

Report from the Campaign Finance Reform Roundtable of the League of Women Voters of the Piedmont Triad and Coalition Partners (CFR CP)

Part 1: Getting started.

The League of Women Voters of the Piedmont Triad formed a working group (roundtable) that issued invitations to members of a number of nonpartisan community groups to join in a coalition to promote the reform of election campaign finances. Included in our coalition are members of the following nonpartisan organizations: The American Association of Retired People of North Carolina (AARP NC); Democracy North Carolina, League of Women Voters of the Piedmont Triad (LWVPT); the American Association of University Women (AAUW); The Greensboro Voters Alliance (GVA); Guilford Stays Organized (GSO), NC Triad Jobs with Justice, the North Carolina Voters for Clean Elections (NCVCE), and the People's Coalition Against Citizen's United (PCACU). Other nonpartisan groups that are interested in, and supportive of our activities include AFL-CIO NC, Beloved Community Center, Elon University School of Law, NAACP NC (and local chapters), and NC Policy Watch.

After training from Melissa Kromm of the NCVCE in the use of online campaign finance reporting resources, we sought to examine the finance reports of candidates for Greensboro and Guilford County offices for the last election cycle. This work yielded several observations.

First, the work would have been far more readily accomplished had candidates been obliged to file their campaign finance reports electronically so that they could be posted online in a searchable format. The current rules permit paper submissions which are then eventually posted online as an unsearchable PDF. Electronic submissions of computer searchable campaign finance report files would make the campaign finance reporting process significantly more transparent.

So we committed to urge candidates for the City Council to agree individually to file their campaign finance reports electronically. We have recently learned that both Mayor Perkins and Councilor Nancy Hoffmann are using the state-supplied, free campaign finance reporting software and are therefore capable of filing their finance reports electronically.

Moreover, Mayor Perkins emailed us that according to his treasurer, after the initial pain of switching to the software, using the state-supplied software was an easier and more efficient process than using the old fashioned paper-and-pencil reporting procedure.

We have also made arrangements with the Guilford County Board of Elections (GCBOE) to post those electronic submissions from municipal and county candidates which they do not now do automatically. This will greatly facilitate our examination and analyses of those campaign finance reports. In this the new Director of Elections has been very helpful.

Part 2: Disturbing facts we learned from the Director of Elections of the GCBOE about the inadequate oversight of campaign finance reporting in Guilford County and North Carolina

We met with Mr. Collicutt, the new Director of Elections for the GCBOE. With regard to campaign finance, he told us that in North Carolina, county boards of election are not the enforcers of election laws. If they encounter improprieties or violations, they notify the campaign about the problem and, when appropriate, refer the matter to the NC Board of Elections (NCBOE) for review because the NCBOE is the state agency that is charged with the actual enforcement powers regarding election laws.

In addition Mr. Collicutt told us that the Guilford County BOE has only one staff person who deals with campaign finance. So the GBOE's surveillance of campaign finance reporting is of necessity, not as intense as one might like, especially because, as of right now, the GCBOE receives only paper reports or electronically transmitted PDF files, neither of which is computer searchable. That means that the single GCBOE staffer has an essentially insurmountable task and so her supervision can only be incomplete.

Moreover, Mr. Collicott told us that the NCBOE only has four staffers whose positions are dedicated to detecting deviations from NC campaign finance laws and regulations (two field auditors and two compliance specialists) and so, of necessity, their focus tends to be directed primarily at the multitude of state-level elections. Accordingly, the campaign finance reports for campaigns for local offices are typically left up to the county BOE's to review for problems.

With elections for lots of municipal offices there are lots of campaign finance reports that the GCBOE must examine with its limited resources. Therefore, Mr. Collicutt acknowledged that groups of concerned citizens such as the CFR CP provide the community a valuable service in extending the GCBOE's capacity to vouchsafe the integrity of the financing activities of local election campaigns even as they pour over records looking for evidence of the possibility of conflicts of interest that might be generated by receipts of large donations from motivated donors.

We also discussed with Mr. Collicutt the free campaign finance reporting software available from the NCBOE. He welcomed our efforts to encourage candidates in local elections to use the free software although only candidates for statewide offices or greater were required by law to use it. He said that filing reports electronically would make a significant contribution to the BOE's efforts to handle and review the campaign finance reports for which it is responsible.

We suggested to Mr. Collicutt that the GCBOE staff should inform candidates for local offices, as they register their candidacy with the GCBOE, about the availability of the free, state-supplied campaign finance reporting software and suggest why they might want to do so. That way they could take up the use of the software before they got well into the campaign cycle.

Finally, we offered to provide League volunteers, who, working as adjuncts to the GCBOE staff to avoid the appearance of partisanship, could train treasurers of candidates for city and county offices in the use of the state-supplied software. We made this offer because, in our efforts to persuade current candidates to take up the use of this software, we encountered resistance to the idea of having to approach “anonymous, government (NCBOE) bureaucrats” to receive the free software training that they offer.

Part 3: Our discoveries of previously undetected errors in campaign finance reporting and the GCBOE responses to them.

In the meantime, working with the old fashioned paper campaign finance reports, transformed into PDF files that are not computer searchable, we have observed lapses in the campaign finance reporting process in Guilford County. By virtue of these records not being computer searchable, the discovery process is tedious and labor intensive. Among the lapses we have observed are:

1. Occasional failures by the GCBOE to post on the internet campaign finance reports that they have received. These failures were corrected when they were pointed out.
2. In addition, there have been occasional failures of campaign treasurers to follow campaign finance laws and regulations. These failures had gone undetected by the GCBOE or the North Carolina Board of Elections (NCBOE) and were uncovered by our work. These failures included :
 - 2.1. A so-called “typographical error” in a *handwritten* campaign finance report in which the starting balance in one period failed by a significant amount to match the closing balance in the preceding period.
 - 2.2. Misidentifying a fund transfer from one bank account to another as an individual contribution.
 - 2.3. Failing to provide occupation and employment information of contributors as required by law.
 - 2.4. Failing to provide specific dates for campaign finance contributions as required by law.
 - 2.5. Filing the wrong campaign finance reporting form resulting in a period of about a month’s duration during which no contributions were reported as required by law.
 - 2.6. Failing to observe the prohibition against the receipt of campaign contributions in cash in amounts greater than \$50.00. In this instance, the treasurer had reported receipt of \$500.00 in cash. When reported to the GCBOE, the campaign received a penalty of \$500.00,
 - 2.7. Failure by a PAC to report a \$1000.00 contribution to a candidate for election to the Guilford County Board of Commissioners. (The candidate had reported the contribution to GCBOE but the PAC had failed to report it to the NCBOE as required by law).

The responses to these sorts of failures included:

1. Posting previously filed but unposted campaign finance reports.
2. Requiring the submission of new, amended reports to correct omissions or errors in the previous reporting.
3. Assessing of a substantial penalty for accepting an illegal, large cash donation. The penalty equaled the amount of the donation.

Part 4: In which we report disturbing changes in patterns of campaign donations received by some political party (as opposed to individual election campaign) organizations in recent years

In the course of this research, we observed that during the 2012 election cycle, candidates for Guilford County commissioner positions received donations from Democratic or Republican Party organizations in addition to donations from individuals and from PACs. So we undertook a quick pilot review of contributions to the Guilford County Republican and Democratic Party Organizations, focusing on the third quarter of 2012 (the 3 month period ending a few days before the election during which the majority of campaign contributions occur). These contributions to Guilford County political party organizations in part supported county Republican and Democratic party pass-throughs of funds to the campaigns of county commission candidates.

This pilot examination revealed that during the 3 month period just prior to the election, organizations from both parties in Guilford County received a combined total ~\$200,000. Well more than 50% of these funds (~70% for one party's organizations and ~20% for the other) were contributed by unnamed individuals (aggregated anonymous individual contributions that were under \$50 each, bank transfers, or contributions from political party organizations as opposed to named individuals).

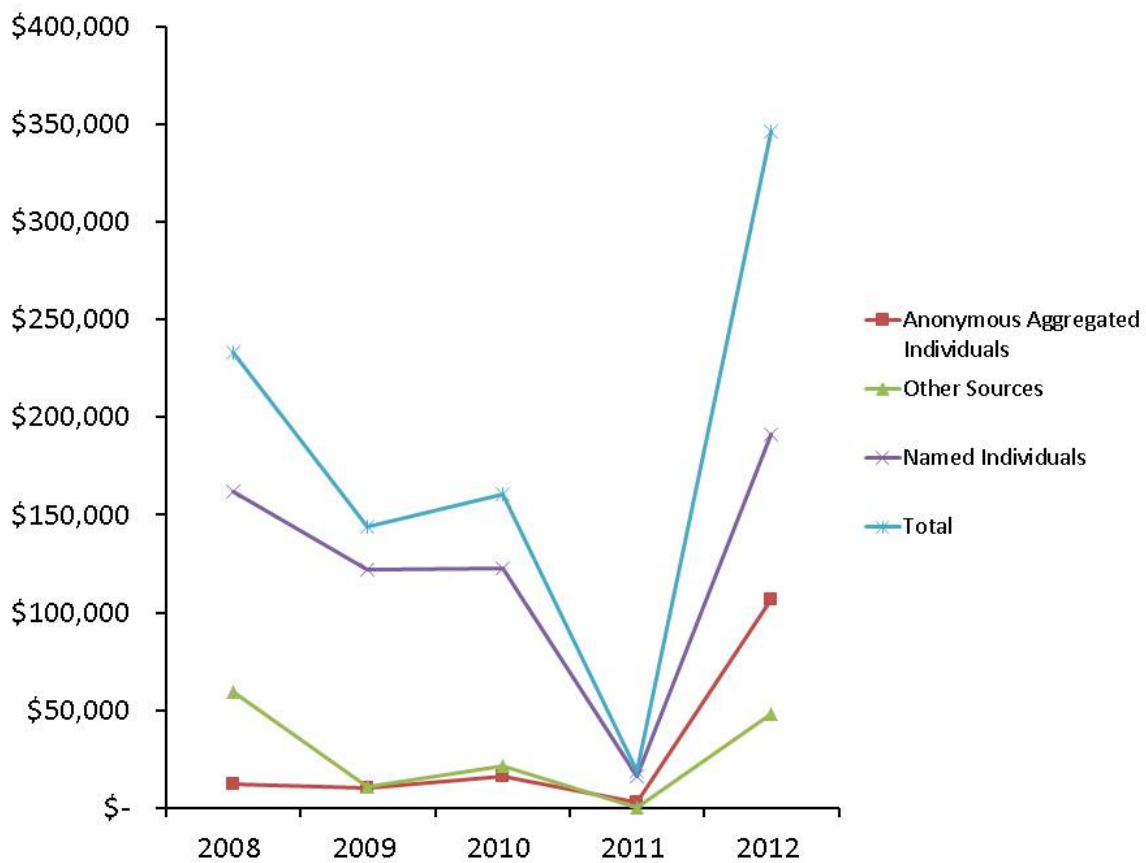
Troubled by these observations, we expanded our explorations of local election campaign finances to include 2008 through 2012 campaign finance reports. From this expanded effort, we are now able to report on differences in campaign funding sources for the two major political parties in Guilford County between the election year 2012 and the preceding election cycles, three of which were completed before the "Citizens United" decision of the US Supreme Court.

Contributions to the Guilford County Republican and Democratic Party organizations in the years 2008-2013 were classified as three types: 1) from identified individual donors, 2) from unidentified individual donors (\$50.00 or less), and 3) from sources to which no names of individuals could be attached (bank fund transfers, fund transfers from party organizations, from individuals for whom identification information was lost). The two most striking aspects of the data were that: 1) Campaign contributions to some party organizations in Guilford County increased dramatically after 2010, the year of "Citizens United" and 2) after 2010, the contributions from unidentified individual donors and from

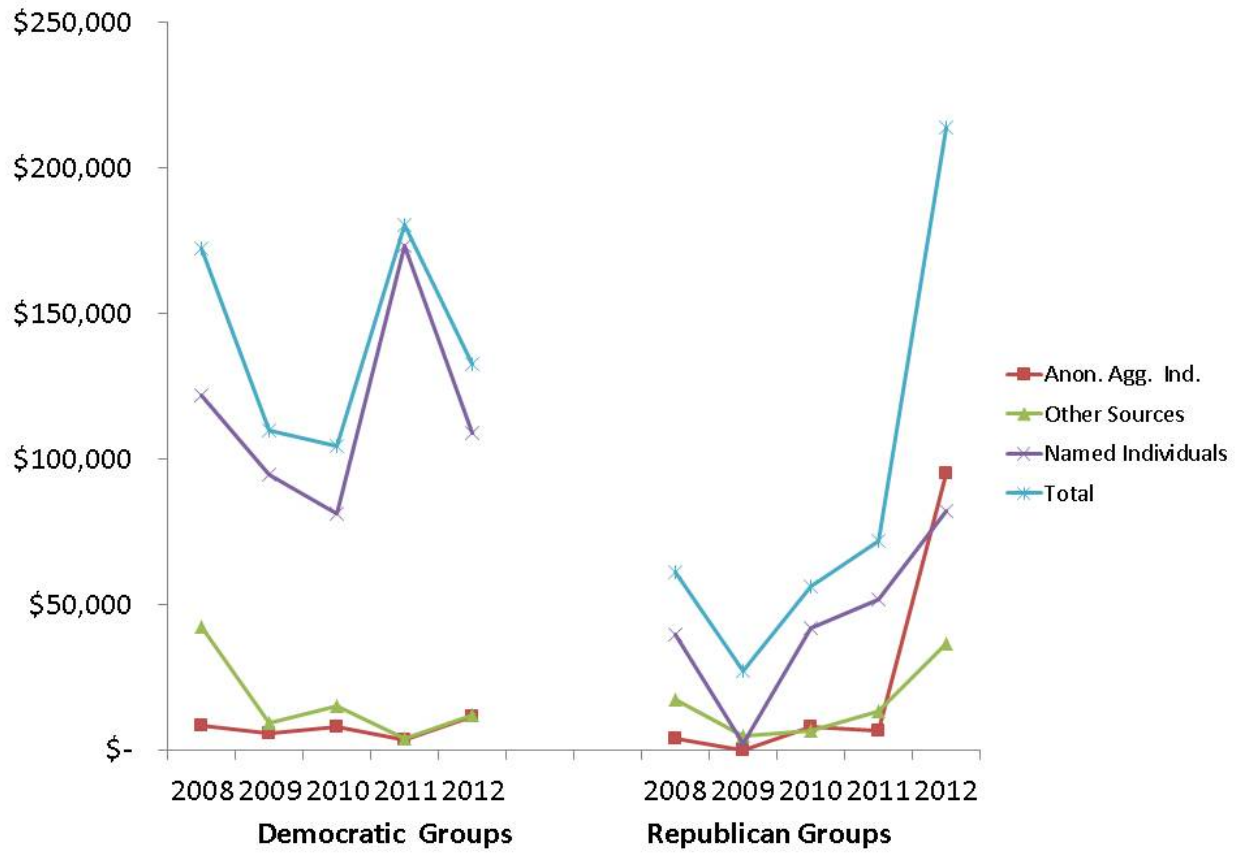
sources to which no names of individuals could be attached went as high as 70-90% of the total donations received by some of these party organizations (in other words, what we saw for the 3rd quarter 2012 reports was true for the entire year). Importantly, none of this was PAC or Super PAC money about which we have heard so much since “Citizens United”. When percentages of funds received from unnamed individuals reaches such heights, party organizations have defeated the spirit of campaign finance laws and regulations in North Carolina.

Below are charts that summarize the data just described. I’ll be happy to discuss them with you and share the Excel templates we used to manage the data.

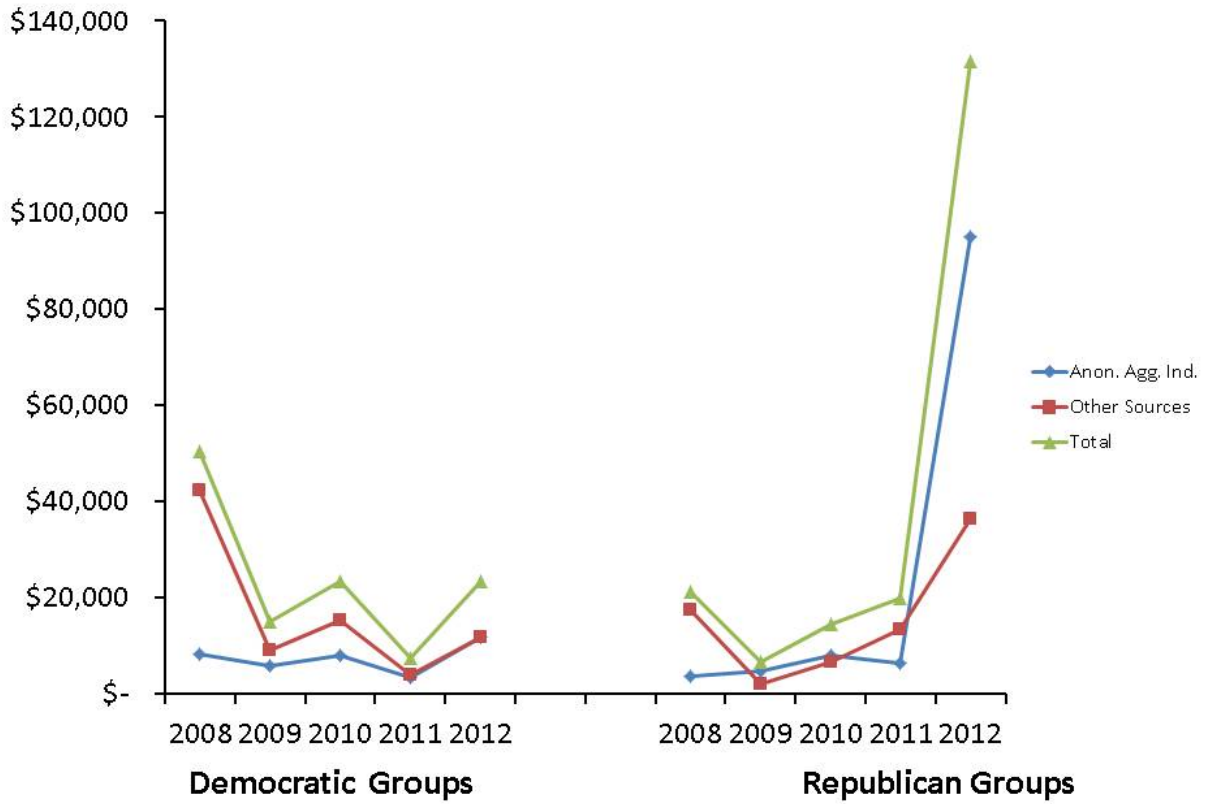
Combined Receipts, Major Guilford County Party Organizations



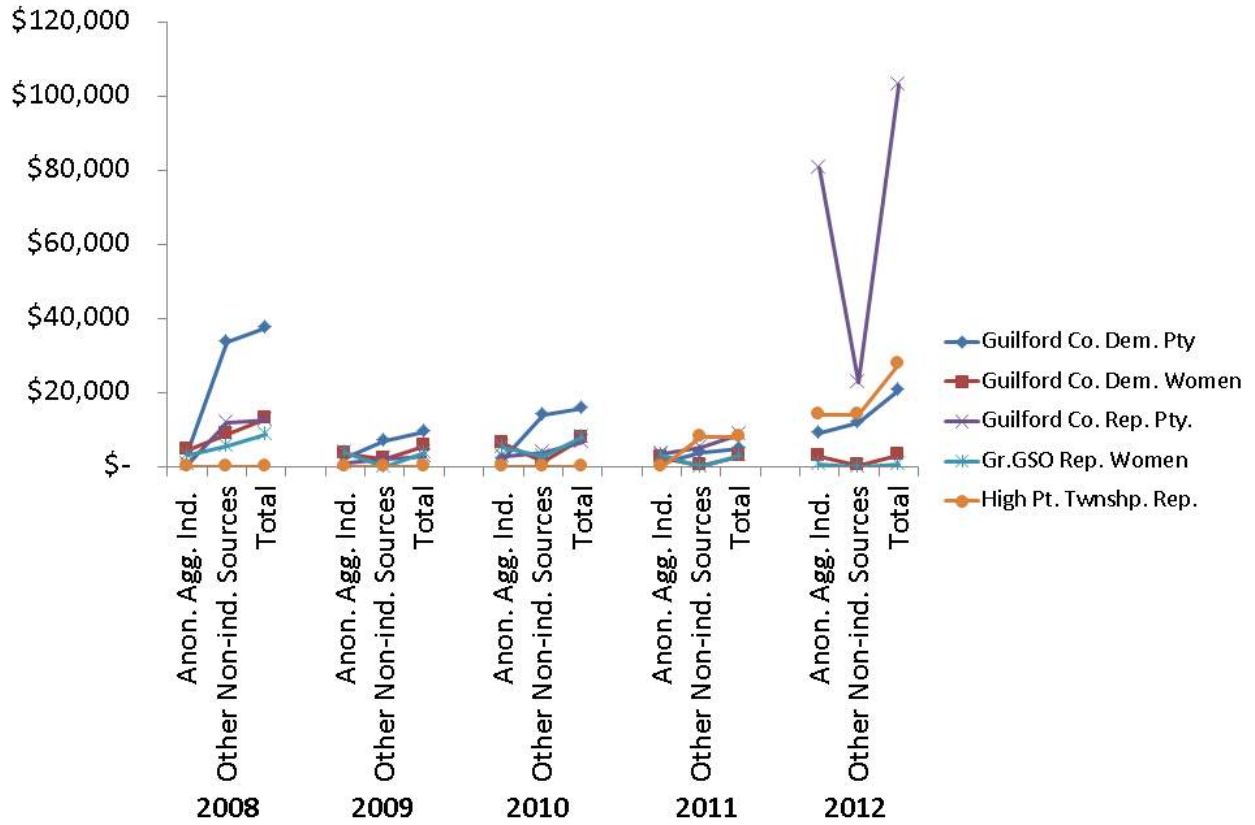
Combined Receipts, Major Guilford County Party Organizations



Contributions from Unnamed Individuals: Both Parties, Guilford County



Contributions from Unnamed Individuals by Guilford County Organization



Percentage of Total Receipts From Anonymous & Non-Individual Sources

