



The Status of the Citizens' Election Fund as of December 31, 2011



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 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;
- Limitations on contributions by communicator lobbyists, their spouses, and dependent children and political committees they control or establish, and prohibition on bundling contributions, as well as strict prohibitions on contributions from 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 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"); and
- 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.

The CEP is dependent upon funding from the Citizens' Election Fund ("CEF"). The CEF is funded 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 report biennially 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 2012 CEF Sufficiency Report, released in March 2012, projected that the CEF would contain enough funds to cover the cost of this year's election, estimated to be \$10,104,729.

As required by law, this report addresses the financial status of the CEF, as of December 31, 2011. 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."

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 was available to qualified General Assembly candidates in special elections in 2011. 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 on the Fund's assets.

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 means a reduction of \$7,955,086 from \$18,555,086 to \$10,600,000. Absent a statutory change, this drastically reduced funding will continue and it is completely foreseeable that this will ultimately result in an insufficiency of the Fund.

For the calendar year ending December 31, 2011, the State Treasurer deposited \$7,057,465 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, 2011.

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 2011, the required \$25,000 was deposited into the reserve account for the 2011 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. The reserve account currently has a balance of \$175,000.

CEF Administrative Account

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. In accordance with this repeal of the administrative funding provision, **Schedule A** of this report shows the deposit of \$2,451,883 (on a line entitled "SEEC's Administrative

Expenses”) and also shows in the Expenditures section a return of \$486,728 in lapsed funds from the CEF to the General Fund.

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**, the total interest of \$23,156 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.

Voluntary Contributions

Any individual, committee or other entity may make voluntary contributions to the CEF. As reflected in **Schedules B** and **C**, there were fourteen (14) contributors who made voluntary contributions, and the aggregate amount of their contributions was \$1,038.

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 2011 calendar year was \$1,049,854. Notably, the distribution of surplus for the November 2010 election cycle occurred all the way through January 31, 2011, pursuant to the Connecticut General Statutes.

Total Deposits made into the CEF

The aggregate amount deposited into the CEF from all sources was \$10,626,107, which is reported in **Schedule A**.

C. Expenditures from the CEF

General

The Connecticut General Assembly transferred \$20,000,000 from the CEF to the General Fund, pursuant to Public Acts 10-179 (sections 13 and 39) and 10-3, for purposes of reducing the State budget deficit. The amounts transferred are reflected in **Schedule A** under Expenditures.

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 \$628,111. All of these funds were for special elections for the General Assembly. There was no general election for General Assembly or statewide candidates in 2011.

Administrative Costs of the SEEC

The expenditures made during 2011 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, as well as computer equipment & IT resources to ensure that the SEEC could upgrade and maintain eCRIS, the 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 \$2,828,685.

III. CONCLUSION

On December 31, 2011, the Citizens' Election Fund balance was \$15,441,387, as shown in **Schedule A**. Pursuant to section 9-701 of the Connecticut General Statutes, \$15,441,387 was carried forward to be used for permissible purposes included in Chapter 157.

In 2008, a total of \$5,000,000 was transferred from the CEF to the General Fund, pursuant to Public Act 08-1. In 2009, \$26,500,000 was transferred from the CEF to the General Fund, pursuant to Public Acts 09-1, 09-2 and 09-3. In 2010, \$7,000,000 was transferred. In January 2011, an additional \$20,000,000 in funds was transferred from the CEF to the General Fund, pursuant to Public Acts 10-3 and 10-179. The aggregate amount transferred from the CEF between December 31, 2008 and December 2011 exceeds \$59,000,000.

While the CEF currently remains in sound fiscal condition for this present election cycle, it is all but certain that significant infusions of funds will be required to fully fund campaigns for statewide and General Assembly candidates in 2014. The Citizens' Election Program is entirely voluntary. So, it is critical that 2014 General Assembly and statewide candidates have confidence that the Program will remain fully funded and intact.

IV. ACKNOWLEDGEMENTS

The SEEC gratefully acknowledges State Comptroller Kevin Lembo for the generous assistance he and his staff provided to us throughout 2011. 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 Denise Nappier, and her 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

STATUS OF THE CEF - SCHEDULE A
For Year Ending December 31, 2011

BALANCE OF THE FUND 1/1/2011	\$ 28,272,076
BALANCE AVAILABLE 1/1/2011	
FOR GRANTS TO PARTICIPATING CANDIDATE COMMITTEES	\$ 27,967,616
 DEPOSITS - 2011	
Escheats	
For Candidate	
Grants	\$ 7,057,465
For Reserve	
Account	\$ 25,000
SEEC's Administrative	
Account	\$ 2,451,883
Corporate Taxes	\$ -
Interest Earnings**	\$ 23,156
Refunds of Surplus Grant	
Funds	\$ 1,049,854
Candidate Committees-	
Excess Qualifying	
Contributions (Buffer)	\$ 17,462
Candidate Committees-	
Exploratory Adjustments	\$
Candidate Committees-In-	
kind Contributions	\$
Candidate Committees-	
Return of Prior Assets	\$ 250
Miscellaneous Contributions	\$ 1,038
Number of	
Contributors: 14	
Number of	
Contributions: 14	
 TOTAL DEPOSITS - 2011	 \$10,626,107

Expenditures - 2011

GRANTS to Participating Candidate

Committees

Statewide Office

Number of participants: 0	\$ 0
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State Senator

Number of participants: 6	\$ 388,945
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State Representative

Number of participants: 13	\$ 239,166
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Miscellaneous

Total Grant Expenditures	\$ 628,111
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TRANSFER TO GENERAL FUND

FOR DEFICIT MITIGATION

(pursuant to PA 10-179

and PA 10-3) \$ 20,000,000

\$ 20,000,000

General Administrative Expenses

Salaries & Wages	\$ 2,142,840
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IT Supplies	\$ 106,596
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Minor Equipment	\$ 1,293
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IT Capital Purchase	\$ 64,898
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IT Hardware, Maint. & Support	\$ 12,187
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IT Software License & Support	\$ 6,219
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Other Expenses	\$ 7,924
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Fiscal Year 2011

Lapsed	\$ 486,728
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Total General Admin.

Expenses	\$ 2,828,685
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Total Expenditures from Administrative Account	\$ 2,828,685
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\$23,456,796

TOTAL EXPENDITURES – 2011

BALANCE OF THE FUND - 12/31/2011 **\$15,441,387**

BALANCE AVAILABLE 12/31/2011 FOR GRANTS TO
PARTICIPATING CANDIDATE COMMITTEES **\$15,513,729**

VOLUNTARY CONTRIBUTIONS TO THE CEF - SCHEDULE B
For Year Ending December 31, 2011

Contributions	Number of Contributions	Amount of Contributions
Statewide Office.....	0	\$ -
State Senator.....	2	\$ 72
State Representative.....	8	\$ 909
Municipal office.....	2	\$ 20
Party / Town Committees.....	0	\$ 0
Political Action Committees.....	0	\$ 0
Total Committee Contributions	14	\$ 1,038
 Corporate Entities	 0	 \$ -
 Individuals	 0	 \$ -
 Other Entities	 0	 \$ -
 TOTAL CONTRIBUTIONS	 14	 \$ 1,038

CONTRIBUTORS TO THE CEF - SCHEDULE C
For Year Ending December 31, 2011

Committees	Office	Party	Contributions	Amount
Bill Zappone	SR	Maj	1	\$37.84
Boucher Exploratory	N/A	Maj	1	\$.62
Carlos Silva for State Rep 2011	SR	Maj	1	\$26.57
Committee to Elect Craig Miner	SR	Maj	1	\$86.02
Friends of Sean Williams	SR	Maj	1	\$46.62
Judge Evelyn Daly Probate 2010	N/A	N/A	1	\$35.98
Katra for Burgess	M	Maj	1	\$.19
Keyser for State Rep	SR	Maj	1	\$35.11
Mary Cocuzza State Rep 2010	SR	Maj	1	\$200
Morris Is For Us	SR	Maj	1	\$275.47
Rigby 2010	SR	Maj	1	\$201.60
Robert Gonzalez for Senate	SS	Maj	1	\$22.45
Roraback 2010	SS	Maj	1	\$50.00
Ward for Mayor	M	Maj	1	\$20.00
Total Committee Contributions			14	\$ 1,038
Corporations			n/a	n/a
Total Corporate Contributors			0	\$ -
Individuals			n/a	n/a
Total Individual Contributors			0	\$ -
TOTAL CONTRIBUTORS			14	\$ 1,038

Key

M = Municipal
SR = State Representative
SS = State Senate
Maj = Major