



*The Status of the
Citizens' Election Fund
as of
December 31, 2008*

*A Report of the
Connecticut State Elections
Enforcement Commission—
Issued May 2009*

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I. INTRODUCTION

In December 2005, the Connecticut General Assembly enacted, and Governor M. Jodi Rell signed, the most sweeping reform of the State's Campaign Finance Laws since the post Watergate era. Public Act 05-5 of the October 29 Special Session, and the amendments made in Public Act 06-137 and Public Act 08-2, 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 of the General Statutes (public campaign financing), 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, not to exceed \$100, and agree to abide by spending limits and other program requirements. Participating candidates may also receive supplemental grants if their opponents' funding or expenditures exceed the Program's spending limits, and if the participating candidates are the target of independent expenditures.
- Strict prohibitions on contributions by communicator lobbyists, state contractors and prospective contractors, their spouses and dependent children.
- New contribution limits on PACs and political parties to 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 a Municipal Pilot Program for its 2007 mayoral campaign.)
- More frequent campaign disclosure reporting requirements.
- The centralization of all campaign finance related functions, including the filing of reports, issuing of advice, auditing and verification, compliance and enforcement in a single agency—the State Elections Enforcement Commission (hereinafter the “SEEC”).
- Development, design and implementation of a new electronic campaign reporting information system to replace the system administered by the Office of the Secretary of the State.

During the period covered by this report, the SEEC administered the CEP for the 2008 primaries and elections for the General Assembly. By all accounts, the CEP was a success, with approximately 75% of all candidates participating. The SEEC is in the process of completing a report on the operation of the program, which has been heralded by national experts as the best in the United States.

The CEP is dependent upon funding from the Citizens’ Election Fund (“CEF”). The CEF derives its funds from the sale of abandoned property, or “escheats”, a program administered by the State Treasurer. In accordance with section 9-716 (b) of the Connecticut General Statutes, the SEEC must determine by January 1 of a state election year, whether there are sufficient funds in the CEF to pay grants, both initial and supplemental, to qualifying participating candidates expected to compete in such primaries and elections. The January 1, 2008 report projected that the CEF would contain in excess of \$50 million by June 30, 2008. The SEEC also estimated that between \$8.7 million and \$10.66 million of campaign grant money would be disbursed during the 2008 General Assembly election cycle, to participating candidates.

As required by law, this report addresses the financial status of the CEF, as of December 31, 2008. Section 9-716 (a) of the Connecticut General Statutes, provides in pertinent part that...

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

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

As previously indicated, 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 General Assembly candidates for primaries and elections in 2008. The CEP is now available to qualified General Assembly and qualified Statewide office candidates for primaries and elections in 2010 (as well as for succeeding primaries, regular and special elections for such offices). The CEF is administered by the State Treasurer, and was created pursuant to section 9-701 of the Connecticut General Statutes.

The CEF is a non lapsing account within the General Fund, and does not include tax revenues. 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 earned on the fund's assets.

B. Deposits

1. Escheats

For the fiscal year ending June 30, 2008, the State Treasurer deposited \$17.3 million into the CEF. Of this amount, \$15 million was dedicated to the payment of campaign grants to candidates, and the remaining \$2.3 million was for the administrative costs of the SEEC.

For the fiscal year ending June 30, 2009, the State Treasurer is required by section 3-69a (a) (2) of the Connecticut General Statutes to deposit \$17.3 million into the CEF. Of this amount, \$15 million is again set aside for the payment of grants to candidates, with the remaining amount for the administrative costs of the SEEC. Since this report covers a period ending December 31, 2008, the full third fiscal year deposits from escheats have not as yet been deposited into the CEF. However, it is anticipated that the full amount will be deposited by June 30, 2009 as required by law.

Schedule A contains the amount of escheats deposited into the CEF for the year ending December 31, 2008. The aggregate amount of escheats was \$15,790,708. Of that amount, \$13,465,708 was dedicated for grants to candidates; \$2,300,000 was set aside for administrative costs of the SEEC, and \$25,000 was similarly set aside for the reserve account, which is discussed below.

2. 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. In October 2008, the required \$25,000 was deposited into the reserve account for the 2008 calendar year. The reserve account can be used solely during the week prior to any election or primary to make certain payments to participating candidates. If candidates received reduced grants due to insufficiency of revenues to pay the full amount, as projected by the SEEC in the report due at the beginning of a state election year, then the SEEC can make up the difference using the reserve account. In addition, if the participating candidates are targets of independent expenditures made to defeat them, they may receive a match in the amount of such expenditures. As indicated in Schedule A, the reserve account currently has a balance of \$100,000.

3. 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 entire CEF earns interest on the deposits to the fund. As reported in Schedule A, the interest earned on deposits made to the fund totaled \$1,169,584.

4. 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.

5. Voluntary Contributions

Any individual, committee or other entity may make voluntary contributions to the CEF. As reflected in Schedules B and C, there

were eight (8) contributors who made voluntary contributions, and the aggregate amount of their contributions was \$5,214.

6. 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 2008 calendar year was \$245,647. Notably, the distribution of surplus for the November 2008 election cycle can occur through January 31, 2009, pursuant to the Connecticut General Statutes. So, this number does not reflect the total surplus funds returned to the CEF for the 2008 election cycle.

7. Total Deposits made into the CEF

The total deposited into the CEF from all sources was \$17,420,282 for the period covered by the report, as shown in Schedule A.

C. Expenditures from the CEF

1. General

In general, the only payments which may be made from the CEF are for the following purposes: (1) payments of grants to qualified candidates, including supplemental grants for participating candidates whose opponents spend more than the spending limit, and for matching of independent expenditures made to defeat a participating candidate; and (2) administrative costs of the SEEC to carry out the purposes of Public Act 05-5.

The Connecticut General Assembly transferred \$5 million from the CEF grant account, pursuant to Public Act 08-1 Section 5(a), for purposes of reducing the State Budget deficit for FY 09.

2. Grants to Qualified Candidates

During the period covered by this report, there were two hundred seventy four (274) grant payments made to qualified candidates, two (2) were for special elections, thirty five (35) were for primary elections, two hundred thirty six (236) were for the general elections,

and one (1) was for a supplemental grant issued to match an independent expenditure made in the 2008 general elections. The total amount distributed by the SEEC from the CEF for all such candidate grants was \$9,238,775, itemized as follows: Special Elections - \$127,332; Primary Elections - \$835,541; General Elections - \$8,275,272; General Election Supplemental grant - \$630.00.

3. Administrative Costs of the SEEC

The expenditures made during 2008 from the CEF for the SEEC's administrative costs are itemized in Schedule A of this report. The major categories of such expenditures consisted of wages for the full time employees, computer equipment & IT resources to ensure that the SEEC could design and maintain the new electronic campaign filing system and related software applications necessary to implement Public Act 05-5. The total amount expended by the SEEC from the CEF for administrative costs was \$3,003,199.

III. CONCLUSION

On December 31, 2008, the Citizens' Election Fund balance was \$41,171,983, as shown in Schedule A. Pursuant to section 9-701 of the General Statutes, this amount was carried forward to be used for the permissible purposes included in Chapter 157 . Of the \$41,171,983 balance, \$38,973,046 will be available for grant payments authorized by the Citizens' Election Program.

Subsequent to December 31, 2008, the General Assembly transferred an additional \$8.5 million from the CEF to mitigate the State budget deficit in FY 09. Thus, the aggregate reduction from the CEF was \$13.5 million.

While the CEF currently remains in sound fiscal condition, any further reductions would risk our ability to fund campaigns for Statewide and General Assembly candidates in 2010. The Citizens' Election Program is *entirely voluntary*. So, it is critical that 2010 Statewide candidates have confidence that the Program will remain fully funded and intact.

Indeed, potential 2010 Statewide candidates are *already* raising funds for the 2010 election cycle, and they are already deciding whether to raise small qualifying contributions from individuals or larger contributions from PACs and other traditional funding sources. If adequate assurances cannot be given, participation will greatly suffer, and candidates will be compelled to rely upon PACs and other traditional funding sources. Were this to become the norm in Connecticut, the unqualified success of the Program would be eradicated and citizen confidence in Connecticut State governance may never recover. The SEEC remains committed to working with the General Assembly and the Governor to ensure that this does not occur.

IV. ACKNOWLEDGEMENTS

The SEEC gratefully acknowledges State Comptroller Nancy Wyman for the generous assistance she and her staff provided to us throughout the year. The cooperation of the Office of the State Comptroller, and the use of Core-CT; was critical to the timely distribution of grant payments to candidates during the first run of the Citizens' Election program.

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

V. APPENDICES

Schedule A---Summary of Status of Fund

Schedule B---Voluntary Contributions to the Fund

Schedule C---Contributors to the Fund

Schedule D---Summary of Grants from the Fund

Schedule E---Detail of Grants from the Fund

SCHEDULE A



STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND STATUS OF THE FUND - SCHEDULE A For Year Ending December 31, 2008

BALANCE OF THE FUND 1/1/2008 **\$ 40,993,675**

**BALANCE AVAILABLE 1/1/2008 FOR GRANTS
TO PARTICIPATING CANDIDATE COMMITTEES** **\$ 38,091,539**

DEPOSITS- 2008

Escheats		
For Candidate Grants		\$ 13,465,708
For SEEC's Administrative Expenses		\$ 2,300,000
For Reserve Account		\$ 25,000
Corporate Taxes		\$ -
Interest Earnings		\$ 1,169,584
Refunds of Surplus Grant Funds		\$ 245,647
Candidate Committees-Excess Qualifying Contributions (Buffer)		\$ 195,774
Candidate Committees-Return of Prior Assets		\$ 11,928
Miscellaneous Contributions		\$ 1,427
Voluntary Contributions		\$ 5,214
Number of Contributors:	8	
Number of Contributions:	8	

TOTAL DEPOSITS- 2008 **\$ 17,420,282**

EXPENDITURES- 2008

GRANTS to Participating Candidate Committees		
Statewide Office		\$ -
Number of participants	0	
State Senator		\$ 4,449,767
Number of participants	58	
State Representative		\$ 4,789,008
Number of participants	216	
Total Grant Expenditures		\$ 9,238,775

TRANSFER TO GENERAL FUND FOR DEFICIT MITIGATION (PA 08-1 Sec.5a) **\$ 5,000,000**

General Administrative Expenses		
Salaries & Wages		\$ 2,110,017
IT Services		\$ 671,184
Capital IT Equipment		\$ 39,827
Capital Office Equipment		\$ 57,364
IT Software Licenses		\$ 4,688
IT Software Maint/Support		\$ 24,629
Minor Equipment		\$ 61,870
Supplies & Other Expenses		\$ 31,743
Premises Maintenance		\$ 1,877
Total General Administrative Expenses		\$ 3,003,199

TOTAL EXPENDITURES- 2008 **\$ 17,241,974**

BALANCE OF THE FUND- 12/31/2008 **\$ 41,171,983**

**BALANCE AVAILABLE 12/31/2008 FOR GRANTS TO
PARTICIPATING CANDIDATE COMMITTEES** **\$ 38,973,046**

SCHEDULE B



STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND

SUMMARY OF VOLUNTARY CONTRIBUTIONS TO THE FUND - SCHEDULE B

For Year Ending December 31, 2008

Contributions	Number of Contributions	Amount of Contributions
Committee		
Candidate Committees		
Statewide Office	0	\$ -
State Senator	0	\$ -
State Representative	2	\$ 170
Municipal Office	2	\$ 534
Party / Town Committees	1	\$ 425
Political Action Committees	3	\$ 4,085
Total Committee Contributions	8	\$ 5,214
Corporate Entities	0	\$ -
Individuals	0	\$ -
Other Entities	0	\$ -
TOTAL CONTRIBUTIONS	8	\$ 5,214

SCHEDULE C



STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND CONTRIBUTORS TO THE FUND - SCHEDULE C For Year Ending December 31, 2008

<u>Contributors</u>	<u>Office</u>	<u>Party Type</u>	<u>Number of Contributions</u>	<u>Amount of Contributions</u>
<u>Committees</u>				
Senate Republican Majority Committee	N/A		1	\$ 1,750
Caucus of Connecticut Democrats PAC	N/A		1	\$ 1,548
Jasmine Wolf	M		1	\$ 175
Bates for Burgess	M		1	\$ 359
House Majority PAC	N/A		1	\$ 787
Geragosian 2006	SR	Maj	1	\$ 120
Committee to Elect John Crooks 2006	SR	Maj	1	\$ 50
South Windsor Democratic Town Committee	N/A		1	\$ 425
Total Committee Contributions			8	\$ 5,214
Corporations			n/a	n/a
Total Corporate Contributors			0	\$ -
Individuals			n/a	n/a
Total Individual Contributors			0	\$ -
TOTAL CONTRIBUTORS			8	\$ 5,214

Key

M = Municipal
SR = State Representative
SS = State Senate

Party Type

Maj = Major

SCHEDULE D



STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND SUMMARY OF GRANTS FROM THE FUND - SCHEDULE D For Year Ending December 31, 2008

Grants	Number of Grants				Total Number of Grants	Amount of Grants
	Primary Election	General Election	Special Election	Supplemental Grant		
Committee						
Candidate Committees						
Statewide Office	0	0	0	0	0	\$ -
State Senator	7	51	2	0	60	\$ 4,449,767
State Representative	28	185	0	1	214	\$ 4,789,008
TOTAL GRANTS	35	236	2	1	274	\$ 9,238,775

SCHEDULE E



STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND GRANTS FROM THE FUND - SCHEDULE E For Year Ending December 31, 2008

<u>GRANTS</u>	<u>Primaries</u>	<u>General Election</u>	<u>Special Election</u>	<u>Total Grants</u>
<u>Statewide Offices **</u>	\$ -	\$ -	\$ -	\$ -
**There were no special or regular elections for Statewide Office				
<u>State Senate</u>	\$ 315,799	\$ 4,006,636	\$ 127,332	\$ 4,449,767
<u>State Representatives</u>	\$ 519,742	\$ 4,268,636	\$ -	\$ 4,788,378
<u>SUPPLEMENTAL GRANTS</u>				
<u>State Senate</u>	\$ -	\$ -	\$ -	\$ -
<u>State Representatives</u>	\$ -	\$ 630	\$ -	\$ 630
TOTAL GRANTS	\$ 835,541	\$ 8,275,902	\$ 127,332	\$ 9,238,775