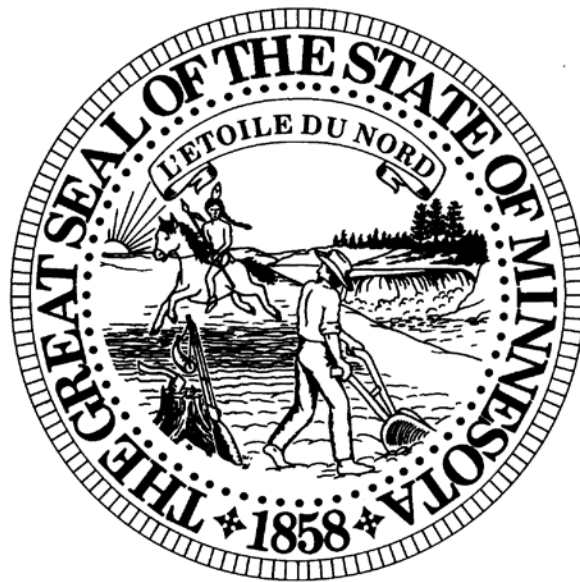**Review of the Political Contribution Refund Program**
During the Years 2002 – 2014

Prepared by the
Campaign Finance and Public Disclosure Board
November 25, 2015

This report provides a brief background on the PCR program and then presents comparisons on the payment of PCR refunds to donors to candidates and political parties during the years 2002 through 2014.

Administration of PCR Program

The PCR program is administered by the Department of Revenue as provided in Minnesota Statutes section 290.06.   The program provides that an eligible Minnesota voter who contributes to a candidate who has signed the public subsidy agreement, or to a major or minor political party unit, may apply for a refund from the Department of Revenue. The maximum amount that will be refunded is $50 per person ($100 per married couple) per year.   To apply for a refund the donor must submit a PCR receipt issued by a candidate or party unit, and a Department of Revenue application on which the donor must provide a social security number. The Department of Revenue tracks refund requests by social security number so that no individual receives more than a $50 refund in a calendar year.

The Board's role in the issuing of PCR refunds is to provide a computer file that lists all candidate committees that have a current public subsidy agreement on file and all political party units registered with the Board. The Department of Revenue uses that information to verify that the donor gave to an eligible candidate or party unit. The Board also provides paper PCR receipts to eligible candidates and party units and has developed the Campaign Finance Reporter software so that the software can also be used to generate a PCR receipt.

In August of each year the Department of Revenue sends a file to the Board that provides the number of PCR refunds, and the total amount of the refunds, issued to donors in the prior calendar year.   The file provides the refund totals by candidate committee and by political party unit.   The Board converts the file contents into reports which are posted on the Board's website at www.cfboard.state.mn.us/campfin/pcrprog.html.   On the website there are separate reports for candidates and party units for the years 1996 through 2014.

The Board also compares the PCR refunds issued for candidates and political party units to the contributions disclosed on the reports of receipts and expenditures filed with the Board. The comparison is used to verify that the refunds issued for a committee do not exceed the contributions reported as received by a committee.

History and Status of the PCR Program

The PCR program was initiated in 1990. The program is funded through the general fund of the state.   It is not funded through the political party check-off on state income tax and property tax form.

The PCR program was not funded in the State of Minnesota budget for the FY 2016 – 2017 biennium.   Any donation received by an eligible candidate or party unit after June 30, 2015, will not be eligible for a PCR refund.   The statutory language in Chapter 290 authorizing the program remains in place.

This is not the first time the PCR program has been unfunded.   In 2009 then Governor Pawlenty used an unallotment of funds to balance a budget deficit. Among the programs that
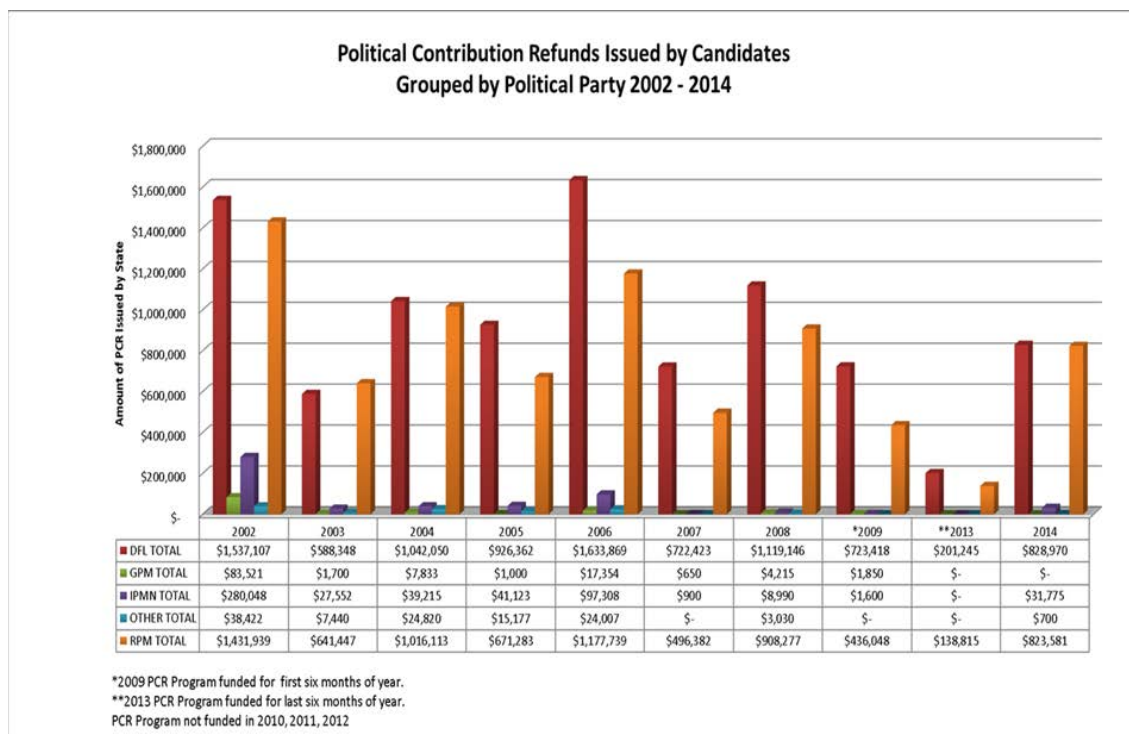
lost funding was the PCR program.   Contributions received after June 30, 2009, were not eligible for payment. The program remained in statute but unfunded during the following FY 2012 – 2013 biennium.   The program was funded for the FY 2014 – 2015 biennium.

In total, the PCR program was not funded for contributions received in the last six months of 2009, all of calendar years 2010, 2011, and 2012, and the first six months of 2013.

PCR Refunds Issued by Candidates

During the years 2002 through 2014 the Department of Revenue paid $17,824,788 as PCR refunds to candidate donors.   Figure 1 graphs the amount paid to candidates by party by year. The spikes in refunds paid that occur in 2002 and 2006 correspond to when the office of governor is on the ballot.   For reasons that are unclear from this data, a similar spike did not occur during the 2014 gubernatorial election.

Figure 1

Political Contribution Refunds Issued by Candidates Grouped by Political Party 2002 - 2014

	2002	2003	2004	2005	2006	2007	2008	*2009	**2013	2014
DFL TOTAL	$1,537,107	$588,348	$1,042,050	$926,362	$1,633,869	$722,423	$1,119,146	$723,418	$201,245	$828,970
GPM TOTAL	$83,521	$1,700	$7,833	$1,000	$17,354	$650	$4,215	$1,850	$-	$-
IPMN TOTAL	$280,048	$27,552	$39,215	$41,123	$97,308	$900	$8,990	$1,600	$-	$31,775
OTHER TOTAL	$38,422	$7,440	$24,820	$15,177	$24,007	$-	$3,030	$-	$-	$700
RPM TOTAL	$1,431,939	$641,447	$1,016,113	$671,283	$1,177,739	$496,382	$908,277	$436,048	$138,815	$823,581

*2009 PCR Program funded for first six months of year.
**2013 PCR Program funded for last six months of year.
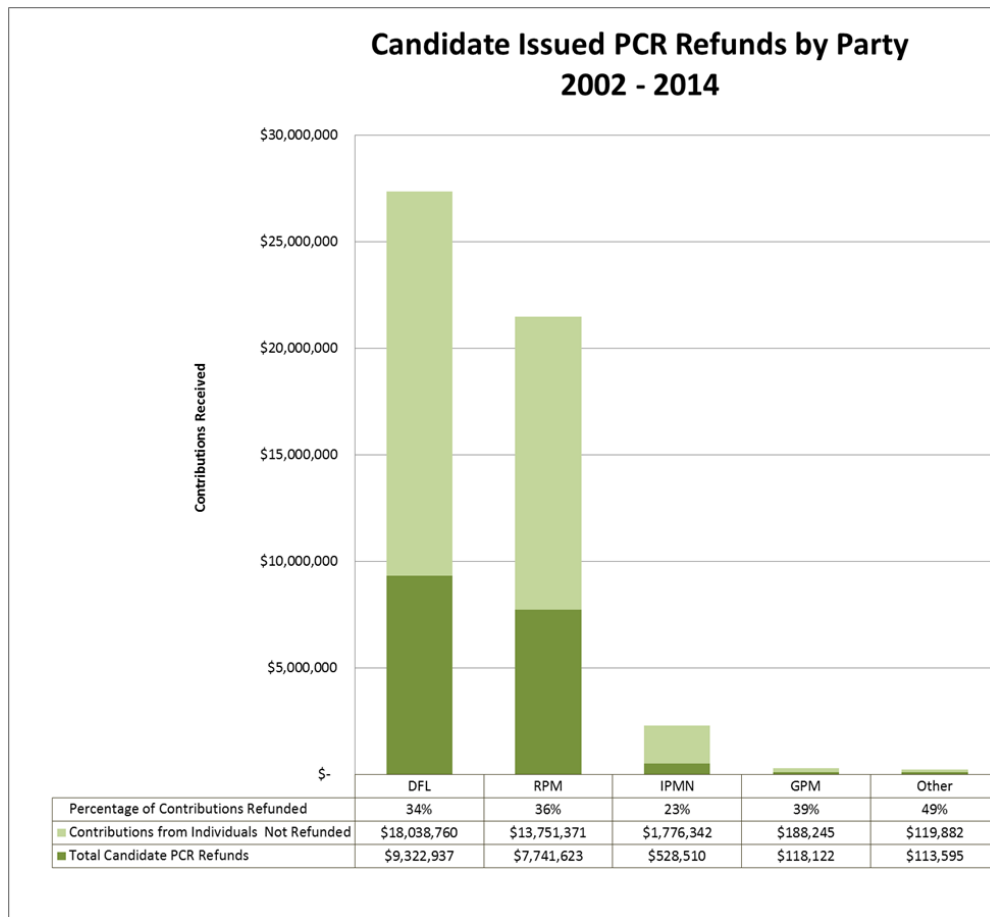PCR Program not funded in 2010, 2011, 2012

As you would expect the vast majority of refunds were issued for contributions made to Democratic Farmer Labor (DFL) and Republican Party of Minnesota (RPM) candidates.   In all years but 2003 the total issued for donations to DFL candidates was higher than the amount issued for donations to RPM candidates. Although in 2014 the difference was only about $5,000.

While the total amount issued to donors to DFL candidates was typically higher than the amounts issued to other party candidates, the percentage of contributions refunded for candidates through the PCR program shows a different result.   In Figure 2 the total contributions from individuals to candidates are grouped by party and compared to the amount refunded to donors by the PCR program.
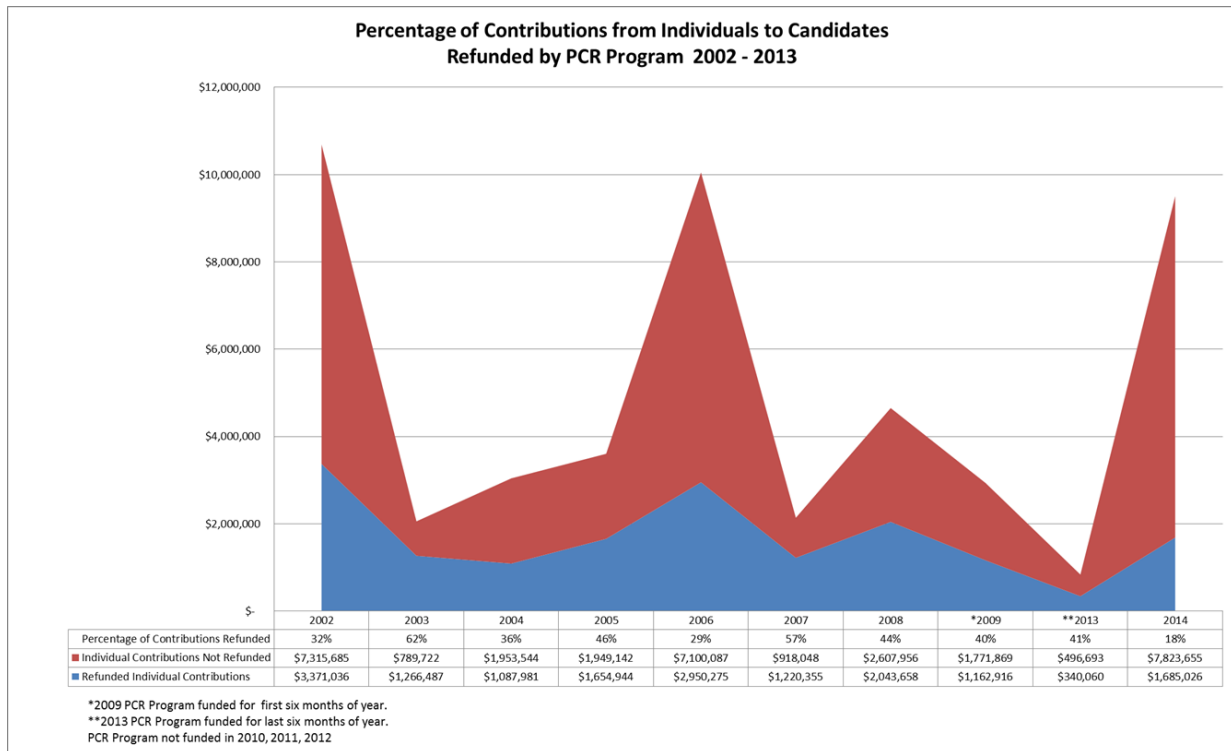
The donors to RPM candidates were refunded 36% of the total amount contributed through the PCR program.   This is a slightly higher rate than DFL donors, who were refunded 34% of the total contributed to candidates.   The Green Party of Minnesota (GPM) candidate donors were refunded at the highest rate for a single party at 39%, with the Independence Party of Minnesota (IPMN) candidate donors refunded at the lowest percentage of 23%. The category column for "Other" is a combination of the Libertarian and Grass Root Party candidates.

Figure 2

Candidate Issued PCR Refunds by Party 2002 - 2014

	DFL	RPM	IPMN	GPM	Other
Percentage of Contributions Refunded	34%	36%	23%	39%	49%
Contributions from Individuals Not Refunded	$18,038,760	$13,751,371	$1,776,342	$188,245	$119,882
Total Candidate PCR Refunds	$9,322,937	$7,741,623	$528,510	$118,122	$113,595

The percentage of donations to candidates that are refunded through the PCR program also varies by year.   In Figure 3 the amount donated by individuals to candidates is compared to the total refunded by the PCR program.   The spikes in the graph correspond to election years when the amount raised by candidates increases dramatically.   Of note is that the percentage of contributions refunded through the PCR program increases significantly in non-election years. For example 32% of contributions were refunded in election year 2002, with 62% refunded in 2003. A similar pattern is seen in election year 2004, 36% refunded, followed by 46% refunded in 2005, and again in election year 2006, 29% refunded, followed by 57% refunded in 2007. The pattern probably reflects that until 2013 the contribution limit in a nonelection year was significantly lower than the contribution limit in an election year.
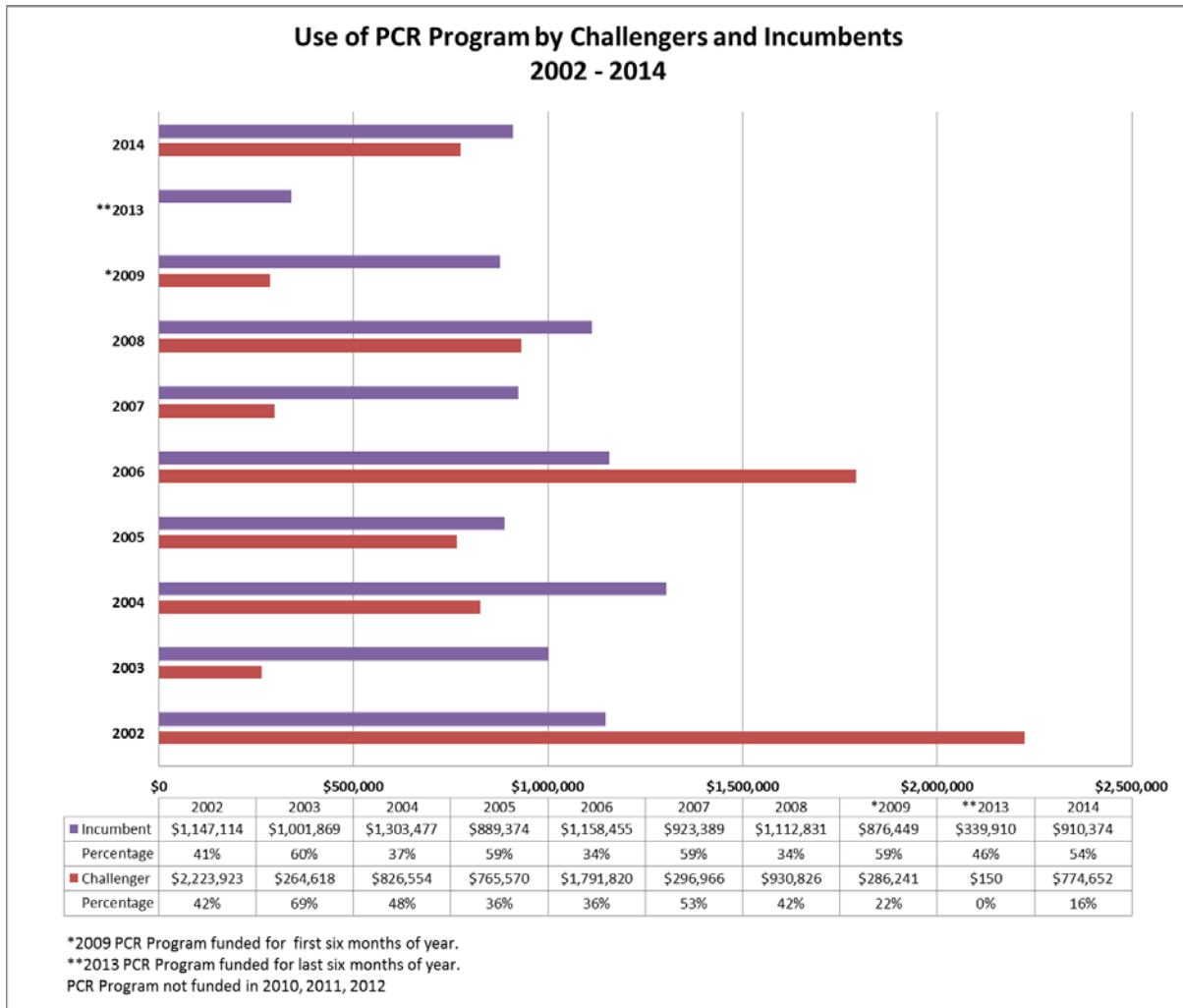
Figure 3

Percentage of Contributions from Individuals to Candidates
Refunded by PCR Program 2002 - 2013

	2002	2003	2004	2005	2006	2007	2008	*2009	**2013	2014
Percentage of Contributions Refunded	32%	62%	36%	46%	29%	57%	44%	40%	41%	18%
Individual Contributions Not Refunded	$7,315,685	$789,722	$1,953,544	$1,949,142	$7,100,087	$918,048	$2,607,956	$1,771,869	$496,693	$7,823,655
Refunded Individual Contributions	$3,371,036	$1,266,487	$1,087,981	$1,654,944	$2,950,275	$1,220,355	$2,043,658	$1,162,916	$340,060	$1,685,026

*2009 PCR Program funded for first six months of year.
**2013 PCR Program funded for last six months of year.
PCR Program not funded in 2010, 2011, 2012

The PCR program issues more refunds for donations made to candidates who are incumbent office holders than for donations made to candidates who are challengers.   In Figure 4 the refunds for donations made to challengers is compared to refunds for donations made to incumbents by year.   The percentage for challengers and incumbents shown in Figure 4 represents the percentage of total contributions received from individuals that was refunded through the PCR program.

The only years in which donors to challengers received a higher amount of refunds than donors to incumbents are 2002 and 2006.   In both years the explanation is found in the gubernatorial race. In 2002 the incumbent governor did not run for reelection, which made all donations to gubernatorial candidates donations to challengers. In 2006 then Governor Pawlenty did not sign the public subsidy agreement so his committee could not issue PCR receipts during his reelection campaign. Therefore, once again all PCR refunds for donations to gubernatorial candidates were for challengers.

Figure 4

Use of PCR Program by Challengers and Incumbents
2002 - 2014

	2002	2003	2004	2005	2006	2007	2008	*2009	**2013	2014
Incumbent	$1,147,114	$1,001,869	$1,303,477	$889,374	$1,158,455	$923,389	$1,112,831	$876,449	$339,910	$910,374
Percentage	41%	60%	37%	59%	34%	59%	34%	59%	46%	54%
Challenger	$2,223,923	$264,618	$826,554	$765,570	$1,791,820	$296,966	$930,826	$286,241	$150	$774,652
Percentage	42%	69%	48%	36%	36%	53%	42%	22%	0%	16%

*2009 PCR Program funded for first six months of year.
**2013 PCR Program funded for last six months of year.
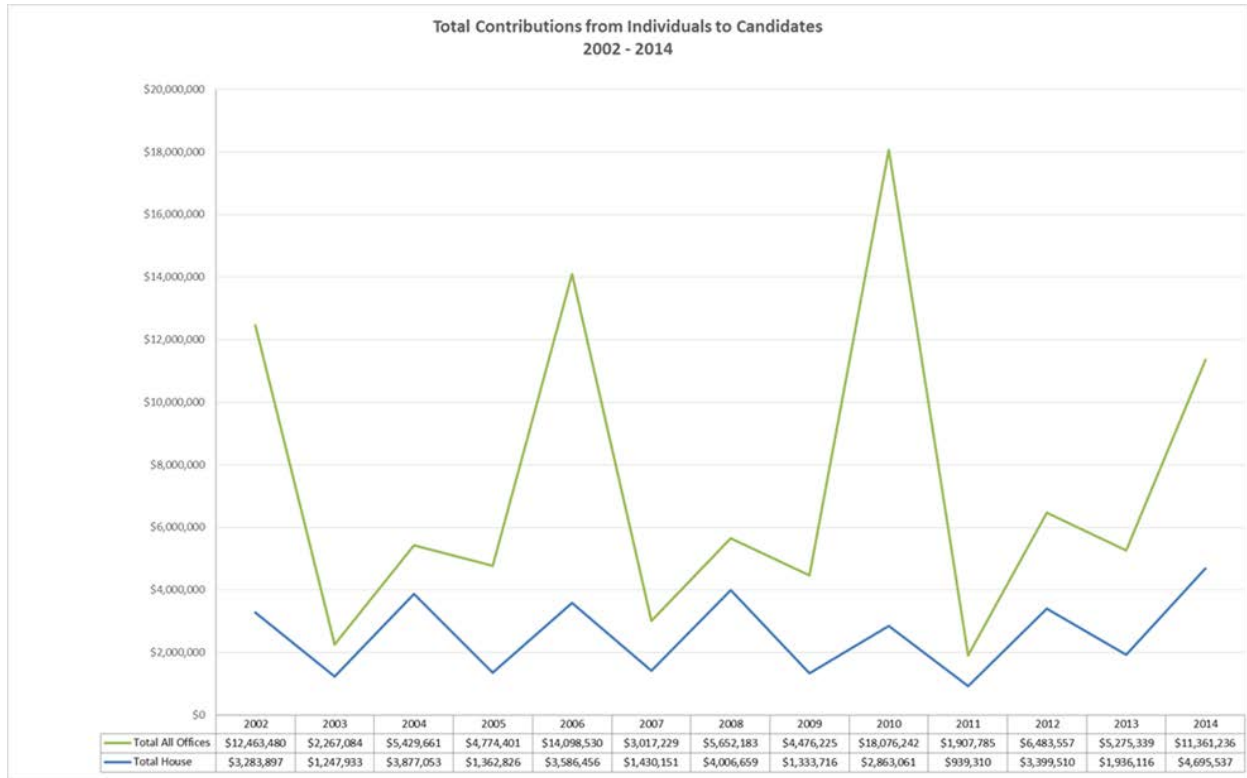PCR Program not funded in 2010, 2011, 2012

The impact on the ability of candidates to raise contributions from individuals when the PCR program is not funded is not clear. In Figure 5 the total contributions from individuals received by all candidates (excluding judicial candidates who cannot issue PCR receipts) is represented by the green line, the contributions from individuals received by House candidates only is shown by the blue line. As mentioned earlier there are peaks associated with the years in which the governor is on the ballot, which makes a trend hard to isolate on the green line. But the House is on the ballot every election year, so in theory the peaks and valleys on the blue line should be relatively uniform.

However, in 2009 through 2011 the amount received by House candidates decreases. Whether this is because the PCR program was not funded for part of 2009 and all of 2010 and 2011, or, because the economy was poor during that time and individuals felt less able to contribute to candidates cannot be shown with this information. Of note, in 2012 the PCR program was not

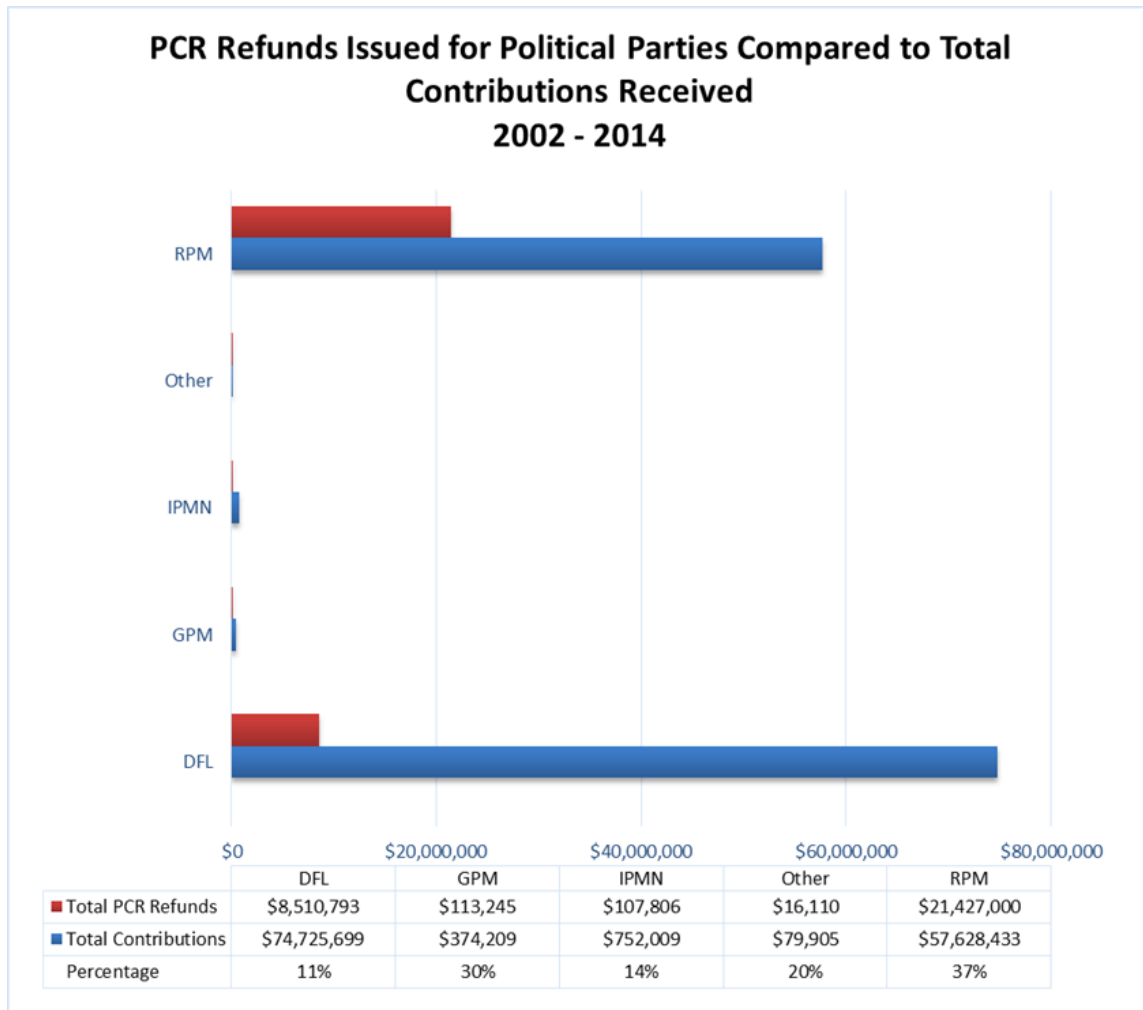funded, but contributions to House candidates were at a level similar to years when the program was funded.

Figure 5

Total Contributions from Individuals to Candidates
2002 - 2014

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total All Offices	$12,463,480	$2,267,084	$5,429,661	$4,774,401	$14,098,530	$3,017,229	$5,652,183	$4,476,225	$18,076,242	$1,907,785	$6,483,557	$5,275,339	$11,361,236
Total House	$3,283,897	$1,247,933	$3,877,053	$1,362,826	$3,586,456	$1,430,151	$4,006,659	$1,333,716	$2,863,061	$939,310	$3,399,510	$1,936,116	$4,695,537

PCR Refunds Issued by Political Parties

Donors to political parties received a significantly higher amount of PCR refunds than donors to candidates during the years 2002 through 2014. Total PCR refunds to political party donors came to $30,174,954 compared to the $17,824,788 issued to candidate donors.   Similar to candidates, the majority of the refunds were to donors to the DFL and RPM parties. Figure 6 shows the total refunds issued to political parties compared to the total contributions received by political parties.

Figure 6

PCR Refunds Issued for Political Parties Compared to Total Contributions Received 2002 - 2014

	DFL	GPM	IPMN	Other	RPM
■ Total PCR Refunds	$8,510,793	$113,245	$107,806	$16,110	$21,427,000
■ Total Contributions	$74,725,699	$374,209	$752,009	$79,905	$57,628,433
Percentage	11%	30%	14%	20%	37%

The donors to the RPM party received the highest amount of refunds at $21,427,000 followed by $8,510,793 to donors to the DFL party.   The percentage of total contributions refunded through the PCR program was also highest for the RPM. Donors to the RPM received 37% of the amount given back through the PCR program, compared to 11% for DFL donors.

In total, donors to RPM party units and RPM candidates were refunded $29,168,623 through the PCR program, compared to $17,833,730 refunded to donors to DFL party units and DFL candidates.   In Figure 7 the refunds to RPM and DFL candidate donors is compared to the refunds to RPM and DFL political party donors.   In general the chart shows that the donors to DFL candidates and party units have received roughly similar amounts during 2002 – 2014; while the donors to RPM party units have received significantly more than the donors to RPM candidates.

Figure 7

Comparison of Total PCR Receipts
Issued by Candidates and Party Units for DFL and RPM
2002 - 2014