



New York City Campaign Finance Board

40 Rector Street, 7th Floor, New York, NY 10006

tel. 212.306.7100 fax 212.306.7143

www.nyccfb.info info@nyccfb.info

Testimony of Amy Loprest, Executive Director New York City Campaign Finance Board

Moreland Commission to Investigate Public Corruption October 28, 2013

Good evening, commissioners. I am Amy Loprest, executive director of the New York City Campaign Finance Board.

I appreciate this opportunity to appear before you to discuss our work. As you consider proposals to address the actuality and appearance of corruption in state politics and government, we are happy to be able to discuss some of the reasons we believe our Campaign Finance Program has been successful here in New York City.

As we review New York City's campaign finance program, it is important to recall the events that led to its creation. More than 25 years ago, the city faced a series of corruption scandals that drove public confidence in government to historic lows. In response, Mayor Edward I. Koch proposed comprehensive reforms aimed at restricting the influence of private money in the city's elections.

After passage by the City Council in February 1988, Mayor Koch signed the City's Campaign Finance Act into law, providing public matching funds to candidates for five city offices. A City Charter referendum approved by the public established the Campaign Finance Board (CFB), which is charged with administering the program and enforcing its rules. The CFB's mandate includes providing public disclosure of campaign finance information, publishing a voter guide, and encouraging voter engagement. A new mandate to provide disclosure of independent spending has given voters a clear understanding of the role these activities play in City elections for the first time.

As established in the Charter, the Board is independent and non-partisan, and it has five members who serve staggered terms. Two each are appointed by the mayor and the speaker of the City Council; the two appointees may not be enrolled in the same political party. The Chair is appointed by the mayor in consultation with the speaker. The non-partisan makeup of the Board has enabled an effective and independent administration of the agency's work. In addition, board members and CFB staff are prohibited from making campaign contributions or engaging in other political activities. Thanks to these policies and the Board's history of rigorous enforcement, the CFB has won a reputation for independence.

The New York City Public Matching Funds Program

The City's voluntary public matching funds program is designed to increase the role of small-dollar contributions, and to increase public confidence in government by limiting the impact of large contributions in City elections. The Program provides a \$6-to-\$1 match for the first \$175

contributed by New York City residents. This means that an individual's \$10 contribution is worth \$70 to the candidate. Contributions from non-city residents, political committees and unions are allowed, but are not matched by public funds. Candidates who accept public funds must also agree to limit their spending. In the 2013 elections, for example, the spending limit for mayoral candidates is \$6.4 million each for the primary and general elections.

In order to receive matching funds, candidates must satisfy a two-part contribution threshold demonstrating the viability of their campaign. For example, City Council candidates must collect 75 contributions from the district they hope to represent. Candidates also must raise \$5,000 in matchable contributions. In addition, candidates must appear on the ballot for the election, have an opponent on the ballot, and maintain compliance with the campaign finance law.

Public funds to any campaign are capped at 55 percent of the spending limit established for that office, ensuring that campaigns receiving payment rely on a mix of private and public funds. In the 2013 elections, the maximum public funds payment available to mayoral candidates is \$3.5 million per election. For City Council candidates the maximum public funds payment is \$92,400 per election.

The spending and contribution limits are indexed to inflation. These modest increases after each citywide election have helped the program continue to meet the evolving needs of candidates, and have ensured consistently high rates of participation. Indeed, the matching funds program remains a popular option among New York City candidates. Nearly 79 percent of the candidates on either the 2013 primary or general election ballot opted into the program. That rate equals an

all-time high for the program, last achieved in 2001. Of the candidates who are not participating in the program, many are not running active campaigns.

The program succeeds because it encourages more individuals to get involved in the political process as contributors. Of more than \$77 million candidates for City office have collected to date in the 2013 elections, 93 percent were contributed by individuals. By contrast, 69 percent of the contributions raised by candidates for New York state legislative offices in the 2012 elections came from special interest organizations, including corporations. New Yorkers know their voice matters in City elections.

Certain prohibitions and the contribution limits in New York City's system apply to all candidates, whether or not they choose to participate in the public matching funds program. Contributions from corporations, LLC's and partnerships are prohibited. Contributions from individuals who are doing business with City government are strictly limited. The contribution limit in 2013 for mayoral candidates is \$4,950 and the doing business limit for mayoral candidates is \$400.

In addition, all candidates are required to submit regular disclosures of their contributions and expenditures to the CFB, which are available to search on our website via our interactive online database, and to download in easily accessible formats. Disclosure is an important requirement in our system. Regular disclosures provide transparency that enables detailed oversight by the CFB and the public; candidates who fail to file timely disclosures are penalized.

Compliance & Enforcement

Strong enforcement is a key component of our program. The Board takes its responsibility to safeguard the public's investment in the political process very seriously. Candidates are expected to treat the public funds responsibly, and to make complete and accurate disclosure of their finances. CFB staff carefully review each claim for public funds and conduct a thorough audit of every campaign, which is completed after the election.

Roughly half the CFB's 91 staff members play a role in the enforcement functions of the agency. These include auditors, lawyers and other staff members who assess compliance, investigate complaints, and make recommendations for payments. It also includes Candidate Services liaisons, who work directly with candidates to provide detailed guidance on complying with the Act and Rules.

Prior to the election, the primary focus of our auditing is to conduct a thorough review of contributions claimed by campaigns for matching funds to ensure that the candidates who qualify for public financing do so honestly. The CFB's audit work during this period includes a review of all statements as they are filed and of backup documentation for each claim for matching funds.

Post-election, the staff carries out a thorough audit of every campaign's expenditures and contributions. Candidates must demonstrate that public funds received for their election campaign were spent for qualified purposes. If they do not account for the public's funds, they

must be paid back. Examples of spending that are not qualified uses of public funds include payments to spouses, children, or other family members, and contributions to other candidates. In addition, any funds remaining at the end of a campaign are presumed to be public funds and must be repaid to the CFB.

Candidates in New York City know that their campaign will be held to strict standards – and that their opponent’s campaign will be held to the same standards. Uniform enforcement and universal audits increase participation by reassuring candidates that the rules will be applied evenly.

Before the election, candidates who have committed serious violations, or who cannot clearly demonstrate compliance with the law, do not receive public funds. When serious violations are uncovered in the post-election audit, candidates face significant penalties (a maximum of \$10,000 per violation) and can be required to repay misused public funds.

Budget and Financing

To ensure the independence of the campaign finance program, the City Charter specifically protects the Public Funds and the CFB’s operating budget, obliging the Mayor to include the CFB’s requests in the executive budget.

The CFB takes a cautious approach to setting the Public Funds budget each year, and funds that are not paid to candidates are returned to the City’s General Fund. The CFB requested \$51

million for the Public Funds payments for the 2013 election cycle. To date, the CFB has authorized payments totaling \$36,045,348 to 145 candidates in the 2013 elections. Since its beginning, covering nine citywide elections and 28 special elections, the net cost of the public matching funds program is \$148 million over 25 years. In its peak election year, 2001, the CFB paid \$42 million to 205 candidates. The CFB's operating budget for FY 2014 is \$10.9 million.

We hope this brief overview of our program has been helpful. Again, we appreciate the opportunity to testify, and look forward to discussing any questions the commissioners may have.