

MAY 18 2007

STATE ELECTIONS  
ENFORCEMENT COMMISSION



**REPORT TO THE  
CONNECTICUT GENERAL ASSEMBLY  
CONCERNING  
THE STATUS OF THE  
CITIZENS' ELECTION FUND  
AS OF DECEMBER 31, 2006**

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## I. INTRODUCTION

In December 2005, the Connecticut General Assembly enacted, and Governor M. Jodi Rell, signed the most sweeping reform of the State's Campaign Finance Laws since the post Watergate era. Public Act 05-5 of the October 29 Special Session, and the amendments made in Public Act 06-137, incorporate these vast revisions to the manner in which political campaigns are financed, especially with respect to the 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 financing program, hereinafter referred to as the "Citizens' Election Program").

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

- » Creation of the Citizens' Election Program, (hereinafter "CEP") whereby participating candidates for Statewide office, State Senate and State Representative, may receive public grants of campaign funds if they raise a threshold amount from individuals in small denominations, not to exceed \$100, and agree to abide by voluntary spending limits. Participating candidates may also receive supplemental grants if their opponents exceed the voluntary spending limits, and if the participating candidates are the target of independent expenditures by third parties.
- » Strict prohibitions on contributions by communicator lobbyists, state contractors and prospective contractors, their spouses and dependent children.
- »  
New contribution limits on PACs and political parties to
- » New restrictions on the number of PACs that an individual can establish or control.



## INTRODUCTION

- » Development and oversight of a pilot program for public financing of municipal campaigns. (The City of New Haven will conduct such an experiment in connection with its 2007 mayoral
- » 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 (hereinafter the “SEEC”).
- » Development, design and implementation of a new electronic campaign filing and reporting system to replace the system administered by the Office of the Secretary of the State.

The SEEC has been given many new additional responsibilities under these new laws. In October, 2006 the SEEC submitted a comprehensive report to the Joint Committee on Government Administration and Elections detailing our progress in implementing the new laws. That report included 41 pages of text, plus appendices. Much more has been accomplished since the submission of that report, and each of the monthly meetings of the SEEC includes a discussion and update of the progress made since the previous meeting. The SEEC takes very seriously its obligations to report to the Governor and the General Assembly on matters relating to the implementation of these new laws.

In accordance with Section 9-716 (b), General Statutes, the SEEC must determine by January 1 of a state election year, whether there are sufficient funds in the Citizens’ Election Fund to pay grants, both initial and supplemental, to qualifying candidates expected to compete in such primaries and elections. The SEEC staff is already looking at data from the 2006 campaigns and other public financing jurisdictions in preparation of that report.



## INTRODUCTION

This report will however, address the financial status of the Citizens' Election Fund, as of December 31, 2006. This report is submitted in accordance with Section 9-716 (a), General Statutes, which provides in pertinent part that...

"[n]ot later than June 1, 2007, and annually thereafter, the State Elections Enforcement Commission shall issue a report on the status of the Citizens' Election Fund during the previous calendar year. Such report shall include the amount of moneys deposited in the fund, the sources of moneys received by category, the number of contributions, the number of contributors, the amount of moneys expended by category, the recipients of moneys distributed from the fund and an accounting of the costs incurred by the commission in administering the provisions of sections 9-700 to 9-716, inclusive."



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

### A. Purpose and Statutory Authority

The CEF is the fund that provides grants of public dollars to participating candidates who qualify under the CEP's requirements. The CEP is available to qualified candidates in any special election for the General Assembly held after December 31, 2006, to qualified General Assembly candidates for primaries and elections in 2008, and to qualified statewide office candidates for primaries and elections in 2010 ( as well as for succeeding primaries and elections for such offices). The CEF is administered by the State Treasurer, and was created pursuant to Section 9-701, General Statutes. In January 2006, one month following the enactment of Public Act 05-5, the senior executive staffs of the Office of the State Treasurer and the SEEC met to discuss creation of the CEF, which was accomplished promptly thereafter.

By law, the CEF is a non lapsing account. Funding of the CEF was expected to be comprised primarily of sales of abandoned or unclaimed property in the state's custody (escheats) pursuant to Section 3-69a. The State Treasurer has administrative responsibilities for the escheats. See generally, Part III of Chapter 32 of the General Statutes. The unclaimed property program is explained on the State Treasurer's website. Typically, the property includes savings or checking accounts; checks not cashed; deposits; stocks, bonds or mutual fund shares; travelers' checks or money orders; life insurance policies; and safe deposit box contents.

In addition to the sales of abandoned property in the state's custody, the CEF is comprised of voluntary contributions, corporate tax revenues (if necessary), and interest earned on the fund's assets.



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

### B. Deposits

#### 1. Escheats

In accordance with Section 3-69a (a) (2), General Statutes, the State Treasurer was required to deposit \$17 million from the sales of abandoned property into the CEF for the fiscal year ending June 30, 2006. Of this amount, \$15 million was deposited for purposes of the payment of grants to participating candidates, and \$2 million was deposited for use by the SEEC in administering the provisions of not only the CEP, but also the other provisions of Public Act 05-5. The State Treasurer complied with 3-69a during the period covered by this report.

For the fiscal year ending June 30, 2007, the State Treasurer is required to deposit \$16 million into the CEF. Of this amount, \$15 million is again set aside for the payment of grants to candidates, and the remaining \$1 million is for administrative costs of the SEEC. Since this report covers a period ending December 31, 2006, the full second fiscal year deposits from escheats have not as yet been deposited into the CEF. However, it is anticipated that the full amount will be deposited by June 30, 2007 as required by law.

Schedule A contains the amount of escheats deposited into the CEF for the year ending December 31, 2006. The aggregate amount of escheats was \$22,373,495. Of that amount, \$20,323,495 is set aside for grants to candidates; \$2,000,000 was set aside for administrative costs of the SEEC, and \$50,000 was set aside for the reserve account.



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

### 2. Establishment of Reserve Account

Pursuant to Section 9-716 (c), General Statutes, the SEEC was required to establish a reserve account within the CEF. This was accomplished with the assistance of the State Comptroller. The reserve account is intended to be used solely during the week prior to any election or primary to make payments to participating candidates under either of the following set of circumstances. First, if candidates received reduced payments due to insufficiency of revenues to pay full grants, as projected by the SEEC in the report due at the beginning of a state election year, then the SEEC can make up the difference using these funds. Second, if the participating candidates are targets of independent expenditures made to defeat them, they may receive a match in the amount of such expenditures. By law, the first \$25,000 deposited into the CEF in any fiscal year must be set aside in this reserve account. As can be gleaned from Schedule A, the reserve account has received the requisite \$50,000.

As there has been minimal experience with independent expenditure campaigns in statewide office and general assembly races, the SEEC will encounter some difficulty in predicting whether the reserve account will be sufficient to make the required payments to participating candidates within close proximity of an election. However, the interest earned on deposits made into the CEF provides a strong cushion for participating candidates, and can be used to pay any grants, initial or supplemental, that are prescribed under the CEP.

### 3. Interest Earnings

In accordance with Section 9-701, "investment earnings credited to the assets of the fund shall become part of the assets of the fund." Accordingly, the entire CEF can and currently does earn interest on the deposits. As reported in Schedule A, the interest earned on deposits made to the fund was \$835,593.



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

### 4. Corporate Taxes

Section 9-750, General Statutes, prescribes that if the sales of abandoned property (escheats) by the State Treasurer are insufficient to produce the statutory amount of \$17 million or \$16 million, per fiscal year, as the case may be, the difference is made up from corporate tax revenues. This was not necessary during the period covered by this report, and should not be necessary in 2007.

### 5. Voluntary Contributions

Any individual, committee or other entity may make voluntary contributions to the CEF. Although the amount deposited during this period that was owing to voluntary contributions was small, this amount has already increased significantly for the 2007 calendar year. The SEEC included a request for voluntary contributions in the notices sent to 2006 candidate committees that were terminating, and to PACs and party committees that were required to re-register with the SEEC on new forms we prescribed. A more aggressive effort to request such voluntary contributions is planned for the early part of 2008.

As reflected in Schedules B & C, the total number of contributors making such voluntary contributions was two (2), and the aggregate of such contributions was \$750.

### 6. Total Deposits made into the CEF

The total deposited into the CEF from all sources was \$23,209,838 for the period covered by the report, as shown in Schedule A.



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

### C. Expenditures 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 voluntary spending limit, and for matching of independent expenditures; and (2) administrative costs of the SEEC to carry out the purposes of Public Act 05-5.

#### 2. Grants to Qualified Candidates

During the period covered by this report, there were no special elections conducted for the General Assembly, and therefore no grant payments made to qualified candidates.

#### 3. Administrative Costs of the SEEC

The only expenditures made during 2006 from the CEF were for the SEEC's administrative costs, which are itemized in Schedule A of this report. The major categories of such expenditures consisted of wages for the full time employees hired during the year, and computer equipment to ensure that the SEEC could design and maintain the new electronic campaign filing system and related software applications necessary to implement Public Act 05-5. The total amount expended by the SEEC from the CEF for administrative costs was \$493,951.



### III. CONCLUSION

The SEEC used a modified accrual basis to prepare the financial statements in this report. Such accounting practice is consistent with GAAP, also known as “generally accepted accounting principles.” The balance of the CEF as of December 31, 2006 was \$22,715,887, as shown in Schedule A. This amount is required to be carried forward for use in the next year for purposes authorized by law. Of that balance, \$21,209,838 is the amount available for the SEEC to make payments of public grants to qualified candidates who meet CEP requirements. The CEF is in sound fiscal condition, and is generating the revenues anticipated by the General Assembly in its enactment of Public Act 05-5.





## IV. ACKNOWLEDGEMENTS

The SEEC gratefully acknowledges State Comptroller Nancy Wyman for the generous assistance she and her staff provided to us in the preparation of the financial statements incorporated in this report. In particular, we wish to express our gratitude to Elaine P. Pelletier, of that office, for her unselfish and dedicated assistance to us on this and a host of other matters relating to the implementation of the campaign reform legislation.

The SEEC also acknowledges State Treasurer Denise Nappier, and her capable senior staff, for their cooperation throughout the year regarding the administration of the CEF.





## V. APPENDICES



- Schedule A – Summary of Status of the Fund**
- Schedule B--- Voluntary Contributions To the Fund**
- Schedule C--- Contributors To The Fund**



# CITIZENS' ELECTION FUND



## *Status Of The Fund—Schedule A For Year Ending December 31, 2006*

### DEPOSITS

Escheats			
For Candidate Grants		\$	20,323,495
For SEEC's Administrative Expenses		\$	2,000,000
For Reserve Account		\$	50,000
Corporate Taxes		\$	-
Interest Earnings		\$	835,593
Voluntary Contributions		\$	750
Number of Contributors:	2		
Number of Contributions:	2		

### TOTAL DEPOSITS

**\$ 23,209,838**

### EXPENDITURES

GRANTS to Participating Candidate Committees			
Statewide Office		\$	-
Number of participants	0		
State Senator		\$	-
Number of participants	0		
State Representative		\$	-
Number of participants	0		
<b>Total Grant Expenditures</b>		\$	-
General Administrative Expenses			
Salaries & Wages		\$	234,165
Consulting Services		\$	22,704
Capital IT Equipment		\$	117,659
Capital Office Equipment		\$	59,164
IT Software Licenses		\$	40,190
Minor Equipment		\$	14,189
Supplies & Other Expenses		\$	4,354
Premises Maintenance		\$	1,526
<b>Total General Administrative Expenses</b>		\$	493,951

### TOTAL EXPENDITURES

**\$ 493,951**

### BALANCE OF THE FUND

**\$ 22,715,887**

### BALANCE AVAILABLE FOR GRANTS TO PARTICIPATING CANDIDATE COMMITTEES

**\$ 21,209,838**



## CITIZENS' ELECTION FUND

### *Status Of The Fund—Schedule B For Year Ending December 31, 2006*

<b>Contributions</b>	<b>Number of Contributions</b>	<b>Amount of Contributions</b>
Committee		
Candidate Committees		
Statewide Office .....	0	\$0.00
State Senator .....	0	\$0.00
State Representative .....	1	\$250.00
Municipal Office .....	1	\$500.00
Party / Town Committees	0	\$0.00
Political Action Committees	0	\$0.00
<b>Total Committee Contributions</b>	<b>2</b>	<b>\$750.00</b>
Corporate Entities	0	\$0.00
Individuals	0	\$0.00
Other Entities	0	\$0.00
<b>TOTAL VOLUNTARY CONTRIBUTIONS DEPOSITED</b>	<b>2</b>	<b>750</b>



## CITIZENS' ELECTION FUND

### *Status Of The Fund—Schedule C For Year Ending December 31, 2006*

Contributors			Number of Contributions	Amount of Contributions
<u>Committees</u>	<u>Office</u>	<u>Party Type</u>		
Citizens For Mayor Knopp	M	MAJ	1	\$500.00
Roberta Willis in 2006	SR	MAJ	1	\$250.00
<b>Total Committee Contributions</b>			<b>2</b>	<b>\$750.00</b>
Corporations			n/a	n/a
<b>Total Corporate Contributors</b>			<b>0</b>	<b>0</b>
Individuals			n/a	n/a
<b>Total Individual Contributors</b>			<b>0</b>	<b>0</b>
<b>TOTAL CONTRIBUTORS</b>			<b>2</b>	<b>\$750.00</b>

**KEY:**

M = Municipal  
SR = State Representative

**PARTY TYPE:**

MAJ = Major Party