

# Electronic Campaign Finance Reform in the American States

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## INTRODUCTION

With every new election cycle in the United States, there is a call for campaign finance reform. These regulations have come in a variety of forms, each having the goal of rebuilding trust in the voting system and government in addition to regulating election finance. With an eye toward building trust, beginning in the early 1990s, state (as well as local and federal) campaign finance regulatory agencies started implementing campaign reporting procedures that required either the replacement or augmentation of paper filing systems with electronic systems. It is hoped that these new procedures will make summaries and analyses of contributions and expenditures more easily accessible to the public as well as to government watch dogs such as interest groups and the media.

The adoption of these electronic reforms (e-disclosure laws) is representative of a public service trend in the United States. Over the last several years, federal, state, and municipal governments have moved increasingly toward government adoption of electronic government (e-government) practices that “refer to the delivery of information and services via the Internet or other digital means” (West, 2004, p. 2). Each of the 50 states has implemented some type of e-government, and the federal government has created a central portal for federal services (West, 2003).

This trend toward adopting e-government has not taken place without comment; it has been accompanied by speculation of the impact to both citizens and government units alike. It has been argued that because e-government can deliver services and information around the clock, it may make government more efficient and transparent to the public (Norris, 2001; West, 2003). It also has been suggested that it will make government more responsive to the public through its ability to provide communication options that are quicker and more convenient for users (Thomas & Streib, 2003). Furthermore, an online presence may reduce government costs and allows the timely update of materials and information more quickly than in

traditional distribution methods (Pardo, 2000). Others (Jaeger & Thompson, 2004; Pardo, 2000) argue that e-government has the ability to increase political engagement and to create a more participatory democracy. These benefits may increase the likelihood that Internet-based reforms have a greater likelihood of adoption. Interest groups who campaign for electronic disclosure laws in order to reduce corruption and to increase transparency may find themselves aided by public administrators attracted to the cost-cutting promises of e-government.

## BACKGROUND

Since U.S. states vary substantially in election activities, they have used different approaches in an attempt to regulate campaign finance. There are a number of factors, including geographical area, party balance, inter-party competition, interest group organizational strength, legislative professionalism, term limits, and use of the initiative process, that determine what type of campaign finance laws are needed (Thompson & Moncrief, 1998). Given this wide scope of factors, many different scenarios have been played out. Nevertheless, the overall trend shows that states have moved to stricter laws than the federal government has (Drage, 2000).

Adoption of campaign finance reform at the state level parallels that of the federal level. When the U.S. national government initiated reforms in the late 1800s, the states followed suit. New York in 1890, Massachusetts in 1892, and California in 1893 passed disclosure requirements for both money receipts and expenditures. A number of states during this time period also passed laws banning contributions from certain industries such as banking and insurance (Center for Responsive Politics, 2000).

Just as with the federal government, there was a substantial push for reform at the beginning of the Progressive Era (late 1800s to early 1900s), and then enthusiasm for policy adoption dissipated. It would take until the early 1970s, when the public expressed extreme out-

rage over Watergate, to refocus both federal and state attentions on campaign finance laws. In 49 of the 50 states, legislatures responded by implementing reforms. Even so, the laws passed were far from standard and varied in their effectiveness. Most reforms were not accompanied by adequate funds in order to sufficiently enforce them (Center for Responsive Politics, 2000).

In the last three decades, campaign finance reform has been an active area for legislation at the state level. Recent state efforts have focused on lowering contribution limits, increasing disclosure requirements, and public financing of campaigns. Of these various reform measures, increased disclosure requirements have become the most prevalent. Twelve states passed legislations mandating electronic filing of and access to campaign finance information for the 2000 elections. In 1997, 15 states passed laws facilitating electronic filing, and seven states followed in 1998. Many of these programs were voluntary. When California initiated its electronic disclosure policy in July 2000, for example, only candidates and committees connected with a campaign for state office that received more than \$50,000 in contributions were required to file electronically (Drage, 2000).

By 2003, only four states (Montana, South Carolina, Tennessee, and Wyoming) did not have some form of computer-aided filing system for campaign finance, lobbyists, or personal financial disclosure statements. Although most states have some electronic filing requirements, the implementation and scope of these laws vary considerably across the states. While many states require lobbyists and candidates to file their financial information online, others require financial statements to be reported using standard paper forms, but then the information is uploaded online. In Alabama, Arkansas, Mississippi, South Dakota, Vermont, and West Virginia, paper financial statements are scanned and posted online. In Delaware, Kansas, and North Dakota, the data from paper financial statements are entered manually and then posted on the Web (Center for Government Studies, 2002).

In addition to varying on how campaign finance information is posted online, the states also differ with respect to what information is provided. By 2003, the number of states requiring both the occupation and employer of donors to be listed had risen to 29; five required only the employer, while two asked only for the occupation. The remaining states did not require either occupation or employer information. While 40 states require expenditures either for or against a candidate to be disclosed, only 23 states require expenditures made close to the election to be posted before the election. Finally, only 27 state Web sites provide databases for campaign contributions, while 17 offer databases on expenditures (Campaign Disclosure Project, 2003).

## THE IMPLEMENTATION OF POLICY

What factors explain the extent and variation of implementation of electronic disclosure initiatives in the states? Policy literature suggests that politics, public demand, and government resources are important determinants of policy variation (Mooney & Lee, 1995). These factors differ in importance, depending on the type of policy. The factors associated with adoption of electronic campaign finance laws are difficult to predict, because this reform does not fall neatly into any existing policy typology. Electronic campaign finance reform can be conceptualized as both administrative (procedural) reform policy and as regulatory policy. Regulatory policy involves the government enforcing rules of conduct directed at specific groups or individuals, while administrative rules dictate how policy is carried out. The adoption of these two forms of policy is driven by different factors. McNeal, Tolbert, Mossberger, and Dotterweich (2003) found that when e-government is adopted as an administrative reform, it often is driven by the goals of cost reduction and increasing efficiency. Unlike regulatory policy, it does not involve the direct and coercive use of government power over citizens and is not very salient among the public. On the other hand, implementation of regulatory policy is highly volatile and controversial (Ripley & Franklin, 1980).

McNeal, et al. (2003) found that instead of being driven by political forces, administrative policies largely are driven by professional networks. More generally, research has long shown that professional networks of generalists (e.g., governors and legislators) and specialists within state agencies influence innovation and diffusion (Walker, 1969, 1971; Grupp & Richards, 1975). This exchange of experiences and information between networks of innovators and potential adopters is at the heart of policy diffusion (Rogers, 1995).

Because electronic campaign finance reforms represent both regulatory and administrative policy, it is likely that both interest group activities and professional networks would influence adoption and implementation of the policy. Regulatory aspects of state campaign finance reforms are likely to engage affected interest groups in government such as the National Council of State Legislatures. It also would be expected to connect with good government groups and civil rights organizations that have been leaders in campaign finance reform in the U.S. Normally, their role would be more political than the organizations of state professionals. Campaign finance reform policy might prove to be an exception to this rule, because in this circumstance, organizations of state professionals represent one of the affected interest groups.

Additionally, groups normally not associated with campaign finance reform have become involved with the

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