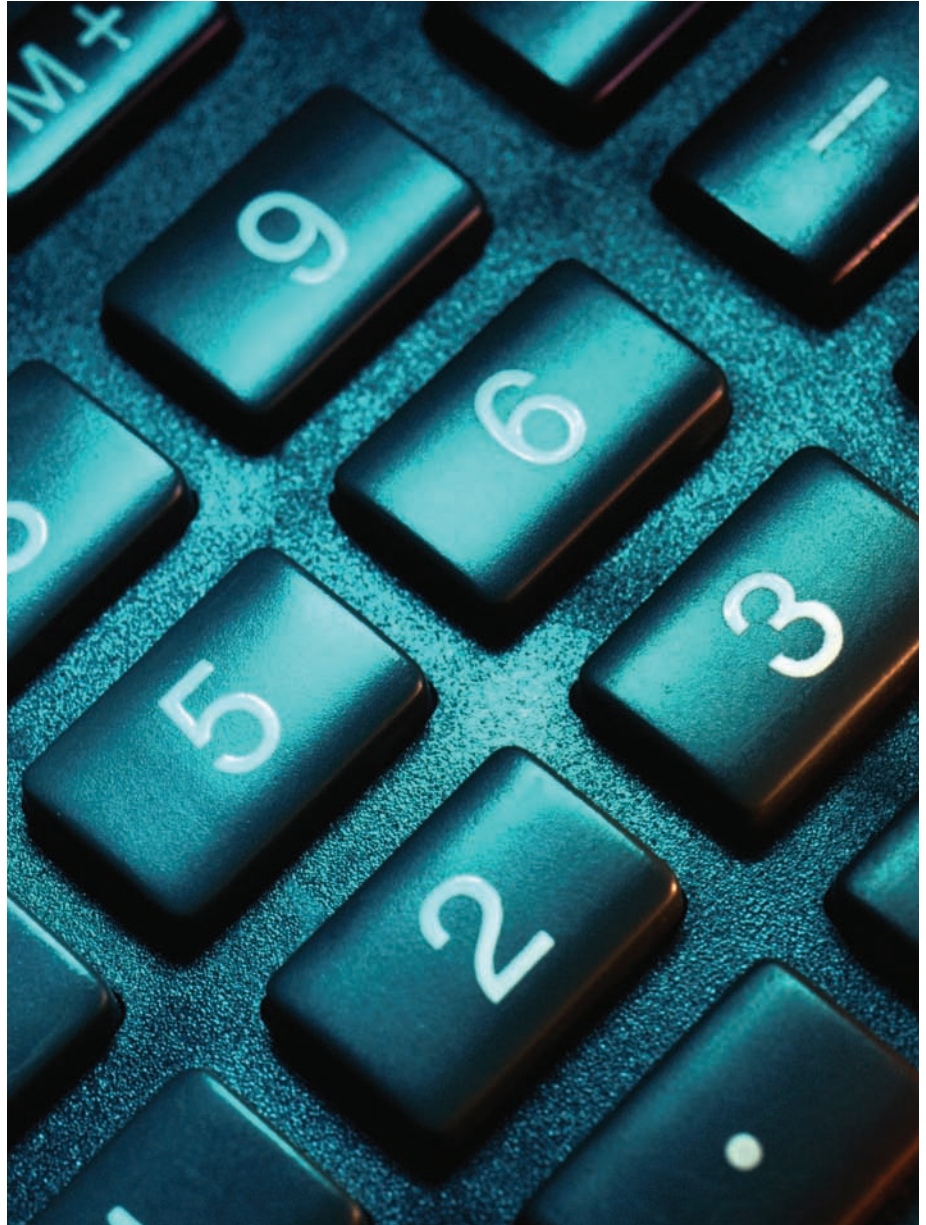


# Effective Campaign Finance Disclosure

Inquiring Minds Want to Know



Viewpoint Paper



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The ability to access campaign finance receipts and expenditures teamed with transparent disclosure of political information helps create the foundation of any democracy. Complete and honest disclosure of political information is a critical safeguard for preserving that democracy. Today's technology forges ahead with tools that give states the ability to provide easily accessible information as to where political dollars have been received and spent.

## An Historical Perspective

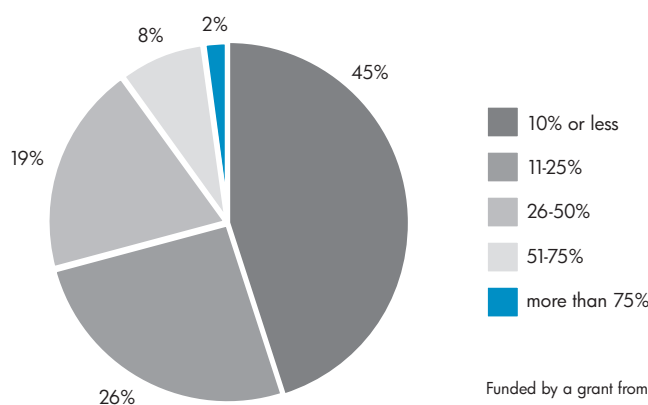
Following the Watergate scandal in the 1970s, elected officials recognized the need for a more accessible method to track candidate activities. At that time, all 50 states began the process of enacting legislation requiring reports and disclosure of candidate, political party and political action committees (PACs) to account for their financial transactions. For many states, this requirement is met through a variety of manual, paper-based means. Change has been limited to creating more efficient filing systems, rather than wholesale change in access and availability.

The term "campaign finance" refers to the fundraising and spending by candidates, political parties and political committees on campaigns each year. Early in our nation's history, the general consensus was that political leaders were well-to-do, or else supported by the well-to-do. In the 19th century, people who wanted

a position in government could openly donate to a politician running for office with the understanding that if the candidate won, they would be rewarded with a job. It wasn't until early in the 20th century that fundraising was closely scrutinized and different standards were enacted. In a message to Congress in 1905, President Theodore Roosevelt proposed that "(a)ll contributions by corporations to any political committee or for any political purpose should be forbidden by law."

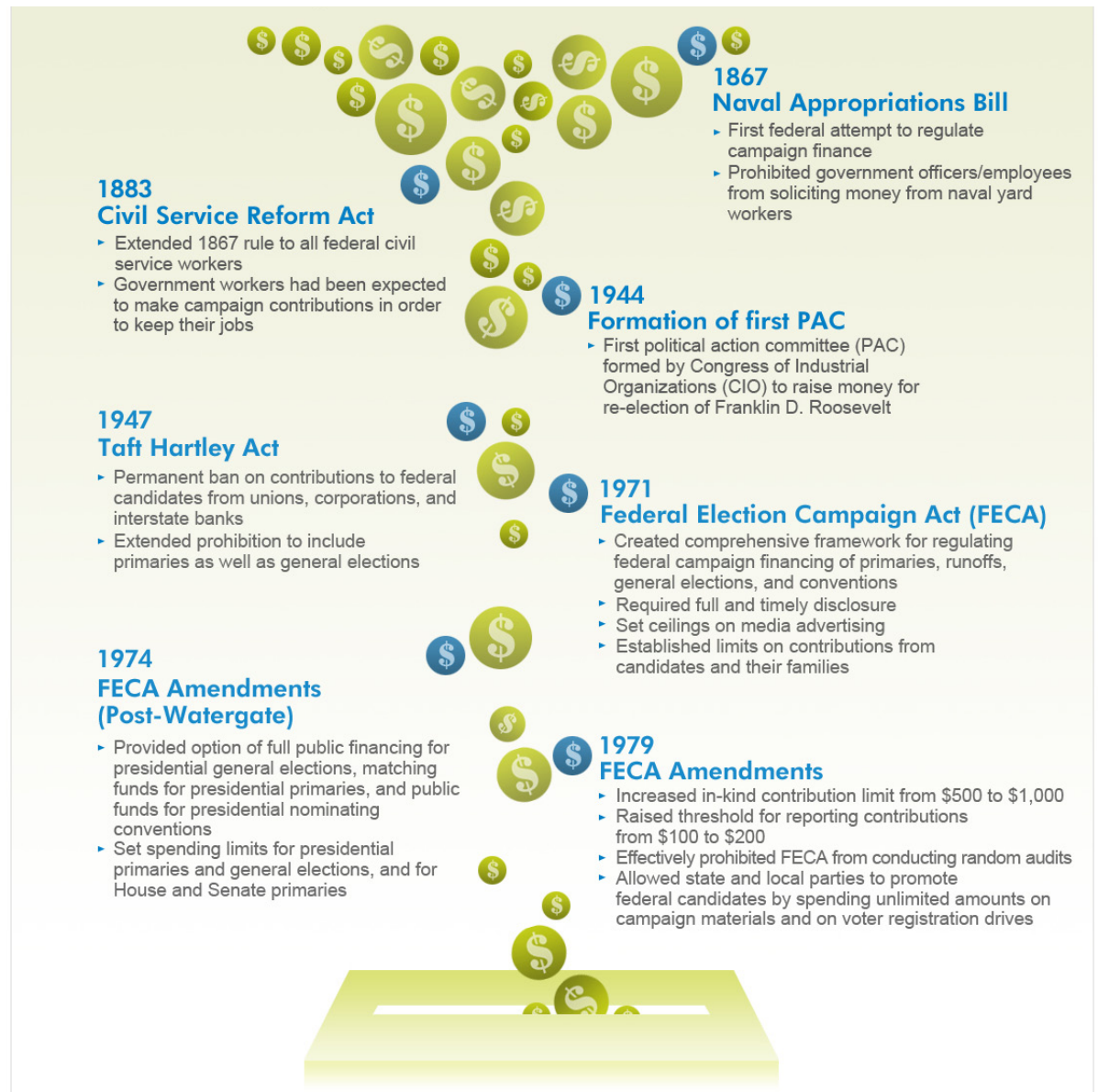
Just as fundraising regulations have changed, so have the means by which candidates raise their campaign funds. Today's candidates spend a fairly sizable portion of their personal campaign schedules on fundraising activities. Roughly 29 percent of all candidates across all political offices devoted more than one-quarter of their time to fundraising activities (see Figure 1). The strategies used to raise these funds can include direct mail solicitation, direct solicitation from the candidate, encouraging Internet contributions from supporters, and holding events specifically for the purpose of fundraising. Today, even public funding of campaigns is an option in several states.

**Figure 1.** Time spent on fundraising activities



Funded by a grant from the Pew Charitable Trusts

**Figure2.** Campaign finance reform milestones



## The Impetus for Change

In past years, the impetus to change the system of campaign financing was usually the result of scandal. The first federal attempt to regulate campaign finance occurred in 1867 with the passing of the Naval Appropriations Bill. The bill prohibited officers and employees of the government from soliciting money from naval yard workers. The more ambitious attempts to revamp campaign finance came in the wake of the 1972 Watergate scandals. With the Federal Election Campaign Act Amendments of 1974 and 1976, Congress set strict limits on contributions and expenditures, created a system of partial public financing for presidential campaigns and established an independent agency, the Federal Election

Commission (FEC), to monitor and enforce tough new disclosure requirements.

Now, there is a growing movement for campaign finance reform that does not follow the historical scandal-based pattern of change. This new movement is driven by the American public who are becoming more in-tune to the political climate in the United States, making the ease of political disclosure an imperative. A perfect example of the need to know came to light when "Joe the Plumber" asked then-presidential candidate Barack Obama about his tax plan for small business. Like "Joe the Plumber," the average American citizen is becoming more informed about the political climate throughout the United States and is utilizing technology to make an informed decision.

There are three main forces driving this impetus for change. First, in past years, American voters have known about the backgrounds of major political figures merely from hearing their last name, which was usually associated with family-based wealth. If you voted for one of these candidates, you may have believed that much of their campaign financing had likely come from family money. In more recent times, however, many candidates may not have this name recognition based on family-based wealth. Therefore, you may have a less intuitive perception and more suspicion about who finances their campaigns.

Second, the current generation of American voters has come to depend on the Internet for instant, worldwide access to information. This generation of voters expects and demands accessibility to a wide variety of campaign information through the use of technology. User statistics indicate that 70-80% of adults (including “Joe the Plumber”) rely on the Internet for information (see Figure 3). State Governments need to be responsive to this demographic and make the necessary updates to all their systems to increase transparency and ease information access for their constituents – without having to manually review and transcribe thousands of pieces of paper. The days of a campaign finance repository office “viewing room” filled with thousands of sheets of paper will become a distant memory.

The citizen’s desire to know, teamed with advances in technology and regulatory requirements, creates an environment where without technology states will have a difficult and expensive time meeting compliance. In today’s difficult economic times, states are attempting to make more effective use of tax dollars to meet specific goals. Some states are reporting budget constraints that reduce by 20% the time spent on Campaign Finance Audits by the Commission Office – down from 70 hours per month to 56 hours per

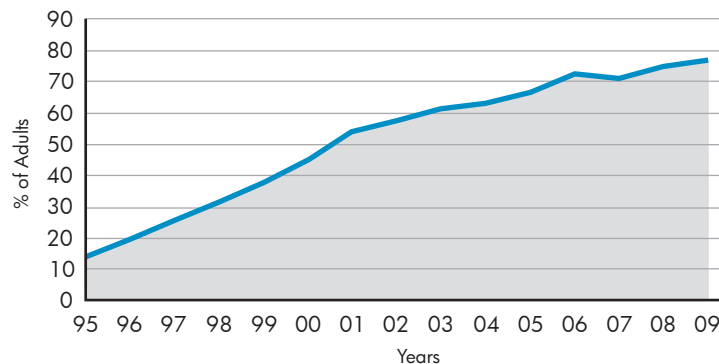
month. This increases the time it takes the office to review reports and notify interested parties of discrepancies. In addition, campaign treasurers may have shorter turn-around time to correct errors and meet state compliance rules. Through the effective use of technology in reporting campaign finance contributions, we can meet the regulatory, citizen and good government requirements.

Finally, the need to “go green” and discontinue paper-based filings is imperative. As a result, a growing number of states are considering web-based solutions that enable citizen access to campaign finance data. States have an opportunity to voluntarily meet public needs and expectations without being forced to meet them by legislation or even scandal. This requirement to provide information with ease is driven by the general public’s need-to-know.

## Goals

An essential goal of campaign finance reform is to increase transparency in the financing of political campaigns. To accomplish this goal, states must be responsible for implementing new and improved electronic campaign reporting systems for candidates, political committees and party committees that are required to file with the state’s online reporting and disclosure system. Effective reporting and disclosure enables candidates, political committees and political party chairs and treasurers to electronically submit required committee registration information and campaign finance statements detailing the receipts and expenditures of the committee. A primary goal should be to ensure compliance with the requirements of the new laws, and the ability to provide its users with “flags” to assist with compliance. As noncompliance can result in the issuance of large financial penalties, an effective reporting

**Figure 3.** Number of U.S. Internet users over time



Source: Surveys by The Pew Research Center’s Internet & American Life Project and the Pew Research Center for The People & The Press



and disclosure system provides users with greater assurance that requirements have been satisfied.

Each state plays by its own set of election laws and regulations with solutions varying widely state-to-state. Online disclosure requirements in many states serve as models for similar efforts around the country. Other states have enacted spending limits, lower contribution levels, electronic filing mechanisms and shorter campaign periods. What these states have in common is strong voter sentiment for change, harnessed by diverse grassroots coalitions and reform-minded legislators. The bottom line is a need for effective campaign finance disclosure.

Many states have been actively pursuing and completing projects at the statewide level that are designed to assist with tracking and reporting all campaign finance contributions. In Wyoming, for example, all legislative candidates – winners and losers – are required to file a *Candidate's Statement of Receipts and Expenditures* with the Secretary of State's office within 10 days after primaries and general elections. Candidates must list by name, date and amount all contributions received from individuals, PACs and political parties. All contributions received by the committee and all committee expenditures must be reported with the candidate's statement. There is an immediate need-to-know by the general public and the media. The methods by which a candidate or political committee receives their money and where they spend it is foremost in the process of any campaign effort. A citizen or member of the media should not have to drive to the repository office for campaign finance reports; rather, today's technology should allow them to simply search for said data online.

An online campaign finance reporting and disclosure system ensures that the public can readily access both registration and financial information regarding any and all committees that are registered with the

appropriate state agency. The agency provides forms for both registration and financial disclosure through the electronic campaign finance reporting and disclosure system. All documents received should be posted online where the public can easily search for campaign finance information about party committees, political committees and candidates running for statewide and general assembly offices.

With today's advanced technology, states should enable its citizens to search for campaign finance information using various methods. Additionally, state-of-the-art, real-time reports should be generated from data entered by various candidates, committees and other organizations. To comply with filing requirements, all legislative candidates should utilize a secure register and gain access to enter, manage, publish and officially file their campaign finances. Modern, browser-based solutions will not only provide instant access to campaign finance data, they would also relieve the need for delayed viewing at a state office, and reduce or even eliminate data re-entry by short-staffed state departments.

## Conclusion

In conclusion, the need-to-know about campaign finance contributions and expenditures is driven by demands from the media and "Joe the Plumber," who represents the average American voter. The ability to make an informed decision about a candidate, or even a political party may be guided through supporters, individuals or the political committees that finance campaigns. Moreover, Internet ease-of-use further enables the public to view information and make informed and educated decisions. States' efforts to provide an effective online solution for reporting and disclosing campaign finance information can help advance democracy through the use of technology. Inquiring minds do want to know!

## About the Author

### **Thomas H. Ferguson**

Thomas Ferguson is currently serving as the Elections Practice Leader and an Election Product Specialist for HP Enterprise Services – State and Local Government Division. He has approximately 10 years of government management experience as the Director of Elections for the Office of the Secretary of the State of Connecticut. Prior to taking the position with the state, Mr. Ferguson served as the Registrar of Voters for the Town of Manchester, Connecticut for six years. Additionally, he is a past-president of the National Association of State Election Directors. During his tenure with the Secretary of the State, he was the Project Manager for the development and implementation of the statewide, Centralized Voter Registration System. Mr. Ferguson was also the Project Manager for the development of Connecticut's browser-based Campaign Finance Information System, as well as systems that house and manage the Connecticut Statement of Vote, Annual Election Calendar and the certification criteria for Connecticut's chief polling place officials. He has an extensive elections and project management background from his 25 years of work and experience in local and state elections.



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