

# **DISCLOSURE DENIED**

How 19th-century technology conceals campaign  
finance information from the public

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The research and layout design were originally created by Craig Hollman and Robert Jystad of the National Resource Center for State and Local Campaign Finance Reform, 10951 West Pico Boulevard #206, Los Angeles, California 90064. The information in this report was derived from our own telephone interviews with the various state agencies. All mistakes are our own.

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## "DISCLOSURE DENIED"

### EXECUTIVE SUMMARY

#### *SUMMARY OF FINDINGS:*

#### THE CURRENT PAPER FILING SYSTEM THWARTS DISCLOSURE AND ENFORCEMENT OF ELECTION LAWS

1) Without computerization, it is virtually impossible for the State Board of Elections to crack down on donors who exceed contribution limits.

Enforcing contribution limits requires monitoring multiple contributions by a single contributor. But the Board of Elections can not do so. It has no way of tracing how much one contributor has given, in the aggregate, to different candidates, PACs and party committees.

2) The current system of disclosure prevents the public from having meaningful access to campaign finance data.

Current disclosure laws and practices make it nearly impossible for interested members of the public to answer many of the most basic questions concerning the financing of political campaigns. While it is true that for every contribution over \$100, candidates must report the name of the contributor and the amount of the contribution to the Board of Elections, this information alone is of limited value.

3) Paper filings are often late, incomplete, or missing.

Often, the copies of the reports that the Board makes available to the public are missing pages, are poorly photocopied, or have been defaced beyond readability.

#### *SUMMARY OF COMPUTERIZATION OF CAMPAIGN FINANCE INFORMATION AROUND THE COUNTRY*

Thirty-eight campaign finance agencies throughout the country have significant computerization programs for campaign finance data, according to a recent survey of fifty-five agencies in the United States. The survey included every state campaign finance agency in the country, as well as the Federal Elections Commission (FEC) and agencies in the District of Columbia, San Francisco, Seattle, and New York City.

Twenty-four of these agencies make some computerized campaign finance data available to the public through a variety of means including in house terminals, on computer diskettes, via modem, or on the internet.

Sixteen of these agencies currently have some form of voluntary or mandatory system for candidates to file campaign contribution information electronically. The most common method, used by twelve agencies around the country, is to have candidates file this information on a computer disk submitted to the agency in some standardized format. A few agencies, including New York City's, even supply software to the candidates, simplifying this process.

#### *SUMMARY OF RECOMMENDATIONS*

The Legislature should move quickly to enact legislation that would establish a computerized campaign finance disclosure system similar to that of the New York City Campaign Finance Board. First, the Legislature should appropriate funding to the State Board of Elections, and later to counties, to help develop compatible computerization systems. A fully effective and cost-efficient system should have the following features:

- The Board of Elections should enter all filings for state elections and state committees onto a computer database.
- Candidates should be encouraged to file electronically.
- The public should have access to the computer database throughout the state.
- The Board of Elections should make the database available to the public for a nominal cost in a standardized electronic format.

"Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman."

- Justice Louis Brandeis -

"In contrast to other jurisdictions, our disclosure requirements barely provide the people of this state with the illumination of a candle, much less the sun."

- State of New York Commission on Government Integrity -

## **INTRODUCTION**

The 1994 Gubernatorial elections in New York State set a new record in spending. Total spending for the three candidates for Governor topped \$35 million.

Spending on state legislative races has also reached record levels -- especially by incumbents. According to a study conducted by Syracuse University political scientist Dr. Jeffrey Stonecash, the campaign spending advantage held by legislative incumbents over challengers nearly doubled between 1986 and 1993, with incumbents outspending challengers by an average ratio of four to one.

Virtually no one -- not the candidates, not the media, not the Board of Elections, and certainly not the public -- can answer even the most fundamental question about this flood of campaign money. Archaic disclosure laws, obsolete record-keeping, insufficient staffing at the Board of Elections and toothless enforcement of contribution limits have allowed special interest influence-peddlers to ply their trade with little fear of government oversight or public awareness.

This report calls for the State Legislature to enact a reform first recommended nine years ago by the State Commission on Government Integrity: computerization of campaign finance data.

Computerization of campaign finance data will save money; lighten the load of candidates in the midst of campaigns for state office; make widespread dissemination of this information easier and more efficient; and help in tracking down donors who break contribution limits and elude filing requirements. And most importantly, computerization will mean that New Yorkers will no longer be kept in the dark about the many special interests that spend millions of dollars to fund political campaigns.

## **FINDINGS**

## THE CURRENT PAPER FILING SYSTEM THWARTS DISCLOSURE AND ENFORCEMENT OF ELECTION LAWS

New York's antiquated filing system has erected a virtual wall of paper that keeps both enforcement agents and the public from having any meaningful contact with the information reported on the disclosure forms.

1) Without Computerization, it is virtually impossible for the State Board of Elections to crack down on donors who exceed contribution limits. In a report issued in 1989, the Commission on Government Integrity explained why state contribution limits could not be effectively enforced without computerization:

Enforcing contribution limits requires monitoring multiple contributions by a single contributor. But the Board [of Elections] can not do so. It has no way of tracing how much one contributor has given, in the aggregate, to different candidates, PACs and party committees. Each candidate (sometimes with more than one committee), each party committee (state, legislative, local), and each of more than 400 PACs, files separate statements anywhere from two to seven times a year. The statements may be handwritten; in the case of major fund-raisers, such as Governor Cuomo's, they may be tens, even hundreds of pages long. It is physically impossible, without the aid of a computer, to cross-reference the contributions even with one such candidate's records, much less to derive aggregate figures for particular contributors.<sup>1</sup>

The State Board has had a particular problem tracking donations by corporations, which are limited by state law to \$5,000 a year. For example, an investigation by Gannett-Westchester newspapers in 1990 revealed that the Board had missed close to \$550,000 in excess contributions by 142 corporations over a two-year period.

The State Board has since computerized corporate contribution information -- at the statewide level only. Information concerning campaign contributions from corporations to local candidates and party committees is reported to the county boards around the state and are neither computerized nor brought together in any central location. This makes it impossible for the State Board of Elections to enforce this important contribution limit.

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<sup>1</sup> The Midas Touch: Campaign Finance Practices of Statewide Officeholders; June 1989; pg. 17.

Moreover, despite the fact that the Commission on Government Integrity gave computerization in New York a "jump start" by computerizing campaign contribution information for statewide and state legislative candidates during the latter half of the 1980s, the State Legislature has repeatedly ignored budget proposals for full computerization by the State Board and by state legislators, including a modest \$60,000 requested for 1995-96.

**2) The current system of disclosure prevents the public from having meaningful access to campaign finance data.**

Current disclosure laws and practices make it nearly impossible for interested members of the public to answer many of the most basic questions concerning the financing of political campaigns. While it is true that for every contribution over \$100, candidates must report the name of the contributor and the amount of the contribution to the Board of Elections, this information is of limited value if it can not be analyzed.

For example, answering the question "How much money did contributor X give to my legislator during the last election cycle?" could take hours to answer -- if one were in Albany. For people living away from Albany, answering this simple question could take days.

More complex, but equally important questions are even more difficult to answer. Simply finding out how much a single contributor, such as a lobbyist, gave to all candidates during an election cycle would take days of searching through thousands of paper disclosure forms. Searching for something as complicated as giving trends for an entire industry would take months.

If this information were available on a computer database, answering these questions would involve little more than typing a few key strokes. And if this information was available on the Internet, people could access this information from around the state in a matter of seconds.

**3) Paper filings are often late, incomplete, or missing.** For those hardy souls who are willing to wade through mountains of disclosure forms, the weaknesses of storing this information on paper forms -- which must be directly handled by all who seek the information they contain -- become immediately apparent.

Often, the copies of the reports that the Board makes available to the public are missing pages, are poorly photocopied, or have been defaced beyond readability. While the Board of Elections stores uncorrupted originals in separate file

cabinets, accessing these records can be very time consuming. The problem is particularly frustrating for people who are getting this information mailed to them since they may not know what is missing or unreadable until their order has arrived.

Electronic disclosure would allow people access to databases which, once the information was entered, could not be altered.

Furthermore, many filings arrive at the Board of Elections with information missing. Electronic verification of this information would ensure that these mistakes were caught quickly and that the information was available in a timely manner. By the State Board's own estimate, there was a six month backlog of reports awaiting review a month after the 1994 election.

Filers -- even the most experienced politicians -- often do not fill out the forms correctly. Important information -- such as total contributions to date -- does not jibe from report to report. Allowing candidates to use computer software to submit this information would allow the software to highlight such errors before candidates filed the reports. And the Board of Elections could use software to automatically check for completeness and accuracy when the information is submitted.

#### COMPUTERIZATION OF CAMPAIGN FINANCE INFORMATION AROUND THE COUNTRY

Thirty-eight campaign finance agencies throughout the country have significant computerization programs for campaign finance data, according to a recent survey of fifty-five agencies in the United States. The survey included every state campaign finance agency in the country, as well as the Federal Elections Commission (FEC) and agencies in the District of Columbia, San Francisco, Seattle, and New York City.

Twenty-four of these agencies make some computerized campaign finance data available to the public through a variety of means including in house terminals, on computer diskettes, via modem, or on the internet.

Sixteen of these agencies currently have some form of voluntary or mandatory system for candidates to file campaign contribution information electronically. The most common method, used by twelve agencies around the country, is to have candidates file this information on a computer disk submitted to the agency in some standardized format. A few agencies, including New York City's, even supply software to the candidates, simplifying this process.



Here's how computerized disclosure works in a few notable campaign finance agencies:

◆ The FEC, which collects, audits, and distributes campaign finance information for federal candidates, has completely automated their enforcement and disclosure operations. In fact, the FEC began computerizing disclosure information in 1976.

All contribution information is put onto a database that is then used by auditors, the media, and the public. Forms are scanned onto the database within 48 hours of being received, thus making electronic facsimiles of the forms available. Data is then entered into the database over a two week period. This information can be purchased on hard copies or on computer tape. It may also be accessed from computer terminals in offices around the nation.

◆ Model state campaign finance agencies include Florida and New Mexico. In Florida, the law mandates that all candidates who do not qualify for a hardship waiver must file their campaign finance information electronically. New Mexico has a voluntary system. Both states offer quick public access to all the information they receive.

These systems save time, improve service and have proven to be cost effective. Enforcement audits are faster and more thorough using computer databases. For example, Florida is able to quickly and easily total individual contributors' donations to ensure that they have not exceeded contribution limits. New Mexico is able to cross-check candidate filings with PAC filings to make sure that if a PAC made a contribution, it is properly reported on the candidate's form and vice-versa.

The flow of information to citizens and the media on campaign giving is faster, cheaper, and more reliable. Federal summary campaign contribution information, for example, is now available on the Internet, while detailed information is available on computer tapes, at public terminals around the nation, and via modem. Entire databases that used to cost hundreds of dollars to photocopy are now available for just a few dollars on computer tape.

Many candidates who have been able to file electronically have said that they find it much easier than completing reams of paper forms. For example, in New York City, candidates can file using either their own database program, or software provided by the Campaign Finance Board that keeps all of their donor records on computer. The software, called C-SMART (Candidate Software for Managing and Reporting Transactions) has been widely praised.

Sixty-two percent of all transactions in the 1993 elections (the last year in which the City held elections) were filed electronically using either C-SMART or some other database program. Candidates who choose the more difficult method of filing on paper have their information entered by the Campaign Finance Board in a matter of days.

**The New York City Campaign Finance Board: A National Leader in Public Disclosure:**

The New York City Campaign Finance Board has pioneered a program of easily accessible public disclosure that is a national model. Its state-of-the-art computerized records ensure the public's right to know. Instead of a stack of incomplete, sometimes illegible disclosure forms, the Campaign Finance Board's software can provide a sophisticated analysis of contributions and spending that allows the public to get a full picture of the impact of special-interest spending on elections.

During the 1993 mayoral campaign, the Campaign Finance Board provided a broad range of information on campaign contributions and candidate expenditures in an easily digestible form. Since then the Board has improved its reporting by installing a public terminal which allows easy access to their databases, as well as access to the detailed Federal Elections Commission database of federal elections.

Visitors to the Board may easily search a database by contributor, candidate, vendor, and date. (The Board also keeps information not required under state law, such as employer of the contributor and if an intermediary was used.) Searches take seconds, and the results can be viewed on the spot, printed out, or placed on a computer disk.

By contrast, a visitor to the State Board of Elections is confronted with thousands of pages of paper filings organized by candidate and broken down no further than by reporting period. A search for a particular contributor can take days instead of seconds. Intelligently analyzing this mass of paper is a daunting -- if impossible -- task.

***RECOMMENDATIONS***

**The Legislature should move quickly to enact legislation that would establish a computerized campaign finance disclosure system, similar to that of the New York City Campaign Finance Board.** The Legislature should appropriate funding first to the State Board of Elections, and later to counties, to help develop

compatible computerization systems. A fully effective and cost-efficient system should have the following features:

- **The Board of Elections should enter all filings for state elections and state committees onto a computer database.** This would include filings for candidates for statewide office, the State Legislature, as well as all state registered PACs, state legislative committees and state party committees. The database should include all information presently required to be provided by candidates and committees, including monetary and in-kind contributions, expenditures, liabilities and loans.
- **Candidates should be encouraged to file electronically.** The state can make freely available a computer program, such as the C-SMART software offered by the New York City Campaign Finance Board. To save money, the Legislature may even wish to mandate that some committees have to file electronically. If this option is chosen, the bill should ensure that smaller, more poorly funded committees, for whom electronically filing would be a burden, are allowed to continue to file on paper and then have the board input this data for them. The law could set thresholds high enough to exempt these committees, waivers could be offered to committees which could demonstrate hardship (as is currently being done in Florida), or the local boards could provide for computers to be made available to these committees.

The Campaign Finance Board estimates that the same number of transactions that would take 2,000 person-hours to enter onto a database and verify with paper filings, can be processed in five person-hours using electronic filings. The Campaign Finance Board found that the system was so efficient to use that the entire cost of creating the software was recouped in one election cycle.

- **The public should have access to the computer database throughout the state.** At first, the State Board may simply wish to set up terminals in its office in Albany. Soon thereafter, the Board of Elections should post this information on the Internet with supporting software to do simple searches.
- **The Board of Elections should make the database available to the public for a nominal cost in a standardized electronic format.** For example, the Campaign Finance Board's entire database, in an ASCII format, is available for \$75. This allows news organizations and public interest groups to do their own analysis of the data.



STATE	Voluntary	Mandatory	Diskette	Public Kiosk	Modem	Scanning	Under Study		Public Access	In-House Terminal	Diskette	Public Kiosk	Modem	Internet	Under Study		Store Data Electronically
Nevada	x	x													x		x
New Hamp.																	
N.J.							x		x		x	b	b				x
N.Mexico	x		x			b			x		x		b				
N.Y.																	
N.C.	x		x						x	x	x		b	x			x
N.Dakota										e							e
Ohio									x	x	x						x
Oklahoma	b						x		c		c	b	b	x			c
Oregon	b						x		b								c
Penn.							b							b			e
R.Island	x											x					x
S.C.	x					x	x		x	x		b					e
S.Dakota									x		e						e
Tenn.																	b
Texas	x		x						c		c						c
Utah																	
Vermont							x		e	e	e	e	e	e			x
Virginia															x		
Wash.	x	a	x			b			e	e	e	e	e	e			e
W.Virg.							x								x		
Wiscon.	b						x		x	x	x	b	b				x
Wyoming							x								x		
D.C.																	
N.Y.C.	x		x						x	x	x	x					x
San Fran.		x	x						x	x	x			b			x
Seattle	x		x						x					x	x		x
F.E.C.						x	x		x	x		x	x	c			x

Key: (a) Governor's race only.  
 (b) Pending  
 (c) Summary records only.  
 (d) All of gubernatorial data, summary data for others.  
 (e) Limited information.  
 (x) Available

