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February 20, 2001

Mr. Gene Russianoff
NYPIRG
9 Murray Street
New York, NY 10038

Dear Gene:

As you requested, the Independent Budget Office has estimated the cost of the New York City campaign finance law's matching public funds program in the upcoming 2001 city elections. Looking at the September primary election (likely to be more costly than the general election because of a larger number of candidates contesting more seats), a reasonable forecast would appear to be between \$25 million and \$30 million, with an upper bound of \$35 million. At this point any estimate of the cost of the general election is very preliminary. Using a high-end estimate, by assuming two candidates contesting each seat and receiving the maximum public funds, the general election would cost no more than \$20 million to \$25 million. Historically, general elections are usually less contested than primaries, and this figure probably overstates the likely cost of the November 2001 election. Thus, the total cost of the 2001 election cycle would be less than \$60 million and more likely closer to \$50 million.

We must point out the difficulties at this early stage of the campaign in estimating what the final cost of the 2001 city elections will be, for all but the Mayoral race. While some candidates have already raised most of the money they would be allowed to spend in the primary election, others who have registered to participate in the campaign finance system have barely begun fundraising. Some current candidates may drop out of their races before the primary, while other candidates could enter. Some candidates will be eligible to receive the maximum amount of public funds for their race, while others will receive less than the maximum. The possibility of a run-off election in cases where no candidate for a citywide office receives 40 percent of the vote adds another uncertainty to the estimate, which we have not attempted to address.

With these caveats in mind, an explanation of our estimate follows.

The one campaign for which a comparatively firm estimate is possible is the Democratic **Mayoral primary** election. There are currently four Democratic candidates for Mayor. Three of the four have already raised the maximum allowable amount (including matching funds); the fourth will likely soon do so. Under the law, each candidate may receive up to \$2,877,050 for the primary. However, if a candidate's total contributions plus matching funds exceed the spending limit of \$5,231,000, he will not receive the full match. Looking at current total and matchable contributions, it appears that none of the candidates will receive the full match, averaging instead

slightly more than \$2 million each. Under current law, then, the publicly-funded portion of the Democratic Mayoral primary is likely to cost roughly \$8.2 million. This is 71 percent of the total cost—\$11.5 million—if each of the four candidates were to receive the maximum public funding.

There are currently 94 **City Council** candidates who are both participating in the campaign finance program and have reported contributions to the Campaign Finance Board. We calculated the cost of the primary campaign among these candidates by estimating the matching funds for which they would currently be eligible. Seventy-eight of the candidates would currently be eligible for the maximum match of \$75,350. The remaining 16 candidates are currently eligible for an average of \$39,000 each, bringing the total cost of the Council primary campaigns to \$6.5 million.

This estimate could be too high because many of the 78 candidates currently eligible for the maximum match will raise more funds, which will lower the matching amount for some of them. Some of these 78 may also eventually drop out before the primary. On the other hand, there may be other candidates who have not yet raised funds who will enter the race and become eligible for matching funds. Thus, while our estimate of \$6.5 million is somewhat soft, it is fairly evenly balanced in terms of uncertainties.

Races for **Public Advocate**, **Comptroller**, and for the **Borough Presidencies** are even harder to estimate at this point. We identified 14 candidates for the various borough presidencies that are currently participating in the system and have raised funds. Only one of them has raised an amount that, combined with the public funds, would bring him up to the spending limit of \$1,177,000. There are five candidates for Public Advocate and two for Comptroller and none of them has raised anything close to the limit. For these races, we begin by assuming that all candidates receive the maximum public funds amount. This places an upper bound on the possible cost; a more realistic estimate is that some of the candidates will, like the Democratic Mayoral candidates, receive less than the maximum amount. An alternative assumption is that candidates in those races will receive 71 percent of the maximum—the same share of maximum public funding we expect for the Mayoral race. These two estimates are presented in the table on the next page as the “high estimate” and the “mid-range estimate.”

You also asked that we consider the cost of the Mayor’s proposed campaign finance formula, which would match eligible contributions dollar for dollar up to a \$1,000 dollar limit. To attempt to do so based on the current pattern of contributions, however, would be misleading. As the Campaign Finance Board recently reported, it appears that the current campaign finance law has strongly influenced how candidates have raised funds compared to previous election cycles. Candidates have clearly responded to the law’s incentives in such a way as to maximize the number of eligible matching contributions. This was the law’s intent, and it appears to have largely succeeded. The four Democratic Mayoral candidates have raised between 52 percent and 60 percent of their individual contributions in amounts of \$250 or less, and between 29 percent and 33 percent in amounts between \$250 and \$1,000. If the Mayor’s proposal had been in place since the beginning of the current campaign fund-raising cycle, the pattern of contributions would likely have been different, with the candidates seeking fewer and larger contributions—

which would raise the cost of the Mayor's proposal compared to an estimate based on current fundraising.

Comparisons to previous years would also be misleading because of the impact of term limits. The number of open seats in the 2001 election cycle—all three citywide races, four borough presidencies, and 35 of the 51 City Council seats—is unprecedented, and will contribute to an unusually large number of candidates seeking public funds.

Estimated Public Matching Funds for the 2001 Election Cycle							
<i>Dollars in Millions</i>							
	Number of Candidates	Primary Election		General Election		Total	
		High Estimate	Mid-Range Estimate	Number of Candidates	High Estimate	High	Mid-Range
Mayor	5	\$8.2	\$8.2	2	\$5.8	\$13.9	\$13.9
Public Advocate	5	9.0	6.4	2	3.6	12.6	10.0
Comptroller	2	3.6	2.6	2	3.6	7.2	6.2
Borough Presidents	14	8.3	5.9	9	5.8	14.1	11.7
Council	<u>94</u>	<u>6.5</u>	<u>4.9</u>	<u>52</u>	<u>3.9</u>	<u>10.4</u>	<u>10.4</u>
	120	\$35.6	\$29.6	67	\$22.7	\$58.3	\$52.3

SOURCE: Independent Budget Office; Campaign Finance Board

Please feel free to call me directly with any questions you may have regarding this topic, or if we can be of assistance to you on any other issue. I look forward to a continued productive relationship with you as a member of IBO's Advisory Board.

Sincerely,

Ronnie Lowenstein
Director