The Small-Donor Antidote to Big-Donor Politics

By Alex Tausanovitch and James Lagasse  June 11, 2018

Americans are fed up with the influence of big money in politics—and the good news is that a growing number of citizens and lawmakers are doing something about it. In March, Washington, D.C., joined almost 30 other jurisdictions nationwide that provide public support to political campaigns financed by small donors. Moreover, Democratic leaders in Congress recently championed “A Better Deal for Our Democracy,” a package of pro-democracy legislation that includes support for robust small-donor-funded campaigns.

Much of the commentary on campaign fundraising—including publications from the Center for American Progress—focuses on the important goal of safeguarding representative government against corruption. Yet simply limiting undemocratic forces should not be the singular goal of democratic reform; any comprehensive effort to address what ails American democracy should also seek to strengthen the relationship between citizens and their representatives. In other words, at all levels of government—state, local, or federal—reformers should work to make elected officials more accountable to the people they represent, as well as more able to work effectively on their behalf.

Why U.S. campaigns need small donors

It is an inescapable fact that campaigns require money to get their messages to voters. If that money comes principally from wealthy individuals and special interests, then it is to those individuals and interests that elected officials are likely to feel particularly obligated. Unfortunately, this is largely the current reality in the United States. Half of all contributions to congressional candidates in 2016 came from fewer than 16,000 donors—a tiny fraction of the population, and a highly affluent one.

Public financing, however, allows ordinary constituents—not just the superwealthy or politically elite—to fund candidates through small donations, with upper limits as low as $50. In these small-donor jurisdictions, elected officials depend on donations from people who are more like their average constituent: school teachers and small-business owners, for example, not just lobbyists, hedge fund managers, and CEOs.
Small donors also more closely represent the average constituent in terms of demographics such as gender and race. Big donors, on the other hand, are remarkably unrepresentative. For example, early in the 2016 presidential election, donors from the Upper East and Upper West sides of New York City had given more to the candidates than all 1,200 majority African American ZIP codes in the country combined. Against this context, David Grosso, a member of the Council of the District Columbia and one of the authors of the district’s new public financing program, said that a main goal of the program is “reshaping our donor class to be more inclusive and representative of the entire population of the District of Columbia—racially and socioeconomically—instead of only those with wealth and influence.” Contributions from a broad base of small donors reinforce the kind of accountability that big-donor financing inhibits: broad accountability to the citizens whom the elected officials represent.

Comprehensive small-donor systems are already providing anecdotal evidence that small-donor-funded elected officials behave differently than their big-donor-funded peers. Not long after Connecticut’s implementation of its Citizens’ Election Program, for example, legislators from the new cohort of small-donor-supported candidates championed and passed a paid sick leave law that had been opposed by special interests and blocked in the state legislature in years prior.

At the federal level, one can only imagine what a small-donor world would look like. In December 2017, Congress passed a tax bill that will initially deliver a quarter of its benefits to the top 1 percent of the U.S. population—and will deliver 83 percent of its benefits to the top 1 percent by 2027. The bill was widely unpopular, with public support polling at less than 30 percent. During its consideration, however, members of Congress reported that wealthy donors were pressuring them to pass the bill. One congressman said, “My donors are basically saying, ‘Get it done or don’t ever call me again.’” A senator said that if the bill didn’t pass, “the financial contributions will stop.” Had members of Congress talked to more small donors during their consideration of the tax bill, there would likely have been a more equitable and popular outcome.

Not only does the special interest, big-money status quo lead to bad outcomes, but it also restricts the pool of candidates for public office. To run a viable campaign, candidates must have access to a network of wealthy and politically connected individuals who can contribute the large sums required; the candidates most able to meet this requirement tend to be wealthy and well-connected themselves. In contrast, small-donor elections open the door for people of average means to run viable campaigns without needing a network of wealthy interests.

This influx of new candidates makes for more robust debate and more electoral competition. Montgomery County, Maryland, which borders Washington, recently began implementing a program that matches small-donor funds in local elections. The new system has prompted a wave of new candidates, with 34 running for nine at-large County Council seats. Twenty-two of these 34 have opted to use public financing. These
candidates have also changed their fundraising strategies, opting for smaller venues and allowing potential donors to attend fundraising events for free or for ticket prices as low as $10—instead of holding expensive dinners exclusively for wealthy donors.\textsuperscript{17}

Finally, in small-donor election systems, candidates typically only qualify for additional funds when they raise small contributions from people who live in their districts. Big-donor congressional fundraising is a different story: Early in the 2018 election cycle, about two-thirds of all the money raised for U.S. House of Representatives candidates came from donors who lived outside the candidates’ districts.\textsuperscript{18} By promoting in-district fundraising, small-donor elections strengthen ties between representatives and their constituents, as well as create more public engagement across relevant communities—not just in a few deep-pocketed enclaves.

How to encourage small-donor elections

Small-donor public financing comes in a variety of shapes and sizes. Several states, for example, use tax credits to encourage small political donations.\textsuperscript{19} More comprehensive small-donor systems provide matching funds to qualifying candidates for each small donation that they raise, or provide them with fixed grants once they have received a certain number of small-donor contributions. Some systems provide a mix of both grants and matching funds. In exchange for grants and/or matching funds, candidates often must agree to adhere to certain restrictions, such as not taking money from corporations and political action committees (PACs) or limiting their total spending.

Below are examples of four different types of small-donor programs: a matching funds program; a program that provides grants; a program that provides both matching funds and grants; and a new program that provides citizens with vouchers that they can use to contribute to local campaigns.

1. Matching funds—New York City’s Campaign Finance Program: New York City has had a small-donor matching funds program in place since 1988, though it was initially modest in scale. The program has been updated a number of times throughout its history—most recently in 2009, when the amount of matching funds was increased by 50 percent.\textsuperscript{20} Currently, any candidate for city elected office can participate in the program and is eligible for matching funds once they collect a minimum number and amount of small contributions. For example, City Council candidates must collect at least 75 contributions of $10 or more and must raise a total of at least $5,000—in increments no greater than $175—from residents of the district. The candidate is then eligible to receive $6 of matching funds from the city for every $1 they raise in small contributions—up to a maximum of $104,500 in public funds. The program sees wide candidate participation\textsuperscript{21} and has expanded the diversity of the donor pool. In 2009, almost 90 percent of New York City census block groups—units of 300 to 6,000 people tracked by the U.S. Census Bureau—had at least one, and often many,
participating donors, compared with only 30 percent for 2010 New York State Assembly races without a small-donor program.  

2. Grants—Connecticut’s Citizens’ Election Program: Connecticut’s small-donor program, first implemented in 2008, similarly requires candidates to raise a threshold number and total amount of small contributions to qualify for grants. For example, a candidate for state Senate must raise at least 300 contributions of $5 to $250, totaling at least $15,300, from district residents. They are then eligible for one-time grants for both the primary and general elections. State Senate candidates can receive up to $75,000 in the primary and up to $85,000 in the general election, depending on how early they apply for the funds and how heavily contested each election is. Although there are some concerns about whether Connecticut’s grants, in all cases, are keeping up with the cost of campaigns and the money raised by outside groups, the program still enjoys high participation, with 72 percent of eligible candidates opting into the program in the 2016 election.

3. Combination of grants and matching funds—the District of Columbia’s Fair Elections Act: The district’s recently enacted Fair Elections Act combines grants and matching funds. Upon qualifying under the act, candidates for city elected offices receive a one-time grant and then are eligible for matching funds, at a rate of 5-to-1, for small-donor contributions of $50 or less. They must agree to accept only limited contributions, however, as well as to forgo contributions from corporations and PACs—with the exception of “people PACs,” which only raise small-dollar individual contributions. A candidate for a ward seat on the City Council of the District of Columbia, for example, must collect at least 100 small contributions totaling at least $2,000 to qualify for the program, before receiving a grant of $40,000, in addition to any matching funds they raise.

4. Vouchers—Seattle’s Democracy Voucher Program: In 2017, Seattle became the first city to try a new method of small-donor public financing: providing residents with vouchers that they can use to support candidates of their choice. So far, only candidates for city attorney and at-large City Council have been eligible for the Democracy Voucher Program, though it will extend to other city elected offices in future elections. The program provides each eligible Seattle resident with four $25 vouchers—$100 total—that they may contribute to any qualifying candidate for city office. To qualify, candidates must collect a fixed number of contributions ranging from $10 to $250. For a district City Council seat, 150 contributions in this dollar range are necessary to qualify, including 75 from the candidate’s district. In the first election after implementation, 18,000 Seattle residents contributed nearly 70,000 vouchers—more than double the total number of contributors in the 2013 election, before the program was created. Notably, most of these donors had not contributed to any candidate in the two previous election cycles. Democracy voucher donors were also much more representative of the city’s population, including women, people of color, younger residents, and less affluent residents.
In general, states and localities should continue to experiment with different systems of small-donor public financing, as long as the programs endeavor to accomplish two goals: provide a sufficient incentive for candidates to engage with a broad, diverse group of small-donor constituents; and provide enough support in the form of matching funds, grants, or vouchers—or any combination of the three—for candidates to run robust and competitive small-donor campaigns. Because states and localities only began seriously testing different models of small-donor campaign financing relatively recently, there are still lessons to learn in determining which combination of rules best promotes vibrant, representative democracy in each state and local context. That said, all the systems highlighted above are a major improvement on the big-donor status quo that still reigns in most state and local elections and in all federal campaigns.

The dwindling arguments against public financing

Like all reforms that threaten the big-donor status quo, policies that promote small-donor elections are not without their opponents. Big donors themselves have spent millions of dollars in recent years to oppose efforts to reform money in politics, including small-donor elections. An often heard objection from political elites, even reform-minded ones, is that it should be enough to restrict the influence of lobbyists, corporations, and big donors. Washington, D.C., Mayor Muriel Bowser, who ultimately came out in support of the Fair Elections Act, initially argued that the district did not need to subsidize small donors because it already had “some of the strictest campaign restrictions that exist.”

Similar arguments are made at the federal level, but they miss the point: No amount of restrictions on campaign contributions can replace a system of private financing with a system in which candidates rely on small donors. Restrictions are important; they weaken the outsized influence of special interests, and they prevent and punish corruption by candidates and donors alike. But restrictions alone cannot replace accountability to big donors with accountability to constituents. Real, democratic accountability requires that candidates look to their constituents for electoral and financial support—and that requires small-donor-funded elections.

Another frequent objection to small-donor elections is the cost. Yet even a cursory look at the major small-donor programs in effect today shows that they have minimal impact on state and city budgets. The District of Columbia’s program, for example, is expected to cost $5 million, or roughly 0.06 percent of the city’s annual budget—less than the cost of repairs for a local stretch of highway that is less than a mile long. And Connecticut’s Citizens’ Election Program “receives most of its funding from the sale of abandoned property in the State of Connecticut’s custody.” The public should be willing to invest in a democracy that works for them—at least to the tune of some abandoned buildings or a mile of highway repairs.
Why now is the time for small-donor elections nationwide

Polling shows that Americans are increasingly cynical about their ability to hold government accountable. One recent poll found that 85 percent of Americans believe that special interests “pretty much run” the government, for the benefit of “themselves and their friends.”37 This problem is particularly acute at the federal level, but it is true of state and local governments as well. In Washington, D.C., for example, a U.S. attorney described “campaigns [that] have been compromised by covert corporate campaigns for years. … underground, off-the-books schemes that have corrupted election after election, year after year.”38

The time has come for change. Fortunately, Washington, D.C., is one among many states and localities that are working to turn the page on the big-money system. Other recent adopters of small-donor election programs include Montgomery39 and Howard40 counties in Maryland; Berkeley, California;41 Portland, Oregon;42 and Suffolk County, New York.43 Additional small-donor public funding bills have recently been introduced in city councils and state legislatures across the country, including Oregon;44 Virginia;45 New Hampshire;46 Philadelphia, Pennsylvania;47 Illinois;48 Austin, Texas;49 Albuquerque, New Mexico;50 and Baltimore, Maryland.51

Just as importantly, there is now some real momentum in Congress. A new effort by congressional Democrats, labeled “A Better Deal for Our Democracy,” includes a proposal for a strong small-donor matching funds program for congressional candidates.52 The version of the proposal pending in the House of Representatives currently has 160 co-sponsors—more than 80 percent of House Democrats.53 Never before has a political party stood behind such a comprehensive set of proposals to take on the entrenched power of big donors. This should not be a one-party movement—and there are some nascent signs that, eventually, it may not be. Notably, a growing bipartisan ReFormers Caucus has backed a more limited, but laudable, federal tax rebate for small donors.54 Taken together, this is the highest level of support for political reform that Washington has seen since at least the Bipartisan Campaign Reform Act of 2002, more commonly referred to as McCain-Feingold.55

National, state, and local leaders should capitalize on this opportunity to achieve reforms that will have a lasting impact on the role of big money in U.S. elections. And small-donor elections should be the centerpiece of those reforms.

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14 Paul Blumenthal, “Republicans Admit That CEOs and Donors Really Need the Tax Cut Bill to Pass – Or Else,” HuffPost, November 9, 2017, available at https://www.huffingtonpost.com/entry/gary-cohn-tax-cut-ceo-donors_usa049571e4b0f7b6b5c4249e.


21 In 2013, for example, 62 percent of candidates participated in the program in the general election, and 92 percent of candidates participated in primary elections. See New York City Campaign Finance Board, “Impact of Public Funds,” available at https://www.nycfb.info/program/impact-of-public-funds/ (last accessed June 2018).


34 Public Citizen, “DC Fair Elections – Frequently Asked Questions.”


42 Ibid.


