



*The Status of the  
Citizens' Election Fund  
as of  
December 31, 2009*

*A Report of the  
Connecticut State Elections  
Enforcement Commission  
about the 2009 Calendar Year*

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## **I. INTRODUCTION**

In December 2005, with Public Act 05-5, the Connecticut General Assembly enacted and Governor M. Jodi Rell signed into law sweeping reform of the State's Campaign Finance Laws. That Act and subsequent amendments and Acts incorporate vast revisions to the manner in which political campaigns are financed, especially with respect to elections for Statewide offices and the General Assembly. These revisions have been codified in Chapter 155 (traditional private campaign funding) and Chapter 157 of the General Statutes (public campaign financing), hereinafter referred to as the Citizens' Election Program.

In general terms, the comprehensive campaign finance reform legislation contained several major components:

- Creation of the voluntary Citizens' Election Program (the "Program" or the "CEP"), whereby qualified candidates for Statewide offices, State Senate and State Representative may receive public grants of campaign funds if they raise a threshold amount from individuals in small denominations of between \$5 and \$100, and agree to abide by spending limits and other program requirements. Participating candidates may also receive supplemental grants if their opponents' funding or expenditures exceed the Program's spending limits, and if the participating candidates are the target of independent expenditures;
- Strict prohibitions on contributions by communicator lobbyists, state contractors and prospective contractors, their spouses and dependent children;
- New contribution limits on political committees and political parties to candidates;
- New restrictions on the number of political committees that an individual can establish or control;
- More frequent campaign disclosure reporting requirements;

- The centralization of all campaign finance related functions, including the filing of reports, issuing of advice, auditing and verification, compliance and enforcement in a single agency—the State Elections Enforcement Commission (the “SEEC”); and
- Development, design and implementation of a new electronic campaign reporting information system to replace the system administered by the Office of the Secretary of the State.

The CEP is dependent upon funding from the Citizens’ Election Fund (the “CEF” or the “Fund”). The CEF derives its funds from the sale of abandoned property, or “escheats.”

### **Sufficiency of the Citizens’ Election Fund for the 2010 Election Cycle**

The SEEC outlined two scenarios that offered a reasonable range of costs for the 2010 election cycle in its January 2010 report, *Projected Levels of Candidate Participation and Public Grant Distribution for the 2010 Citizens’ Election Program & The Sufficiency of the Citizens’ Election Fund* (“*Sufficiency Report*”). Based on these scenarios, the Commission estimated that the overall cost of the 2010 election cycle would fall between \$38,000,000 and \$48,000,000.

At that time, the SEEC found that while projected funding would be adequate for certain plausible 2010 scenarios, the State should refrain from further reductions to the CEF prior to the first run of the Statewide Program. The SEEC cautioned that if adequate funding were not available for the 2010 Program, the SEEC would be forced to declare an insufficiency. The SEEC would be required to reduce the grant amounts and allow candidates to rely upon otherwise prohibited funding sources to fill the gap. The SEEC further cautioned that taking these actions would deal a potentially mortal blow to the Program. See *Sufficiency Report*.

### **Citizens’ Election Fund Activity in 2009 Calendar Year**

During the period covered by this report—January 1, 2009 to December 31, 2009—the SEEC administered the CEP in the wake of the 2008 primaries and elections for the General Assembly, a period when surplus grant funds were returned from participating 2008 General Assembly candidates and

significant funds were swept out of the CEF. Additionally in this time, the SEEC issued, in total, four grants for two separate special elections for vacancies in the 15<sup>th</sup> and the 70<sup>th</sup> House Districts.

As required by § 9-716 (a) of the General Statutes, this report addresses the financial status of the CEF during the period between January 1, 2009 and December 31, 2009. The SEEC used a modified accrual basis to prepare the financial statements in this report. Such accounting practice is consistent with generally accepted accounting principles.

## **II. THE CITIZENS' ELECTION FUND (CEF)**

### **Purpose and Statutory Authority**

As previously indicated, the CEF was established to provide public campaign grants to participating candidates who qualify under the CEP's requirements. The CEP is available to qualified General Assembly and Statewide candidates for primaries and elections in 2010, and to General Assembly candidates in special elections. The 2010 election cycle represents the first time that the CEP has been available to Statewide candidates. The CEP has been available for General Assembly special elections since 2007 and General Assembly regular elections since 2008.

The CEF is a non-lapsing account within the General Fund and does not include tax revenues. It is comprised primarily of funds derived from the sale of abandoned or unclaimed property in the state's custody (escheats) pursuant to § 3-69a of the General Statutes. The State Treasurer has administrative responsibilities for the escheats as well as the CEF. See generally, Part III of Chapter 32 of the General Statutes. Such abandoned property typically includes funds left in savings or checking accounts, stocks, bonds or mutual fund shares, travelers' checks or money orders, life insurance policies, and safe deposit box contents. In addition, the CEF receives funds from voluntary contributions and interest earned on the Fund's assets.

### **Deposits into the CEF**

## 1. Escheats

For the fiscal year ending June 30, 2009, the State Treasurer deposited \$17,900,000 into the CEF. Of this amount, \$15,600,000 was allocated for the payment of campaign grants to candidates and \$2,300,000 was allocated for administrative costs of the SEEC.

For the fiscal year ending June 30, 2010, the State Treasurer is required by § 3-69a (a)(2) of the General Statutes to deposit \$17,300,000 into the CEF “adjusted in accordance with the consumer price index for all urban consumers for such preceding fiscal year . . .” or \$18,191,261.

**Schedule A** contains the amount of escheats deposited into the CEF for the year ending December 31, 2009. The aggregate amount of escheats provided to the SEEC was \$31,696,749. Of that amount, \$29,671,749 was allocated for the payment of campaign grants to candidates, \$2,000,000 was allocated for administrative costs of the SEEC, and the remaining \$25,000 was for the reserve account, which is discussed below.

## 2. Establishment of Reserve Account

Pursuant to § 9-716 (c) of the General Statutes, the SEEC established a reserve account within the CEF. Each year, the first \$25,000 of funds deposited into the CEF must be deposited into this account. In 2009, the required \$25,000 was deposited into the reserve account for the 2009 calendar year. The reserve account can be used solely during the week prior to any election or primary to make certain payments to participating candidates. As indicated in **Schedule A**, the reserve account currently has a balance of \$125,000.

## 3. Interest Earnings

In accordance with § 9-701 of the General Statutes, “investment earnings credited to the assets of the fund shall become part of the assets of the fund.” Accordingly, the entire CEF earns interest on the deposits to the fund. As reported in **Schedule A**, the interest earned on deposits made to the fund totaled \$444,855.

#### **4. Corporate Taxes**

Section 9-750 of the General Statutes, prescribes that if the sale of abandoned property (escheats) by the State Treasurer leads to insufficient funds to produce the statutory amount required to be deposited in the CEF, the difference is made up from corporate tax revenues. This was not necessary during the period covered by this report.

#### **5. Voluntary Contributions**

Any individual, committee or other entity may make voluntary contributions to the CEF. As reflected in **Schedules B** and **C**, there were 11 contributors who made voluntary contributions, and the aggregate amount of their contributions was \$8,358.

#### **6. Refunds of Surplus Grant Funds**

Grant recipients are required to return any surplus funds to the CEF after the primary or election for which the funds were issued. The amount of refunds received and deposited into the CEF during the 2009 calendar year was \$877,277. In the calendar year 2008, \$245,647 was returned to the CEF, for a total of \$1,122,924 of returned grant monies since the 2008 election cycle began. The vast majority of this money came from campaigns participating in the November 2008 election, with a small portion attributable to several special elections held in 2008 and 2009.

#### **7. Total Deposits made into the CEF**

The total deposited into the CEF from all sources was \$33,033,428 for the period covered by the report, as shown in **Schedule A**.

## **Expenditures and Transfers from the CEF**

### **1. General**

In general, the only payments which may be made from the CEF are for the following purposes: (1) payments of grants to qualified candidates, including supplemental grants for participating candidates whose opponents spend more than the spending limit, and for matching of independent expenditures made to defeat a participating candidate; and (2) administrative costs of the SEEC to carry out the purposes of Public Act 05-5. However, because of the current budget crisis, the General Assembly has passed multiple Public Acts to transfer monies out of the CEF to the General Fund for deficit mitigation and budget adjustment purposes.

### **2. Grants to Qualified Candidates**

During the period covered by this report, there were several grant payments made to qualified candidates participating in special elections, as well as adjustments for 2008 grant recipients. The total amount distributed by the SEEC from the CEF for all such candidate grants was \$96,392.

### **3. Administrative Costs of the SEEC**

The expenditures made during 2009 from the CEF for the SEEC's administrative costs are itemized in **Schedule A** of this report. The major categories of such expenditures consisted of wages for employees, computer equipment and IT resources. The total amount expended by the SEEC from the CEF for administrative costs was \$2,731,781. An additional \$700,000 was transferred from the administrative account to the General Fund for deficit mitigation.



#### 4. CEF Transfers

To date, the State of Connecticut has transferred over fifty million dollars from the CEF. The State has already transferred \$31,500,000 from the CEF to the General Fund. See **Schedule A**. Another \$22,000,000 in funds are scheduled to be transferred from the CEF to the General Fund—\$7,000,000 prior to the 2010 general election.

In Public Act 08-1, the General Assembly transferred \$5,000,000 from the CEF. In Public Act 09-1, the General Assembly transferred another \$7,500,000 from the CEF to the General Fund. Public Act 09-2 transferred another \$1,000,000 from the CEF to the General Fund. The passage of Public Act 09-3 resulted in the transfer of \$18,000,000 in the first half of fiscal year 2010, totaling \$31,500,000 from the CEF to the General Fund in the entire period covered by this report. See **Schedule A**.

In addition, for Fiscal Year 2011, Public Act 09-3 calls for the transfer of \$7,000,000 from the CEF to General Fund. Public Act 10-3 will transfer another \$10,000,000 from the CEF to the General Fund. The passage of Public Act 10-179 during the 2010 legislative session will result in the transfer of another \$5,000,000 from the CEF to the General Fund, also scheduled to occur in Fiscal Year 2011. In total, \$22,000,000 in additional funds will be transferred from the CEF to the General Fund, \$7,000,000 prior to the 2010 general election.

#### 5. CEF Balance

On December 31, 2009, the Citizens' Election Fund balance was \$39,177,238, as shown in **Schedule A**. Pursuant to § 9-701 of the General Statutes, this amount was carried forward to be used for the permissible purposes included in Chapter 157. Of the \$39,177,238 balance, it is projected that \$38,410,083 will be available for grant payments authorized by the 2010 Program.

### **III. CONCLUSION**

After the 2008 inaugural run of the Program, the nation recognizes the Citizens' Election Program as a model for campaign finance reform—all eyes are focused on our state. We bear the responsibility of maintaining the highest standard of campaign finance programs even as we look to improve on this groundbreaking system.

No one can possibly deny that we face difficult economic times in Connecticut. But tapping the CEF represents at best a short-term fix with significant long-term consequences.

By placing government back in the hands of the people—where it rightfully belongs—the Program offers the kind of change that ensures that the government works not just for the special interests or the wealthy but for the interests of Connecticut citizens as a whole.

The Commission is pleased that the Governor and Legislative Leadership remain committed to preserving the Program and the CEF. Part of that commitment, however, includes keeping the CEF solvent.

By law, the Commission may not operate the Program with a deficit. If the Commission determines that the CEF lacks adequate funds to pay grant obligations, the SEEC must declare an “Insufficiency.”

Taking this action would deal a potentially mortal blow to the Program. The SEEC remains committed to working with the Governor and the General Assembly to ensure that this does not occur.

### **IV. ACKNOWLEDGEMENTS**

The SEEC gratefully acknowledges the cooperation of the Office of the State Comptroller and the Office of the State Treasurer for cooperation throughout the year regarding the administration of the CEF.

## **V. APPENDICES**

**Schedule A---Summary of the Status of the Fund**

**Schedule B---Voluntary Contributions to the Fund**

**Schedule C---Contributors to the Fund**

**Schedule D---Summary of Grants Issued from the Fund**

**Schedule E---Detail of Grants Issued from the Fund**

# SCHEDULE A



## STATE ELECTIONS ENFORCEMENT COMMISSION

### CITIZENS' ELECTION FUND STATUS OF THE FUND - SCHEDULE A For Year Ending December 31, 2009

BALANCE OF THE FUND 1/1/2008 \$ 41,171,983

BALANCE AVAILABLE 1/1/2008 FOR GRANTS  
TO PARTICIPATING CANDIDATE COMMITTEES \$ 38,973,046

#### DEPOSITS - 2009

##### Escheats

For Candidate Grants \$ 29,671,749  
For SEEC's Administrative Expenses \$ 2,000,000  
For Reserve Account \$ 25,000

##### Corporate Taxes

\$ -

##### Interest Earnings

\$ 444,855

##### Refunds of Surplus Grant Funds

\$ 877,277

##### Candidate Committees-Excess Qualifying Contributions (Buffer)

\$ 3,795

##### Candidate Committee- Return of Prior Assets

\$ 2,394

##### Miscellaneous Contributions

\$ 8,358

Number of Contributors: 11

Number of Contributions: 11

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**TOTAL DEPOSITS-2009** \$ 33,033,428

#### Expenditures - 2009

##### GRANTS to Participating Candidate Committees

###### Statewide Office

Number of participants 0 \$ -

###### State Senator

Number of participants 4 \$ 8,550

###### State Representative

Number of participants 17 \$ 87,609

###### Miscellaneous

1 \$ 233

**Total Grant Expenditures** \$ 96,392

TRANSFER TO GENERAL FUND FOR DEFICIT MITIGATION (PA 08-1) \$ 5,000,000

TRANSFER TO GENERAL FUND FOR DEFICIT MITIGATION (PA 09-1) \$ 7,500,000

TRANSFER TO GENERAL FUND FOR DEFICIT MITIGATION (PA 09-2) \$ 1,000,000

TRANSFER TO GENERAL FUND FOR DEFICIT MITIGATION (PA 09-3) \$ 18,000,000

\$ 31,500,000

#### General Administrative Expenses

Salaries & Wages \$ 2,390,557

IT Supplies \$ 7,574

Temporary Services \$ 33,981

IT Consultant Services \$ 283,726

IT Software Licenses \$ 3,469

IT Data Services \$ 1,165

Supplies & Other Expenses \$ 11,309

**Total General Administrative Expenses** \$ 2,731,781

TRANSFER TO GENERAL FUND FOR DEFICIT MITIGATION (PA 09-111) \$ 700,000

Total Expenditures from Administrative Account \$ 3,431,781

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**TOTAL EXPENDITURES - 2009** \$ 35,028,173

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**BALANCE OF THE FUND - 12/31/2009** \$ 39,177,238

BALANCE AVAILABLE 12/31/2009 FOR GRANTS TO

PARTICIPATING CANDIDATE COMMITTEES \$ 38,410,083

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# SCHEDULE B



## STATE ELECTIONS ENFORCEMENT COMMISSION

### CITIZENS' ELECTION FUND

### SUMMARY OF VOLUNTARY CONTRIBUTIONS TO THE FUND - SCHEDULE B

For Year Ending December 31, 2009

Contributions	Number of Contributions	Amount of Contributions
Committee		
Statewide Office .....	0	\$ -
State Senator .....	2	\$ 82
State Representative .....	4	\$ 2,367
Municipal office .....	1	\$ 39
Party / Town Committees .....	0	\$ -
Political Action Committees .....	3	\$ 4,067
Total Committee Contributions	10	\$ 6,555
Corporate Entities	1	\$ 1,803
Individuals	0	\$ -
Other Entities	0	\$ -
<b>TOTAL CONTRIBUTIONS</b>	<b>11</b>	<b>\$ 8,358</b>

# SCHEDULE C





## STATE ELECTIONS ENFORCEMENT COMMISSION

### CITIZENS' ELECTION FUND CONTRIBUTORS TO THE FUND - SCHEDULE C For Year Ending December 31, 2009

#### Contributors

<u>Committees</u>	<u>Office</u>	<u>Party Type</u>	<u>Number of Contributions</u>	<u>Amount of Contributions</u>
24th District Republican Committee	N/A		1	\$ 3,654
Comm. To Elect Anne Hatfield for State Senate	SS	Maj	1	\$ 21
District D Democratic Committee of Norwalk	N/A		1	\$ 50
Fox 2008	SR	Maj	1	\$ 28
Friends of Michele Mastropetre	M	Maj	1	\$ 39
Friends of Sean Williams	SR	Maj	1	\$ 574
History 2008	SR	Maj	1	\$ 20
People for Prague	SS	Maj	1	\$ 61
Speaker's Legislative Leadership Committee	N/A		1	\$ 363
Walker 2008	SR	Maj	1	\$ 1,745
<b>Total Committee Contributions</b>			<b>10</b>	<b>\$ 6,555</b>
Corporations				
Northeast Utilities Employees PAC			1	\$ 1,803
<b>Total Corporate Contributors</b>			<b>1</b>	<b>\$ 1,803</b>
Individuals			n/a	n/a
<b>Total Individual Contributors</b>			<b>0</b>	<b>\$ -</b>
<b>TOTAL CONTRIBUTORS</b>			<b>11</b>	<b>\$ 8,358</b>

#### Key

M = Municipal

SR = State Representative

SS = State Senate

#### Party Type

Maj = Major

# SCHEDULE D



## STATE ELECTIONS ENFORCEMENT COMMISSION

### CITIZENS' ELECTION FUND SUMMARY OF GRANTS FROM THE FUND - SCHEDULE D For Year Ending December 31, 2009

Grants	Number of Grants				Total Number of Grants	Amount of Grants
	Primary Elections	General Elections	Special Elections	Supplemental Grant		
Committees						
Candidate Committees						
Statewide Office	0	0	0	0	0	\$ -
State Senator	4*	0	0	0	4	\$ 8,550
State Representative	12*	1*	4	0	17	\$ 87,609
Miscellaneous/ Other Expenditures						\$ 233
<b>TOTAL GRANTS</b>	<b>16</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>21</b>	<b>\$ 96,392</b>

\* Adjustment after the audit

# SCHEDULE E



## STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND  
 GRANTS FROM THE FUND - SCHEDULE E  
 For Year Ending December 31, 2009

GRANTS	Misc./ Other	Primaries	General Election	Special Election	Total Grants
Statewide Offices *		\$ -	\$ -	\$ -	\$ -
State Senate**		\$ 8,550	\$ -	\$ -	\$ 8,550
State Representatives**		\$ 16,301	\$ 285	\$ 71,023	\$ 87,609
SUPPLEMENTAL GRANTS					
State Senate		\$ -	\$ -	\$ -	\$ -
State Representatives		\$ -	\$ -	\$ -	\$ -
Mis./ Other Expenditures	\$ 233				\$ 233
<b>TOTAL GRANTS</b>	<b>\$ 233</b>	<b>\$ 24,850</b>	<b>\$ 285</b>	<b>\$ 71,023</b>	<b>\$ 96,392</b>

\*There were no special or regular elections for Statewide Office

\*\*There were no Primary and General Election in 2009. The total amount of grants was from 2008 election cycle due to adjustment after the audit.