REFORMING CAMPAIGN FINANCE IN ILLINOIS: ISSUES AND PROSPECTS

by
Kent D. Redfield
and
Paul J. Quirk

July 1998

Executive Summary

Illinois has the least regulated campaign-finance systemof any state, with virtually no restrictions on campaign contributions. Reform efforts have been hampered not only by political obstacles but also by ambiguity about the purposes and merits of proposed reforms. To help clarify the issues, we assess the main complaints about the Illinois campaign-finance system and discuss the major options for reform.

Our major findings are as follows:

1) Criticisms of the amount of money spent on political campaigns are largely misplaced. Overall political spending is not excessive, and more spending is associated with more competition and greater opportunity for voters to learn about candidates.

2) Challengers and candidates of the minority party in a district frequently have too little money to campaign effectively. As a result, only a small fraction of election races are genuinely competitive.

3) The four main party leaders in the General Assembly have acquired extraordinary control of campaign funding in legislative races. This control enables them to dominate the legislative process to a degree that is highly unusual for an American legislature and makes most legislators essentially irrelevant to policymaking.

4) Narrowly based private groups, such as corporations, labor unions, trade associations, and professional organizations play a large and arguably excessive role in the state's system of political finance. With no legal limits on the size of their contributions, such groups may at times have disproportionate influence over state policy. There is certainly an understandable public perception of such influence.

5) Illinois has long tolerated the disreputable practice of officeholders appropriating campaign funds for their personal use. This practice borders on outright corruption and has no apparent publicly defensible rationale.

6) Disclosure of campaign finances has been of limited value for Illinois citizens because of both deficiencies in the information provided and a failure to provide it in a timely way. A disclosure system based largely on scheduled reports has not kept pace with the opportunities created by new information technologies.

7) The 1998 Campaign Finance and Ethics Reform bill makes significant improvements with respect to personal use of campaign funds and the timeliness and comprehensiveness of disclosure. Owing to various compromise provisions, however, it has important deficiencies in both areas.

8) Contrary to some pessimistic views, restrictions on the size of campaign contributions are likely to be fairly effective at least in preventing many of the large contributions that would otherwise occur. Although there are various ways for an interest group to circumvent such restrictions, they will often find this difficult to accomplish.

9) Contrary to the hopes of advocates of so-called “clean money” public finance schemes, it is not feasible to replace private money with public money in contemporary American politics. A system of public funding tied to voluntary acceptance of spending limits merely leads to modest public funding of noncompetitive races, and extravagant private funding of competitive ones.

Our principal recommendations are as follows:

1) The state should eliminate some dubious exceptions and tighten up ambiguous language in the ban on personal use of campaign funds. Office holders should not receive interest-free personal loans from their campaign funds. Permissible payments to candidates or their families for "services rendered" to the campaign should be carefully defined and closely monitored.

2) The state should adopt a real-time disclosure system based on the continuous reporting of campaign financial transactions by electronic means and posting the data on the internet. It should also require all political groups that make campaign contributions to register with the Board of Elections and report their contributions.

3) Although the political obstacles are formidable, the state should seriously consider adopting limits on the amounts of campaign contributions from private noncandidate groups such as corporations, industries, labor unions, and professional associations. If it adopts such limits, there should not be exceptions, like the federal exception for "soft-money" contributions to the political parties, that could cause the limits to break down.

4) Even more politically difficult, if Illinois citizens want to restore something approaching the traditional independence of individual legislators, the state should limit the size of campaign contributions from any candidate or party campaign fund to another candidate. Realistically, such a measure is unlikely to be politically possible until there is turnover in the occupancy of the legislative party leadership positions.

5) Illinois should seriously consider a modest program of public support for political campaigns, such as providing voter booklets with information on all candidates, and offering modest subsidies for mailings and media purchases. Without attempting to supplant private money, such a program could increase competition and enhance voters' knowledge. The support could also be used to induce campaign practices that elevate the level of political debate.

REFORMING CAMPAIGN FINANCE IN ILLINOIS: ISSUES AND PROSPECTS

The hard-boiled politicians who wrote Illinois' only major campaign finance law, in 1974, did not tout the virtues of publicity or argue the futility of attempting to control campaign contributions, as do today's opponents of campaign finance regulation. They hardly disguised their effort to protect the state's traditional politics of payoffs, patronage, and political favors from the storm of Watergate-era reformism. And they protected it well, producing a system of campaign finance that had hardly any restrictions at all, apart from requiring the disclosure and reporting of contributions and expenditures. Twenty-five years later, despite minor amendments, Illinois still has the least regulated campaign-finance system of any state.

Recently, advocacy groups, political commentators, and a few legislators have called for a major overhaul of the Illinois law. In part, the demands have reflected the national ferment on the issue, stimulated by the breakdown of campaign finance regulations in the 1996 election cycle. They also received a boost from widely publicized reports by researchers at the University of Illinois at Springfield about the state's rising costs of campaigns, the domination of statehouse campaign funding by a handful of legislative leaders, the appropriation of campaign funds for personal use, and the massive contributions made by pressure groups with self-interested concerns about state policy.

Nevertheless, the push for campaign-finance reform in Illinois has had only modest success. In May 1998 the General Assembly passed (and the governor was expected to sign) a campaign-finance and ethics reform bill, drafted by a bipartisan negotiating group, that prohibited most personal use of campaign funds and strengthened disclosure requirements. But the measure will not fundamentally alter the role that money plays in Illinois politics. The main obstacle to major change has been the advantage that the current campaign-finance system gives to incumbent elected officials, especially the legislative party leaders. Another obstacle has been the conflicting electoral interests of the two parties; reforms that are attractive to Democrats are often anathema to Republicans, and vice versa. In addition, reform efforts have been hampered by ambiguity and confusion about the purposes of reform, even among reform advocates. In this essay we try to think more clearly about these issues: Is campaign-finance reform needed in Illinois? If so, what kinds of reform, and for what purposes? We conclude that there are compelling arguments for certain modest reforms. There are also strong, though more debatable arguments for a far more ambitious reform effort.

The Problem of Campaign Finance: Assessing the Common Complaints

Critics have made a variety of complaints about the financing of Illinois political campaigns. In this section, we review and assess seven of the most common complaints in order to help identify appropriate priorities for reform.

1) Too much money spent on campaigns. Many citizens object to the sheer amount of money spent on political campaigns, both nationally and in Illinois. To many, that a U.S. Senate candidate spent $20 million in a losing race, that spending in 1996 by U.S. House and Senate candidates exceeded $840 million, that spending exceeded $1 million per district in four Illinois Senate races in 1996, and that the overall cost of legislative elections in Illinois has almost tripled since 1990 are all evidence of gross excess--regardless of where the money comes from, or specifically how it is used.

   We believe that this concern with the amount of spending, in itself, is misplaced. Campaign spending is modest in relation to what is at stake in electing responsive and competent public officials. Consider these comparisons, which offer one way to look at the amount of spending. The members of Congress who were elected at a cost of more than $840 million in 1996 run a government that spends almost

2000 times that amount every year. The Illinois legislators elected at a cost of $58 million in 1996 run a government that spends more than 600 times that amount annually. In the large scheme of things, in other words, campaign spending is small potatoes. More to the point, if we think that the spending helps voters make better choices, we should not be overly concerned about these amounts. If we think it mostly does not help them, we should worry about how the money is spent rather than the amount.

More important, heavy spending is strongly associated with competitive races. In most cases, it takes a good deal of money for a challenger to overcome an incumbent's advantage in recognition and prior support. Put simply, if spending is low, the incumbent wins. In itself, therefore, the growth of campaign spending is not a problem for the political system. As we discuss next, the real problem is often just the opposite.

2) Too little spent by most challengers. The difficulties facing non-incumbent candidates in raising adequate funds for effective campaigns are a major barrier to electoral competition in Illinois. As recent research on state elections demonstrates, generous funding is a necessary (though not sufficient) condition for winning elections. Incumbent legislators have little trouble raising the money for a vigorous campaign. For a challenger to do so is far more difficult, however, and those who come up short of funds never become viable candidates.

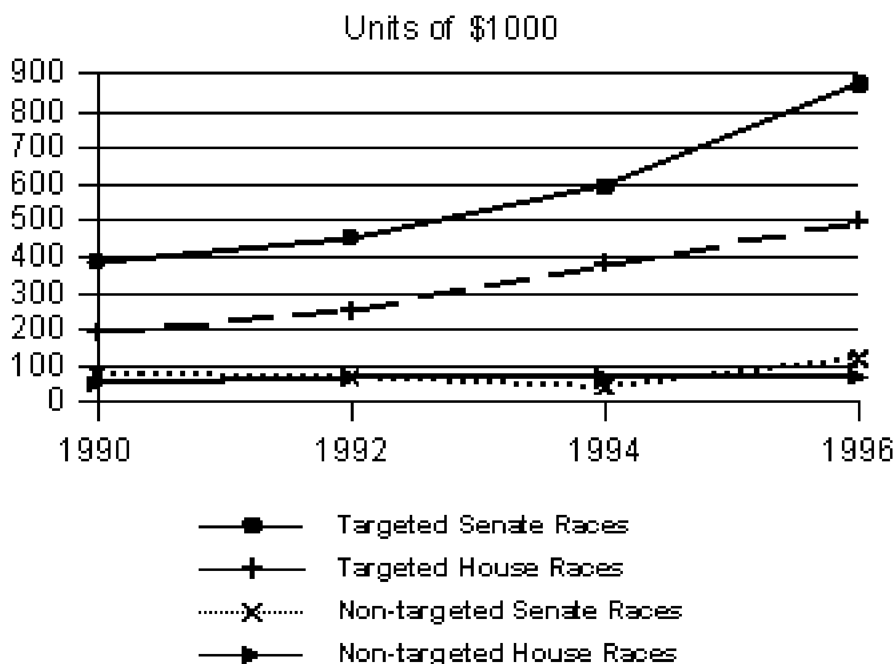
The Illinois legislative elections in 1994 and 1996 demonstrated the difficulties faced by challengers in mounting effective campaigns. Almost half of all legislative races in this period (46%) essentially were not contested in the general election--with the eventual winner facing either no opponent or a token opponent who spent less than $1,000. Contested races fell into two categories: targeted races (21%), where the legislative leaders provided major funding support for at least one of the candidates; and non-targeted races (33%), where neither party leader did so. In the non-targeted contested races in 1994 and 1996, most of the losing candidates (69 of 87, 79%) spent less than $20,000; and all but 5 of these low-spending challengers ended up with less than 40% of the vote. Eighteen of the losing candidates in non-targeted contested races managed to raise more than $20,000; and a majority of them (11) did exceed 40% of the vote. None of the challengers in non-targeted races spent $100,000, however, and none of them won the election. Every one of the 87 non-targeted, competitive contests was won by the incumbent or, in the case of an open seat, by the candidate of the majority party in the district. A non-incumbent candidate for the Illinois General Assembly must meet a threshold of spending to be visible, and a second, higher threshold to have a chance to win. Most challengers have been unable to reach even the lower threshold. In the numerous uncontested races, no one even tries.

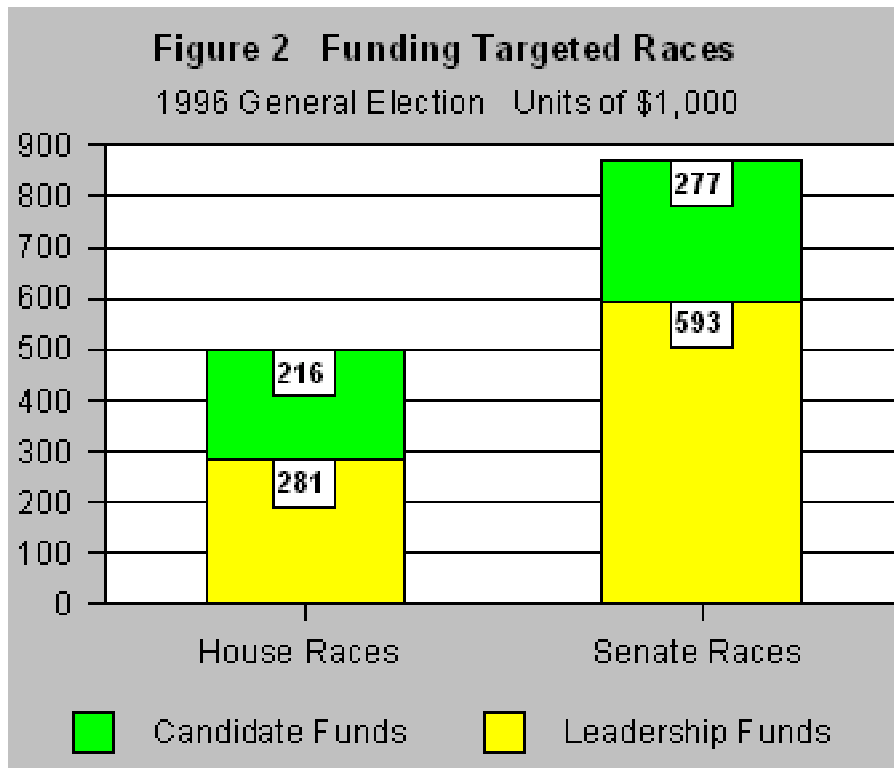
From the standpoint of a healthy democracy, it is reasonable to expect meaningful competition--a challenger with enough resources to mount a visible campaign--in most districts. Districts without a viable challenger arguably do not get a real choice, and their incumbent officeholders in effect are not required to explain

their actions. To address this problem would probably require some form of public financing or other governmental support for political campaigns.

3) Too much money controlled by legislative leaders. The distinction we have drawn between targeted and non-targeted legislative races highlights an extraordinary feature of campaign finance in Illinois General Assembly elections: the massive funds raised and controlled by the legislative leaders (the Speaker and Minority Leader of the House and the President and Minority Leader of the Senate). The "four tops," as they are often called, made $11.6 million in contributions to general-election candidates in 1996, a staggering amount by comparison with the contributions from party organizations reported in other states. The cost of leadership-targeted races has gone up dramatically since 1990, more than doubling in both House and Senate elections (See Figure 1). In fact, the legislative leaders dominate the spending in those races. In 1996 the leaders accounted for 57% of the $249,000 spent by the average candidate in a targeted House race; and 66% of the $435,000 spent by the average candidate in a targeted Senate race (See Figure 2).

The leadership-targeted races are the ones that shape Illinois statehouse politics. In 1994, when control of the House shifted from the Democrats to the Republicans, 13 of the 22 challengers in targeted races won. In 1996, when the House swung back to the Democrats, 5 of the 20 challengers in those races did so. No challengers in non-targeted races won in either election. Presumably, the leaders support most, if not all, of their parties' candidates who seem to need help and





have a chance to win. In the end, however, it is those leaders who determine which incumbents will face serious challenges and which open seats will be seriously contested.

This domination of campaign funding gives the four legislative leaders an extraordinary degree of control over the lawmaking process. If a rank-and-file legislator defies the wishes of his or her party leader, the leader may reduce his financial support in the next election or even boost a primary challenger. So in fact, they rarely defy him, or even exercise much influence. The leaders have assigned themselves a virtual monopoly of the legislative staff. They make most of the important decisions in the General Assembly, especially on the state budget. Rank-and-file senators and representatives, often kept in the dark about the leaders' plans, merely ratify their decisions. And in private, many rank-and-file legislators complain of being irrelevant.

Although certainly distasteful to most legislators, it is debatable whether this situation actually harms the performance of government. In a recent issue of IGPA Policy Forum, Michael Caldwell pointed out that centralized control by party leaders makes the Illinois parties somewhat similar to the well organized, ideologically coherent parties in parliamentary democracies--often admired by American advocates of "party government." According to these advocates, party government reduces parochialism and permits government to act decisively. It also permits voters to make clear choices between competing party programs. On the basis of various comparisons--concerning budget deficits, legislative stalemate, and the like--Caldwell argues that leadership domination of the General Assembly has not hurt Illinois government in any apparent way.

There are several objections, however, to this sanguine assessment. First, such extreme centralization of the parties is arguably incompatible with traditional American expectations about the role of the legislator. Of course rule by party leaders is hardly unknown in American politics; prior instances include the turn-of-the century U.S. House of Representatives and, closer to home, Chicago city government during the reign of the Daley machine. Nevertheless, Illinois citizens do not think of their vote for a state senator or representative as merely a vote for a statewide party. They think of it as selecting an individual who will act independently to represent the district. Second, whatever the consequences, the transfer of power to the leaders was not arranged and is not maintained by any collective party process. Rank-and-file party legislators did not consent to it. The leaders worked it out, over a period of time, with the major contributors.

Third, the centralized personal control over political money probably gives the Illinois party leaders more arbitrary power than party leaders in a parliamentary system. The leaders, not the parties, own the money. (If a leader were to be removed from his leadership position, for example, he would still control the campaign money he had accumulated.) They can punish a rank-and-file member, potentially ending his or her political career, without the need for wider consent within the party. Serious efforts by members to replace a legislative leader in Illinois are virtually nonexistent. And with good reason. Within four years after a failed attempt to oust the House Republican leader in the late 1980s, the main advocates of the effort were conspicuously absent, having retired from politics or moved on to run for other offices.

Evidence of the leaders' remarkable power has been increasing in recent years. In 1997 an education funding bill that had been pushed by the Republican Governor and passed by the House, and which had wide popular support, was killed in the Senate without debate by the Republican Senate President. The same leader told his party caucus in 1998 that each member would be allowed to pass one bill during the spring legislative session. The leaders' domination of the budget process has become more blatant. The state budget is no longer shaped, even apparently, by legislative committees and floor action in each chamber. In the last week of the spring session, a single budget bill drafted by the leadership is presented to both chambers for simple ratification. Only the leaders and their staffs know what's in the budget prior to the single vote.

We believe that most Illinois citizens would want to limit the ability of legislative leaders to dominate campaign finance in General Assembly races and, therefore, the legislative process. To accomplish this would require limits on the amounts that officeholders or candidates can transfer to other candidates or spend on their behalf.

4) Too much money contributed by interest groups.

The most serious concern about campaign finance for most people, at both the state and federal levels, is the role of contributions from narrowly based groups that have particular interests in government policy. Critics and many citizens

assume that corporations, industrial groups, unions, and professional associations, among other groups, expect something in return for their money, and that their contributions distort policy making to the advantage of private interests. As we will see, however, evaluating this concern is not entirely straightforward.

The experience at the federal level is rather murky. On the one hand, contributions have been subject to uncertain and varying amounts of legal constraint. Since 1974, there have been fairly low limits on the amounts that political action committees (PACs, the approved organizational vehicles for group contributions) can contribute directly to federal candidates: $5,000 per candidate for the primary election and $5,000 for the general election. But there have been various ways to circumvent these limits--from forming multiple PACs, to organizing individual contributions, to making unregulated independent expenditures. And by the 1996 election cycle, an even bigger loophole had opened up--a result of court decisions interpreting the statutory provisions and earlier Federal Election Commission rulings on "soft-money" contributions and issue advertising by political parties. In effect, a group can make unlimited contributions to a political party to pay for issue advertising, and that advertising may be designed quite overtly to benefit or attack a particular candidate. If a corporation wants to give $1 million to support the campaign of a friendly senator, it can now do so.

On the other hand, it is not entirely clear that campaign contributions have had major effects on national policy. Surprisingly, careful statistical studies have generally failed to demonstrate substantial effects of campaign contributions on the roll call votes of members of Congress. They seem to suggest that members vote mostly according to their ideology and state or district interests. Interest groups then contribute to those members who happen to support their demands, accounting for the frequently observed correlations between votes and contributions.

We would be reluctant, however, to rely too heavily on these conclusions--and especially to assume that their optimistic findings are valid for Illinois. Campaign contributions may have important effects that are not easily measured--for example, inducing a member to play an advocacy role on a group's behalf, influencing minor provisions that are never voted on, or even keeping a bill from being introduced or coming to a vote. They may also have smaller effects when the amounts contributed are subject to effective limits--as was true at the federal level until fairly recently. Now that interest groups can make unlimited soft-money contributions that can be used to benefit candidates, members of Congress may become more pliant.

Illinois has not had even nominal restrictions on interest-group contributions. Any organization or individual can give an unlimited amount to any candidate for public office. In recent elections, about two-thirds of all campaign contributions have originated with unions, corporations, and other organized groups. Not surprisingly, a number of groups with major economic stakes in state policy have given large amounts. Each of the top ten contributors to state candidates in Illinois for 1995-1996 gave about $350,000 or more. The Illinois State Medical

Society, at about $1.5 million, and the Illinois Education Association (IEA), at $1.3 million, gave the most (See Table 1).

The public argument of those who defend these practices is that contributors do not buy votes or decisions, but just "access" --the ability to make an appointment to see a legislator, for example. They don't explain why anyone wants access if it won't help in obtaining a favorable decision. In fact, the anecdotal record in Illinois is full of accounts of political favors directly linked to campaign contributions. There is always a high correlation between the list of the largest campaign contributors and the list of groups considered most powerful in Illinois government. On the whole, it is hard to doubt that groups that can contribute heavilyto political campaigns have an important advantage in the policy process. A system of campaign finance that allows unlimited contributions increases that advantage.

Table 1 Top 10 Contributors

Legislative and Statewide Candidates

1	Illinois State Medical Society	$1,486,000
2	Illinois Education Association	$1,266,000
3	Illinois Manufacturers Association	$822,000
4	Illinois Hospital Association	$549,000
5	Illinois Bankers Association	$507,000
6	Illinois Trial Lawyers Assoc.	$491,000
7	Association Beer Distributors of Illinois	$465,000
8	Illinois Association of Realtors	$400,000
9	Ameritech Corporation	$389,000
10	Philip Morris Corporation	$348,000

5) The use of campaign funds as personal income.
For many years, the most egregious feature of campaign finance in Illinois has been political money that was not spent on campaigns at all. Until 1998 Illinois' campaign-finance law contained a remarkable ethical loophole: The Board of Elections had no authority to examine or regulate how a candidate actually spent campaign contributions. If they wished, candidates could use the funds to cover their personal expenses--in effect, as ordinary income. Legislators have used campaign funds for country club dues, tickets to sporting events, interest-free personal loans, clothes, and cars, among other things. Some have paid themselves salaries from campaign contributions. Moreover, after leaving politics (unlike after dying) you could "take it with you." Provided that they kept their campaign fund open and made the required reports, former officeholders could spend the funds for whatever they chose. Former Governor Jim Thompson left office with over $1 million in his campaign fund; former Senate President Phil Rock had over $600,000. Governor Jim Edgar is approaching retirement with over $3 million in his campaign fund. Some Illinois politicians have accepted contributions, declined to run, and kept the money.

We hardly need to spell out the potential for corruption and undue private influence in the appropriation of campaign funds for personal use. It enables a lobbyist not only to help an incumbent get reelected but, in effect, to supplement his salary or pension. Arguably, it is corrupt in itself: Either the contributor intends the money to be used for a campaign, and the politician's appropriating it for personal use amounts to theft; or else the contributor intends such personal use all along, and the transaction creates a grossly unethical conflict of interest. Because money is worth more to a politician if there are no restrictions on how he can spend it, this practice should increase the effects of contributions on public policy. As we will see, the 1998 reform bill appears to eliminate this abuse but contains some provisions that may undermine its effectiveness.

6) Too little disclosure, too late. In the complex and contentious debate over campaign finance, one issue is not at all controversial: Almost everyone favors mandatory disclosure of campaign contributions and expenditures. However, although efforts to improve the system of disclosure in Illinois are in progress, it does not yet provide the relevant information in a timely manner.

Even advocates of sharply conflicting views on campaign finance generally agree on the importance of effective disclosure, at least for sizable contributions. For some, disclosure is necessary and sufficient to prevent undue private influence. As long as the voters know where candidates get their money, they can recognize and punish undue influence. For others, disclosure is a means to further regulation. The more the public knows about campaign finance, the more it will support major reforms. Virtually no one argues against disclosure.

Despite the apparent consensus, however, effective disclosure has been hard to achieve in Illinois. One problem concerns the timeliness of disclosure. According to a recent multi-state comparative study of campaign finance regulation, most state disclosure systems have fallen short of providing adequate, accessible information in a timely manner. State election authorities have lacked the resources and systems necessary for that purpose. Many states are now moving toward the electronic filing of reports, and some are adopting electronic disclosure via the Internet.

Illinois has lagged behind. Historically, all reports to the State Board of Elections have been made on paper forms filed in its offices. Since 1995 the State Board has prepared and made available to the public an electronic data base of campaign receipts (though not expenditures) for each six-month reporting period. However, these data bases are not available until two or three months after the paper reports are filed. Much of the information about a campaign's finances therefore has not become public until about three months after the election--too late for the voters to use it.

A 1997 law, however, mandated that the Board of Elections develop a system for the electronic posting of campaign finance reports on the internet. And the 1998 reform bill provides for mandatory electronic filing for all candidate committees

that raise or spend at least $25,000 during a reporting period. These changes will speed up the public availability of campaign financial information, after it is reported. But the reporting will still be triggered by the fixed schedule of pre- and post-election reports.

Another problem concerns the information disclosed. Until recently Illinois law, unlike federal law, did not require disclosure of an individual contributor's occupation and employer. A business firm, for example, could make large contributions inconspicuously through hard-to-trace individual contributions by its executives. Nor did the law require a political committee to use a name that revealed its sponsorship. The "Good Government Committee" could be, for example, the arm of the Asphalt Manufacturers Association. More fundamental, it did not even require noncandidate political groups to report their contributions at all. Most of the large contributors have reported voluntarily, but some groups have preferred to maintain their privacy.

The 1998 reform bill legislation remedied some of these deficiencies, but not all of them. It requires occupation and employer information for individuals who contribute $500 or more. It requires noncandidate groups that choose to register with the Board of Elections to use names that include the name of any sponsoring entity. But it still does not require noncandidate groups to report their contributions. Despite the apparent consensus on the importance of disclosure, then, the current Illinois reporting system allows plenty of opportunity for questionable campaign-finance practices to escape timely and effective exposure.

7) Too much spent on manipulative, uninformative political advertising. When people complain about the money spent in political campaigns, what's really on their minds is often something else: they don't like how the money is spent. Most campaign money buys 30-second television advertisements that notoriously are often scurrilous or misleading and almost always uninformative. We agree with these criticisms. In our view, however, these issues of the quality of political discourse are largely separate from those of campaign finance--which is only about who pays. We will briefly discuss the quality of political discourse below in connection with some possible effects of public financing.

Obstacles to Reform

Finding workable solutions to the problems of campaign finance in Illinois will be exceedingly difficult. For one thing, important goals for campaign finance reform may be in conflict. For example, if the state were to restrict campaign contributions to reduce the influence of interest groups, it could also make it harder for challengers to raise money. In addition, the consequences of reforms are in important respects hard to predict. As we have noted, we don't know how much campaign contributions actually affect policy decisions. Nor is it clear how much restrictions on contributions will actually suppress the flow of money. Such conflicts and ambiguities make it difficult to have confidence in the merits of any reform plan.

Nevertheless, the most challenging obstacles to reform are constitutional and political. Beginning with its decision in Buckley v. Valeo in 1976, the U.S. Supreme Court has imposed very important constraints on campaign-finance reform--holding that spending money to express political opinions is tantamount to political speech, and protected by the First Amendment. Yet despite this posture, the Court has permitted substantial interference in the financing of election campaigns. In considering the options for campaign-finance reform, we need to be clear about which measures are likely to survive judicial review under the Court's current doctrines. (Several leading constitutional scholars have called on the Court to reverse Buckley v. Valeo; but it has shown no evidence of a disposition to do so.)

Specifically, the Court has barred regulations that limit political spending. Political parties and candidates may spend as much money on campaigns as they can manage to obtain (unless they accept spending limits voluntarily, for example, in exchange for receiving public funding). Any other individual or group--from a labor union to the Christian Coalition or Microsoft--also may spend unlimited amounts on behalf of a candidate if they do so independently: that is, without coordinating with the candidate. The Court has upheld federal regulations that require the reporting of such independent expenditures.

On the other hand, the Court has firmly upheld the regulation of political contributions. The federal or a state government may limit the amounts that individuals or organizations may give to political parties or candidates. These limitations may be very stringent (like the current federal limit of $1000 for contributions by individuals and the even lower limits in some states). A state probably could even prohibit all contributions from, say, the gambling industry. That the Court has upheld contribution limits is important, despite the alternative of unregulated independent expenditures, because electioneering by an interest group is usually much less effective than direct contributions.

In addition to limiting contributions, the federal or a state government may provide public financing for political campaigns. And it may link such financing to a candidate's voluntary acceptance of spending limits. The requirement that spending limits be voluntary, however, is a crucial constraint. As critics of the Court's decisions point out, the inability to combine public financing with mandatory spending limits is what makes it impossible to take private money out of election campaigns in the U.S. as has been done in most European democracies.

Finally, an additional aspect of the Court's rulings is very important under current federal law. The Court has held that spending to advocate positions on issues may not be restricted or even subjected to reporting requirements. More important, it has recently defined issue advocacy very broadly--to include issue-oriented advertising that gives a candidate for office a prominent role and is transparently designed to promote his election. This ruling allowed both political parties to use issue advertising openly and massively to promote candidates during the 1996 election cycle. Because federal law and Federal Election Commission rulings allow the parties to use unregulated "soft-money" contributions for issue advertising, it opened the floodgates for

unlimited, virtually direct contributions to federal candidates. If not for those statutory and administrative policies, the Court's expansive definition of issue advocacy would have been far less consequential.

The political obstacles to reform are, if anything, even more difficult than the constitutional ones. Because the Illinois Constitution does not provide for citizen initiatives on public policy questions, changing the campaign finance law requires a bill passed by the legislature and signed by the governor. But legislators and the governor have compelling interests of their own in campaign finance that militate against effective reform. The four legislative leaders have accumulated their extraordinary power under the current campaign-finance system; they almost certainly would block any bill that threatened to undermine their dominance of the legislative process. The two parties have conflicting interests: Democrats and Republicans raise money from different sources, with Republicans generally raising more of it. As a result, almost any reform measure appears to benefit one party or the other. Finally, all the legislators and the governor are incumbents. They have a common interest in maintaining the advantages in fund-raising that incumbents enjoy under the current system.

All of these sources of resistance could be overcome if there were a strong demand for reform, focused on a clear set of objectives, from the public. But although the public generally endorses campaign finance reform, it has not had a coherent view of the objectives of reform and has not seen the issue as especially urgent.

We first set forth the elements of a modest reform program, with compelling and relatively noncontroversial objectives that we believe may be feasible even under current conditions. Indeed, in the 1998 reform bill, the General Assembly has already taken some steps in this direction. We then discuss several options for a more ambitious reform effort. Although we think some of these options have considerable merit, we would expect them to be politically feasible only under special circumstances: a major scandal in-volving campaign contributions, a revolt by rank-and-file members of the assembly, aggressive leadership by a governor, or the like.

Modest, but Feasible Reforms

Among the possible objectives for campaign-finance reform, two have a sufficiently compelling rationale or enough evidence of consensus to make them candidates for action in the very near term: eliminating the appropriation of campaign funds for personal use, and improving disclosure with respect to timing and content.

Financial Integrity. As we have noted, the 1998 reform bill generally bans personal use of campaign contributions, an important accomplishment. Unfortunately, it contains several compromises that may reduce the ban's effectiveness, perhaps substantially. To begin with, it exempts the money that current and former officials already have in their campaign funds as of June 30, 1998. When Governor Edgar and Secretary of State George Ryan leave office, they each will have about $3 million that they will be able to spend for any purpose, political or purely personal. More impor-

tant for current and future officeholders, the bill does not prohibit no-interest loans from a campaign fund to a candidate. And it specifically allows a candidate to be paid out of his campaign fund for "services rendered" --an exception that could expand enough to undermine the purpose of the ban. A retired officeholder's campaign fund could pay him or her a handsome salary for administering the fund.

In our view, the General Assembly should prohibit all personal use of campaign funds, with no exceptions for interest-free personal loans and with careful definition and documentation of permissible payments for "services rendered" by candidates or their family members. It should give the State Board of Elections the resources necessary for enforcement, and require office holders to close out their campaign funds within two years of leaving office. These measures are necessary to establish a minimal conception of financial integrity.

Enhanced Disclosure. The main shortcoming of Illinois' current disclosure practices is the lack of timeliness. If the voters are to take the sources and uses of a candidate's money into account, they need the information well before election day--to permit adequate publicity and debate. With today's technology, they could receive such information virtually in real time, learning about contributions almost as soon as the checks are deposited.

All current disclosure systems at both the state and federal level are based on regularly scheduled reports. Illinois has typical requirements. Candidates must disclose all receipts and expenditures of more than $150 during each six-month period, filing reports at the end of January and August. In election years they must also file pre-election reports of their receipts; these reports are due 15 days before the primary and the general elections and must disclose receipts as of the 30th day prior to the election. The Board of Elections then struggles to get the information in shape for release. In any case, a comprehensive picture of candidates' receipts and expenditures is not available until the January report, three months after the general election.

An alternative disclosure system could be designed to report transactions virtually as they occur. The Illinois system attempts such real-time reporting, though not very successfully, during the last month before an election. During that period, all receipts of $500 or more are to be reported to the State Board of Elections within three days. The goal is to prevent an interest group or a candidate from sneaking in a big contribution just prior to the election. Unfortunately, the reports are made on paper forms, making rapid processing impossible. But the principle of reporting transactions in real time is indeed desirable, especially during the campaign season.

In a conventional, schedule-based electronic disclosure process, the state election authority gives each campaign software into which receipt and expenditure data is entered directly or downloaded from the campaign management software. Information required for a scheduled report is filed on a disk or electronically with the state election authority, which makes the data available to the public when the report is published.

The technology now exists to provide the information in a more timely way. In 1997 the Center for Responsive Politics conducted a demonstration campaign finance reporting project using web-based software, with cooperation from the candidates in the Virginia gubernatorial election. With appropriate security precautions, the project software used data entry forms identical to those required by the Virginia state election authority. Campaign staff entered receipts and expenditures within seven days of the transactions. The data was then available to the campaign itself. And seven days later, it was posted on a public web site. The web site offered the public a continuous, comprehensive record of each candidate's receipts and expenditures.

A similar demonstration project is currently being planned for the 1998 Illinois gubernatorial and constitutional officers' races under the sponsorship of the Illinois Campaign for Political Reform and the Sunshine Project at the University of Illinois at Springfield. It is expected that most, if not all, candidates will agree to participate. In any case, the state should proceed to establish a real-time, web-based reporting system for all state elections.

The other deficiency of the Illinois disclosure system concerns the quality of the information disclosed. The state should correct the omissions that remain in the reporting requirements even after the 1998 reform bill. The bill provides for the reporting of the occupation and employer of individuals who contribute more than $500 to a candidate. However, it does not require corporations, unions, or non-candidate political groups that contribute to candidates to file campaign-disclosure reports. Such groups should be required to report their campaign contributions, using names that provide clear information about their identities.

More Ambitious Reforms: Thinking Ahead

At some point, intensified public concern, aggressive gubernatorial leadership, or other developments may permit a more ambitious approach to reforming campaign finance in Illinois. If so, however, it will not be a simple task to select the constitutionally permissible reform measures that would resolve the problems of campaign finance most effectively. We believe that serious consideration should be given to two kinds of measures: limiting the size of campaign contributions by individuals, groups, and political committees; and providing partial public financing and other forms of public support for campaigns.

Contribution Limits. The case for limits on campaign contributions is not as obviously compelling as many reformers seem to think. As we have noted, the evidence from studies of voting in Congress does not demonstrate that campaign contributions have major effects on policy decisions. There also are grounds for doubting that limits on contributions really work. Political scientist Michael Malbin argues that groups or individuals with large sums to contribute will find a way to do so. And the contribution limits that have existed at the federal level and in many states do not appear to have slowed the growth of campaign spending. Finally, if contribution limits are effective, they may increase the difficulties that challengers have in raising enough

money for a competitive campaign. They would increase the advantage that wealthy individuals, willing to spend large sums of their own money, have over other candidates, especially in a primary election.

Nevertheless, we believe that on balance the considerations favoring contribution limits outweigh the objections. The evidence of the modest effects of contributions on roll-call voting in Congress may not tell us much about their effects on policymaking in Illinois. In Illinois there are fewer potential contributors; so politicians may be more dependent upon those few. In 1995-1996, the top five private contributors gave 11% of the total given by such contributors in all legislative and statewide races; the top 10 gave 16% of the total. An Illinois politician cannot casually write off one of the state's major contributors and expect to make it up from other sources.

More important, there are no legal limits on the size of the contributions. In 1995-1996 the Illinois State Medical Society contributed $324,000 to funds controlled by then-House Speaker Lee Daniels and $222,000 to funds controlled by Senate President Pate Philip. On the scale of Illinois politics, these are huge contributions, more than 4% of all the money the two leaders received. Citizens could reasonably suspect that the Republican leadership would be obliged to be highly responsive to the concerns of the state medical society. The Illinois Education Association (IEA) contributed at least $15,000 to each of 30 legislative candidates in the 1995-1996 election cycle. This was again a substantial fraction of all the money received by many of these candidates. The legislators who received these contributions would certainly appear indebted to the IEA. The appearances of indebtedness and influence may well be accurate. There is certainly ample anecdotal evidence that both the state medical society and the IEA are very powerful groups in Springfield. In our view, the concern that unrestricted campaign contributions may give private interests undue influence over state policy cannot be dismissed.

Moreover, we consider it likely that restrictions on campaign contributions are in fact reasonably effective--actually preventing many of the very large contributions that would otherwise occur. To be sure, there are many ways to circumvent such restrictions. As we have noted, the combination of the soft-money exemption for party contributions at the federal level with the development of candidate-focused issue advocacy, as currently sanctioned by the courts, provides an unlimited, general-purpose method of circumvention.

But in the absence of such gaping loopholes, organizing a group to circumvent contribution limits is usually not so easy. Suppose, for example, that a new law limited the Illinois Medical Association to contributing $25,000 to each party's campaign committees in the General Assembly. Would association members make up the $300,000 reduction in contributions to the House Republican leader by sending in individual contributions? Large groups of individuals are notoriously prone to "let George do it," with the result that no one does it. Would someone set up several new political groups to funnel funds from medical doctors into politics? And if so, would the doctors pay dues? If the IEA was limited to giving, say, $10,000 to a legislative candidate, would teachers give individual contributions or form effective new organizations to circum-

vent that limit? In general, the idea that restrictions on contributions can be circumvented so easily that they have minimal effects seems to us facile and unlikely. Similar reasoning would suggest that it is impossible to prohibit bribery. Politicians who vigorously oppose contribution limits obviously don't buy the wholesale circumvention hypothesis either.

Finally, it is unclear that allowing very large contributions benefits challengers more than incumbents, or helps the opponents of wealthy candidates. Indeed, limiting contributions may induce contributors to spread their money around--for example, giving some money to promising challengers that otherwise would go to the party committees or a few key members. In any case, it is hard to argue that unlimited contributions have been a boon to competition in Illinois, where half the Senate and House races have been uncontested.

If limits on individual and group contributions to campaigns were adopted in Illinois, we would suggest that the limits should be reasonably generous and updated periodically. The current federal limits of $1000 per candidate per election for individ-uals and $5000 for political action commit-tees--set twenty-five years ago--are in our view far too low for federal campaigns. Setting the limits too low increases the risk of suppressing overall spending, reducing competition, and protecting incumbents.

Limiting the contributions of interest groups to perhaps $10,000 and those of individuals to perhaps $5000 for any one candidate or party committee per election should not hurt challengers or reduce competition significantly . Yet it would remove most of the grounds for fearing that well-heeled private interests can use contributions to gain disproportionate influence in the legislature. (Ironically, limits on individual and group contributions would sometimes benefit the contributors. Some elected officials virtually demand contributions from certain groups. By putting a ceiling on the amount that such officials could ask for, the limit would protect those contributors from transactions that in some cases may border on extortion.)

Unless one favors Illinois' current, remarkably centralized party government, there is a strong case for limits on the amounts that state party committees or legislative-leader party committees may receive from groups or individuals, on the amounts they may transfer to a candidate's campaign or spend directly on his or her behalf, or on both. The leaders' ability to control about 60% of the spending in competitive assembly races is what enables them to dominate the legislative process to an extent rarely seen in an American legislature. Limits on the leaders' role in funding campaigns would ensure that rank-and-file legislators have an independent political existence.

Of course the leadership can be counted on to block the adoption of any such limits. Save for the remote possibility of a revolt by rank-and-file members, such limits are presumably beyond contemplating at least until some of the current leaders leave office. In fact, the leaders would probably be almost as determined to block contribution limits for individuals and groups: Any such limits would be hard to square with their practice of both receiving and distributing extraordinarily large contributions.

Public Financing. Although the most ambitious schemes for public financing of political campaigns seem misconceived, we think that some limited forms of public support could play a useful role in enhancing political competition.

"Clean money" is the promotional name for a campaign-finance reform plan that is being advanced by advocacy groups in a number of states and was adopted by initiative in Maine in 1996. The advocates argue that funding elections with private money inevitably corrupts the political system. The only remedy is to eliminate private money and substitute "clean," which is to say, public money. In view of the constitutional constraints, this requires providing a voluntary system of public campaign finance, funding it adequately, and creating a political climate in which the voters regard private money as disreputable. The Maine clean-money initiative imposes severe contribution limits, offers public financing for candidates who agree to spending limits, and stipulates that the election ballot will indicate whether each candidate chose or rejected the clean-money option.

Whether Maine's system will be more effective than the modest public financing systems for legislative elections in Wisconsin and Minnesota or those for gubernatorial elections in several states is doubtful. As experience has shown, it is prohibitively expensive to provide sufficient public funding to induce candidates in competitive legislative races to opt for the offer and forgo raising their own funds. The pattern has been for safe incumbents and very strong candidates in open seats to accept public funding. Such candidates are not taking any political risks because the funds provided to their opponents have not been sufficient to make them a threat. Weak challengers also accept public funding because it gives them more money than they could raise on their own. But in competitive races, both candidates reject public funding and raise and spend as much as they can. In short, it is a system of public funding for uncompetitive legislative races and private funding for competitive ones.

If Illinois adopted a similar clean-money system, it would probably get the same result. Providing $100,000 in public funding for each legislative candidate in the general election would have a price tag of $31.6 million for the 1998 elections if all the legislative races were contested and every candidate chose to participate. That would probably look quite expensive to Illinois voters, yet it would give House candidates less than half of the average spending in targeted, competitive 1996 House races, and Senate candidates less than a quarter of the average spending in such 1996 Senate races. The result would be fewer uncontested races; public funding would attract challengers and give all of them significant funding. But it would produce few additional genuinely competitive races, if any. Such races would still require candidates to raise substantial amounts of private money, and private money would still dominate the races that counted.

The modest objective of reducing the number of uncontested races could be achieved more effectively, in our view, by simply providing a limited amount of public support for all candidates. Instead of trying to drive out private contributions, such a policy would seek primarily to inform citizens, increase their participation, and enhance the quality of campaign debate. At modest expense, the state government could distribute

voting guides--with candidates' statements, pictures, and other information--to all households in the state. A more ambitious program could subsidize mailings and radio and TV time for all candidates, or provide modest cash support for their campaigns. To some degree, this support might also be used to promote a higher quality of campaign discourse, addressing in a limited way the widely deplored deficiencies of campaign rhetoric. To receive support, candidates could be required to make certain pledges on matters of campaign practice--for example, to participate in formal debates, or to adhere to a voluntary code "fair campaign practices." Of course monitoring the fulfillment of such pledges would have to be entirely in the province of the media and public debate, and not in any way a function of government.

In any case, public financing or other support for campaigns would primarily benefit challengers because they have far more difficulty than incumbents raising enough money to become competitive. There would be hard questions about whether and how to extend public funding to candidates in primary elections. Unfortunately, even modest amounts of public support could attract large numbers of frivolous candidacies. Public support should probably be limited to general election campaigns or extended only to those primary election candidates who can demonstrate some public support for their candidacies.

Realistic Reform of Campaign Finance in Illinois

There are, then, serious problems concerning the role of money in Illinois politics. What we know about campaign finance in Illinois, in other states, and at the federal level does not demonstrate, however, an immediate and compelling need for sweeping reform of the state's campaign finance system--such as the adoption of so-called clean-money public financing of political campaigns. In any case, the realities of Illinois politics suggest that even modest reforms will be difficult to achieve.

Reformers in Illinois politics need to deal with both short-term and long-term goals. As the spring 1998 reform bill demonstrated, some fairly modest, yet very useful reforms are politically feasible, even under existing conditions. The General Assembly should plug the loopholes in the 1998 ban on personal use of campaign funds. Illinois should also improve the disclosure of campaign-finance information by developing a web-based, continuous, electronic reporting system. It should also require political groups that make contributions to report them, using names that reveal their identities.

In the long run, if support for reform grows, more substantial measures may become feasible. Despite some ambiguities about the actual effects of campaign contributions on policy making, we think it desirable to limit the size of permissible contributions by individuals and groups to political parties and candidates. The very large contributions now permitted in Illinois raise legitimate questions of corrupt or inappropriate private influence on public policy.

In constructing a system of contribution limits, however, the state should avoid the mistakes of the federal system. It should make the limits reasonably generous, and

ensure that they are adjusted periodically. And it should not create any open-ended exemption, like the federal exemption for "soft-money," that could expand to undermine the entire scheme. To avoid such circumvention, such a measure should seek to define issue advocacy to exclude advertisements that use the names of candidates during a short period before the election.

If the state's citizens want to restore some degree of political independence for rank-and-file legislators and give them a genuine representative role, there are compelling grounds for additional restrictions on the amounts of transfers to and expenditures on behalf of other candidates by party and legislative-leader campaign committees. These restrictions would prevent a handful of party leaders from dominating the financing of General Assembly elections and thus the legislative process.

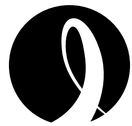
Finally, a limited form of public support for political campaigns--such as providing voter guides or small subsidies for mailings or media advertising--could have two kinds of desirable effects. It would increase the prevalence of effective electoral competition, ensuring more than merely token challenges in nearly all races. Perhaps more important, it would directly enhance the information that voters receive, and could even be used to leverage some improvement in the quality of campaign debate. Such a scheme would modestly supplement the role of private money rather than seeking to supplant it. To go beyond this limited form of public finance and adopt a European-style campaign system genuinely free of private money would require a citizenry more willing to spend tax money on the fairness and integrity of the political process and a Supreme Court more willing to uphold restrictions on other spending.

About the Authors

Kent D. Redfield is professor of political studies and a
member of the Institute for Public Affairs at the University of Illinois at Springfield.

Paul J. Quirk is professor of political science at the
University of Illinois at Urbana-Champaign.

Both have appointments in the Institute of Government and
Public Affairs of the University of Illinois.



THE INSTITUTE OF GOVERNMENT AND PUBLIC AFFAIRS

The Institute of Government and Public Affairs conducts research on public policy issues and the public decision-making process; disseminates the results of research on public policy issues to practitioners and citizens; and applies public affairs expertise to solving problems confronting decision makers.

This mission is accomplished through multi-disciplinary, problem-focused research; the communication of research results to other researchers through scholarly publications and to practitioners through reports and presentations; and the application of research results and expertise through continuing education programs and technical assistance for leaders and decision makers involved in the policy process.

815 West Van Buren Street (MC-191)
Chicago, Illinois 60607
(312) 996-6188

PAC 428
Springfield, Illinois 62794
(217) 206-7682

1007 West Nevada Street (MC-037)
Urbana, Illinois 61801
(217) 333-3340

Visit our website at http://www.igpa.uillinois.uiuc.edu.

IGPA does not endorse political parties or candidates or take positions on issues of public policy. The facts, opinions, interpretations, and recommendations expressed in IGPA publications are solely the responsibility of the authors.