Public Campaign Financing and Competition in U.S. State Elections: Evidence from a Comparative Study

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April 8th 2013

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Abstract

Can public campaign financing produce meaningful gains in competition within state legislative elections? A number of studies have confronted this question by employing a multitude of analytical techniques. This analysis adds to that body of work by taking a comparative approach that utilizes two distinct measures of competition in order to gauge the success of six different public financing programs in promoting a competitive atmosphere in state elections from 1994 to 2010. I find that the success of a public financing regime is entirely context dependent. Full funding programs do best in promoting competition in states with highly professionalized legislatures while partial funding programs tend to succeed in states with lower levels of professionalism. As a result, public financing should not be viewed as a singular solution to any competition deficit in U.S. elections. However, these arrangements can help to bolster competition in state legislative races when applied in the correct context.

In 1974 President Gerald Ford signed into a law a series of amendments to the Federal Election Campaign Act (FECA). These amendments, a response to the caustic public backlash against the depreciating realties of American politics that had surfaced during the 1972 election, represent the first truly concerted national attempt to limit the influence of money in U.S. elections (Fleishman 1975). Generally, there has been a growing desire to continue this regulatory trend in the interest of limiting the perceived role that moneyed and special interests play in determining legislative outcomes. The list of states utilizing campaign finance regulation has only grown since 1974 and, as calls for reform become more vocal, it will likely continue to do so. However, due to a series of complex, vague, and often times contradictory Supreme Court rulings regarding the legality of campaign regulation, reformers have been forced to pursue more positive approaches to promoting healthy and competitive elections that go beyond limiting the quantity of special interest monies.[1]

Public campaign financing is often touted as the most viable solution to this dilemma and this has led to its relatively widespread implementation throughout the states. Supporters of this idea see two general benefits coming out of this type of reform. First, it is often argued that by financing campaigns with taxpayer dollars, candidates have less incentive to rely on large donors for backing (Malbin 2005). By diversifying the sources of money, candidates can have the option to turn away from the special interests and instead cater to the public ones. Ultimately, this should lead to more equitable elections, a reduction in the amount of time that candidates need to spend on fundraising, and more time for officeholders to concern themselves with their elective duties. The second ostensible benefit coming out of public financing is the increase in electoral competition (Mayer, Werner, and Williams 2006; Malhorta 2008). As barriers to entry would be reduced via the allocation of what is essentially "free money", much of the costs of running for

[1] See, for instance, *Buckley v. Valeo* (1976) (which sanctioned unlimited campaign expenditures while still upholding the legality of mandatory contribution limits), *McConell v. Federal Election Commission* (2003), *Randall v. Sorrell* (2006), *Federal Election Commission v. Wisconsin Right to Life* (2007), *Davis v. Federal Election Commission* (2008), *Citizens United v. Federal Election Commission* (2008), and *Arizona Free Enterprise Club v. Bennett* (2011). These rulings, among others, collectively represent the lack of a concerted and clear legal precedence.

office would be negated which would give rise to a more diverse field of challengers. Theoretically, this would also result in a higher rate of turnover, as entrenched incumbents would be met with, and forced to respond to, viable and well-financed opponents. That electoral turnover can bring fresh blood and new vision into a political process that the public tends to view as stagnate. The threat of turnover can also make the less viable incumbents more responsive to the public will.

Over the years, a number of different public financing arrangements have existed in state elections giving some evidence to their increasing popularity as a feasible option for reform. Matching fund systems were among the first to be enacted in the mid-1970s in the aftermath of Watergate. These programs, which were implemented by state legislatures in Wisconsin and Minnesota, employ a partial funding scheme whereby candidates who agree to spending limits can get a certain percentage of that limit in public money. The other general classification of public financing is full funding systems where candidates get the entirety of their campaign expenses covered after agreeing not to take any private money. These systems tend to be more comprehensive and require candidates to prove their viability by raising a certain amount of contributions (normally in $5 dominations each) in order to receive full funding. These two general classifications – full and partial funding – can be financed in a variety of ways including offering tax-check offs, deductions, or other tax incentives to the public in order to maintain a sizeable pool of disbursable funds.

The political popularity of these types of reforms cannot be doubted. Whether this fact is evidenced through the more than half a dozen pieces of campaign finance legislation sitting in Congress as of February 2013 or the public recoil in response to the *Citizens United vs. FEC* (588 U.S. 310) ruling, it should be clear that more and more states will begin to consider reforms in the future. New York's governor, Andrew Cuomo, has recently called for legislation to be drafted that would implement a statewide matching funds system based of the program currently in place in New York City (Hakim 2013). But can these programs prove to be effective at what they set out to do while minimizing the large potential for unintended consequences that tends to come with reforms of such large proportions?

There is still no academic consensus on the true effects and unintended consequences of public campaign financing. It is still unclear of whether or not these programs can overcome the incentive structures that support the funneling of private money into campaigns. Detractors argue that the allegations of money's corrupting influence in politics are often overblown, as ideology and constituency needs play a far greater role in determining a politician's voting patterns than does special interest alignment (Samples 2006; Levitt 1994). Other detractors argue that these systems actually enforce the status quo and make races even less competitive (Lott 2006). However, despite this lack of consensus, numerous states and municipalities have moved forward with public financing reforms; and as a result, a new field of research, ripe for analysis and consensus building, has been planted.

Existing public finance laws tend be very state-specific and work in different ways to achieve to similar goals. This implies that reformers must seek the right combination of rules and regulations that foster the highly desired electoral dynamism while minimizing the potential to produce negative and unintended side effects. What follows is a look at the advantages and associated costs of a number of public financing schemes and an attempt to determine which, if any, are producing positive gains in electoral competiveness on a statewide basis. While competiveness is not necessarily the primary goal of public financing programs, this analysis avoids the ongoing debate surrounding the uncertainty regarding the true nature of money's role in elections and political decision-making.[2] Electoral competition is valuable as an end in and of itself, and any associated increases in contestability should be viewed as advantageous regardless of one's stance regarding the role of money in elections. Reducing the prominence of money should not be the primary goal of finance reform due to the uncertainty surrounding its effects, the Constitutional barriers, and the political costs associated with implementing such a plan. However, policy makers and constituents, on both sides of the ideological spectrum, should view promoting healthy levels of competition as a worthwhile pursuit that will ultimately engender a more equitable and sustainable American democracy.

The following seeks to find the systemization and conditions which make public financing a viable option for boosting competiveness in state elections. Part I of this analysis consists of a look at the evolution of public financing in the U.S. in order to understand why it has become a popular reform pursuit in the past decades. After a discussion of the historical implications, the literature review will describe the work that has been done on the topic of public financing and identify the gaps that exist in research. Part III constructs the framework of

[2] For comprehensive insight into the debate surrounding the role of money in politics see, among others, Levitt (1994), Smith (1996), Abramowitz (1988), Erikson and Palfrey (1993), Jacobson (1978), and Souraf (1988).

the experiment that has been designed to fill these gaps. The final part of the analysis explains the results and the implications that the findings have the reform effort at large.

Overall this analysis finds that public financing can indeed produce gains in electoral competition, however these results are very context dependent. Full public financing works best in states that have a highly professionalized legislature while partial funding does best in states that are closer to the median of state legislative professionalism. Of the six public financing states that are considered in this analysis, Minnesota, Arizona, and Connecticut have programs that do the best in promoting competition while the programs in Maine, Wisconsin, and Hawaii fail to produce the expected gains in competition.

HISTORICAL BACKGROUND: THE EVOLUTION OF PUBLIC FINANCING

American political discourse can almost always be framed in the context of two fundamental, and sometimes conflicting, notions: liberty versus equality. Nearly every public debate from healthcare to tax reform can be framed using this dichotomy. This clash of ideals is not always apparent on the surface of the more practical discourse, but the underlying philosophical debate in these arguments is almost always grounded in these two seemingly exclusive ideas. However, the debate over campaign finance regulation and public financing is different in that it is overtly framed as a tradeoff between liberty and equality. It is a fight between those who wish to prevent the restrictions on the political use of money and those who wish to hinder the translation of uneven economic power into uneven political power (Mutch 1988, 53). The goal of this analysis is not to take a definitive stance in support of either side, but rather to take campaign finance regulation (specifically, public financing) as a given in order to understand its impact on the electoral system. But implicit in that statement is the need to understand the background and evolution process that has led to current financing strictures. It is only when one manages to build a formative understanding of the currents of debate and its historical underpinnings that a true, fair, and balanced path to reform can be made visible.

It is not difficult for one to look at the current state of U.S. political campaigning and make the assumption that the perversity of money in politics is an entirely modern phenomenon brought about by huge corporate conglomerates, the growing costs of campaigning, and the vociferous media coverage of elections. However, it needs to be noted that this crisis of money in politics has been an omnipresent factor throughout U.S. history and that public financing of elections is a relatively new phenomenon that came to fruition as way to overcome the legal impositions that barred spending limits in elections. Prior to the aforementioned FECA and the subsequent amendments, there was a complete lack of any substantive regulations in place that either limited or even monitored spending and contribution levels in elections (Smith 1996, 1052). The early days of American campaigning were characterized by aristocratic political associations, were who you knew, and who could recommend you, carried far more weight in determining the success of your bid for office then the amount of money you could muster for campaigning or your ability to appeal to the public. Because of this, combined with the practical difficulties associated with campaigning (it took days to travel between cities), regulation was not even a point of consideration as it simply made no sense at that time.

This all began to change with the explosive post-Civil War growth of the industrialized north which caused the donor backed party financing system of today to take root. Political access was the key to much of the success of the corporate barons, and donations to candidates were seen as a profitable investments. These vast sums of new money in elections coupled with the traditional and antiquated mediums of campaigning (catering to the public) made for a one sided battle between interests, and the only way one could obtain office was to appeal to the corporate interests. For instance, despite Theodore Roosevelt's progressive attitudes towards trust busting and regulation, seventy four percent of his 1904 presidential election fund was made up of corporate donations (Mutch 1988, 3). This widespread corporate influence in elections produced public contempt of the political process; and with that came concerted efforts, mainly in state governments, to enact the nation's first wave of campaign finance reform.

The trend of reform legislation during this period was focused more on disclosure requirements instead of concerted efforts to remove the corporate influence from politics, like public financing attempts to do. However, the first piece of public financing legislation was introduced in Congress in 1904 indicating at least a nominal interest in more substantive reform beyond disclosure requirements (Smith 1996, 1055). Despite the effort to move towards regulating election financing and removing embedded corporate entities from politics, these initiatives largely proved fruitless as they were ineffective at preventing corporate monies from continuing to influence election outcomes. Large donations continued to be the primary source of campaign money throughout the twentieth century, except for a few notable examples like

Barry Goldwater's 1964 campaign for president where he managed to cultivate a fairly large and diverse donor base.

Prior to 1971 a number of politicians would occasionally champion some variety of public financing, but their efforts never gained the momentum needed to produce concrete legislation. However, this began to change in the late sixties in the aftermath of Hubert Humphrey's dramatic loss to Richard Nixon in the 1968 election which burdened the Democratic Party with nearly nine million dollars of debt (Mutch 1988, 119). Without a man in the White House, the Democrats where severely limited in their options for fundraising, especially compared to Nixon and the Republicans who had a sizeable war chest backed by large donors like Clemet Stone who donated $2.8 million to the Nixon campaign in 1968 (Smith 1996, 1055). To solve this issue a number of Democratic legislators in Congress began pushing for a federal system of public financing for elections. Public campaign financing was generally a Democratic cause, and continues to be so, due in part to this practical reason regarding their troubles with fundraising, but also due to the philosophical arguments of leveling the playing field in the interest of bringing equality to elections. Republicans, generally, do not see much practical value in public financing and have a general distaste of spending taxpayer dollars to expand the government's role in regulating (Mutch 1988, 119). In 1971 the Democrats brought a public financing amendment to the floor to be considered as part of an administrative tax bill. After three days of contentious debate, the rider was shot down by the Republicans due in part to Nixon's insistence that such a measure would never pass his desk. Much of the reform effort pushing towards public financing was stifled in the early 1970s simply because of the Republican filibuster in the Senate and the lack of public support for such measures.

Despite Nixon's intransigence on the subject, he was ultimately responsible for the passage of the nation's first public financing act as well as the most stringent national campaign finance regulations. When the Watergate scandal broke it sent shockwaves throughout the nation as light was shed on Nixon's large cooperate contributions, his reciprocal favors and his other illicit activities leading up to the 1972 election. This provided the momentum needed to rocket campaign finance reform through Congress (Smith 1996, 1055). The Federal Election Campaign Act (FECA) amendments were passed in 1974, after Congress overrode President Ford's veto. Congress essentially gave a set of teeth to the original FECA of 1971 by limiting personal spending of candidates, placing caps on overall spending levels, limiting independent spending by outside groups – all in addition to setting up a public finance system for presidential races (Mutch 1988, 127). The Presidential Election Campaign Fund (PECF), as it was called, was funded through an income tax-check off which taxpayers could allocate three of their dollars to go to the public financing fund which would match candidates' spending with tax payer dollars up to a certain limit. The PECF was utilized by every single major presidential candidate from 1976 to 2008 when Barrack Obama opted out of subjecting himself to spending limits as his record breaking campaigning strategy brought in donations that dwarfed the amount of money that he would have been given via the PECF (FEC 2013).

The FECA amendments, the most rigorous set of regulations ever imposed on campaigns and elections, caused a great deal of consternation among a number of interests including conservatives, libertarians, as well as the leaders of businesses, corporations, and unions alike. A group of three diverse individuals including Senator James Buckley (NY) of the Conservative Party, retired Senator Eugene McCarthy (D-MN), and the director of the New York Civil Liberties Union Ira Glasser came together to challenge the new law and its constitutionality. The opposition proceeded to take their case to the courts with a syllogistic libertarian argument against the imposition of spending limits arguing that if money is speech and restricting speech violates the First Amendment, therefore restricting political spending violates the first amendment. In 1975 *Buckley et al. v. Valeo et al.* (the defendant being Francis Valeo, secretary of the Senate, who was charged with administering the law) made it to the Supreme Court. In early 1976 the Court released a per curiam decision that upheld contribution caps, the public financing program and the disclosure requirements while striking down limits on overall campaign spending including spending by individual candidates and spending on behalf of candidates. Justice Byron White believed the entirety of the law should have been upheld arguing:

> It would make little sense to me, and apparently made none to Congress, to limit the amounts an individual may give to a candidate or spend with his approval but fail to limit the amounts that could be spent on his behalf. Yet the Court permits the former while striking down the latter limitation. No more than $1,000 may be given to a candidate or spent at his request or with his approval or cooperation; but otherwise, apparently, a

contributor is to be constitutionally protected in spending unlimited amounts of money in support of his chosen candidate or candidates. (*Buckley* v. *Valeo* 1976)

This whole issue of limiting contributions while at the same time permitting unlimited outside spending does call into question the effectiveness of the now neutered FECA at actually limiting the influence of money in elections. However, it was Justice Potter Stewart who coined the adage that succinctly summarizers the FECA challengers' position: "We are talking about speech, money is speech and speech is money, whether it is buying television or radio time or newspaper advertising." (*Buckley* v. *Valeo* 1976, oral arg., 24). Since political communications (speech) require the expenditure of funds to reach target audiences, limiting a candidate's ability to spend money essentially amounts to a violation of the first amendment. *Buckley v. Valeo* is unquestionably the landmark case in the campaign finance reform debate as it established the legal precedent that forbids strictures on spending in elections both on the national and state levels. Despite this stricture there is still a significant portion of the public, and elected officials, who view campaign spending limits as the most viable method for removing the perceived threat of excessive money in politics (Smith 1995, 1056). This has pushed reformers to utilize public campaign financing as a proxy, or legislative workaround, to spending limits, as limits can only be imposed on candidates as a condition for receiving public monies. This fact can describe the reasons behind public financing's rise to the preferred method of limiting money's role in politics.

But how well can public financing lead to another desired legislative goal and how precisely does it impact competition? As campaign costs along with the role of PACs have increased significantly since the 1970s, the support behind curbing expenditures has grown (Saad, 2010). This push has come into direct confrontation with the legacy of *Buckley v. Valeo* and a number of regulatory programs, including the McCain Feingold Bipartisan Campaign Reform Act of 2002, have been neutered or overturned completely due to their overstepping the limitations imposed by the legal precedent established by the *Buckley* decision.[3]

In addition to the legal issues there are a number of administrative problems associated with public financing that makes it difficult to institutionalize a system that effectively collects

[3] See *Arizona Free Enterprise Club v. Bennett* (2011), *Davis v. Federal Election Commission (2008), Citizens United v FEC (2008).*

funds from tax payers, monitors candidate spending, and disburses the money to candidates all while staying within the boundaries set up by Buckley. There needs to be considerable support of the program coming from the public, the officials administering the program and the candidates running for election in order to make public campaign financing work. Because so much needs to be backing public financing, the perennial question has been whether or not the costs of administering the program and the threats to its legal validity are worth any associated gains coming from this workaround to the state's inability to impose spending limits. This has pushed scholars to focus their attention on public financing's impact on electoral competition and a sizeable corpus of work has been produced as a result.

LITERATURE REVIEW

Electoral competition has been a popular, yet decidedly controversial, topic in the field of political science. However, there have been a number of key, and agreed upon, findings that have large implications for this study. Incumbency and challenger quality have been identified as crucial determinants of competition. Incumbents enjoy a number institutional and visibility advantages that make running for reelection far easier and therefore less competitive then a race for an open seat (King and Gelman 1991). This incumbency advantage stems from a number of potential sources including name recognition (Hood and McKee 2010), district and constituent services (Cain, Ferejoin and Fiorina 1987) and earmark spending (Levitt and Synder 1997). While the majority of the competition literature is focused around Congressional level races and outcomes, these are still pertinent findings that have implications for analyzing down-ballot races. Candidate quality is also a key determinate of competition as only quality challengers will attempt to dislodge an incumbent and high-quality incumbents tend to deter challengers (Ashworth and de Mesquita 2008). However, in state level elections where visibility is one of the greatest problems facing challengers and being a quality will not necessarily bolster one's visibility, simply due to the lack of public awareness surrounding races for state legislative seats. The implications of these findings are significant for the study of public campaign financing. A lot of the literature surrounding the analysis of public campaign financing is focused around the study of competition and how it affects challengers and incumbents alike.

Much of the research on this matter has been centered on the public financing programs in place in Wisconsin and Minnesota, as they are the nation's oldest, having been established in 1978 and 1976 respectively. Minnesota's partial funding system gives candidates access to public money worth up to 50% of the imposed spending limit, which changes, with each election. The state also offers a donor rebate program that gives contributors refunds for donations below $50. A number of studies have found that the system in place in Minnesota is relatively successful in increasing competition (Donnay and Ramsden, 1995; Mayer and Wood 1995; Mayer, Warner and Wood 2003, Gleason et al. 2010). However, while there is a consensus amongst these studies as to the general positive effect of Minnesota's program, there is significant amount of divergence in terms of the mechanisms through which Minnesota's system operates produce this competition. Mayer and Wood found that the key factor behind this competition boost is not the actually matching funds system in Minnesota but rather the donor rebate program whereby donors are refunded up to $50 for a political contribution to a candidate (Mayer and Wood 1995). They argued that the rebate program increased the amount of small donor contributions, especially among minorities, creating a more diverse pool of competitors. However, Donnay and Ramsden found that there were only marginal gains in competition for Minnesota and if the matching funds program were to be expanded, then races would become far more competitive (Donnay and Ramsden 1995, 364).

Smith looked at the systems of public financing in place in both Minnesota and Wisconsin and found that the "price floors" that these systems implement have a perverse effect on competition (1996). The author attributes this to a number of faulty incentive schemes that could render private spending as meaningless, remove monitoring incentives via complacency, and could potentially encourage bribery (Smith 1996, 1090). Smith argues that systems where transparency is the only requirement do far better in promoting healthy elections than any other tangible changes to the legal structure (1996, 1089). Lott has also studied the effects of campaign finance regulation on electoral competition and found that races became less competitive after limits where put into place (2006). This is important to note as all of the public financing systems in this study implement some form of spending limits as a condition for receiving public money. The author concluded from this that public campaign financing essentially amounts to an incumbency protection act (2006, 299).

Primo, Milyo and Groseclose challenged the general conclusion of both Lott and Smith's work and found that campaign contribution limits are the only form of regulation that provides any gains to electoral competition (2006). The authors also looked at the public financing programs available for gubernatorial candidates in a number of states and compared the competition levels in those elections to the rest of country. The authors found that public financing confers “no statistically or substantively significant” benefit to competitiveness in gubernatorial elections from 1978 to 2004 (Lott 2006, 280). However this study is problematic as it only assesses gubernatorial elections, which is a relatively small sample compared to legislative elections. More importantly, races for governor are far more visible to the public and therefore a more susceptible to exogenous factors that differ greatly between candidates and races. For instance candidate participation in public financing tends to be low in races for governor mainly due to the ease of raising money (due to high visibility) and the subsequent unwillingness that candidates have to subject themselves to spending limits. This lack of participation coupled with a greater emphasis on the nuances of each candidate in gubernatorial elections make comparison difficult and impairs the researchers’ ability to isolate the effects of spending and, more specifically, public financing.

Maine and Arizona are two other states that have also been very popular research targets in past years. This is due mainly to their unique clean elections laws, which fully subsidize candidates who agree to expenditure limits. The Government Accountability Office (GAO) was mandated to conduct a study in 2003 on these new programs and found that their impact on electoral competition was negligible (2010). However, a study by Mayer, Werner, and Williams questioned the measures employed by the GAO as well their predisposition towards political bias and took another look at competition in Maine, Arizona, Minnesota, Wisconsin and Hawaii (2006). This study measured competition along a three-dimensional metric that looked at competiveness (measured by vote distributions), contestation, and reelection rates. The authors found that Arizona and Maine experienced appreciable increases in competition after the clean election laws were implemented and that Minnesota’s program was highly efficacious were as Hawaii and Wisconsin’s were less so. This was by far the most comprehensive study on public financing done up to that point in time as it looked across a broad spectrum of states that employed variable types of funding systems and used a more dynamic measure of competiveness to gauge outcomes. Despite this there were a number of flaws with the data used. Namely the effects of public financing where likely to be overstated in Arizona (where they were shown to be highest) due to the imposition of term limits which coincided with the new regulation (Primo, Milyo and Groseclose 2006). These term limits brought about a culling effect that removed a large number of long serving state legislators from office leaving only relatively inexperienced and less competitive incumbents. Since only two clean elections had taken place in Arizona by the time Mayer, Warner and Wood conducted their study, it is difficult to distinguish the effects of term limits from that of the new regulation.

A study done by Malhorta used a number of complex regression techniques to gauge competition and concluded that there was a positive impact on electoral competition coming mainly out of the elimination of entrance costs facing challengers (2008). Malhorta's study is notable due to the unique measures that he employed in gauging competition, most important of which was his use of the inverse of the Herfindahl-Hirschman Index (HHI^{-1}), which is normally used in economics to gauge market concentration. Malhorta adopted the HHI^{-1} to gauge competition by treating candidates as firms and distributing their vote share along a continuum that ranks candidates based on their effectiveness. He also used a number of traditional measures of competition (i.e. vote margins and candidate quality) in addition to the HHI^{-1} to provide a clear picture of how competition varies with public financing programs. However, Malhorta's design was severely limited as he utilized only a single year of election data to assess the impact of the clean election programs, making it difficult to determine whether the stated effects were significant or the result of time trends. It also suffered from the same difficulties experienced by Mayer, Warner and Wood in distinguishing the impact of public finance from that of term limits (2006).

Recent studies have begun to turn their attention towards Connecticut's new clean election program that was implemented in 2008. Because the state is a relatively new addition to the clean election family there has been little time, and even less data, from which to draw conclusions about its effectiveness. However, some facts have been made apparent regarding the potential of the program that are relevant for this analysis. The National Institute of Money in State Politics, a bipartisan organization that looks at campaign finance throughout the states, conducted a study of Connecticut's program and found that candidate participation has been high (94.4% in the Senate and 76.6% in the House) which presents a solid opportunity for analysis (Gleason et al 2010, 18). Three elections have taken place in Connecticut since the implementation of clean election laws, which has created a time series which can effectively be studied.

In recent years a number of these extant programs have undergone serious changes that have yet to be studied. Wisconsin and Minnesota both effectively ended their public financing programs due budgetary constraints and a portion of Arizona's clean election laws were struck down by the Supreme Court in 2011.[4] While a setback for the public financing movement as whole, the elimination of these programs has provided breaks in the time series where research can now analyze how competition has changed since the reversion back to pre-reform laws.

On top of the research gaps, there tends to be a lack of discussion regarding the potentially confounding variables that influence competition. In addition to the problems surrounding term limits outlined above, redistricting imposes a significant barrier to understanding how electoral competition arises. Districts are often created by partisan legislatures who have incentive to draw uncompetitive districts. This would understandably present a challenge in trying to distinguish the role of public financing in state level elections and any studying looking into the effects of public financing on competition must take redistricting into account.

Another issue with the extant literature is that there has been no comprehensive assessment of the different systems that are in place across state borders. The studies that have done cross-state comparisons tend to use a dichotomous scale for public finance (public financing is present or not present) (Francia and Herrnson 2003). By not looking at the factors that distinguish these programs as unique - like organization, financial backing, and legislative support - it is not unreasonable to assume that these studies can be very misleading. More needs to be done to understand the specific nuances of each program and only then we can truly understand what programs work in specific contexts.

There is still much to be done in this field and this study looks to find an adequate methodology that can fill in much of the missing information in hopes of providing a comprehensive assessment of public financing's impact on state-level elections. The literature has tended to indicate that public financing can be successful in fostering competition under certain circumstances. Adequate subsidization of candidate expense in the form of matching funds and implementing transparency requirements seem to be the most plausible sources of electoral competition. This analysis, by breaking public financing down to its component parts and analyzing programs across space and time, attempts to identify why that is the case. This

[4] See *Arizona Free Enterprise Club v. Bennett* (2011)

study will strive to fill the critical gap in the literature by utilizing a comparative approach to the study of public financing and judge the effectiveness of each states program.

RESEARCH DESIGN

The key question that is focused on here in this paper is whether public financing is conducive to a healthy level of competition in state level legislative elections. The second part is focused around trying to understand what specific characteristics or arrangements of public financing laws lead to the greatest gains (or losses) in competition. To achieve these two goals, a comprehensive approach to the study of these financing regimes is required. This analysis will attempt to overcome the limitations of the extant literature by utilizing a comparative approach to the study of inter-state policy differences by using a large data set in tandem with OLS regression analysis to identify any potential relationships that may exist between public financing and electoral competition. The strategy here is multipronged: first, a ranking system must be established in order to identify the financing program that is best suited to promoting competition, and second, this analysis attempts to explain why that particular combination of rules is so successful compared to the alternatives.

Hypotheses

This study hypothesizes that the clean election programs in place in Arizona, Connecticut and Maine will be the most effective in promoting electoral competition as they go the furthest with implementing disclosure, grant allocations, and limits. These are by far the most comprehensive programs in place and they do the most to actually regulate the elections. The "catchup funds" that these programs offered in the past, where challengers who were being outspent by their privately financed counterparts could get public money to fill that gap, do a lot to even the playing field and allow the disparity between candidates to shrink. These programs also have relatively high participation rates meaning that more candidates are willingly subjecting themselves to spending limits in the interest of obtaining public money (Gleason et al 2010, 12). We also see that these programs continue to be well funded through the taxpayer check off systems in place, meaning that there is a substantial pool of money from which candidates can draw from. However, it is the fact that these programs offer full financing that provides the most backing for this hypothesis, as through this, candidates have the entirety of their campaign expenditures covered by the program allowing for generous coverage as well as increased accessibility for candidates who have less visibility when going up against an incumbent.

The program in place in Minnesota is predicted to be moderately successfully in encouraging competition, due to the unique structure of the donor incentive program in place. Minnesota offers rebates that cover the full costs of political donations to candidates. This is a new positive approach to incentivizing competition, as those who would be unwilling or unable to make donations can now do so for free, this gives money-strapped candidates the option to cater towards a more diverse pool of donors. That pool of donors consists of a variety of traditional and non-traditional donors who would support a far more diverse number of candidates allowing for greater competition to occur. The program in Minnesota also gives partial funding in the form of grants up to 50% of the spending limit (~$15,000 for the House and ~$30,000 for the Senate), and while this program does not go as far as Maine, Arizona or Connecticut, it can still succeed in assisting candidates who would otherwise struggle to mount even a nominal challenge to an entrenched incumbent with vested interests behind him or her.

The partial funding, fixed subsidy, system in Wisconsin is hypothesized to be ineffective due to the lack of financial backing and weak participation rates. There is no donor rebate program in place in Wisconsin like there is in Minnesota and the maximum allowable grant for a candidate is significantly smaller than in Minnesota. These qualities essentially make Wisconsin's public financing program a non-entity.

The partial funding system in place in Hawaii is hypothesized to be least effective of the six due to the limited nature of the program. Hawaii's public financing system is a partial funding grant program that allocates 15% of a district-specific spending limit. Because candidates only receive 15% of the total money that they are allowed to spend, it is likely that fewer candidates will be encourage to participate in the program, and those that do participate are likely to be less viable candidates who would otherwise struggle raising such a small amount money (and would subsequently have no worry about bumping up against the limit). While Wisconsin's program is poorly funded and has low participation rates, Hawaii still has very high participation rates giving indication to the potential fact that more ineffective challengers are utilizing Hawaii's program to mount challenges, potentially increasing the competition disparity as these candidates are not only ineffective but also poorly financed and fighting against others who are of the same nature.

To test these aforementioned hypotheses, this analysis utilizes a data set created and maintained by Indiana State University containing state legislative election returns from 1967 to 2010.[5] It also makes use of census data from 1994 to 2010 as well as various legislative data maintained by the National Council of State Legislatures. The main unit of analysis here are state level legislative election for both upper and lower chamber seats. It is in these state level races that candidates have higher incentive to participate in public finance programs due to the low visibility and associated difficulties with fundraising (Mayer, Warner and Wood 2006, 248). When trying to analyze the effects of public financing in national, gubernatorial, city council, or judicial elections the sample sized is significantly restricted due to the reduced frequency and quantity of elections. By utilizing state legislative elections, I can better control for the exogenous and endogenous factors that tend to be more prominent in the less frequent gubernatorial elections (Malbin 2005). In addition, state legislative elections have been a popular unit of analysis in past work, providing a baseline from which the findings here can be contextualized.[6]

The overarching structure of the design is centered on a matching system that compares public financing states with two other control states that are void of any public financing scheme, yet have similar demographic, partisan, and legislative characteristics.[7] This is done to control for the inherent difficulties associated with having to collect an absurd amount of data in order to infer any meaningful relationships between the variables.

Table 1. Public Financing States and Their Matched Pairs

State	Type of Public Financing System	Match #1	Match #2
Arizona	"Clean Elections"	Idaho	Florida
Maine	"Clean Elections"	Montana	South Dakota
Connecticut	"Clean Elections"	Maryland	Washington
Minnesota	Fixed Subsidy	Iowa	Oregon

[5] Klarner, Carl, William Berry, Thomas Carsey, Malcolm Jewell, Richard Niemi, Lynda Powell, and James Snyder. State Legislative Election Returns (1967-2010). ICPSR34297-v1. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 2013-01-11. doi:10.3886/ICPSR34297.v1.

[6] See, for instance, Donnay and Ramsden (1995); Government Accountability Office (2010); Malhotra (2008); Mayer and Wood (1995); Mayer and Werner (2007); Mayer, Werner, and Williams (2006)

[7] For an overview of the public financings systems studied in this analysis see Appendix 1 and for an overview of the legislative characteristics of the public financing states in the study see Appendix 2.

Wisconsin	Fixed Subsidy	New York	Michigan
Hawaii	Matching Funds Only	Alaska	Colorado

These matches act as a limited control group in which the inherent dissimilarities between states can be better minimized and any relationship between competition and public financing can be better understood. This analysis looks at six states with three general types of public financing systems. These states and their respective matches can be seen in Table 1.

Dependent Variable

The dependent variable, electoral competition, will be measured using two indicators in order to accurately assess how competition changes from election cycle to cycle. There is an extensive body of work surrounding measuring and assessing competition in elections and there are certainly many ways to operationalize this variable. A popular way to do this is to look at candidate quality (Holbrook and Van Dunk 1993). However it is exceedingly difficult to determine and measure the qualities that make a candidate competitive in an election. The majority of studies that look at candidate quality when assessing competition look at whether or not a particular candidate has held office in the past, as this information is the most readily available. However, this study looks at state level elections where the vast majority of candidates have never held actually held office before. This fact, coupled with the difficultly of judging a candidate's quality, makes utilizing this measurement of competiveness impractical.

Looking at vote margins is the second best choice for assessing competition, as they are by far the easiest and most commonly used measure. For instance, if a candidate receives 90% of the vote in an election (compared to a challenger's 10%) that election can be seen as having a competition deficit. There is some external factor (whether it be a poor quality challenger or a highly partisan district) that has lead to such a disparity in the margins and, in this way, looking at vote margins acts as a proxy for looking at competition. If the average margins of these races decreases after the implementation of a public financing program it can be reasonably inferred that competiveness has increased.

In this study vote margins is a continuous variable that is coded on a scale from 0 (uncontested candidate) to 1 (perfect fifty-fifty split in the vote). This measures looks specifically at margins within a single race, excludes third party challengers, and is defined by the following equation:

$$Margins = \frac{abs(percent\ of\ vote\ to\ Republican - percent\ of\ vote\ to\ Democrat)}{100}$$

The reason for excluding third parties in this first measure of competition is due to the fact that margins can be skewed and very misleading when there are more than two candidates running for office. However, many advocates of public financing claim that a key goal of public financing is to inject fresh faces into a race and often times these new challengers come in the form of third party candidates. It is very difficult to judge the impact that third party candidates have on competition due to the issues of vote splitting leading to uncompetitive outcomes. A race where three candidates run (a Democrat, Republican, and a Libertarian) and the split is 50 – 30 – 20 would indicate a competitive election, however if the Libertarian candidate had not run and the split was 50 – 50 the margins would indicate a far more competitive election. Is the presence of third party challenger in election indicative of more competition, or are the closer margins of the race with two candidates more competitive? This dilemma is circumvented in this analysis by dropping races with third party challengers. By narrowing the focus down to looking only at how incumbents are affected by these public financing initiatives this analysis can still adequately judge the impact on competition while minimizing the distorting effects of third party challengers.

This notion of looking at how incumbents are affected by policy changes as a proxy for competiveness is expanded upon by looking at a second commonly used measured of competition - the number of incumbents facing a major party challenger (Mayer, Warner and Wood 2006). If the number of incumbents who face a major party challenger increases after the implementation of a particular public financing program we can infer that is now more feasible for a viable, major party, challenger to mount a campaign against a seated incumbent. While this may or may not directly result in an increase in turnover rate it does present the threat of loss to entrenched incumbents who would then become more responsive to constituent demands.

This variable has a dichotomous operationalization where 1 indicates an incumbent who faced a major party challenger in an election and 0 is an uncontested incumbent. This variable essentially takes incumbency as a given and it would logically follow that as more and more incumbents face major party challengers, competition is increasing. This measure, when used in tandem with vote margins, can give adequate insight into the dynamics of elections and how specific incumbents have been impacted by changes in financing legislation. If more incumbents are facing more major party challengers and winning by slimmer margins (or losing) than it can be reasonably inferred that elections have become more competitive. It is for this reason (that completion can be inferred solely through looking at incumbents) that both third party challengers and races for open seats are dropped from the analysis. It is assumed that open seat races would provide further distortion to any results this study would find due to the greater propensity of third party challengers to contest an open seat and the fact that these races tend to be more competitive (on average) than races where an incumbent is present.

One setback of these measures are their inability to assess competition in multimember free for all (MMFFA) districts, which are present in one state in this study - Arizona. Neimi, Jackman, and Winsky offer a solution to this problem by creating “pseudo-single member districts” (1991). This method pairs candidates together according to their vote margins essentially turning these MMFFA races into a number of single race elections. This method has been utilized in order to create matching pairs within the data set which has made comparison possible.

Independent Variables

With the two measures of competition identified, a number of independent variables need to be clearly defined and operationalized. Because there are a host of different factors that can potentially have an impact on competition in state elections, the model used in this study includes three broad categories of independent variables, which are the race, state, and public financing identifiers.

The race-specific identifiers consists of those variables that define, characterize, and are unique to a specific race. These include incumbent presence, party affiliation of the candidates, and a dummy that accounts for any potential presidential coattail effects. These variables were included in the model in order to define specific races so the factors that impact competition within the race can be better understood and distinguished from the external factors that act upon a race to produce competitive or uncompetitive outcomes. While there are other variables that could conceivable impact competition and are specific to a single race or candidate like candidate quality or the presence of third party candidates, these have been disregarded for the aforementioned reasons. This study's key focus rests on the state and institutional level in that it is seeking to make meaningful comparisons between state systems and not between races. The specific intricacies and nuances of races and what makes them competitive is not as important here as the general trends across time and geographies. If more race specific variables were to be included here the analysis would bog down in the details and abundance of information making it difficult to complete the intended project. The information for these race-specific identifiers comes from the data set on state legislative election outcomes maintained by Professor Carl Klarner of Indiana State University while the data backing the presidential coattail dummy was compiled by this author.

The second set of independent variables are the state-specific identifiers. These consist of the variables that are unique to the state legal and institutional structure, but are distinct from the public financing identifiers. These include a dummy indicating the presence of term limits, party control of the legislature, redistricting year, and professionalism. These variables were chosen for this study to the fact that it these that are likely going to have the largest impact on competition in state level elections.

Term limits have a direct impact on completion as legislators are termed out regardless of their performance creating more open seats (which are naturally more competitive on average) and potentially having an interacting effect with public financing especially in Arizona and Maine as these two measures were implemented in the same years. Term limits is coded as a simple dichotomous variable as the disparity between the lengths of term limits for the states in this study was negligible.

Redistricting can also have a profound impact on competiveness as districts can be drawn along partisan lines ensuring a single party's continued dominance of that specific seat. For the time period and collection of states used in this study districts were redrawn once, in 2000, so the variable in this study takes the form of a simple dichotomous variable that illustrates the resultant change after the 2000 census-mandated redistricting.

Partisan control of the legislature is added to help understand the resultant changes after redistricting as well as the general partisan alignment of the public in a particular state. It is logical that if the majority elected legislators are consistently Democrats then elections would generally be biased towards the Democratic Party and therefore less competitive. The question of whether this partisan dominance is a result of gerrymandered districts, or the partisan alignment of the public, is beyond the scope of this analysis as the primary concern here is not its origins but its effects on competition. The party control variable was created by this author using the party composition listings on the various state legislature websites. Party control is coded as a continuous variable ranging from zero to one with one being the complete party domination of every single seat in the chamber.

Legislative professionalism is also of key importance when analyzing competition in state elections. Professionalism is measured by the Squire Index (2007) which is a composite index of legislator benefits and salary, time demands, and staff resources. It is scaled on a zero to one metric with one being the most professional. Professionalism has significant implications for the competiveness of elections due to the fact that incumbents tend have a greater advantage in more professionalized legislatures (Squire 2007, 212). While this is by no means a complete collection of variables that could potentially have an effect on competition in state elections, it does account for the main forcings that act on incumbents and challengers alike in order to alter competition. Other than professionalism and the party control variable, the data on the other state characteristics has been compiled and maintained by the National Conference of State Legislatures.

The third set of identifiers are the main ones of interest for this study and they consist of the public financing variables. These are generally dichotomous variables which are inserted to show the absence or presence of a certain program or policy. There are three dummies in this set of variables: one acting as a general indicator for the presence of some sort of public financing system, the second being one indicating the presence of full funding system and the third for a partial funding program. These three are the main variables of interest as these are the ones that vary most consistently between states. For instance, the states that have a system of full financing are all clean election states that share very similar disbursement, disclosure, and spending requirements. The amount of deviation in between the specifics of these programs is minimal and statistical analysis of the minor discrepancies between the full financing programs is therefore beyond the scope of this comparative analysis. There will, however, be a discussion of the different intricacies of each program in the discussion portion of this analysis, however these will not be included in the model due to the sheer number of deviations. For the statistical analysis portion of this project, the main focus is on the difference between full and partially funded systems. There is also a number of other identifiers that will be analyzed and incorporated into the model, including the presence of tax check-offs for political parties, tax incentives for donations, and donor rebate programs. These three additional variables are included because they are by far the most common programs that are incorporated into public financing apparatuses. For instance, much of the success that has been attributed to Minnesota's public financing program is a result of their donor rebate program and not the actual partial financing system in place there. By separating the variables in this manner the actual effects of these specific programs can be individually understood and interpreted as separate entities.

The Model

Due to the fact that this study is illustrating its dependent variable using two different measures of electoral competition, two separate models will be used in order to estimate the effects of public financing programs. The first model using margins as the dependent variables is as follows:

$$(1) \qquad margins_{i,t} = \beta_0 + \beta_1 P_{i,t} + \beta_2 R_{i,t} + B_3 S_{i,t} + \varepsilon_{i,t}$$

where $margins_{i,t}$ is the level of electoral competition (illustrated by competitive margins) present in district *i* at election year *t*. P represents the campaign finance identifiers, which consists of a series of dummies indicating the presence or absence of specific programs, which include: (i) the general public financing identifier, (ii) the partial funding identifier, (iii) the full financing identifier, (iv) tax check-offs, (v) donor subsidies, and (vi) tax incentives. R represents the race-specific control variables which include: (i) incumbent presence, (ii) a variable indicating which seat the race is being fought for (upper or lower chamber), and (iii) a dummy variable that accounts for presidential coattail effects. S, the state-specific control variables, include: (i) the presence of term limits, (ii) redistricting year, and (iii) legislative characteristics (party control and professionalism). Finally ε is the stochastic error term. The second model will consist of the same regressors and is as follows:

$$(2) \qquad incumbchal_{i,t} = \beta_0 + \beta_1 P_{i,t} + \beta_2 R_{i,t} + B_3 S_{i,t} + \varepsilon_{i,t}$$

These two models, when used in tandem, will be able to manage the potential threats to both internal and external validity. They will also be used in different combinations and in respect to different collections of states (whether individually or in their matched group) to better understand the effects of public financing.

While this is not an entirely random experiment, as the treatment of public financing is not applied to states on a random basis, this design can account for some of the associated threats to validity by using a natural experiment that employs multiple interrupted (and non-interrupted) time series with multiple group comparisons. By using data from all fifty states over an eighteen-year period there is a large enough sample size from which comparisons can be drawn and the natural ups and downs of the historical trends can be mitigated. The legal and budgetary challenges that force states to remove sections of their public financing laws also impose a degree of randomness into the experiment (as states are not choosing to do this on their own volition and it is instead imposed by an external force). All in all this experiment, while not being completely random, can still overcome some of the associated challenges to validity.

RESULTS AND ANALYSIS

General Indicators and Descriptive Statistics

Before estimating the effects of public financing using the method of matching similar states to control for exogenous variables, a number of regressions will be run on the complete data set, including all six public financing states and the twelve control states, in order to assess the overall plausibility of the model. This is also done to contextualize this study within the larger corpus of work surrounding public financing. If conclusions regarding general comparisons are reached that are at least similar to the findings of the other study, more confidence can be had as the study moves into the more specific, comparative analysis.

Table 2 shows the descriptive statistics for the variables that have been incorporated into the model. Competitive margins, is a continuous variable between zero and one, with zero representing an uncompetitive election where the winner garners more than 60% of the vote. As the variable moves closer to one, the race between the two candidates gets closer to perfect competition (a fifty-fifty vote split). The second dependent variable, incumbent challenge is the dichotomous variable with one indicating the presence of an incumbent who faces a major party challenger in his or her race. The three dummies indicate the varying types of available public financing programs. The tax check off and tax incentive variables indicate, respectively, the presence of programs that permit taxpayers to allocate funding to a political party of their choosing and the presence of programs that incentivize donations to candidates via tax rebates. The remainders of the independent variables are all descriptors indicating the different types of legislative characteristics like the presence or absence of term limits and the level of professionalism.

Table 2. Descriptive Statistics

	Mean	Standard Deviation	Min	Max
Dependent Variables				
Competitive Margins	.17	.29	0	.99
Incumbent Challenge	.13	.34	0	1
Independent Variables				
Public Financing (General)	.76	.43	0	1
Full Financing	.09	.29	0	1
Partial Funding	.15	.36	0	1
Tax Check Off	.13	.34	0	1
Tax Incentives	.16	.37	0	1
Chamber	.23	.42	0	1
Professionalism	.26	.15	.064	.52
Presidential Coattails	.17	.37	0	1
Term Limits	.73	.44	0	1
Redistricted	.63	.48	0	1
Party Control	.23	.17	0	1

N=37,124

Table 3 shows the results of the OLS regression analyses for all eighteen states. Due to the use of dummy variables for the financing identifiers, two models were used for each dependent variable. The estimates for competitive margins indicate that there is about a three percent reduction in average vote margins in the states that have some form of public financing in place. Likewise incumbents in public financing states face a major party challenger about 3.5% more often than in states without public financing. Interestingly, the effect of partial funding as shown in specifications (2) and (3) appear to have a greater effect on competition than the systems that implement comprehensive full financing like the clean election programs in place in Arizona, Maine, and Connecticut. While, the positive effect of public financing is in line with most of the extant literature, the difference between full and partial financing programs is harder to contextualize due to the lack of comparative work done on the subject. This could be due to the effects of the voter rebate programs in Minnesota and the nearly universal candidate participation rates in states with partial funding.

Table 3. Results of OLS Regression Analysis Predicting Competition across Eighteen States

	Competitive Margins		Incumbent Challenged	
	(1)	(2)	(1)	(2)
Public Financing (General)	.028*	______	.032*	______
	(.004)		(.006)	
Full Financing	______	.005	______	.029
		(.006)		(.007)
Partial Funding	______	.043*	______	.034*
		(.005)		(.006)
Tax Check Off	.02	.02*	.01*	.011*
	(.005)	(.005)	(.006)	(.007)
Tax Incentives	-.024*	-.01	-.05*	-.057
	(.004)	(.005)	(.006)	(.006)
Chamber	-.002	-.007	-.02*	.03*
	(.003)	(.004)	(.004)	(.004)
Professionalism	-.311**	-.21**	-.29**	-.29**
	(.01)	(.011)	(.014)	(.01)
Party Control	-.15*	-.1*	-.04*	-.05*
	(.01)	(.01)	(.01)	(.01)
Presidential Coattails	.002*	.1*	.01*	.01*
	(.004)	(.003)	(.004)	(.004)
Term Limits	-.003*	-.001	-.02*	-.02
	(.004)	(.004)	(.005)	(.005)
Redistricted 2000	.004	.00	.004	-.04
	(.003)	(.003)	(.003)	(.003)
Intercept	.31*	.33*	.25*	-.03*
	(.007)	(.03)	(.04)	(.04)
R^2	.03	.03	.02	.02

*p<0.1, **p<0.01 (two-tailed tests)
Note: standard error in parenthesis
N=37,124

The regression also indicates that it is legislative professionalism and partisan control which tends to have the highest impact on competition. This again is in line with reason as well as the existing literature. It makes sense that in states where seats are more highly valued, due to the higher pay and more professional approach to legislating, that the incumbency advantage is going to more significant leading to less competition. Also in states where only one party dominates the legislature races tend to be uncompetitive due either the partisan alignment of the population or to uncompetitive districts being drawn.

The robustness of these findings was tested by rerunning the models and dropping one of the public financing states each time in order to ensure that the estimates were not unduly influenced by the occurrences within a single state. There was a negligible amount of deviation between the results when this was done indicating that these findings, and the method used to obtain them, are resistant to scrutiny. However a more thorough analysis is needed to arrive at definitive conclusions. The above findings give credence to the model's validity as the general trends are supported by the extant literature and the findings make sense within the broader spectrum of state politics. The aim of the following, more specified analysis, is to provide answers to some of the questions raised by the general approach, specifically identifying what accounts for the variance between the different types of programs.

Results for the Full Public Financing States

As the general models above indicate, it appears that there is more competition being produced by the systems of partial funding then the clean election (full funding) programs in Maine, Arizona, and Connecticut. This is certainly contrary to expectations and a more thorough analysis is required to understand the root of this discrepancy.

Table 4 shows the regression analysis predicting competition in the full financing states. These are the three states in the analysis that utilize clean election systems for their state legislative races. Out of the three, Maine appears to be the weakest at actually promoting a more competitive atmosphere in their elections. Maine's elections tend to be only marginally more capable of promoting competition than South Dakota and Montana which have been paired with Maine for analysis.

The clean election system in Maine was the first system that provided full public financing to candidates. In order to receive public money, candidates who have opted to participate in the program must raise a paltry $250 ($750 in the Senate) in qualifying contributions. This is lowest amount of money that a candidate must raise in order to receive full financing and this raises the question of whether or not this system is promoting and empowering viable candidates.

Garnering $250 via $5 dollar contributions is a relatively easy task, especially compared to the $5000 that is needed to receive public money in Connecticut and the $1050 needed in Arizona.[8]

Table 4. Regression Analysis Predicting Competition in the Full Financing Groups

	ME, SD, MT		AZ, FL, ID		CT, MD, WA	
	(CM)	(IC)	(CM)	(IC)	(CM)	(IC)
Public Financing	.013*	.05**	.05**	.086**	.1**	.09**
	(.008)	(.01)	(.01)	(.04)	(.013)	(.014)
Chamber	.013*	-.05**	.32	.32**	.04**	.035*
	(.009)	(.01)	(.01)	(.004)	(.013)	(.014)
Party Control	-.09**	.23**	-.23*	-.28*	-.36**	-.35**
	(.026)	(.03)	(.11)	(.01)	(.06)	(.067)
Presidential Coattails	.003	-.02*	.008	.07*	-.01	-.014
	(.009)	(.01)	(.01)	(.004)	(.015)	(.016)
Intercept	.29**	.16**	.195*	.15*	.23**	.29**
	(.007)	(.009)	(.02)	(.04)	(.017)	(.03)
R^2	.0085	.0116	.017	.1157	.0191	.0121

*p<0.1, **P<.01 (two-tailed tests)
Notes: standard error in parenthesis
(CM) = Competitive Margins
(IC) = Incumbent Challenged
$N_{ME,SD,MT}$ = 7120, $N_{AZ,FL,ID}$ = 5065, $N_{CT,MD,WA}$ = 7428

By setting the funding threshold so low, Maine is essentially incentivizing uncompetitive candidates, who would struggle raising the requisite money if the threshold was higher. These candidates stand no chance against an entrenched incumbent as evidenced by the fact that the public financing coefficient for challenged incumbents is larger than the competitive margins coefficient. After the implementation of public financing in Maine there was a 5% increase in the likelihood that an incumbent would face a challenger and only a slight decrease in margins, indicating that more, low quality challengers, were in fact being incentivized to mount a challenge. There are more challengers running against incumbents in Maine, which is a critical goal of public financing, however that does not necessarily translate into more incumbents losing or at least winning by smaller margins, which is the one of purported endgames of public financing.

Another reason behind Maine's relatively poor performance is the state's lack of a professionalized legislature. Maine's legislature ranks 43rd out of the 50 states in the Squire

[8] See appendix 1

Professionalism Index. The implication of this is that the seats are far less costly than they are in Arizona (which ranks as 10th) or Connecticut (19th). This is because is it difficult to have a full-time career as a legislator in Maine's state assembly due to the lack of pay and obligation to the legislative body. This is opens the gate for a varied composition of candidates to enter the race, not all of them the most capable (or serious) at successfully challenging incumbents. Because the cost of a seat is low in Maine, it makes full public financing almost unnecessary. Advertising and campaigning costs can easily be covered by even the paltry sums of money that can be raised by grassroots fundraising in state elections. If Maine were to professionalize its legislature by paying its members more, and demanding additional time from them it is conceivable that more serious competitors would be encouraged to step into races. However, as indicated by the general regression above, more professional legislatures tend to produce more entrenched incumbents. It is in this scenario that full public financing could be a legitimate answer to the electoral competition deficit, as thresholds could be higher, due to the higher price of a seat, and only viable candidates who can raise that requisite amount money could then be given public funding in order to successfully challenge the well-financed incumbents have a significant advantage in these professionalized legislatures.

Table 5 shows the time series estimates for the individual clean election states. It appears that Connecticut has received the most benefit, in terms of competition, from the implementation of their clean election laws in 2008. The models indicates that was on average 10% reduction in the margins as well as 9% increase in the number of incumbents who faced a major part challenger in their races for reelection after public financing was implemented. However, these effects are likely to be overestimated as there are only two years of election data available for Connecticut's public financing program. These effects could be some other external factor that the model fails to account for, and more time and data are needed in order to make affirmative conclusions about the effects of Connecticut's program, especially because the results here are so large as to call into question the validity of this model's study of Connecticut.

Tables 5. Regression Analysis Predicting Competition in the Clean Election States

	Maine		Arizona		Connecticut	
	(CM)	(IC)	(CM)	(IC)	(CM)	(IC)
Public Financing	.02*	.019	.05**	.086**	.1**	.09**
	(.012)	(.014)	(.01)	(.04)	(.013)	(.014)

Chamber	.003 (.008)	-.02 (.004)	.32 (.01)	.32** (.004)	.04** (.013)	.035* (.014)
Party Control	-.15* (.06)	.02 (.07)	-.23* (.11)	-.28* (.01)	-.36** (.06)	-.35** (.067)
Presidential Coattails	-.01 (.015)	-.03* (.016)	.008 (.01)	.07* (.004)	-.01 (.015)	-.014 (.016)
Intercept	.23** (.017)	.004** (.04)	.195* (.02)	.15* (.04)	.23** (.017)	.29** (.03)
R^2	.0033	.0017	.017	.1157	.0191	.0121

*p<0.1, **P<.01 (two-tailed tests)
Notes: standard error in parenthesis
(CM) = Competitive Margins
(IC) = Incumbent Challenged
N_{ME} = 2946, N_{AZ} = 1397, N_{CT} = 3594

However, there currently are a number of indications that Connecticut's program has been successful due to the very high candidate participation rates. Connecticut also has a very high minimum threshold of contributions that a candidate must raise in order to qualify for funding, indicating that there are an abundance of high quality challengers, who are able to raise the requisite sums of money needed to win a seat in Connecticut's highly professional state legislature. It is also important to note here that Maine's program does not achieve the level of statistical significance that the other two state's achieve with their programs ($p<0.01$). This could potentially be due to money's lack of role in building an incumbency advantage in Maine, and this would result in public financing's null effects.

Results for the Partial Public Financing States

The three partial funding states in this study are Hawaii, Minnesota, and Wisconsin. The results estimating competition in these elections since 1996 are shown in table 6. Public campaign financing's strongest effects can be seen coming from Minnesota's partial financing system. The model for competitive margins indicates a 7 percent reduction in margins compared to states that have similar legislative systems and demographics. There are also 4% more incumbents being challenged in Minnesota than in Iowa or Oregon. The increased levels of competition could be explained by Minnesota's popular voter rebate program as well as the very high participation rates in Minnesota's program.

Table 6. Regression Analysis Predicting Competition in the Partial Financing Groups

	HI, AK, CO		MN, OR, IA		WI, NY, MI	
	(CM)	(IC)	(CM)	(IC)	(CM)	(IC)
Public Financing	.003	.02	.07**	.04**	.013*	.03**
	(.015)	(.016)	(.006)	(.006)	(.007)	(.008)
Chamber	.01	.03*	.01*	.019**	.027**	.009
	(.01)	(.01)	(.005)	(.006)	(.009)	(.01)
Party Control	-.13**	-.082**	-.16**	-.05*	.08*	-.008
	(.03)	(.03)	(.02)	(.02)	(.043)	(.04)
Presidential Coattails	-.01	-.037**	-.008	.013*	-.009	.06**
	(.01)	(.013)	(.006)	(.007)	(.009)	(.01)
Intercept	.23**	.16**	.21**	.12**	.21**	.15**
	(.02)	(.02)	(.006)	(.007)	(.007)	(.008)
R^2	.016	.0062	.02	.01	.002	.0065

*p<0.1, **P<.01 (two-tailed tests)
Notes: standard error in parenthesis
(CM) = Competitive Margins
(IC) = Incumbent Challenged
$N_{HI,AK,CO}$ = 3562, $N_{WI,NY,MI}$ = 7073, $N_{MN,OR,IA}$ = 12704

Minnesota also has a very balanced partisan make-up. The number for seats occupied by Republicans and Democrats in the state legislature has been nearly even since 1994 indicating a higher likelihood for more competitive races to occur. While there are still solid Republic and Democratic districts in Minnesota, there are a greater percentage of toss-up districts than elsewhere meaning that challengers are going to be more capable of successfully running against an incumbent leading to higher average levels of competition in the state.

Wisconsin's program is relatively weak as the state's program leads to a relatively low 1.3% decrease in competitive margins when compared New York and Michigan. This is likely due to the fact that funding was severely cut in 2007 which rendered the program unable to disburse the requisite amounts of financing to candidates. In addition to this Wisconsin's program has an incredibly low candidate participation rate. The main reason behind candidate's abstention from the program is due to the fact that the spending limits that publically financed candidates have to subject themselves to have not changed since 1986. As Wisconsin has become a far more professionalized legislature since the 1980's as well as the fact that advertising and campaigning costs have generally risen since then, candidates can longer successfully mount a campaign at such low spending levels.

Hawaii's partial funding system, as hypothesized, appears to be the weakest of all six public financing programs. This is likely due to the lack of funding that Hawaii's program receives as well as the very low amount of money that candidates who qualify for funding receive. Hawaii also has a highly professionalized state legislature and, subsequently, a higher cost of a seat (salaries for Hawaii's legislators are among the highest in the nation). This indicates that existence of such a weak and underfunded system can come nowhere near to the ability to mitigate that incumbency advantage that legislators in Hawaii are able to obtain. Further evidence of Hawaii's ineffective campaign finance program can be seen in Table 7. The estimate for competitive margins came nowhere close statistical significance with a p-value of 0.943. However incumbents where challenged on average 6% more often after the implementation of Hawaii's public financing program which indicates that Hawaii's program does in fact subsidize low-quality challengers who cannot win against well entrenched incumbents, let alone lose by competitive (60-40%) margins.

Table 7. Regression Analysis Predicting Competition in Hawaii

	Competitive Margins	Incumbent Challenged
Public Financing	-.002	.06**
	(.03)	(.003)
Chamber	.000	.036
	(.02)	(.02)
Party Control	-.161**	-.09
	(.06)	(.06)
Presidential	-.01	-.042*
Coattails	(.02)	(.023)
Intercept	.25**	.167**
	(.04)	(.04)
R^2	.016	.01

*p<0.1, **P<.01 (two-tailed tests)
Note: standard error in parenthesis
N=1096

It seems, after a more careful analysis of the data, that the initial conclusion, which claimed that partial financing was more successful in promoting competition than full financing program, was in fact misleading. By using states that differed little along demographic, partisan, and legislative qualities the differences between these alternate types of financing program became more apparent. This highlights and overcomes the issue with the extant comparative literature on public financing. By comparing a single public financing state against the rest of the U.S. states, distortions come into effect due to the simple fact that there is so much deviation between states. This study has managed to control for those effects and has provided a clearer picture of how different types of public financing systems have impacted competition. This is by no means the end all be all study on public financing due to the fact that there are still relatively large discrepancies between the qualities of the comparison states (can we really compare Wisconsin's legislature to New York's?). However this study is at least comparing apples to oranges and not apples to automobiles. The matching system employed by this study overcomes much of the difficulties encountered by previous studies, while at the same time laying a foundation for further, and more instructive, comparative analysis to take place.

DISCUSSION

Public campaign financing alone is by no means the clear cut cure for America's electoral woes. This study has shown that certain public campaigning financing regimes only work in certain contexts and reformers need to be aware of this. A lot of studies have analyzed a public financing system in a certain state or municipality; and have argued that such a system could work on the national level. This author would not be so bold as to identify the program that would be best suited for application to federal or presidential elections simply because of the issues of differing contexts and generalizing. It was observed that more professionalized legislatures tend to do better with systems of full financing as in Connecticut and Arizona, whereas the partial funding systems failed to produce gains in these less professional legislatures.

Entire volumes of scholarly research exist attempting to both define and explicate what a healthy level of competition looks like in an electoral system. To say that electoral competition is key to democratic legitimacy cannot be seen as controversial. As Fenno observes: "as long as representatives want to retain office, the knowledge that they will later be held accountable at the polls will tend to make their representative behavior more responsive to the desires of their constituents" (1978, 233). However, it is no question that competition can also lead to perverse electoral outcomes as was seen with Hawaii's subsidization of uncompetitive candidates. It is clear that a balance of sorts must be struck between legitimizing the democratic qualities of a system and preventing antimajoritarian outcomes when attempting to foster competition in an election. A system implementing public campaign financing must be fairly restrictive and discerning as to who receives funding so as not to dilute the field with uncompetitive, but well-financed candidates.

The conclusions found by this study do tend to support the findings of authors like Malhotra (2008) and Mayer (1995) rather than those of Samples (2006) or Levitt (1994) in that evidence is found which supports public campaign financing's ability to foster higher levels of competition evidence that public campaign financing can in fact lead to more competitive outcomes in elections when implemented correctly. However, this finding should not necessarily encourage the wholesale implementation of public financing systems across the country. A number of programs and certain provision contained within have recently been ruled as unconstitutional by the Supreme Court, including the "catch-up funds" that were considered an integral part of the clean elections systems in Maine, Arizona, and Connecticut. Unfortunately not enough time has passed since that ruling, which occurred in 2011, for its potential effects to be contained within the data used by this study. Further research needs to be done in order to understand how these legal implications are impacting public financing reforms. However, one thing is clear, and that is the legacy of *Buckley v. Valeo,* and the legal precedent it established, continues to play a vital role in American democracy and any future reforms must be aware and considerate of that fact.

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Appendices

Appendix 1: Characteristics of Public Finance Programs

	Arizona	Maine	Connecticut	Hawaii	Wisconsin	Minnesota
Date Effective	2000	2000	2008	1996	1978	1976
Program Type	Clean Elections	Clean Election	Clean Elections	Matching Grants	Fixed Subsidy	Fixed Subsidy
Qualifications	Raise $1,050 in qualifying contributions ($5 each)	Raise $250 in qualifying contributions ($750 for the Senate) ($5 each)	Raise $5000 ($15,000 Senate) in qualifying contributions ($5-$100 each)	Raise $1500 (House or $2500 (Senate)	Win primary with at least 6% of the total vote for office. Raise threshold amount in $100 dollar contributions.	Raise $1500 ($3000 Senate) in qualifying contributions (<$100 each)
Maximum Grant	Up to the spending limit – Bonus funds against privately funded candidates	Up to the spending limit – Bonus funds against privately funded candidates	$80,550 for Senate $26,850 for House	Grant restricted to 15% of the spending limit	$15,525 for Senate $7,763 for Assembly (General Elections Only)	Up to 50% of spending limit. Small contribution refund program - up to $50 rebate for donors
Spending Limits	$28,300 for primary and general elections	$4,406 for primary and general elections ($23,278 for the Senate)	Limited to the required amount of qualifying contributions	$1.40 x the number of registered voters in the district 2004	$17,250 for Assembly $34,500 for Senate Limits (unchanged since 1986)	$34,100 for the House $64,866 for Senate (Separate limits for non-presidential election years)
Unique Conditions	Unopposed candidates not eligible for public funds	Nonparticip-ating candidates face additional reporting requirements	Candidates with higher public support (signatures) receive more funding			Spending limits waived when non-participating candidate exceed threshold

Source: Mayer, Kenneth R., Timothy Werner, and Amanda Williams (2006, 248)

Appendix 2: Characteristics of State Legislatures

	Arizona		Maine		Connecticut		Hawaii		Wisconsin		Minnesota	
Office	SEN	H	SEN	H	SEN	H	SEN	H	SEN	H	SEN	H
Average District Size (thousands of people)	171	85	36.4	8.4	94.5	22.5	48.4	23.7	162.5	54.1	73.4	36.7
Number of Seats	30	60	35	150	36	151	25	51	33	99	67	134
Term Limits (effective year)	8 (2000)	8 (2000)	8 (1996)	8 (1996)	-	-	-	-	-	-	-	-
Annual Base Salary (2012)	$24,000		$13,852		$28,000		$46,272		$49,943		$31,141	
Total Staff During Session (2009)	701		211		617		707		640		723	
Professionalism (2003)	.232		.089		.19		.225		.439		.169	

Sources:
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