



House Bill 733: Taxpayer Financing of Political Campaigns

*Delivered by Kristina
Rasmussen, Executive Vice
President, Illinois Policy
Institute*

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Chairman Madigan and Chairman Cullerton, thank you for the opportunity to testify on House Bill 733. My name is Kristina Rasmussen, and I am Executive Vice President with the Illinois Policy Institute. We are a nonpartisan research organization dedicated to supporting free market principles and liberty-based public policy initiatives. You can learn more about our organization by visiting www.illinoispolicyinstitute.org.

House Bill 733 seeks to create a public financing system for certain political campaigns in Illinois. In exchange for abiding by strict limitations on how a candidate raises and spends money, a candidate would receive campaign cash from the state.

This new system would be financed by an initial infusion (up to \$2 million) from the General Revenue Fund. Moving forward, the Illinois Clean Election Fund would be financed by voluntary contributions from Illinois residents. This would come in the form of a voluntary "check off" of not

less than \$3 per person on state income tax returns.

While the Illinois Policy Institute's concerns with House Bill 733 are wide-ranging and numerous, I'd like to focus on four key problems.

State Coffers are Already Empty

Governor Pat Quinn has pegged the current budget deficit at over \$11.5 billion.¹ House Bill 733 would instantly make this situation worse by raiding the General Revenue Fund and re-directing up to \$2 million to the new Election Fund. That is \$2 million that Illinois does not have to spend right now. Should House Bill 733 pass, Illinois would go further into debt in order to finance politicians' re-election campaigns.

House Bill 733 does not identify any corresponding budget cuts to offset this new spending. This is irresponsible. As part of an ambitious Economic Reform Agenda, the Illinois Policy Institute has suggested a PAYGO mechanism that would require lawmakers to offset the expense of a new spending program by eliminating an existing program that is outdated or ineffective. The common-sense principle of prioritizing when resources are over-stretched could easily be applied here. In the name of honest budgeting, the supporters of House Bill 733 should identify \$2 million in spending cuts to offset the raid on the General Revenue Fund.

Furthermore, any claims that public financing of political campaigns would

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eventually save taxpayer dollars (ostensibly due to less pressure to “pay off” special interests) should be viewed with strong skepticism. The Center for Competitive Politics has released fascinating research that reviewed the spending habits of two states (Maine and Arizona) before and after they adopted taxpayer-financed campaign systems. Both states went from below-average spending growth (as compared to national averages) to higher-than-average spending growth after they adopted taxpayer financing. The Center found that “there is no evidence to support the claim that replacing private, voluntary contributions to candidates with public funds will lead to savings for taxpayers, either in the form of reduced spending or lower tax burdens.”²

The public financing system envisioned by House Bill 733 is unlikely to provide savings to taxpayers in the future, and it will certainly cost them in the present.

“Check Off” Funding Could Prove Unreliable

If we’re going to rely on the voluntary “check off” mechanism for the bulk of the Election Fund’s future funding, we need to be fairly certain of its reliability.

One well-known check off program is the Presidential Election Campaign Fund, which is funded by a voluntary \$3 check off made by individuals filing federal income tax returns. It is important to note that participation in the federal check off does not affect a taxpayer’s net tax liability. The Federal Election Commission tells would-be participants that “Checking the ‘yes’ box does not increase the amount of tax you owe, nor does it decrease any refund to which you are entitled.”³ Users are effectively shielded from any immediate costs. Even so, participation levels are low, at about 10 percent.⁴ Taxpayers consistently

make the conscious choice to not allocate politicians a portion of their tax dollars.

Now consider a situation where a check off *would* increase the taxpayer’s net liability. We would expect even fewer people to participate. That’s exactly the case we’re facing with House Bill 733, where the check off *would* increase the taxpayer’s bill or reduce the expected rebate amount.

We’re fooling ourselves if we think that a voluntary check off on Illinois income tax returns will cover the costs of this program. Indeed, that must be why the legislation explicitly permits the program’s overseers to “submit legislation to request additional funding” based on the likely demand and the available supply. This is a “heads up” that a bailout of the Election Fund would be just around the bend.

Perhaps the difference will be made up with tax hikes. According to news reports, Governor Pat Quinn hopes to increase the state’s income tax rate by up to 50 percent. A gas tax increase is also advancing in the General Assembly. Illinois families and businesses could soon be sending more of their hard-earned money to state coffers.

During these tough economic times, are you truly comfortable asking your constituents to pay higher taxes to help fund your re-election campaigns? Are you here to work for the people, or are the people working to help you?

“Clean” vs. “Dirty” Candidates

I’d also like to express concern with the certification process contained within House Bill 733. Participants in the public financing program will be certified as an “Illinois Clean Election Act candidate.”

Taken at face value, voters could construe this designation as a special endorsement.

Perhaps we'll see this "cleanliness" designation show up on campaign literature. Conversely, the lack of this certification could imply that a candidate is somehow "not clean" or is even "dirty." This could be damning. Words like "clean" convey serious value judgements and must be used with the utmost care.

Ultimately, the acceptance of public campaign cash has very little to do with a candidate's moral conviction or lack thereof. A candidate who accepts public financing can still act immorally, during the campaign and beyond. Interest groups will still be able to curry favor by helping the candidate achieve the required number of qualifying contributions needed to obtain public financing.

Consider the implications for the public's trust should a certified "Illinois Clean Elections Act candidate" ever be convicted on corruption charges. Filling campaign coffers with public cash doesn't sanitize anyone.

First Amendment Violations

House Bill 733 places strict rules on how, when, and where a publicly-financed candidate can raise and spend money. The legislation would effectively limit free speech, which is protected by the First Amendment.

In order to qualify as a "Clean Elections" candidate under House Bill 733, an individual may only spend capped "seed money" contributions before and during the qualifying period (including personal funds). After certification, a candidate must limit expenditures to the revenues distributed from the Election Fund. Because money is often necessary to further speech (e.g., buying a radio ad to highlight issue positions), this encroaches upon a candidate's ability to speak to the

interested public.

House Bill 733 also discriminates against the free speech rights of self-financing candidates. Should a non-participating candidate spend more than what was distributed to a participating candidate, the "Clean Elections" candidate can expect to immediately receive an additional amount of public funds equal to this "excess."

Matching funds can also be triggered by spending that was *not* undertaken by the self-financing candidate; independent expenditures by outside groups count toward the threshold. This means that an independent group's expenditures in favor of a non-participating candidate could inadvertently end up helping the opposing candidate receive more resources. This perversion is a travesty for free speech principles.

It is unlikely that this legislation's matching funds provision would pass constitutional muster. The U.S. Supreme Court recently held in *Davis v. FEC* that campaign finance rules cannot discriminate against self-financing candidates by giving their publicly-funded opponents a financial boost. By extension, the additional matching funds called for in this bill are likely to run afoul of the *Davis* decision. This legal headache can be avoided by not passing House Bill 733.

Conclusion

Public financing of elections is not the magic stroke that unties the Gordian Knot of corruption. In this case, Illinois taxpayers are being asked to shoulder heavy burdens to finance a system that won't be able to deliver "clean" or even "cleaner" elections.

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coffers in the midst of a budget crisis. The legislation would set up unreliable funding mechanisms that could invite future taxpayer bailouts. It also creates an unfair playing field by bestowing value-laden certifications on compliant candidates. Moreover, the regulations in the bill violate the First Amendment's protection of free speech.

I hope you'll concur that House Bill 733 isn't right for Illinois. Thank you for allowing me to present this testimony.

Notes

1. <http://www.sj-r.com/news/x1331528172/Quinn-faces-11-5-billion-question>
2. http://www.campaignfreedom.org/docLib/20080930_Issue_Analysis_4.pdf
3. <http://www.fec.gov/info/checkoff.htm>
4. <http://www.washingtonpost.com/wp-dyn/content/article/2008/03/07/AR2008030702430.html>

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