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Do Taxpayer-Funded Campaigns Actually Save Taxpayer Dollars?

By Matt Nese and Luke Wachob

Note: The following report is an updated version of an Issue Analysis originally published by the Center for Competitive Politics in September 2008. This version has been edited to include data from five additional years in Arizona, Maine, and nationally.

Issue

Critics of taxpayer-financed political campaigns frequently argue that such programs increase government spending, add to the tax burden on citizens, and reduce available public dollars for spending on other priorities. Advocates often respond that taxpayer funding of political campaigns will actually save taxpayer dollars by removing, or at least diminishing, the alleged influence of so-called "special interest" campaign donors.

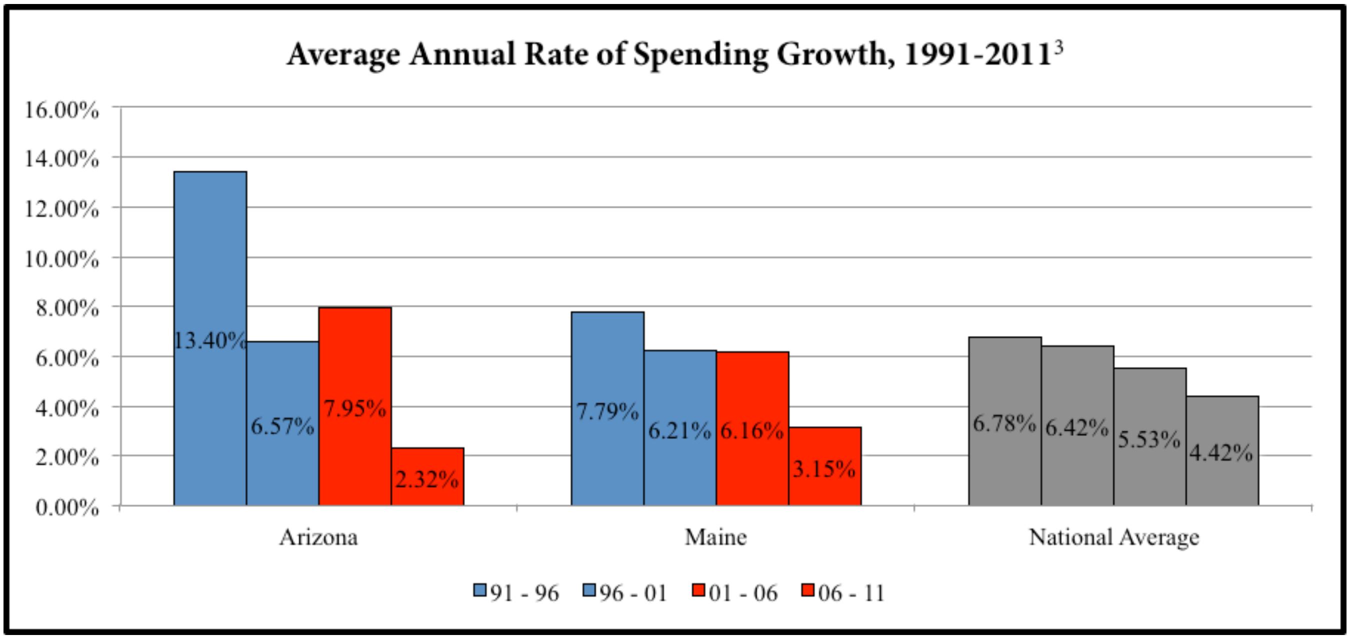
For example, Common Cause, a proponent of "clean election" programs, characterizes taxpayer-funded campaigns as "a responsible investment in good government that will likely save taxpayer dollars," and argues "public financing will likely result in a net savings of money by reducing the waste that results from inappropriate giveaways to big campaign contributors."[1] If the claims of Common Cause and likeminded organizations are correct, we would expect to find lower rates of spending growth and reduced tax burdens on citizens in states with taxpayer-funded political campaigns. Two such states, Arizona and Maine, have provided taxpayer-funded campaigns for all state legislative races since the 2000 election cycle. This research compares spending growth rates and tax burdens in Arizona and Maine with the national average to determine if any predicted savings have materialized as a result of these two states' tax-funded campaign programs.

Analysis

We analyze the average annual rate of spending growth in Arizona and Maine for fiscal years 1991-2011 to examine how legislatures elected through taxpayer-funded campaigns compare to those elected through traditional campaign inancing.[2] Further, we compare this data

1 "The Benefits of Fair Elections," Common Cause. Retrieved on June 13, 2013. Available at: http://www.commoncause.org/site/pp.asp?c=dkLNK1MQIwG&b=4773849 (2013).

2 As calculating the rate of increase in total state expenditures in one year requires expenditure data from two years (the current and previous year), our twenty year window uses data from 21 years. Windows of analysis are notated by the oldest expenditure data used and the most recent, and no data is duplicated or overlapping. For example, the average annual rate of spending growth for 1991-1996 is calculated as the average of the rates of change in total state expenditures from '91 to '92, '92 to '93, '93 to '94, '94 to '95, and '95 to '96. The average annual rate of spending growth for 1996-2001 is calculated as the average of the rates of change in government spending from '96 to '97, '97 to '98, '98 to '99, '99 to '00, and '00 to '01. 2001-2006 and 2006-2011 are calculated in the same manner. The windows of analysis were chosen to isolate legislative activity before tax-funded



with the national average to control for other trends that may be present in state spending and taxation.

Nationwide, the rate of increase in total state expenditures declined in each period studied, from 6.78% in 1991-1996 to 4.42% in 2006-2011.

Arizona's rate of spending growth fell significantly before tax-funded campaigns were implemented, declining from 13.40% in 1991-1996 to just 6.57% for 1996-2001[4]. After implementing tax-funded campaigns in 2000, the average rate of increase in total state expenditures rose to 7.95% for 2001-2006. It has since fallen to 2.32% for 2006-2011, reflecting nationwide trends of decreased spending growth, particularly after the 2007-2008 recession.

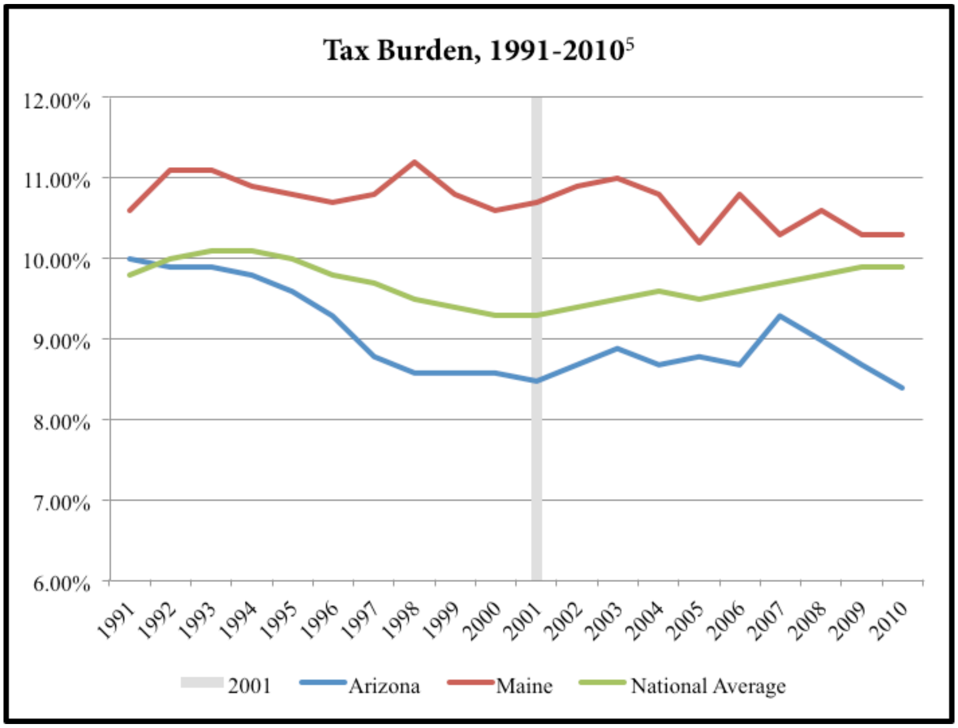
Similarly, Maine experienced a decline in the rate of increase in total state expenditures for each period studied, mirroring the trend nationwide. However, Maine's spending growth rate barely changed directly after the implementation of tax-funded campaigns. From 1996-2001, Maine had an average spending growth rate of 6.21%. After implementing tax-funded campaigns, Maine's average annual rate was nearly identical for 2001-2006, at 6.16%.

Arizona and Maine have both experienced general declines in the rate of spending growth from 1991 to 2011, but both states experienced their most significant declines either before, or long after, tax-funded campaigns were implemented. For Maine,

campaigns began in 2000. We assume that state legislatures seated in December 2000 (Maine) and January 2001 (Arizona) made minimal changes to the fiscal year 2001 budget, allowing 2001 to serve as the dividing point between "traditional" campaign financing and taxpayer-funded campaigns.

3 Average annual rate of spending growth data from "State Expenditure Report: Total State Expenditures—Capital Inclusive ($ In Millions)," The National Association of State Budget Officers (NASBO). Retrieved on June 18, 2013. Available at: http://www.nasbo.org/publications-data/state-expenditure-report/archives (2012). For 1998-2011, NASBO reports the previous year's 'actual fiscal' expenditures and the current year's 'actual fiscal' expenditures. However, for 1991-1997, NASBO reports only the previous year's 'actual fiscal' expenditures. We therefore use the current year's report for 1998-2011 (meaning that our 2003 data would come from the 2003 NASBO report) and the following year's report for 1991-1997 (meaning that our 1997 data would come from the 1998 NASBO report). NASBO's annual state expenditure reports do not include an average of all the states, but instead report the total expenditures made by the 50 states combined. To calculate the national average, we divide each of these annual total values by 50. This data is assigned to years by the same methodology used in Arizona and Maine.

4 Bars shaded in blue represent Legislatures that were elected under a system of voluntary campaign contributions. Bars shaded in red represent Legislatures that were elected under taxpayer-funded campaigns.



the least dramatic period of decline was between 1996-2001 and 2001-2006. For Arizona, spending growth rose between 1996-2001 and 2001-2006. These results indicate that taxpayer funding of campaigns likely did not contribute to the overall trend of a decline in the rate of spending growth.

Likewise, our analysis finds no relationship between state tax burden and the presence or absence of taxpayer-financed campaigns. For the period studied before implementation of tax-funded campaigns (1991-2001), Arizona typically had a lower tax burden than the national average, and Maine always had a higher tax burden than the national average. Since the beginning of tax-funded campaigns in 2001, Arizona has continued to have a lower-than-average tax burden, and Maine has continued to have a higher-than-average tax burden. Overall, since the inception of taxpayer-funded campaigns in Arizona and Maine, both states' tax burdens have continued to fluctuate similarly to the national average. These mixed and weak results cast doubt on proponents' claims that taxpayer-funded campaigns are a viable method of promoting lower tax burdens on citizens.

Conclusion

Far from enabling Arizona and Maine to emerge as national leaders in lowered state spending and decreased tax burdens, the implementation of taxpayer-funded campaigns has coincided with those states' spending and taxing habits moving closer towards the national average. Based on the actual experience of two states that have such programs, there is no evidence to support the contention that replacing private, voluntary contributions to candidates with tax dollars will lead to savings for taxpayers, either in the form of reduced spending or lowered tax burdens.

5 Tax burden data from: "State and Local Tax Burdens: All Years, One State, 1977-2010," Tax Foundation. Retrieved on June 18, 2013. Available at: http://taxfoundation.org/article/state-and-local-tax-burdens-all-years-one-state-1977-2010 (October 23, 2012).

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124 S. West Street Suite 201
Alexandria, Va 22314
(703) 894-6800
http://www.CampaignFreedom.org