



The Status of the Citizens' Election Fund as of December 31, 2010



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 amendments made in Public Act 06-137, Public Act 08-2, and Public Act 10-1 of the July Special Session, 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").
- 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 2010 primaries and elections for the General Assembly and candidates for statewide offices. By all accounts, the CEP was a success, with approximately 70% of all candidates participating.

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 December 28, 2009 CEF sufficiency report projected that the CEF would contain \$38 million by June 30, 2010. The SEEC also estimated that between \$38 million and \$48 million of campaign grant money would be disbursed during the 2010 General Assembly election cycle, to participating candidates.

As required by law, this report addresses the financial status of the CEF, as of December 31, 2010. 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."

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 2010 and to qualified General Assembly and Statewide office candidates for primaries and regular elections in 2010. 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

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.

For the calendar year ending December 31, 2010, the State Treasurer deposited \$18, 348,174 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, 2010.

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 2010, the required \$25,000 was deposited into the reserve account for the 2010 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 \$150,000.

CEF Admin 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 \$2,770,000 (on a line entitled "SEEC's Administrative Expenses"); and it also shows in the Expenditures section a return of \$445,539 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 entire CEF earns interest on the deposits to the fund. As reported in Schedule A, due to an over-reporting error in 2009 of \$159,536, the total interest of \$99, 630 earned in this calendar year offsets the amount of the prior reporting error, resulting in a negative reported balance of \$59,905 for calendar year 2010.

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 seven (7) contributors who made voluntary contributions, and the aggregate amount of their contributions was \$1,106.

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 2010 calendar year was \$211,588. Notably, the distribution of surplus for the November 2010 election cycle can occur 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 \$21,608,880, of which \$7,150,000 was not available for grant purposes, but was returned to the General Fund in mandated deficit mitigation transfers, which are reported in Schedule A under Expenses and discussed in greater detail below.

C. Expenditures from the CEF

General

In general, the only payments which may be made from the CEF are for the following purpose: payments of grants to qualified candidates.

The Connecticut General Assembly transferred \$7,150,000 from the CEF grant account to the General Fund, pursuant to Public Acts 09-3 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 \$27,281,347, itemized as follows: for General Assembly including special election, primary, supplemental grants, and General Election: \$9,550,480; for Statewide including primary, supplemental grants and General Election: \$17,730,867. More detail about the numbers of participating candidates who were grant recipients can be found in SEEC's publication, [Citizens' Election Program 2010: A Novel System with Extraordinary Results](#).

Administrative Costs of the SEEC

The expenditures made during 2010 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 \$3,232,695. This includes a lapse of \$445,539 (CEF Admin Account) transferred to the General Fund pursuant to Public Act 09-3, and a reduction of \$150,000 (transfer to General Fund) mandated by Public Act 10-3 and credited to FY 6-30-10.

III. CONCLUSION

On December 31, 2010, the Citizens' Election Fund balance was \$28,272,076, as shown in Schedule A. This includes correction of a prior accounting error: \$5,000,000 transferred from the CEF to the General Fund (pursuant to Public Act 08-1) which was reported in the 2008 Report was mistakenly reported again in the 2009 Report. Pursuant to section 9-701 of the Connecticut General Statutes, \$28, 272, 076 was carried forward to be used for permissible purposes included in Chapter 157.

In 2008, a total of \$5 million was transferred from the CEF to the General Fund, pursuant to Public Act 08-1. In 2009, \$26.5 million was transferred from the CEF to the General Fund, pursuant to Public Acts 09-1, 09-2 and 09-3. Not reflected in this Report are the transfers in January 2011 from the CEF to the General Fund of an additional \$20 million in funds, pursuant to Public Acts 10-3 and 10-179. Including the \$7,595,539 in transfers and lapses detailed in Schedule A of this report, the aggregate amount transferred from the CEF between December 31, 2008 and mid January 2011 exceeds \$59 million.

The Citizens' Election Fund balance for June 2011 is \$8.3 million.

While the CEF currently remains in sound fiscal condition, any further reductions would risk our ability to fund campaigns for General Assembly candidates in 2012, and Statewide and General Assembly candidates in 2014. The Citizens' Election Program is *entirely voluntary*. So, it is critical that 2012 General Assembly and 2014 Statewide candidates have confidence that the Program will remain fully funded and intact.

IV. ACKNOWLEDGEMENTS

The SEEC gratefully acknowledges former State Comptroller Nancy Wyman for the generous assistance she and her staff provided to us throughout 2010. 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 second 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.

The SEEC gratefully acknowledges Beth A. Rotman's service as Director of the Citizens' Election Program from 2006 through calendar year 2010. Ms. Rotman left the Director's position in January 2011, as her family relocated outside of the United States.

V. APPENDICES

- Schedule A---Summary of Status of Fund
- Schedule B---Voluntary Contributions to the Fund
- Schedule C---Contributors to the Fund



STATE ELECTIONS ENFORCEMENT COMMISSION

CITIZENS' ELECTION FUND

STATUS OF THE FUND - SCHEDULE A

For Year Ending December 31, 2010

BALANCE OF THE FUND 1/1/2010	\$39,177,238
BALANCE AVAILABLE 1/1/2010 FOR GRANTS TO PARTICIPATING CANDIDATE COMMITTEES	\$38,410,083
DEPOSITS - 2010	
Escheats	
For Candidate Grants	\$ 18,348,174
For Reserve Account	\$ 25,000
SEEC's Administrative Account	\$ 2,770,000
Corporate Taxes	\$ -
Interest Earnings**	\$ (59,905)
Refunds of Surplus Grant Funds	\$ 211,588
Candidate Committees-Excess	
Qualifying Contributions (Buffer)	\$ 302,566
Candidate Committees-Exploratory	
Adjustments	\$ 1,967
Candidate Committees-In-kind	
Contributions	\$ 569
Candidate Committees- Return of Prior	
Assets	\$ 7,815
Miscellaneous Contributions	\$ 1,106
Number of Contributors: 7	
Number of Contributors: 7	
TOTAL DEPOSITS-2010	\$21,608,880

BALANCE OF THE FUND - 12/31/2010	\$28,272,076
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BALANCE AVAILABLE 12/31/2010 FOR GRANTS TO PARTICIPATING CANDIDATE COMMITTEES	\$27,967,616
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* The transfer was reported in 2008 and again in 2009.

**Due to overly reported in amount of \$159,536.22 in calendar year 2009, the reported figure was the summation of interest earned in 2010 plus the error made in 2009.

The Citizens' Election Fund balance for June 2011 is \$8.3 million.
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CITIZENS' ELECTION FUND

SUMMARY OF VOLUNTARY CONTRIBUTIONS TO THE FUND - SCHEDULE B

For Year Ending December 31, 2010

Contributions	Number of Contributions	Amount of Contributions
Statewide Office.....	0	\$ -
State Senator.....	0	\$ -
State Representative.....	3	\$ 215
Municipal office.....	2	\$ 48
Party / Town Committees.....	2	\$ 843
Political Action Committees.....	0	\$ -
Total Committee Contributions	7	\$ 1,106
 Corporate Entities	 0	 \$ -
 Individuals	 0	 \$ -
 Other Entities	 0	 \$ -
 TOTAL CONTRIBUTIONS	 7	 \$ 1,106

CITIZENS' ELECTION FUND
CONTRIBUTORS TO THE FUND - SCHEDULE C
For Year Ending December 31, 2010

Contributors

	Office	Party	Number of	Amount of
Committees		Type	Contributions	Contributions
BRIDGEPORT REPUBLICAN TOWN				
COMMITTEE	N/A	Maj	1	343
BROODER FOR BOARD OF				
EDUCATION	M		1	2
ESPOSITO 08	SR	Maj.	1	109
FRIENDS OF CHRIS DESANCTIS	SR	Maj.	1	25
JOE LUCA 2009	M		1	46
NEW LONDON DEMOCRATIC TOWN				
COMMITTEE	N/A	Maj.	1	500
SAMPERI IN THE 35TH	SR	Maj.	1	81
Total Committee Contributions			7	\$ 1,106
Corporations			n/a	n/a
Total Corporate Contributors			0	\$ -
Individuals			n/a	n/a
Total Individual Contributors			0	\$ -
TOTAL CONTRIBUTORS			7	\$ 1,106

Key

M = Municipal
SR = State Representative
SS = State Senate
Party Type

Maj = Major