



*The Status of the
Citizens' Election Fund
as of
December 31, 2019*

*A Report of the
Connecticut State Elections
Enforcement Commission*

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I. INTRODUCTION

In December 2005, the Connecticut General Assembly enacted, and Governor M. Jodi Rell signed, the most sweeping reform of the State's campaign finance laws since the post-Watergate era. Public Act 05-5 of the October 29 Special Session, and the subsequent amendments to that Act, incorporate vast revisions to the manner in which political campaigns are financed, especially with respect to the statewide offices and the General Assembly. These revisions have been codified in Chapter 155 (traditional private campaign funding) and Chapter 157 (public campaign financing) of the General Statutes, hereinafter referred to as the Citizens' Election Program.

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

- Creation of the voluntary Citizens' Election Program (or "CEP"), whereby qualified candidates for statewide offices, state senate and state representative may receive public grants of campaign funds if they raise a threshold amount from individuals in small denominations and agree to abide by spending limits and other program requirements;
- Limitations on contributions by communicator lobbyists, their spouses and dependent children, and prohibition on bundling contributions, as well as strict prohibitions on contributions from principals of state contractors and prospective state contractors, their spouses and dependent children;
- New contribution limits on PACs and political parties to candidates;
- New restrictions on the number of PACs that an individual can establish or control;
- Development and oversight of a pilot program for public financing of municipal campaigns (the City of New Haven implemented the Democracy Fund, for mayoral campaigns);
- More frequent campaign disclosure reporting requirements;
- The centralization of all campaign finance related functions, including the filing of reports, issuing of advice, auditing and verification, compliance and enforcement in a single agency—the State Elections Enforcement Commission (hereinafter the "SEEC"); and
- Development, design and implementation of a new electronic campaign reporting information system administered by the SEEC, eCRIS, to replace the system administered by the Office of the Secretary of the State.

The CEP is dependent upon funding from the Citizens' Election Fund ("CEF" or the "Fund"). The CEF was established to provide public campaign grants to participating candidates who qualify under the CEP's requirements. The CEP became available to qualified candidates in any special election for the General Assembly held after December 31, 2006, and to qualified statewide and General Assembly candidates in primaries and regular elections thereafter.

Section 9-716 (a) of the Connecticut General Statutes provides, in relevant part, as follows:

Not later than June 1, 2007, and annually thereafter, the State Elections Enforcement Commission shall issue a report on the status of the Citizens' Election Fund during the previous calendar year.

Such report shall include the amount of moneys deposited in the fund, the sources of moneys received by category, the number of contributions, the number of contributors, the amount of moneys expended by category, the recipients of moneys distributed from the fund and an accounting of the costs incurred by the commission in administering the provisions of sections 9-700 to 9-716, inclusive.

As required by this law, this report addresses the financial status of the CEF, as of December 31, 2019. The SEEC used a modified accrual basis to prepare the financial statements in this report. Such accounting practice is consistent with GAAP, also known as “generally accepted accounting principles.”

II. THE CITIZENS' ELECTION FUND (CEF)

A. Purpose and Statutory Authority

The CEF, which was created pursuant to section 9-701 of the Connecticut General Statutes, is a non-lapsing account within the General Fund. It is comprised primarily of funds derived from the sale of abandoned or unclaimed property in the state's custody (escheats) pursuant to section 3-69a of the Connecticut General Statutes. The State Treasurer has administrative responsibilities for the escheats. See generally, Part III of Chapter 32 of the Connecticut General Statutes. The unclaimed property program is explained on the State Treasurer's website <http://www.state.ct.us/ott/>. Such abandoned property typically includes funds left in savings or checking accounts, stocks, bonds or mutual fund shares, travelers' checks or money orders, life insurance policies, and safe deposit box contents. In addition, the CEF receives funds from voluntary contributions and interest on the Fund's assets. In the event the CEF does not have adequate monies to cover qualified grants, monies will be deposited from the revenues from the taxes imposed under chapter 208 pursuant to section 9-750 of the Connecticut General Statutes.

B. Deposits into the CEF

Escheats

In each fiscal year, the State Treasurer is required by section 3-69a (a) (2) of the Connecticut General Statutes to deposit into the CEF the same amount as in the prior fiscal year, adjusted in accordance with any change in the consumer price index for all urban consumers in the preceding fiscal year.

Public Act 11-6 made a reduction in the escheats amount deposited into the CEF, effectively reducing the amount to be deposited into the account every year going forward by approximately forty percent. In fiscal year ending June 30, 2012 alone, this meant a reduction of \$7,955,086 from \$18,555,086 to \$10,600,000. This drastically reduced funding will continue indefinitely, and ultimately could have resulted in an insufficiency of the Fund.

For the calendar year ending December 31, 2019, the State Treasurer deposited \$7,613,055 into the CEF. That amount was for the payment of campaign grants to candidates. **Schedule A** contains a breakdown of the total deposits into the CEF for the year ending December 31, 2019.

Establishment of Reserve Account

Pursuant to section 9-716 (c) of the Connecticut General Statutes, the SEEC established a reserve account within the CEF. Each year, the first \$25,000 of funds deposited into the CEF must be deposited into this account. If the

CEF is insufficient to make payments, the reserve account can be used to make certain payments to participating candidates; however, it is available solely during the week prior to any election or primary.

This account was drained in 2016 pursuant to Public Act 16-1, with \$275,000 in sweeps taking the account to a zero balance in March 2016.

The \$25,000 required to be deposited into the reserve account for the 2019 calendar year was deposited during the 2020 calendar year. The reserve account had a balance of \$75,000 as of December 31, 2019 and as of May 28, 2020 has the required balance of \$100,000. Use of the reserve account was not necessary during the period covered by this report.

Interest Earnings

In accordance with section 9-701 of the Connecticut General Statutes, “investment earnings credited to the assets of the fund shall become part of the assets of the fund.” Accordingly, the CEF earns interest on the deposits to the Fund. As reported in **Schedule A**, a total interest of \$239,439 was earned in this calendar year.

Corporate Taxes

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

Additional Over-Draft Protection from Corporate Taxes

During the 2014 legislative session, the legislature acted to ensure that the CEF would be sufficient to pay grants to all qualified candidates during an election cycle through the passage of Public Act 14-78. This Act expanded the protections for the Fund provided in section 9-750 of the Connecticut General Statutes. Pursuant to the Act, if the CEF is insufficient during an election cycle to provide grants to each qualified candidate committee, then the amount necessary to pay the grants shall be deposited into the Fund from corporate tax revenues.

Following an election in which such deposits from the corporate tax account have been necessary, the amount deposited into the Fund from the corporate tax account during the election cycle will be deducted from the Fund under section 3-69a for the following fiscal year. Use of the statutory over-draft protection was not necessary during the period covered by this report.

Voluntary Contributions

Any individual, committee or other entity may make voluntary contributions to the CEF. As reflected in **Schedules B** and **C**, there were six (6) contributors who made voluntary contributions, and the aggregate amount of their contributions was \$542.

Refunds of Surplus Grant Funds

Grant recipients are required to return any surplus funds to the CEF after the election. The amount of refunds received and deposited into the CEF during the 2019 calendar year was \$653,768. Notably, the distribution of surplus for the November 2018 election cycle largely occurred during the period covered in this report.

Total Deposits into the CEF

The aggregate amount deposited into the CEF from all sources was \$8,547,614 which is reported in **Schedule A**.

C. Expenditures from the CEF

Grants to Qualified Candidates

During the period covered by this report, the total amount distributed by the SEEC from the CEF for all candidate grants was \$747,723, for three special elections for senate and four for state representative for calendar year 2019, and three special elections for January, 2020, in which twenty-one (21) grants were awarded.

D. Administrative Costs of the CEP

Prior to the passage of Public Act 09-3, section 9-701 of the Connecticut General Statutes permitted the State Elections Enforcement Commission to deduct and retain up to \$2.3 million per fiscal year from the CEF for costs incurred by the Commission in administering the Citizens' Election Program. The statute permitted amounts from each allocation that were not expended to be carried over to succeeding fiscal years.

Effective September 8, 2009, Public Act 09-3 of the June special session amended section 9-701 of the Connecticut General Statutes and repealed the provision. The monies to cover the administrative costs for the CEP were no longer deposited into the CEF and then removed at the request of the SEEC to the CEP Administrative Account. The administration of the CEP is no longer funded from the CEF. Rather the CEP Administrative Account began to be funded from the General Fund from appropriations approved by the Legislature, like most other state agency accounts, and, like most other accounts of state agencies, that account lapses at fiscal year's end.

Effective July 1, 2011, Public Act 11-48 significantly altered the structure of the SEEC. The budget was reduced by almost 40% and the staff was reduced from 53 to 35. Since then, some positions have been replaced and a massive effort has been undergone to re-design the agency. Staff has been utilized for maximum efficiencies, units have been broken down and realigned to allow freer workflow, processes have been automated, when possible, and re-designed to alleviate man-hours needed to complete tasks. As a result, at this point in time, the costs for administering the CEP are fully integrated with the costs of administering the SEEC.

III. CONCLUSION

On December 31, 2019, the Citizens' Election Fund balance was \$**16,891,139**, as shown in **Schedule A**.

IV. ACKNOWLEDGEMENTS

The SEEC gratefully acknowledges State Comptroller Kevin Lembo for the generous assistance he and his staff provided to us throughout 2019. The cooperation of the Office of the State Comptroller and the use of Core-CT is critical to the timely distribution of grant payments to candidates who participate in the Citizens' Election Program.

The SEEC also acknowledges State Treasurer Shawn Wooden, and his capable senior staff, for their cooperation throughout the year regarding the administration of the CEF.

V. APPENDICES

Schedule A – Status of CEF

Schedule B – Voluntary Contributions to the CEF

Schedule C – Contributors to the CEF

Schedule D – Grant Recipients

Schedule E – Grants from the Fund

CITIZENS' ELECTION FUND

**STATUS OF THE CEF - SCHEDULE A
For Year Ending December 31, 2019**

BALANCE OF THE FUND 1/1/2019 **\$9,091,248**

**BALANCE AVAILABLE 1/1/2019 FOR GRANTS
TO PARTICIPATING CANDIDATE COMMITTEES** **\$9,016,248**

DEPOSITS- 2019

Escheats		
For Candidate Grants		\$ 7,613,055*
For Reserve Account		\$ -
Corporate Taxes		\$ -
Interest Earnings		\$ 239,439
Refunds of Surplus Grant Funds		\$ 653,768
Candidate Committees-Excess Qualifying Contributions (Buffer)*		\$ 34,750
Candidate Committees-Prior Asset & In-Kind Returns		\$ 2,310
Forfeitures		\$ 3,750
Miscellaneous Contributions		\$ 542
Number of Contributors:	6	
Number of Contributions:	6	

TOTAL DEPOSITS- 2019 **\$8,547,614**

EXPENDITURES- 2019

GRANTS to Participating Candidate Committees		
Statewide Office		\$ -
Number of participants	0	
State Senator		\$ 430,695
Number of participants	6	
State Representative		\$ 317,028
Number of participants	21	
Total Grant Expenditures		<u>\$ 747,723**</u>

TOTAL EXPENDITURES- 2019 **\$ 747,723**

BALANCE OF THE FUND- 12/31/2019 **\$16,891,139**

**BALANCE AVAILABLE 12/31/2019 FOR GRANTS TO
PARTICIPATING CANDIDATE COMMITTEES** **\$16,791,139**

*\$25,000 of this amount was deposited into the Reserve Account in 2020.

** Amount net minus \$57 due to adjustments to grant amounts and surplus made at issuance.

VOLUNTARY CONTRIBUTIONS TO THE CEF - SCHEDULE B

For Year Ending December 31, 2019

Contributions	Number of Contributions	Amount of Contributions
Statewide		
Office.....	0	\$ 0
State Senator.....	1	\$ 74
State Representative.....	2	\$ 164
Municipal office.....	3	\$ 304
Exploratory and Others	0	\$ 0
Party / Town Committees.....	0	\$ 0
Political Committees.....	0	\$ 0
Total Committee Contributions	6	\$ 542
Corporate Entities	0	\$ 0
Individuals	0	\$ 0
Other Entities	0	\$ 0
TOTAL CONTRIBUTIONS	9	\$ 542

CONTRIBUTORS TO THE CEF - SCHEDULE C
For Year Ending December 31, 2019

Committees	Office	Party	Contributions	Amount
McCaffrey for Probate Judge	M	Maj	1	\$273
R 93	SR	Maj	1	\$69
Committee to Re-elect Foye Smith for Probate Judge	M	Maj	1	\$31
Reelect Baker	SR	Maj	1	\$95
RS 11	SS	Maj	1	\$74
Rohde for Council	M	Maj	1	\$0.19
Total Committee Contributions			6	\$542.19
Corporations			n/a	n/a
Total Corporate Contributors			0	\$ 0
Individuals			n/a	n/a
Total Individual Contributors			0	\$ 0
TOTAL CONTRIBUTORS			9	\$542.19

Key

M = Municipal
 SR = State Representative
 SS = State Senate
 Maj = Major Party
 PAC = Political Action Committee

GRANT RECIPIENTS - SCHEDULE D
For Year Ending December 31, 2019

Grants	Number of Grants			Total Number of Grants
	Primary Elections	General Elections	Special Elections	
Committees				
Candidate Committees				
Statewide Office	0	0	0	0
State Senator	0	0	6	6
State Representative	0	0	15	15
TOTAL GRANTS	0	0	21	21

GRANTS FROM THE FUND - SCHEDULE E
For Year Ending December 31, 2019

<u>GRANTS</u>	Primaries	General Election	Special Election	Total Grants
Statewide Offices	\$ 0	\$ 0	\$ 0	\$ 0
State Senate	\$ 0	\$ 0	\$ 430,695	\$ 430,695
State Representatives	\$ 0	\$ 0	\$ 317,028	\$ 317,028
<u>SUPPLEMENTAL GRANTS</u>				
State Senate	\$ 0	\$ 0	\$ 0	\$ 0
State Representatives	\$ 0	\$ 0	\$ 0	\$ 0
<u>TOTAL GRANTS*</u>	\$ 0	\$ 0	\$ 747,723	\$ 747,723