the Cook County State's Attorney Democratic primary could be reshaped by a public financing system that amplifies the voices of small donors in our elections. The Cook County State's Attorney Democratic primary has become a high profile campaign in the wake of incumbent Anita Alvarez's handling of the Laquan McDonald case. Alvarez and her principle challenger, Kim Foxx, both have a strong base of political support and have both raised significant campaign funds. The second challenger, Donna More, loaned her campaign \$250,000 in December, lifting campaign contribution caps for all candidates.

Using data released by the State Board of Elections this January, this analysis demonstrates that a small donor empowerment system would provide a powerful incentive for candidates to shift their fundraising strategy to focus on small donors, and access to a narrow set of wealthy donors, party leaders, or vast personal wealth would not determine the viability of a campaign.

Key Findings

Amplified voice for Small Donors

Without a small donor matching system, candidates received only 4% of the campaign funds from donors giving under \$150. If all candidates participated, 84% of campaign funds would come from donors giving \$1050 or less, along with corresponding matching funds.

Foxx would take a fundraising lead with a small donor program

At the end of the last full reporting period, Alvarez had a fundraising lead of \$142,000 over Foxx. If both participated in a small donor matching program, Foxx would lead Alvarez by \$210,000. This is because, while Foxx has raised less money under the current system, she has done so from a wider pool of donors. If Foxx participated but Alvarez did not, Foxx would still have an advantage of \$40,000.

Alvarez and More would need greatly expand their small donor base to be competitive under a matching program

In order to fare as well as they would by not opting to participate in a small donor matching program, Alvarez would need to increase her small donor fundraising by 45%. More would need to increase her small donor fundraising by 255%.

A small donor program would limit the influence of out of district individuals, corporate contributions and transfers from other campaign committees.

Currently, 46% of all candidate funds have come from individuals who do not live in Cook County, corporations and from other campaign committees. Under a small donor program that still allowed for contributions from those sources, but capped the amount participating candidates could accept, only 16% of all candidate funds would come from those sources.

Creating a People Powered Campaign Finance System

The Supreme Court's decisions in *Citizens United* and related cases have shut the door on commonsense limits on big money that align with what most Americans can afford. However, Congress, state and local governments could immediately enact a campaign finance system that amplifies the voices of small donors.

Here's how a small donor empowerment program works. Candidates who voluntarily opt into the program and agree to turn down large contributions receive limited public matching funds for each small contribution they secure. Depending on the level of government, the matching fund program can be combined with refundable tax credits for small contributions, encouraging candidates to raise funds from a broad swath of their constituents and increase civic participation.

The Government by the People Act (Congressman Sarbanes, H.R. 20, 157 cosponsors) would create this type of system for House elections. The bill would encourage more Americans to participate in the process with a \$25 refundable tax credit for small donations and would match contributions of \$150 or less with limited public funds at a six-to-one ratio. To participate in the small donor matching program, candidates would have to limit contributions to \$1,000 or less. Under this system, candidates relying on small donors could compete with candidates supported by wealthy donors. Candidates who agree to an even lower contribution limit of \$150 per

donor would be eligible for a nine-to-one match for their small contributions. The Fair Elections Now Act (Senator Durbin, S.1538, 22 cosponsors) would create a similar system for Senate elections. Instead of dialing for dollars from a narrow set of wealthy donors, candidates could spend their time appealing to the everyday constituents they seek to represent.

On January 13th, Aldermen Moore, Harris and Arena introduced the "Fair Election Ordinance" (O2016-232) which would create a similar program for Chicago Electionsⁱⁱⁱ. Participating candidates would receive a six-to-one match on individual contributions up to \$175 as long as they do not accept contributions more than \$500 from one individual source.

The track record of small donor systems is impressive. For example, New York City's program allowed participating candidates in the 2013 city council race to raise 61 percent of their contributions from small donations and matching funds.^{iv} That year, 92 percent of candidates running in the primary participated in the program.

The proven impact of such programs is one reason why other states and localities have started adopting them. Last November, voters in Maine and Seattle passed clean election ballot initiatives with strong support, creating and strengthening their own small donor empowerment programs. In 2014, Montgomery County, Maryland, enacted legislation creating a small donor

program similar to what New York has in place.

Could a small donor program work for Chicago, Cook County or Illinois? The findings described below show how a small

donor matching program could reshape the 2016 State's Attorney Democratic primary for today's candidates, as well as make it possible for more candidates to choose to rely on small donor fundraising and still compete in the race.

How State's Attorney Candidates Would Fare in a Small Donor System

This report examines the fundraising done directly by the Democratic candidates' primary campaigns and calculates how each would fare under a hypothetical small donor matching system.

This study assumes that qualifying contributions of \$150 or less would be matched at a six-to-one ratio, making a \$150 contribution worth \$1,050 to the candidate. Qualifying contributions could only come from eligible voters residing in Cook County – no corporate contributions or transfers in from other political committees would be matched. Qualifying contributors could give no more than \$150. We chose \$150 because this is the contribution threshold at which campaigns must disclose to the State Board of Election the name of each donor for each specific contribution.

Participating candidates could accept contributions from individuals who live outside Cook County and from legal entities, as well as transfers from other political committees, but these contributions would be capped at \$1,000.

For the purposes of this study, we examined campaign finance reports from July 1, 2015 to December 31st, 2015, the last two quarters for which full campaign finance

reporting is available. There has, of course, been significant fundraising done by all candidates since then, but we do not have the complete data needed for our analysis after 12/31/15. That information will not be available again until the next quarterly report in mid-April.

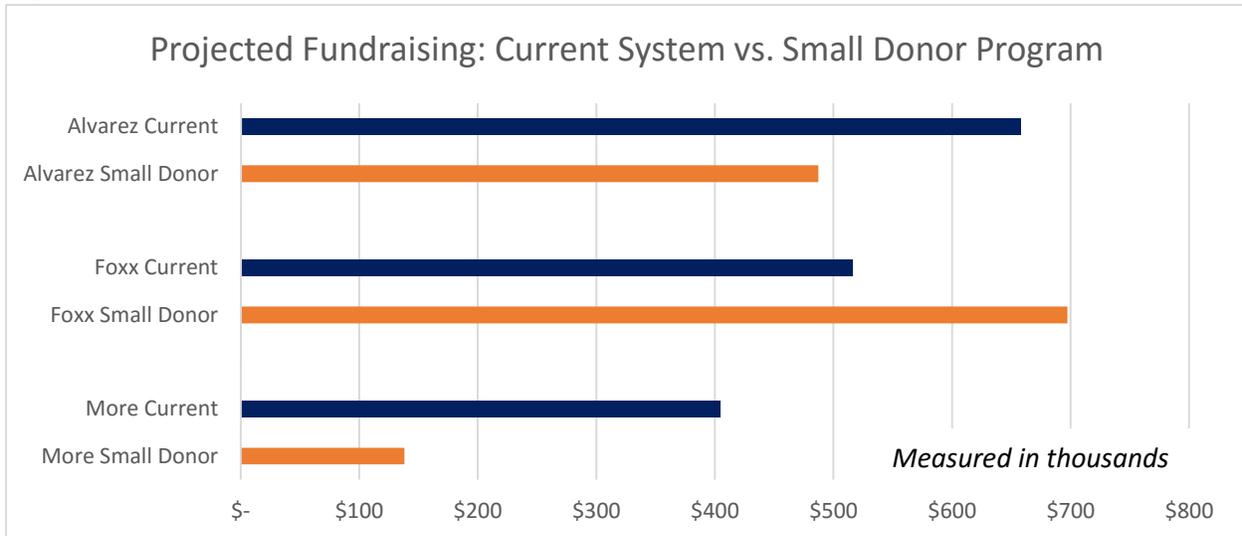
For the purposes of the study we reduced the contribution of every Cook County donor who gave more than \$150 to \$150 to be in compliance with the limit. For example, we assumed that a qualified contributor giving \$5,000 now would reduce their contribution to \$150 if their favored candidate was participating in the program. For all contributors living outside of Cook County, contributing legal entities, and committee transfers, we reduced any contribution over \$1,000 to \$1,000. Finally, for the purposes of the study, we assumed participating candidates would not be allowed to contribute to their campaigns above the \$150 limit.

Figure 1 shows how the fundraising picture could be transformed if candidates were rewarded for building a small donor base. As the candidate with the greatest number of small donors, and the most Cook County donors of all sizes, Kim Foxx is the only

candidate who would see a boost in fundraising by participating in a small donor program. Both Alvarez and More would have

less funds if they participated in the program and did not significantly increase their small donor base.

Figure 1.



This result suggests that, if a small donor matching program were enacted, Foxx would participate and benefit. She would not doubt adapt her fundraising strategy to rely even more on small donors. Alvarez and More would either choose to not participate or choose to significantly change their fundraising strategy.

As Table 1 shows, if Foxx participated in a small donor matching program but the other candidates did not, she would still have a fundraising advantage. Under the current system Alvarez had a fundraising lead of \$142,000 over Foxx at the end of the last two quarters. If both participated in a small donor matching program, because of her wider donor base, Foxx would lead Alvarez by \$210,000. If Foxx participated but Alvarez did not, Foxx would still have an advantage of \$40,000.

Table 1.

Candidate totals with mixed participation in Small Donor Program		
Alvarez	\$ 657,603	Total under current system
Foxx	\$ 697,385	Total under Small Donor Program
More	\$ 404,482	Total under current system

How much larger a role would small donors play in our elections if a small donor empowerment program were in place, assuming candidates maintained their current fundraising strategy? As Table 2 shows, without matching funds, donors giving less than \$150 currently account for just 4 percent of total fundraising. Under a six-to-one small donor matching system, the share of

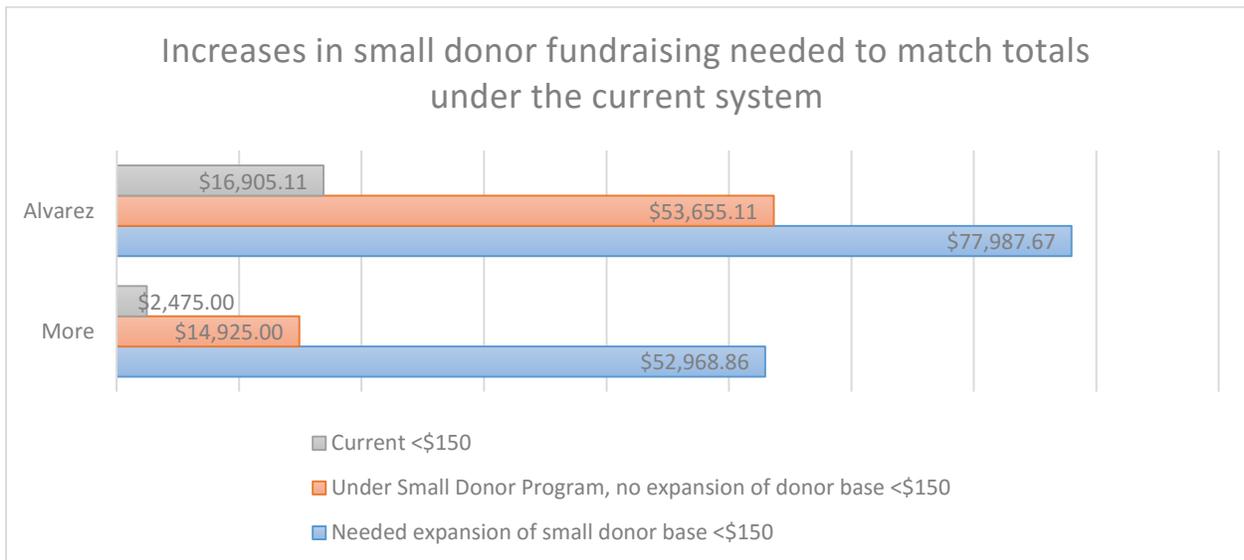
funds accounted for by those small donors and their corresponding matching funds jumps to 84 percent

Table 2.

% raised from donors giving < \$150		
	Current System	Small Donor Program
Alvarez	3%	77%
Foxx	9%	91%
More	1%	76%
Total	4%	84%

Of course, if a small donor matching program existed, candidates may change their fundraising strategy to perform better under the system, by expanding their small donor base. Figure 2 shows how much additional small donor fundraising Alvarez and More would need to do to gain parity with their fundraising totals under the current system.

Figure 2.



The first amount is the candidates' current totals for money raised from donors giving less than \$150. The second amount is a calculation of how much they would raise in contributions less than \$150 if all of their current Cook County donors gave \$150 or less. The final amount represents the total each candidate would need to raise in contributions less than \$150 in order to, along with their other fundraising, match their overall fundraising total under the current system.

Alvarez would need to increase her small donor base by 45% while More would need to increase her small donor base by 255%. With just a 20% increase in small donor fundraising, Foxx could raise her total fundraising under a small donor program to over \$824,000.

New Incentive for Fundraising Strategies That Put Small Donors at Center Stage

One key benefit of small donor empowerment programs is that participating candidates would change their fundraising strategies to focus on small donors. This is in contrast to our current system, which incentivizes candidates to seek support from big individual donors, corporations, labor unions, and political parties and party leaders.

Illinois enacted campaign contribution limits:

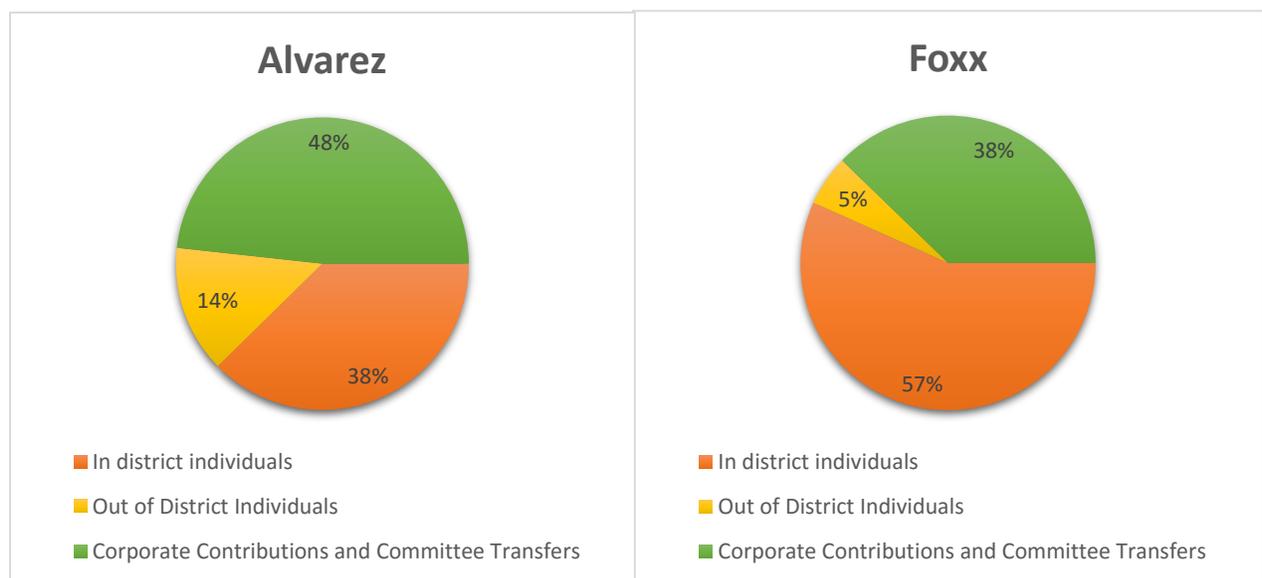
- \$5,400 - from an individual (excluding immediate family members)
- \$10,800 - from a corporation, labor organization or association
- \$53,900 - from a Candidate Political Committee or Political Action Committee
- Unlimited - from a Political Party Committee during a General or Consolidated Election cycle
- Unlimited - from a Political Party Committee during a Primary Election cycle in which the candidate does not seek nomination at a Primary Election

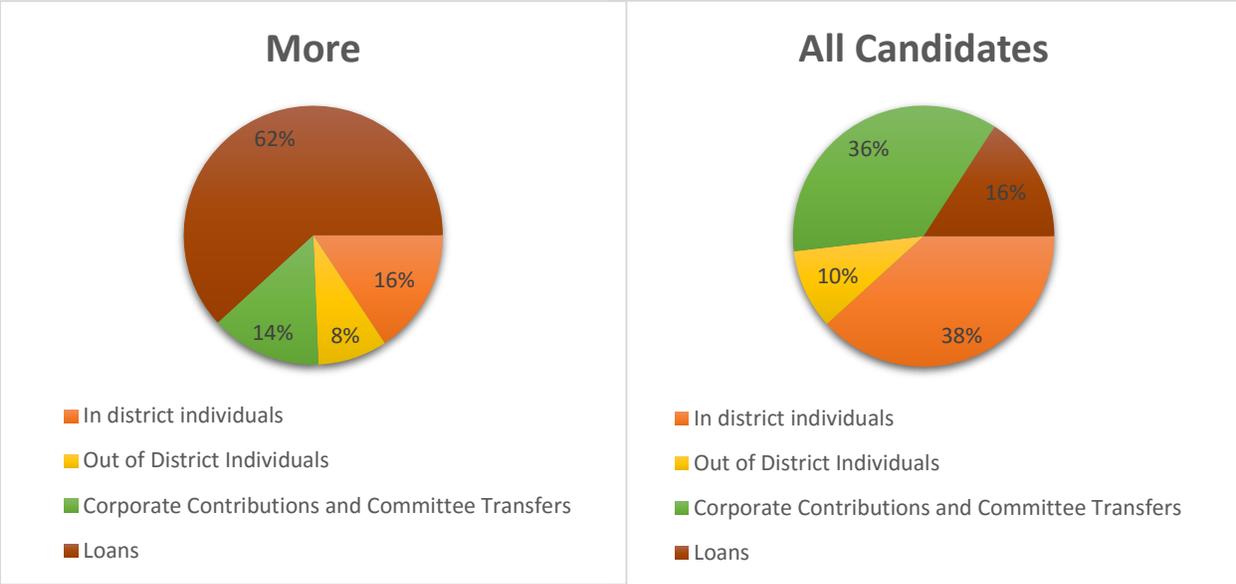
During a Primary Election cycle in which the candidate seeks nomination at a Primary Election, the limits from a Political Party Committee vary by office.

- For county-wide offices in Cook County, the limit is \$134,900.^y

These limits clearly incentivize candidates to seek support corporations, labor unions, political parties and party leaders who can amass large campaign war chests, often across multiple committees. As can be seen in Figure 3, campaign fundraising strategies focus on the sources with the highest limits.

Figure 3

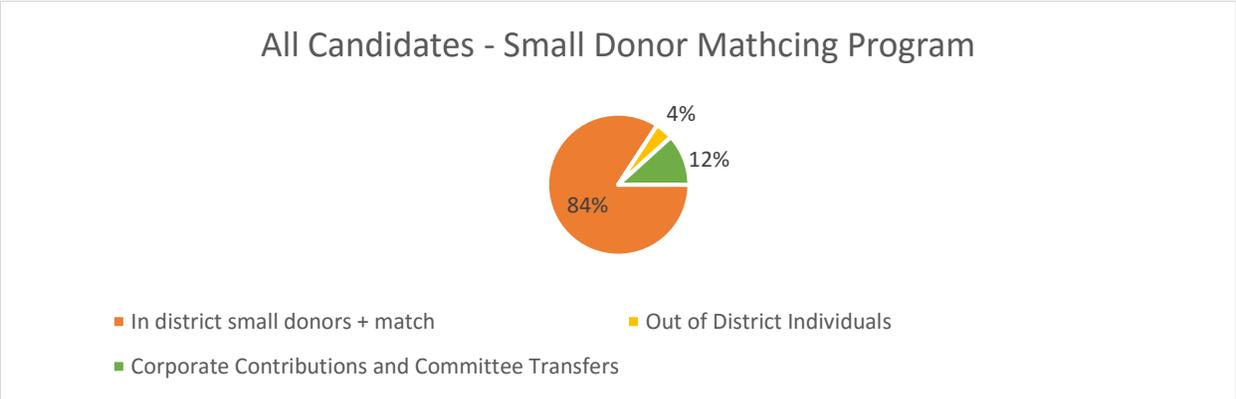




Over the course of period we studied, Alvarez raised nearly half (48%) of her funds in contributions from legal entities or transfers from other political committees. Foxx raised 38% of her funds from those sources. Only More did not raise a significant amount of funds from those sources, as she is primarily self-funding her campaign. These percentages will almost certainly rise: Foxx received a transfer of \$75,000 in January and, in just the first week of February, Alvarez received a \$10,000 transfer and \$33,000 corporate contribution.

More detailed tables are included in Appendix A, but just by looking at the same percentages for all candidates under a small donor program, as in Figure 4, you can see how a small donor program radically shifts the primary sources of campaign funds for participating candidates.

Figure 4.



None of the estimates in this study account for the potential of a small donor matching program to encourage more Americans to make small contributions, knowing that their small contribution will not be completely dwarfed by those of wealthy donors. The experience of New York City's small donor program indicates many more donors would participate. After strengthening its matching program by increasing the ratio at which small contributions are matched from one-to-one to six-to-one, the number of New Yorkers contributing less than \$250 increased by close to 30 percent on average for candidates in competitive races.^{vi}

The diversity of those contributing to New York City elections also increased under the city's revamped small donor matching program. During its 2009 City Council race, 90 percent of census blocks in New York City had at least one resident who made a small contribution, while only one third of census blocks were represented in the donor pool for State Assembly candidates in 2010.^{vii}

Conclusion

From Governor to Alderman, constituents making small contributions are playing an increasingly small role in financing political campaigns in Illinois.

It does not have to be this way.

A small donor matching system would give candidates a viable alternative to dialing for dollars from wealthy donors, special interests or powerful political leaders. Under a small donor matching program, candidates who raise the bulk of their campaign cash from constituents making small contributions would be able to close the gap with or even exceed the fundraising of candidates who focus on large donors.

This study shows that under a small donor matching system, candidates would have a powerful incentive to change their fundraising strategy to focus on every day constituents. Under our current campaign finance system, it is rational for a candidate to fundraise primarily from big donors. A small donor matching system, like the one New York City has adopted, or as laid out in the Government by the People Act and Fair Elections Now Act in Congress, and the Fair Elections Ordinance in Chicago, would make it rational to prioritize small contributions from regular Americans.

Enacting a small donor matching program at the local would put everyday citizens back in the driver's seat of our democracy.

Methodology

Source of the data:

All fundraising numbers in this report come from the Illinois State Board of Elections. We pulled campaign fundraising from individual contributions, transfers in, and loans between July 1, 2015 and December 31, 2015. We took non-itemized totals from the two quarterly reports in the same time period. Each candidate's itemized and non-itemized contributions, as reported by the State Board of Elections, were used to calculate their predicted fundraising under a small donor matching fund.

Assumptions:

- Because contributions under \$150 are non-itemized, we have no way of knowing if they came from qualified contributors as defined by our hypothetical Cook County small donor matching program (eligible voters in Cook County). For the purposes of this study, we assumed they were.
- Small donor matching programs require participating candidates to voluntarily accept lower contribution limits. For the purposes of the hypothetical program we envisioned for this study, we set a contribution limit of \$150 from qualified contributors, and \$1,000 from non-qualified contributors. We made the assumption that any qualified contributor now giving over \$150 would reduce their contribution to \$150 and that any non-qualified contributor giving over \$1,000 would reduce their contribution to \$1,000.
- Small donor matching programs require candidates to raise a certain number and total dollar amount of contributions from small donors. For example, the Government by the People Act would require House candidates to demonstrate their viability by raising at least 1,000 in-state-contributions, adding up to at least \$50,000 in order to qualify. For the purposes of this study, we assumed that all candidates qualified.
- We used the municipality of contributors to determine if they were residents of Cook County. For municipalities that overlap Cook County and other Counties, we assumed the contributor lived within Cook County and was a qualified contributor.

Calculations:

In order to arrive at fundraising totals under a small donor match, for each candidate we:

- Sorted itemized individual contributions, loans, contributions by legal entities, and transfers in.
- Sorted individual contributions by inside or outside of Cook County.
- Counted the number of itemized individual contributions inside Cook County and multiplied this number by \$150 to achieve the total of contributions made by those donors when their contributions is capped at \$150.
- Added that figure to the existing non-itemized total to arrive at a new small donor total.
- Multiplied that figure by 6 to determine the match.
- For contributions from individuals from outside of Cook County, from legal entities, and for transfers in, we counted the number of contributions over \$1,000 and multiplied that number by \$1,000. We added that to the existing total of all contributions from those sources at or below \$1,000.

Appendix A

Detailed Tables of Campaign Contributions by Campaign by Source

Current System						
	Alvarez	%	Foxx	%	More	%
Small Donor Money	\$ 16,905	3%	\$ 45,092	9%	\$ 2,475	1%
In district money 150+	\$ 230,709	35%	\$ 247,291	48%	\$ 61,007	15%
Small Donor Match	\$ -	0%	\$ -	0%	\$ -	0%
Out of District Individual Contributions	\$ 92,600	14%	\$ 28,590	6%	\$ 35,050	9%
Corporate Contributions	\$ 142,189	22%	\$ 73,850	14%	\$ 54,700	14%
Transfers In	\$ 175,200	27%	\$ 120,850	23%	\$ 1,250	0%
Loans		0%		0%	\$ 250,000	62%
Total	\$ 657,603		\$ 515,673		\$ 404,482	

Under Small Donor Match						
	Alvarez		Foxx		More	%
Small Donor Money	\$ 53,655	8%	\$ 90,542	14%	\$ 14,925	2%
In district money 150+		0%		0%		0%
Small Donor Match	\$ 321,931	49%	\$ 543,253	83%	\$ 89,550	14%
Out of District Individual Contributions	\$ 19,900	3%	\$ 17,490	3%	\$ 16,500	3%
Corporate Contributions	\$ 71,289	11%	\$ 32,350	5%	\$ 15,950	2%
Transfers In	\$ 20,500	3%	\$ 13,750	2%	\$ 1,250	0%
Loans		0%		0%		0%

End Notes

ⁱ Nicholas Confessore, Sarah Cohen, and Karen Yourish, “The Families Funding the 2016 Presidential Election,” New York Times, October 11, 2015,

http://www.nytimes.com/interactive/2015/10/11/us/politics/2016-presidential-election-super-pac-donors.html?_r=0

ⁱⁱ Pew Research Center, “Broad Distrust, How Americans View Their Government” 11/23/2015 p. 81

<http://www.people-press.org/files/2015/11/11-23-2015-Governance-release.pdf>

ⁱⁱⁱ <https://chicago.legistar.com/LegislationDetail.aspx?ID=2548962&GUID=08573C4B-4176-4F63-B6DE-D150DE2A7924>

^{iv} Michael Malbin, Testimony before the New York City Campaign Finance Board, Campaign

Finance Institute, February 13, 2013, [http://www.cfinst.org/Press/PReleases/14-02-](http://www.cfinst.org/Press/PReleases/14-02-13/Testimony_before_the_New_York_City_Campaign_Finance_Board_Says_Small_Donor_Matching_Funds_a_Suc)

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^v Contribution Limits, Illinois State Board of Elections.

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^{vi} Malbin, Michael, Peter Brusoe, and Brendan Glavin, “Small Donors, Big Democracy: New York City’s Matching

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^{vii} Malbin, Michael, “Study: Public Financing Contributes to Greater Diversity of Participation in NYC Elections,” The Campaign Finance Institute, [http://cfinst.org/Press/PReleases/12-05-](http://cfinst.org/Press/PReleases/12-05-14/Study_Public_Financing_Contributes_to_Greater_Diversity_of_Participation_in_NYC_Elections.Aspx)

[14/Study_Public_Financing_Contributes_to_Greater_Diversity_of_Participation_in_NYC_Elections.Aspx](http://cfinst.org/Press/PReleases/12-05-14/Study_Public_Financing_Contributes_to_Greater_Diversity_of_Participation_in_NYC_Elections.Aspx)