ISSUE ANALYSIS No. 10
June 2017

CENTER for COMPETITIVE POLITICS
Congress shall make no law...
www.CampaignFreedom.org

Do Taxpayer-Funded Campaigns Increase Political Competitiveness?

By Joe Albanese

Issue

Advocates of taxpayer-funded political campaigns often claim that such systems improve the political process by exposing incumbent politicians to more competition and increasing the chance that challengers will defeat them in elections. One such advocate, the Brennan Center for Justice, has argued that tax-financed campaigns "improve competition, and help challengers."[1] If this claim is true, we would expect to find lower incumbent re-election rates in states that offer tax-financed campaigns.

Our results indicate that, despite claims that this policy increases electoral competition, taxpayer financing of political campaigns does not produce statistically significantly lower re-election rates for incumbent state legislators. A comparison between states with and without such laws suggests that the system of funding campaigns has no effect on re-election rates. Many factors contribute to high incumbent re-election rates across states, such as name recognition, the platform provided by elected office, and voter satisfaction with their representatives. Tax-financing of campaigns is not one of those factors.

1 Ciara Torres-Spelliscy, "The Incumbency Problem Has Everything to do with Money," *The Hill*. Retrieved on May 25, 2017. Available at: http://thehill.com/blogs/congress-blog/politics/25496-the-incumbency-problem-has-everything-to-do-with-money (May 19, 2009).

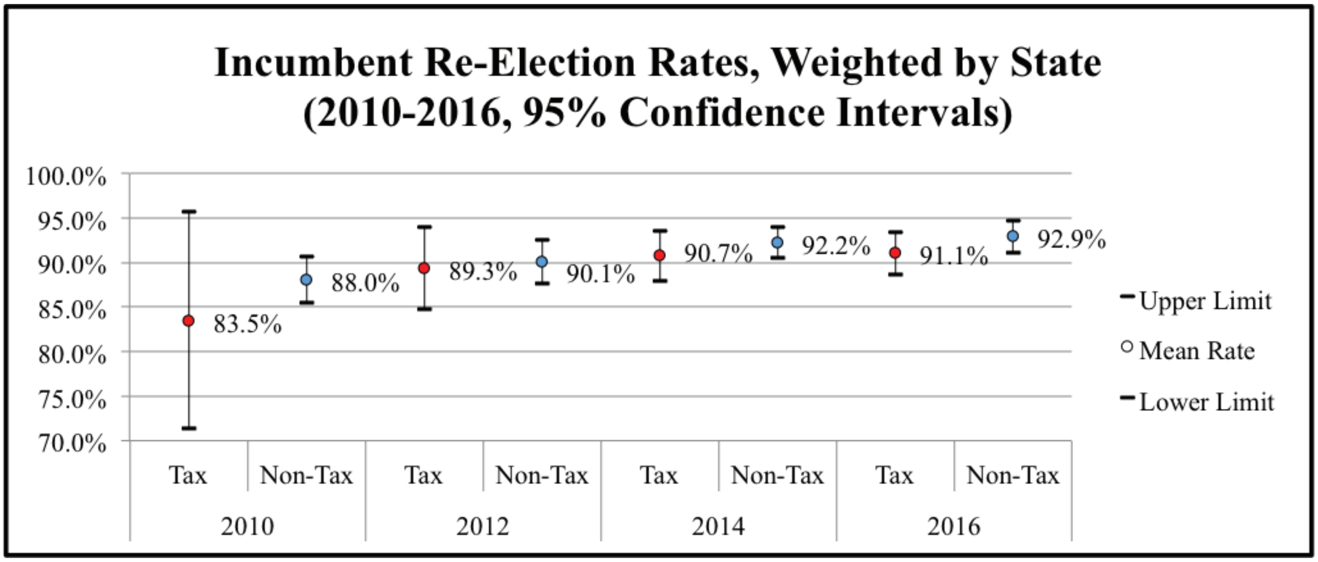
Analysis

At the state level, it is not uncommon for incumbents to run unopposed in a primary or even general election. It is also well-established that incumbents win re-election in the vast majority of races.[2] Supporters of public financing say this policy makes races more competitive. But what really counts in a political campaign is winning the election. In the end, that is the only competition that matters. If tax-financing systems genuinely increase electoral competitiveness, as supporters claim, we should see lower rates of incumbent re-election in states with taxpayer-funded campaigns.

To study the impact of taxpayer-funded campaigns on competitiveness, we analyze the percentage of incumbents in all state legislatures from 2010 to 2016 that won re-election.[3] We divide the states between

2 Robert E. Hogan, "Policy Responsiveness and Incumbent Reelection in State Legislatures," *American Journal of Political Science*, Vol. 52, No. 4. Retrieved on May 25, 2017. Available at: http://www.jstor.org/stable/25193854 (October 2008), pp. 858-873.

3 Data was collected from Ballotpedia web pages summarizing state legislative election results during the 2010, 2012, 2014, and 2016 election cycles. *See*, for example, "Incumbents defeated in 2016's state legislative elections," Ballotpedia. Available at: https://ballotpedia.org/Incumbents_defeated_in_2016%27s_state_legislative_elections. Pre-2016 data was verified as of October 3, 2016, while 2016 data was verified on April 25, 2017. 2016 general election results were taken from individual Ballotpedia pages for state elections when summary data was unavailable. *See* "State legislative elections by state, 2016," Ballotpedia. Available at: https://ballotpedia.



those with taxpayer-funded campaign programs for state legislators (Arizona, Connecticut, Hawaii, Maine, and Minnesota) and those without such programs.[4] Incumbent re-election rates were calculated by dividing the number of incumbents who won their primary and general election by the total number of seats up for election,[5] excluding the seats with no incumbent.[6]

The results indicate that the difference in incumbency rates between states with taxpayer-funded campaigns and those with solely private funding is statistically insignificant.[7]

The above graph shows the average incumbency rates of the two groupings of states (tax-financing and non-tax-financing) per election cycle. The confidence intervals represent, with 95% certainty, the range of expected election results. That is, if the 2010 election were held again in a state with tax-financed campaigns, the re-election rate would fall within the far-left range 95% of the time. The results show how both groups of states have high incumbent re-election rates each election cycle, with statistically insignificant differences between them.

On average, incumbents in states with taxpayer-funded campaigns won their primary and general

org/State_legislative_elections_by_state,_2016.

4 Arizona, Connecticut, Hawaii, Maine, and Minnesota have offered taxpayer funding to campaigns for state legislative offices, either fully or partially, since before 2010. The remaining 45 states are included in the second group. Although some of those states provide public financing for other political offices, they are not counted for the purposes of examining state legislative races. *See* "State Public Financing Options, 2015-2016 Election Cycle," National Conference of State Legislatures. Retrieved on October 11, 2016. Available at: http://www.ncsl.org/Portals/1/documents/legismgt/elect/StatePublicFinancingOptionsChart2015.pdf (July 17, 2015).

5 It should be noted that we do not include data about how many candidates for state legislature in tax-financing states actually use tax-financing in a given cycle. Since supporters argue that the mere presence of tax-financing systems should increase competition and make it easier to unseat incumbents, low utilization rates would reinforce the notion that such systems are actually flawed or unhelpful in practice.

6 Seats with no incumbent include instances where the incumbent retired or could not run again due to term limits.

7 We performed two two-sample statistical t-tests to check for a null hypothesis (that there is no difference between incumbency re-election rates in tax-financing and non-tax-financing states). The first test was performed on incumbency rates from the 2010 election cycle, the year with the largest divergence between the two datasets. The p-value for the dataset was 0.63, meaning there is no evidence to reject the null hypothesis. In other words, it is highly likely that the null hypothesis holds. We also performed a test on the entire dataset, treating each election in each year as an independent data point. Since year-to-year incumbency rates are not independent of one another, this test overstates any significance. Nonetheless, the p-value for this data set was 0.36, meaning, once again, we cannot reject the null hypothesis.

elections at a rate of 88.7% from 2010 to 2016, while those in the other 45 states won at a rate of 90.8% – a difference of just 2.1%.[8]

Although supporters of tax-financed campaigns argue that they yield more competitive elections, the gap in incumbent re-election rates between the two state groups tends to be incredibly small and noisy. In each cycle, the differences within each group of states overshadowed the differences between groups. In 2016, for example, the difference between the highest and lowest incumbency rates was 7.7% for tax-financing states and 42.9% for non-tax-financing states.

There are a few potential reasons why tax-financed campaigns yield no significant reductions in incumbent re-election rates. One is incumbent name recognition, which forces challengers to spend more money to introduce themselves to voters. Funding for tax-financed campaigns, which is usually distributed in some facially equitable manner, fails to overcome this and other advantages of incumbency. Despite claims to the contrary, public financing schemes could constrain the ability of challengers to quickly raise the funds necessary for candidates to disseminate their message to the electorate.

Another possibility is that taxpayer-funded systems encourage challengers who are unserious, disliked by voters, or even actively trying to exploit the system for their own gain.[9] Such candidates might have a much harder time finding support from donors on their own, even though they are still able to qualify for public money.

Conclusion

Genuine political competition requires that incumbents bear a greater risk of defeat at the polls, but this rarely happens in states with taxpayer-funded campaigns. As our analysis demonstrates, states with tax-financed campaigns see comparable incumbent victory rates in primaries and general elections to states with privately-funded campaigns. This is in spite of the fact that tax-financing states attract more electoral challengers.[10]

It is possible that there are other factors at play contributing to both high incumbency rates and the differences between states. Such factors, including unique political cultures or economic conditions in specific states, are beyond the scope of this analysis. Future research could examine more variables or conduct a longitudinal study of election results before and after tax-financing programs were instituted.

Regardless, these results pose a problem for advocates of taxpayer-funded campaign systems. If such laws fail to change the composition of legislatures or give challengers a significantly better chance of winning office, they risk spending taxpayer dollars for results that are identical to those in states with privately-funded campaigns. Policymakers should therefore be skeptical of claims that taxpayer-funded campaigns will increase political competition or reduce the overwhelming, built-in advantages that incumbents possess in elections.

---

8 The averages were calculated by using the incumbency rates for individual states in each group, weighted by the number of seats up for election in each state during that election cycle. This gives equal weight to each year of election results, despite variation in the number of seats up for election. Calculating total incumbency rates, weighting each seat equally, yields an even smaller difference, with incumbents winning in tax-financed states at a rate of 89.3% and non-tax financed states at a 91.0% rate, a difference of 1.7%.

9 Matt Nese and Tom Swanson, "Clean Elections and Scandal: Case Studies from Maine, Arizona and New York City," Center for Competitive Politics. Retrieved on May 25, 2017. Available at: http://www.campaignfreedom.org/wp-content/uploads/2013/08/2013-08-05_Issue-Review_Swanson_Clean-Elections-Scandal-Case-Studies-From-Maine-Arizona-And-New-York-City.pdf (August 2013).

10 Michael J. Malbin, "Citizen Funding for Elections," Campaign Finance Institute. Retrieved on May 25, 2017. Available at: http://www.cfinst.org/pdf/books-reports/CFI_CitizenFundingforElections.pdf (2015).

Published by the Center for Competitive Politics. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

The Center for Competitive Politics (CCP) is a 501(c)(3) nonprofit organization based in Washington, DC. CCP's mission, through legal briefs, studies, historical and constitutional analyses, and media communication is to promote and defend citizens' First Amendment political rights of speech, assembly, and petition, and to educate the public on the actual effects of money in politics and the benefits of a more free and competitive election and political process. Contributions to CCP are tax deductible to the extent allowed by law.

124 S. West Street Suite 201
Alexandria, Va 22314
(703) 894-6800
http://www.CampaignFreedom.org