



## ***Do Taxpayer-Funded Campaigns Actually Save Taxpayer Dollars?***

by Sean Parnell

### **Issue**

Critics of taxpayer-funded political campaigns frequently justify their opposition in part on the idea that such programs increase government spending, add to the total tax burden on citizens, or necessarily reduce scarce public dollars available for other priorities. Advocates of such programs often counter that taxpayer funding of political campaigns will actually save taxpayer dollars, once the alleged influence of so-called “special interest” contributors is removed (or at least diminished) from legislators.

For example, the Web site of U.S. Public Interest Research Group (USPIRG) notes in one report that taxpayer funding of political campaigns would “...accrue enormous savings by reducing wasteful expenditures, such as earmarks...”<sup>1</sup> while Common Cause states that such programs “[Save] taxpayer dollars by reducing inappropriate giveaways to campaign contributors.”<sup>2</sup>

The claims of USPIRG, Common Cause, and others rest on the assumption that excessive spending and taxation are driven at least in part by legislators passing legislation that does not benefit constituents but instead are aimed at rewarding their donors with contracts, earmarks, or other unnecessary spending.

If this assumption is correct, we would expect to see reduced tax burdens in both Arizona and Maine as well as a slower rate of growth in government spending after the implementation of taxpayer-funded political campaigns. This research compares spending growth and tax burdens in these two states to the national average in order to see if taxpayer-funded political campaigns have in fact delivered the promised savings to taxpayers.

### **Analysis**

For our analysis on spending growth, we compared total state expenditures<sup>3</sup> for

1 U.S. PIRG. “Breaking Free with Fair Elections: Executive Summary.” March 2007, available at <http://www.uspirg.org/home/reports/report-archives/campaign-finance-reform/campaign-finance-reform/breaking-free-with-fair-elections>

2 Common Cause, available at <http://www.commoncause.org/site/pp.asp?c=dkLNK1MQIwG&b=4104619>

3 Total expenditures as defined by the National Association of State Budget Officers includes: general funds, federal funds, other state funds, and bonds.



**Expenditures in Arizona and Maine grew slower than the national average before taxpayer-funded campaigns, and grew faster afterwards.**

fiscal years 1996-2001 with 2001-2006.<sup>4</sup> Comparing these budget periods allows us to examine expenditure growth approved by legislatures elected relying on traditional campaign funding to legislatures elected largely relying on taxpayer funding.<sup>5</sup>

In Arizona, spending grew from \$12.776 billion in FY 1996 to \$17.351 billion in FYI 2001, representing budget growth of 35.81%.<sup>6</sup> Over that same period spending in Maine grew from \$3.906 billion to \$5.269 billion, an increase of 34.90%.<sup>7</sup> Expenditure growth in both states was lower than the national average of 36.46% between FY 1996 and 2001.<sup>8</sup>

After enactment of taxpayer-funded political campaigns, expenditure growth in both states exceeded that of the rest

of the nation.<sup>9</sup> By FY 2006, Arizona's expenditures totaled \$25.376 billion, an increase of 46.25% over the 2001 budget.<sup>10</sup> Maine's spending grew at almost exactly the same rate as before, rising 34.75% to \$7.100 billion by FY 2006.<sup>11</sup> At the same time Arizona's spending growth increased dramatically and Maine's remained constant, however, the national average for state spending growth fell to 30.81%.<sup>12</sup>

The total tax burden on residents in both states has also increased since implementation of taxpayer funded political campaigns. In Arizona the burden rose from an average of 10.35% of income in the years 1996 – 2001 to approximately 10.40% in the years after.<sup>13</sup> Between 2002 and 2007 Maine's tax burden averaged 13.35%, compared to 13.17% in the six years before taxpayer funding of political campaigns.<sup>14</sup>

4 2001 is included as the end point for the first period under "traditional" campaign financing and the beginning point for the second period under taxpayer funding in order to allow the 2001 budget to serve as baseline "year zero" for growth under "clean elections."

5 For the purpose of this analysis, we assume that the legislatures seated in January 2001 made only minimal budgetary changes to the fiscal 2001 budget, which concluded on June 30 2001.

6 National Association of State Budget Officers, *1997 State Expenditure Report*, Table 1, published May 1998, available at <http://www.nasbo.org/Publications/PDFs/1997exprrt.PDF>, and *2001 State Expenditure Report*, Table 1, published Summer 2002, available at <http://www.nasbo.org/Publications/PDFs/nasbo2001exrep.pdf>. Calculations by author.

7 See id.

8 See id.

9 Population growth in both states was essentially identical over both periods studied, and do not explain the increased spending growth relative to other states. Arizona population grew 15.57% between 1996 and 2001 and by 16.31% between 2001 and 2006, while Maine population expanded 2.87% in the earlier period and by 2.34% in the period after taxpayer-funded campaigns began. Author's calculations, based on the U.S. Census Bureau's annual population estimates available at: <http://www.census.gov/popest/states/>

10 National Association of State Budget Officers, *2006 State Expenditure Report*, Table 1, published Fall 2007, available at <http://www.nasbo.org/Publications/PDFs/fy2006er.pdf>. Calculations by author.

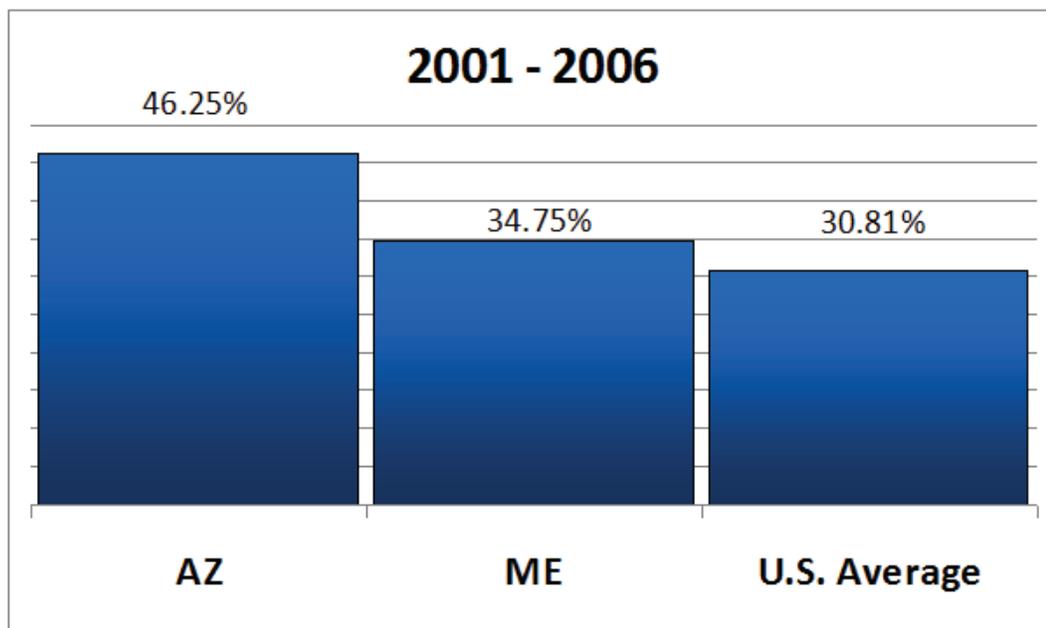
11 See id.

12 See id.

13 Author calculations based on information available at: <http://www.taxfoundation.org/taxdata/show/441.html>

14 Author calculations based on information available at: <http://www.taxfoundation.org/taxdata/show/458.html>

## Spending Growth in Arizona and Maine, 2001 – 2006



**Maine's tax burden reached an all-time high in 2007**

Arizona's tax burden, which was slightly below the national average of 10.48% between 1996 and 2001, remained slightly under the national average of 10.67% between 2002 and 2007.<sup>15</sup> Maine, previously a relatively high-tax state, continued to take a much higher percentage of citizens' income after adopting taxpayer-funded political campaigns, and the state's 2007 tax burden of 14% represents an all time high for residents of the Pine Tree State.<sup>16</sup>

### Conclusion

Both Arizona and Maine had below-average spending growth before taxpayer-funded campaigns were enacted. Once

legislators began relying upon taxpayer dollars to fund their political campaigns, both states' spending grew at a faster rate than the national average. Arizona citizens continued to enjoy a slightly-below-average tax burden and Maine citizens continued to bear one of the highest tax burdens in the nation after adoption of taxpayer-funded campaigns.

Based on the actual experience of the two states that have such programs, there is no evidence to support the claim that replacing private, voluntary contributions to candidates with public funds will lead to savings for taxpayers, either in the form of reduced spending or lower tax burdens.

<sup>15</sup> See id at note 13.

<sup>16</sup> See id at note 14.



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