

# 1994 ANNUAL REPORT

The N.J. Election Law Enforcement Commission



MAY, 1995



State of New Jersey

**ELECTION LAW ENFORCEMENT COMMISSION**

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Owen V. McNary, III  
Vice Chairman  
David Linett  
Commissioner

Frederick M. Herrmann, Ph.D.  
Executive Director  
Jeffrey M. Brindle  
Deputy Director  
Gregory E. Nagy  
Legal Director  
James P. Wyse  
Counsel

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## **THE COMMISSION**

### ***William H. Eldridge, Chairman***

William H. Eldridge, serving his first term on the Commission, was appointed Chairman in 1994 by Governor Christine Todd Whitman.

Chairman Eldridge served as a Union County Freeholder from 1986-1988, as the Mayor of Berkeley Heights in 1982, and as the Deputy Mayor of Berkeley Heights in 1981 and 1985. He was Executive Director of the New Jersey Commission on Capital Budgeting and Planning from 1984-1987. He was Assistant Vice President of Citibank from 1976-1982 and Vice President of the U.S. Trust Company from 1982-1984.

Chairman Eldridge is a professor of Business Law and Management at Kean College of New Jersey. A graduate of Rutgers, The State University, he holds an M.B.A. from Rider College and a J.D. from Cornell Law School.

A faculty member of the National Conference of State Legislators, Chairman Eldridge taught graduate and undergraduate courses in Management, Finance, Planning, and Business Law at Fairleigh Dickerson University, Kean College, and Rutgers, The State University.

Chairman Eldridge has published several articles on management and has counselled small businesses both as a private consultant and in affiliation with the Kean College Small Business Development Center. Moreover, he recently published a book on business law.

Chairman Eldridge has won a variety of awards for his work with physically and mentally challenged citizens and children from the U.S. Jaycees and other organizations.

**Owen V. McNany, III, Vice Chairman**

Owen V. McNany, III, has completed four terms on the Commission. Prior to being named Vice Chairman last year, he had served as Chairman of the Commission since 1990. From 1988 to 1990, he had served in the capacity of Vice Chairman.

Vice Chairman McNany serves as Director of Business Development for the Hospital Center at Orange where he oversees the Hospital's for-profit and not-for-profit subsidiary operations. Mr. McNany also directs the operations of the Hospital's long-term care affiliate, South Mountain Healthcare and Rehabilitation Center.

Vice Chairman McNany is a past State Director of the Institute of Financial Education of the U.S. League of Savings Associations as well as the former Chairman of the Board of Trustees of the Hospital Center at Orange. An active member of the Maplewood Chamber of Commerce, the Vice Chairman has been honored as its "Man of the Year."

Vice Chairman McNany is past President and Director of the Yorkwood Savings and Loan Association and former President and Director of the Crestwood Service Corporation.

Married to the former Patricia Beury, Owen V. McNany, III, is the father of four children.

***David Linett, Commissioner***

David Linett has completed two terms on the Commission. An attorney, he is currently President of the Bridgewater law firm of Ginden and Linett, PC.

Commissioner Linett, is a former Prosecutor of Somerset County and a former Treasurer of the National District Attorneys Association. A past Chair of the Supreme Court's District XIII Ethics Committee, he is the current Treasurer of the Supreme Court's Ethics Financial Committee.

Very active in charitable and volunteer endeavors, Commissioner Linett was named "Citizen of the Year" in 1989 by the Somerset County Chamber of Commerce. Further, he served three terms as Chair of the Board of Trustees of Alternatives, Inc. (formerly AAMH), and two terms as a Director of the Somerset Chamber of Commerce. Commissioner Linett was District Governor of Rotary International in 1991-92 and is past-president of the Somerville Rotary Club. He was twice elected to the Democratic State Committee from Somerset County.

Commissioner Linett, a graduate of Yale University and Harvard Law School, is the father of three children. He is married to the former Penny Amato.

***Frederick M. Herrmann, Ph.D., Executive Director***

Frederick M. Herrmann has been the Executive Director of ELEC for over a decade. In 1993, he was the recipient of the prestigious Annual Award of the Council on Governmental Ethics Laws (COGEL) for his continued efforts to promote the highest level of ethical conduct among governmental officials and candidates for public office in the international arena.

Executive Director Herrmann has an A.B from the University of Pennsylvania and earned a doctorate in American Political History from Rutgers, The State University. He is the author of many publications in history and government and is a frequent speaker at various forums inside and outside of New Jersey. The executive director has been a guest on numerous television and radio programs too. Currently, he is serving as the book review editor of The Guardian, a COGEL publication, and as a member of the Peer Review Board of the Ethics Section of Spectrum: The Journal of State Government, a Council of State Governments' (CSG) publication.

Once a teacher at Rutgers, The State University and Kean College, Dr. Herrmann has also served on CSG's Organizational Planning and Coordinating Committee (OPACC) and has been the President of COGEL as well as a member of its Steering Committee. He was instrumental in building the Northeastern Regional Conference on Lobbying (NORCOL) and is now in his second, non-consecutive term as the chairperson of that organization.

**James P. Wyse, Counsel**

James P. Wyse was selected to be the Commission's new Counsel in 1994 and began serving in that capacity in January, 1995.

Mr. Wyse is a partner in the Morristown law firm of Schenck, Price, Smith and King, where he specializes in the areas of corporate and commercial law, real estate, environmental law, and estate planning.

Mr. Wyse, admitted to practice in New Jersey and before the United States Court of Appeals for the Third Circuit, has argued cases in that Court and before the New Jersey Supreme Court.

As Counsel for a number of national, State, and local land trust organizations, Mr. Wyse has developed special expertise regarding conservation and agricultural easements and innovative land preservation techniques.

Mr. Wyse received a B.A. degree from Bucknell University and J.D. degree with honors from the Rutgers University School of Law.

Appointed General Counsel to the New Jersey Conservation Foundation, he also advises the Junior League of Morristown, the Morris Shelter, Inc., and the Deiche O'Brien Child Advocacy Center. Married to Pamela Paxton, he serves on the Board of Trustees of the Morris Parks and Land Conservancy.

**CHAIRMAN'S MESSAGE**  
**By William H. Eldridge**

In December, ELEC received a correspondence from Eric Kendall Banks, Corporate Counsel to Siegel-Roberts, Inc., based in St. Louis, Missouri. He was working on a legal opinion related to contribution limits in a number of states. His letter read in part: "The employees that I talked to at your... Commission were by far the most professional, helpful and friendly of any that I have encountered. This is not to imply that I did not receive a warm reception with the other states. Your employees were simply vastly more interested in being of assistance. Both the receptionist who answered the telephone and the individual who explained the status of New Jersey's law were first-rate. The second individual even volunteered to send me a fact sheet which contained a lot of helpful information."

The quality service characterized by these words from Mr. Banks typifies the standard of excellence the Commission has maintained throughout the years and for which it successfully strove in 1994. Without a doubt, nothing is more important to the Commission and its staff than serving the needs of the public in an efficient, courteous, and cooperative manner. It did so again last year and will continue to do so in the future.

I suppose that the outstanding reputation of the Commission is one reason that I am so honored to have been appointed Chairman in 1994 by Governor Whitman. The other is that I am able to serve with such fine colleagues as Owen V. McNany, III and David Linett and have the opportunity to contribute to the health and well being of the electoral process in New Jersey.

In this spirit, I proposed in November that New Jersey should lead the way in enacting comprehensive legislation that would encourage healthy debate on the issues and discourage recklessly false political advertising.

As an offshoot of that proposal, the Commission held two public hearings on the issue of false political advertising and three separate bills were introduced in the Legislature designed to curb this type of activity. A fourth had been introduced earlier. In a word, these public hearings initiated in response to my proposal resulted in highlighting this issue with the public.

The Commission, in 1994, continued its analytical research and its legislative and educational activities. For example, the ninth in an ongoing and compelling series of analytical white papers was completed in 1994. This paper, entitled Legislative Candidates: How They Spend Their Money, is the only known study of legislative campaign spending practices in New Jersey. White Paper Number Ten, which will be published in 1995 and concerns an analysis of PACs with an ideological orientation, was largely researched in 1994 as well. During the past year, the Commission also produced a lobbying press release, which provided important information about the spending practices of lobbyists in New Jersey.



Executive Director Frederick M. Herrmann continued his scholarly endeavors in 1994. His accomplishments in this area include serving as the Book Review Editor of The Guardian, a Council on Governmental Ethics Laws (COGEL) publication, and co-authoring "Financing State and Local Elections: Recent Developments" in The Book of the States, published by the Council of State Governments. Deputy Director Jeffrey M. Brindle published a fine article on grassroots lobbying in the New Jersey Reporter entitled "The Lobbying Loophole." He is also the author of the White Paper series.

In terms of the Commission's legislative and educational activities, the Commission's Executive Director, in particular, testified on numerous pieces of legislation before legislative committees and continued to be invited by a variety of organizations, both State and national, to speak about issues involving campaign financing and lobbying. He also served for the second time as Chairperson of the Northeastern Regional Conference on Lobbying, an organization comprised of governmental agencies from Washington, D.C. to New England.

Finally, the staff of the Commission sustained its efforts to educate candidates, treasurers, PACs, political committees, and political party committees about their filing requirements and about provisions of the new campaign law enacted in early 1993. These efforts were made through seminars held prior to the primary and general elections and through telephone assistance.

Compliance efforts in 1994 remained outstanding. The Compliance and Information Section met the demand for public information and technical assistance with proven professionalism. While processing 20,693 reports, it handled 10,376 requests for information and photocopied 167,096 pages of reports. Among its finest achievements in 1994 were the accumulation of data, the production of a lobbying press release, and the completion of the campaign manual.

As always, the Review and Investigation Section made a strong effort to make sure that filers were in compliance with the law. In 1994, it completed 42 investigations and issued 107 complaints. In all, a total of \$41,639 in fines was collected in 1994.

The Legal Section performed exceedingly well last year. It prepared 13 advisory opinions, represented the Commission in many legal actions before the Office of Administrative Law (OAL), and made significant progress in the massive undertaking of rewriting the Commission's regulations for the purpose of implementing the new law.

Finally, the Commission took a further step toward its goal of updating its computer system and providing such improvements as public access to its databank, electronic reporting, and image processing. Building upon an earlier general study conducted in-house by ELEC staff, the Commission contracted with the Office of Telecommunications and Information Systems (OTIS), in the Department of Treasury, to coordinate a detailed, preliminary study of ELEC's computer needs. In large measure and with great detail, the

findings of ELEC's internal study were confirmed by OTIS and a significant proposal for systems improvement was advanced.

Speaking of funding, the Commission was delighted to have had its budget increased to \$1,417,000 in FY-1995. Thanks to the Governor and the Legislature, the Commission was able to reverse a three-year downward trend in its budget fortunes. As a result of this increase, the Commission has been able to begin the process of replacing lost staff and thereby enhancing its administration of the campaign, lobbying, and personal financial disclosure laws. For FY-1996, the Governor and the Legislature are expected to continue their support for the work of the Commission by sustaining current budget levels.

The Commission is again proud of its excellent record and of the support it enjoys among the public and government representatives. On behalf of the Commission, I am happy to submit this report to the Legislature, which highlights this agency's fine record in 1994, and demonstrates that its proud tradition has once again been upheld.

**COMMISSION STAFF**

**EXECUTIVE**

Frederick M. Herrmann, Ph.D.	Executive Director
Jeffrey M. Brindle, M.A.	Deputy Director
Gregory E. Nagy, Esq.	Legal Director
Josephine A. Hall	Executive Secretary
Steven Kimmelman, M.A.	Research Assistant

**ADMINISTRATION**

Barbra A. Fasanello	Director
Donna D. Margetts, M.A.	Personnel Officer/Lobbying Auditor
Elaine J. Salit	Fiscal Officer
Debra A. Kostival	Senior Receptionist
Irene Comiso	Associate Receptionist

**COMPLIANCE AND INFORMATION**

Evelyn Ford, Esq.	Director
Virginia Wilkes Tesser	Associate Director
Carolyn Neiman	Senior Compliance Officer
Kimberly Key	Associate Compliance Officer
Andrew Mersel	Assistant Compliance Officer
Christopher Gear, M.A.	Assistant Compliance Officer
Barbara Counts	Secretarial Associate
Monica Triplin-Nelson	Clerk
Barbara Swantko	Clerk
Elizabeth A. Michael	Clerk
Rafael Melendez	Messenger

**COMPUTER**

Anthony R. Chianese	Systems Administrator
Brenda A. Brickhouse	Associate Systems Administrator
Shirley R. Bryant	Senior Data Entry Operator
Nelly R. Rosario	Associate Data Entry Operator

**LEGAL**

Nedda Gold Massar, Esq. *	Deputy Legal Director
Irene Szedlmayer, Esq.	Assistant Legal Director
Elbia Zeppetelli	Legal Secretary

**REVIEW AND INVESTIGATION**

Carol Hoekje, Esq.	Director
Shreve E. Marshall, Jr.	Associate Director
Brett Mead	Associate Report Examiner
Ruth Ford	Secretarial Associate

**GUBERNATORIAL PUBLIC FINANCING**

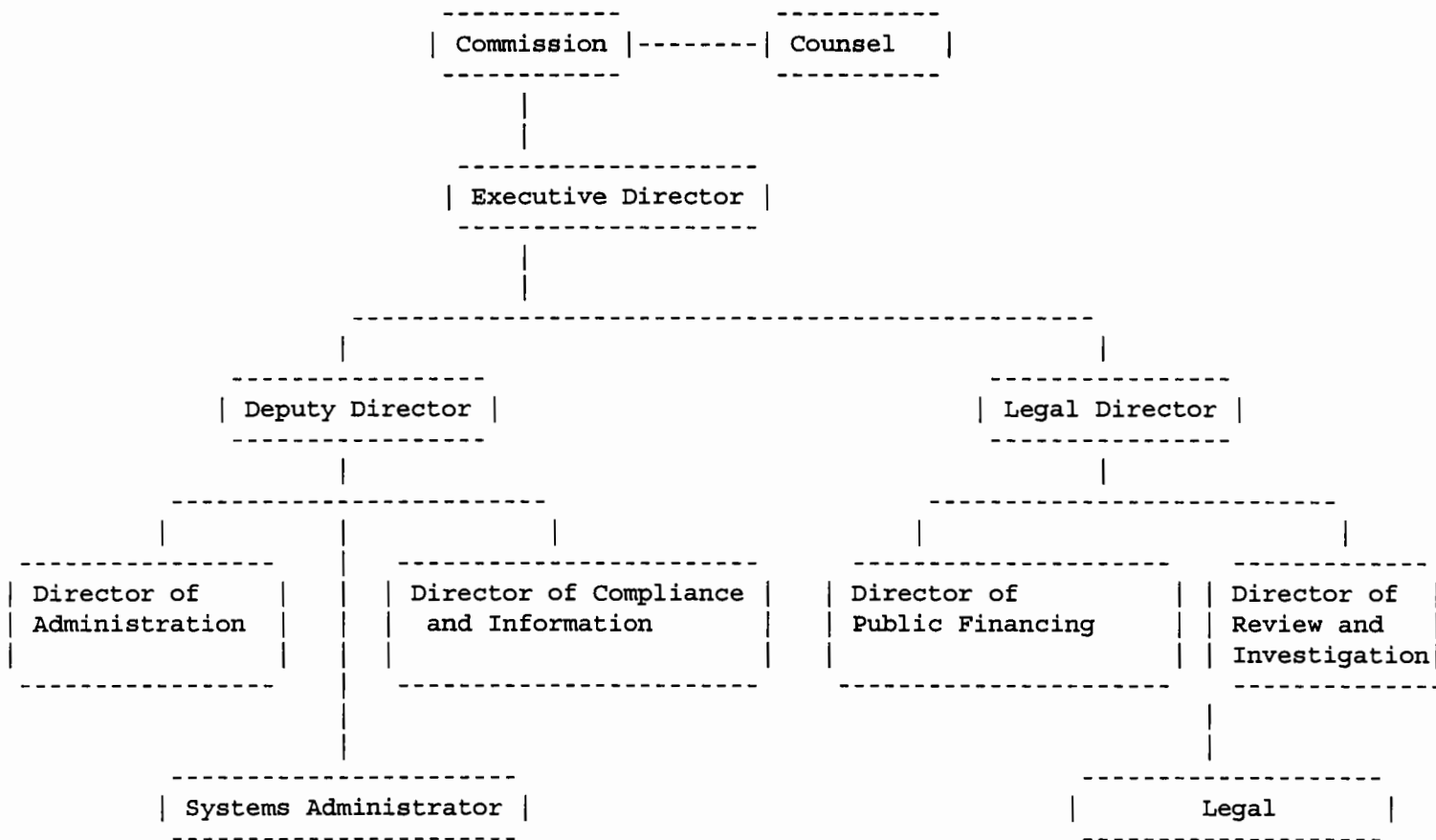
Nedda Gold Massar, Esq.\*

Director

\* Nedda Gold Massar serves as Director of Public Financing and also as Deputy Legal Director.

New Jersey Election Law Enforcement Commission

Table of Organization



### **EXECUTIVE DIRECTOR'S REMARKS**

The New Jersey Election Law Enforcement Commission (ELEC) is a small agency with a large mission. It is responsible for the collection and disclosure of financial data from candidates, political action committees (PACs), and political party committees throughout the State. ELEC also oversees the registration of lobbyists, the collection of their annual fees, and the disclosure of their lobbying activities and finances. The Commission administers the gubernatorial public financing program as well, regulating millions of dollars of private as well as public funds. Finally, ELEC monitors the personal financial disclosure of candidates for gubernatorial and legislative office. Taken all together, the Commission is confronted with an enormous workload.

ELEC's numbers tell this story even better. Each year the Commission processes 600,000 pieces of paper! The staff annually reviews up to 21,000 reports filed by over 5,000 candidates and committees. It handles over 10,000 public requests for information and photocopies close to 170,000 pages of reports needed by the public. The Commission oversees the activities of 600 lobbyists, 1,100 political party committees, and 300 PACs.

At the same time that the Commission is afloat in a sea of paperwork, it is in danger of being weighted down and drowned by an obsolete and inadequate computer system. ELEC's current system is now a decade old and no longer able to handle a burgeoning workload effectively. In 1992, the Commission called for recomputerization in a White Paper entitled Technology in the Future: Strengthening Disclosure. Two years later, a study, produced by the Office of Telecommunications and Information Systems (OTIS) in the Department of the Treasury and requested by ELEC, corroborated the findings of the White Paper. The Commission's workload has become unmanageable with its current technological resources and its obsolete computer is "expensive to maintain and even more costly to modify and repair" according to OTIS.

The data collection and disclosure functions of ELEC can be automated through scanning, imaging, and electronic filing technologies. These modernistic tools have the potential to automate the storage of all reports received and the production of copies for disclosure. High technology also has the ability to provide the public with remote access to all of ELEC's data. Electronic filing is an option that will aid filing entities as well as ELEC by automating the distribution of forms to the entities on computer diskette and the receipt of their data back on the same diskette which can then be loaded into an electronic database.

OTIS believes that the next step in an ELEC recomputerization project should be an implementation study to evaluate the scanning and imaging systems available today and to investigate further the practicality of using optical character recognition to automate data entry. A five to six month effort will be required to evaluate the functionality and costs of the available technology and to estimate the expense and timeframe necessary to put this technology in place. OTIS believes that such a study would cost between \$84,000 and \$92,000. Such a figure is well beyond what ELEC's small

operating budget of about \$1.4 million could handle without additional resources.

The recomputerization of ELEC will benefit not only the Commission but also those who file and the public as well. It should be implemented so that ELEC will be able to: reduce its workload in collecting and disclosing data; relegate its clerical tasks to machines allowing better use of limited staff resources; eliminate the need to process, store, and duplicate hundreds of thousands of pieces of paper; enter and analyze more of the detailed data it receives; and improve its service to those who file and the public by meeting their demands in a more respectable timeframe. Candidates, committees, and lobbyists will be offered an alternative filing method that will reduce their burden in providing information to ELEC, while they will also benefit by accessing data remotely so they can easily view all of the information that has been collected. The public will benefit from recomputerization by obtaining copies of reports in a much shorter period of time than is now typical and by taking advantage of a remote access system to view easily and quickly the Commission's database.

As then ELEC Chairman Owen V. McNany, III told Joe Donohue of the Star-Ledger in a 1993 story, "spending money for new technology will enable ELEC to save money in the future while guaranteeing that ELEC will be able to continue its mission for providing open and honest government." With a thorough recomputerization blueprint, the Commission will be able to assess its technological as well as staffing and budgeting needs for the coming years. ELEC's position is similar to a general who if asked how many troops would be needed to win a war would have to know before responding whether they would be armed with missiles or pistols. In order to properly plan its budgetary needs for tomorrow, the Commission has to know the technology that it will have at its disposal. A recomputerization, implementation study is absolutely essential to ELEC in preparing for efficient campaign financing and lobbying disclosure in the rapidly approaching new century.

**ELEC OVERVIEW**

**Election Law Enforcement Commission Commissioners**

1973

Frank P. Reiche, Chairman  
Judge Sidney Goldmann, Vice Chairman  
Judge Bartholomew Sheehan, Commissioner  
Florence P. Dwyer, Commissioner

1974-1979

Frank P. Reiche, Chairman  
Judge Sidney Goldmann, Vice Chairman  
Josephine Margetts, Commissioner  
Archibald S. Alexander, Commissioner

1980-1981

Judge Sidney Goldmann, Chairman  
Josephine Margetts, Vice Chairman  
Andrew C. Axtell, Commissioner  
M. Robert DeCotiis, Commissioner

1982-1983

Andrew C. Axtell, Chairman  
M. Robert DeCotiis, Vice Chairman  
Justice Haydn Proctor, Commissioner  
Alexander P. Waugh, Jr., Commissioner

1984-1986

Andrew C. Axtell, Chairman  
Alexander P. Waugh, Jr., Vice Chairman  
Justice Haydn Proctor, Commissioner  
Owen V. McNany, III, Commissioner

1987-1988

Judge Stanley G. Bedford, Chairman  
Owen V. McNany, III, Vice Chairman  
Andrew C. Axtell, Commissioner  
David Linett, Commissioner

1989-1990

Judge Stanley G. Bedford, Chairman  
Owen V. McNany, III, Vice Chairman  
David Linett, Commissioner  
S. Elliott Mayo, Commissioner

1991-1992

Owen V. McNany, III, Chairman  
Judge Stanley G. Bedford, Commissioner  
David Linett, Commissioner

1993-1994

Owen V. McNany, III, Chairman  
William H. Eldridge, Vice Chairman  
David Linett, Commissioner

1994-1995

William H. Eldridge, Chairman  
Owen V. McNany, III, Vice Chairman  
David Linett, Commissioner



***Election Law Enforcement Commission Executive Directors***

1973-1975 David F. Norcross  
1976-1981 Lewis Thurston, III  
1981-1984 Scott A. Weiner  
1984-present Frederick M. Herrmann

***Election Law Enforcement Commission Counsel***

1973-1994 Edward J. Farrell  
1994-present James P. Wyse

***Statutory History of ELEC***

- Commission created by P.L. 1973, c.83 (N.J.S.A. 19:44A-1 et seq.) - "The New Jersey Campaign Contributions and Expenditures Reporting Act" - effective date: April 24, 1973
- Gubernatorial Public Financing Program started by P.L. 1974, c.26 (N.J.S.A. 19:44A-27 et seq.) - effective date: May 6, 1974
- Personal Financial Disclosure Program started by P.L. 1981, c.129 (N.J.S.A. 19:44B-1 et seq.) - effective date: May 1, 1981
- Lobbying Program started by P.L. 1981, c.150 (N.J.S.A. 52:13C-18 et seq.) - effective date: May 22, 1981
- Continuing Political Committee (PACs) Quarterly Reporting started by P.L. 1983, c.579 (amendment to N.J.S.A. 19:44A-1 et seq.) - effective date: January 17, 1984
- Lobbying Reform - established by P.L. 1991, c.243 (amendments to N.J.S.A. 52:13C-18 et seq.) - effective date: January 1, 1992
- Campaign Finance Reform - established by P.L. 1993, c.65 (amendments to N.J.S.A. 19:44A-1 et seq.) - effective date: April 7, 1993

## **LEGISLATIVE REVIEW**

In 1994, the first year of the 206th Legislature, a total of 26 bills were introduced to amend the Campaign Contributions and Expenditures Reporting Act (hereafter, the Campaign Reporting Act), eight bills were introduced either amending the gubernatorial public financing program or proposing legislative public financing, five bills were proposed affecting the Legislative Activities Disclosure Act (hereafter, the Lobbying Disclosure Act), and one bill was introduced to amend financial disclosure requirements of gubernatorial and legislative candidates. Other proposed legislation not directly under ELEC's jurisdiction but affecting or related to ELEC activities included: 13 bills introduced to implement Initiative and Referendum programs and 28 miscellaneous bills covering subjects such as false campaign advertising or other provisions of the Election Code (Title 19).

However, as might be expected in the wake of the extensive amendments made in 1993 to the Campaign Contributions and Expenditure Reporting Act, none of these bills has been enacted.

### **Legislative Recommendations**

The Commission recommends the following changes for legislative consideration:

#### **Campaign Reporting Act**

- Prohibit contributions from corporations and unions;
- Limit a candidate to a single campaign committee, with provisions clarifying that candidates may conduct joint fundraisers;
- Permit county-wide or municipal-wide candidates for different offices to form joint candidates committee (if joint candidates committees are retained); and,
- Establish reporting requirements for persons raising and spending funds to seek an appointment to fill a legislative vacancy.

#### **Gubernatorial Public Financing**

- Reduce the primary and general election public fund caps to \$1 million and \$2 million respectively, to be adjusted for inflation in 1997;
- Lower the general election matching ratio of public-to-private dollars from two-for-one to one-for-one;
- Increase the income tax check-off to \$3 quadrennially to be adjusted for inflation;

- Increase the primary election expenditure limit to \$3.5 million in 1997; and,
- Require three debates of publicly-financed candidates in each election.

#### Lobbying Disclosure Act

- Include expenditures made by lobbyists for grassroots or indirect lobbying campaigns to be subject to reporting; and,
- Tie lobbying thresholds to periodic quadrennial adjustments.

#### Personal Financial Disclosure

- Provide for uniform disclosure of gifts, reimbursements, and honoraria of over \$200 in a calendar year, and require disclosure of their value. Also, require a description of the article if it is other than cash (that is, watch, pen set, etc.); and,
- Require listing occupation and employer of individuals providing reportable benefits.

#### Conclusion

As it has in the past, the Commission will continue to review all bills within its statutory jurisdiction and present testimony to legislative committees considering such legislation. Also, the Legal Section, when so requested, will work with the Office of Legislative Services to assist in drafting legislation.

The Commission anticipates that 1995, the concluding year of the 206th Legislature, will prove to be productive as the Legislature explores new refinements to existing campaign finance, public financing, lobbying, and financial disclosure laws.

## **LEGAL SECTION**

The comprehensive amendments made in 1993 to the Campaign Reporting Act dominated much of the Legal Section's activity in 1994. These amendments made changes in the way campaign finances are reported, added new contribution limit requirements, and established limitations on the permissible uses of campaign funds. Not surprisingly, considerable effort was expended in 1994 to prepare regulations and advisory opinions to implement these new requirements.

### **Regulations**

The past year may well have been the Commission's busiest ever in terms of regulatory initiatives. Three major subject areas were addressed: Permissible Uses of Campaign Funds by Candidates and Officeholders, Reporting Requirements of PACs, and Contribution Limits.

### **Permissible Uses of Campaign Funds**

Early in 1994, the Commission resolved to provide candidates and officeholders with as much guidance as possible in regard to what uses of campaign funds are permissible or impermissible under the new law. The 1993 amendments listed six permissible uses, including campaign expenses and payment of "ordinary and necessary" expenses of holding public office. It also specifically prohibited "personal use." However, there were no further statutory guidelines to assist candidates or officeholders in applying these broad terms to specific fact situations.

After working closely with the Joint Legislative Committee on Ethical Standards, the Commission proposed regulations defining the above terms and providing illustrative examples of permitted and prohibited expenditures. Notwithstanding the inherent difficulties in implementing these broad statutory principles, regulations were ultimately adopted on October 17, 1994, and since that time there appears to have been a decrease in the number of requests for assistance or advisory opinions in this area.

### **PAC Reporting**

New rules governing the reporting requirements of continuing political committees (PACs), political party committees, and legislative leadership committees were proposed in August, 1994, and after a public hearing, were adopted in November. These rules were also necessitated by the 1993 amendments, and established quarterly report requirements as well as rules for reporting contributions or expenditures in excess of \$500 received or made prior to an election but after the close of a quarterly report.

### **Contribution Reporting and Limits**

The most challenging regulations to draft were those implementing the contribution reporting and contribution limit provisions of the 1993 law. The Commission reduced lengthy statutory text to a single contribution limit chart. Also, the regulations described the "equal attribution rule," setting

forth the requirements for applying contribution limits in cases where a candidate maintains both a candidate committee and a joint candidates committee.

The Commission began the formal proposal process in December, 1994, and a public hearing to receive testimony on the proposed text will be conducted early in 1995.

#### Advisory Opinions

Issues raised under the 1993 amendments also dominated questions presented to the Commission as requests for advisory opinions. Any candidate, treasurer, or person possibly coming under the reporting or other requirements of the Campaign Reporting Act may request an Advisory Opinion from the Commission. During 1994, the Commission issued 13 advisory opinions, on the following topics:

- Several State and local elected officeholders presented questions about permitted uses of campaign funds for officeholding purposes. For example, the Commission approved, subject to qualifications, such officeholding uses as: travel for legislative business (A.O. 01-1994), purchase of news periodicals (A.O. 02-1994), attendance at educational seminars pertinent to officeholding duties (A.O. 06-1994), attendance at the National Conference of State Legislators Annual Meeting (A.O. 09-1994), and travel to an international environmental conference as the representative of the Governor (A.O. 11-1994).
- The contribution limits created in the 1993 amendments also generated opinion requests. Most significantly, the Commission ruled that a candidate may accept contributions to retire outstanding net debt from a past election without having those contributions count towards the contribution limit for a current election. Such contributions can be accepted only: if the net liabilities of the past election exceed total contributions, if the contribution amount is aggregated with any others received from that contributor in that past election and the total remains within the applicable limit, and if the contribution is designated for the past election (A.O. 05-1994). The Commission ruled in a separate opinion that unlimited contributions could not be solicited to defray the cost of postelection litigation (A.O. 10-1994). Finally, the Commission held that funds collected by an elected candidate to pay for an inaugural celebration were subject to both the reporting and contribution limit requirements (A.O.12-1993, issued January 19, 1994).
- The provision in the 1993 law prohibiting a candidate from controlling any political committee or continuing political committee and limiting the candidate to a candidate committee and/or a joint candidates committee raised several issues. An officeholder who resigned his office while exercising control over

several PACs that contained substantial assets was directed to transfer all funds into a candidate committee subject to limitations on the use of campaign funds (A.O. 04-1994). Another officeholder was advised that he could not permit a PAC to identify him as its "honorary chair," or give permission for use of his name in fund-raising efforts (A.O. 07-1994). An elected officeholder was given permission to establish and raise funds for a neighborhood civic association with the qualification that it not undertake any election-related activities that could result in a determination that the association had become a political committee or a continuing political committee (A.O. 08-1994).

- In regard to gubernatorial elections, the Commission advised a State political party committee that it could make expenditures to pay certain expenses for communications, travel, food, and lodging incurred by a Governor-elect or Governor, when those expenses are incurred in the capacity of political party leadership. These expenses may be paid by the State Committee provided that the Governor is not a candidate, or conducting "testing-the-waters" activity (A.O. 13-1993, issued January 19, 1994).
- Finally, the Commission referred to the Attorney General a request for an opinion on whether or not the statutory prohibition against political contributions from certain utility companies applied to a cogeneration company (A.O. 03-1994). This statute is not part of the Campaign Reporting Act, and therefore not under the Commission's advisory opinion jurisdiction. The Attorney General ultimately ruled that the statute did prohibit political contributions from such sources.

#### Civil Complaints

During 1994, the Commission focused its civil complaint activity on cases arising out of investigations and raising major substantive reporting violations. The Commission is empowered by law to bring civil complaints against candidates, committees, lobbyists, treasurers, and other other persons for alleged violations of the Reporting Act, Personal Financial Disclosure Act, or Lobbying Act, and impose monetary penalties if violations are established after an opportunity for a hearing. Any person charged with an alleged violation may chose to have a hearing before an impartial Administrative Law Judge, or waive the hearing. Last year, a total of 107 complaints were issued, and 26 of these arose out of investigations conducted by the Review and Investigation Section. The remainder were complaints generated from ELEC records for non-filing or late filing of campaign reports, personal financial disclosure statements, or lobbying reports. The total amount in penalties collected was \$41,639, an increase from the \$35,452 collected in 1993.

One of the most significant cases arising from the 1993 amendments was the failure of a continuing political committee to report within 48-hours the making of expenditures totalling \$200,000 to promote legislative

candidates before the 1993 general election. The committee and its treasurer consented to maximum statutory penalties totalling \$7,000.

For the first time since the enactment of comprehensive amendments to the Lobbying Act in 1991, the Commission issued civil complaints against lobbyists and legislative agents who filed late 1993 annual reports disclosing lobbying expenditures. Complaints were issued against 12 lobbyists and two legislative agents for annual reports filed up to 181 days late, and penalties of \$200 to \$500 were imposed, depending on the degree of lateness.

#### Conclusion

The Legal Section anticipates that 1995 will continue to raise new issues as the 1993 law is applied to legislative and local elections, and further anticipates proposing regulations and issuing advisory opinions to further implement the new requirements.

## **COMPLIANCE AND INFORMATION SECTION**

During the 1994 calendar year, the Compliance and Information Section continued the enormous task of phasing in the sweeping campaign financial disclosure reforms enacted in 1993.

By adhering to its priorities and implementing cost effective initiatives at all levels, the Compliance and Information Section was able to enhance the quality of its services to the public as well as to the community of filers it regulates.

### Compliance

In 1994, as in 1992, neither house of the Legislature was slated for election, nor were there gubernatorial elections. Despite this fact, 20,693 disclosure reports were filed by the end of 1994, representing a six percent increase over the number of reports filed in 1992. It appears that the trend of candidates, treasurers, and legislative agents to file more reports continues to be on the upswing.

In 1993, "The New Jersey Campaign Contributions and Expenditures Reporting Act" was significantly amended, changing the filing requirements for candidates and treasurers and imposing new requirements as well. During 1994, 5,167 candidates and committees participated in the elections. A new Compliance Manual for candidates was developed and sent directly to the candidates participating in the Municipal, Primary, and General elections. Candidates were asked to photocopy the blank forms in the Manual so that they would have an additional supply available for use at future filing dates.

To assist the 1994 candidates and treasurers with the transition to the new law, staff of the Compliance and Information Section traveled to nine different locations to conduct informational seminars. A large seminar was held in conjunction with the Institute for Continuing Legal Education in February of 1994. The seminar was widely attended and heralded as a great success. Similarly, a popular symposium on election law was sponsored by the New Jersey State Bar Association. Both of these important seminars were videotaped so that others, unable to attend, would benefit from the information. Staff also traveled to Atlantic, Camden, Essex, and Salem counties to conduct seminars. Three seminars were also held in Trenton just prior to the primary and general elections.

While seminars around the State are a proven method of promoting compliance with the law, a new policy was initiated in 1994 to assure that staff resources are well spent. In the past, the staff of the Commission would hold seminars upon request. Beginning in 1994, a seminar would be held only if a minimum of 50 persons planned to attend. This initiative was successful because the number of seminars did not decline; rather, the number of persons reached increased. This cost-effective measure is expected to continue in future years.



Compliance rates remained very high throughout 1994; by election day, 91 percent of the primary candidates and 97 percent of the general election candidates filed reports.

The 1993 law also had dramatic impact on the filing requirements for political action committees (PACs). A new type of PAC for the leadership of both houses of the legislature was created, called a legislative leadership committee. A registration process for these PACs as well as for continuing political committees was mandated. These PACs were given the opportunity to apply for the use of an acronym as part of the registration process.

As a cost-cutting measure, the forms which were developed for the registration process (Forms D-4, D-5, D-5N) were produced in-house with the assistance of an inexpensive software package. It is projected that money and time will be saved in the future by producing forms at the Commission rather than using an outside print shop.

Similarly, the materials used by PACs to file disclosure reports were totally revamped during 1994. The new Compliance Manual for Continuing Political Committees, Legislative Leadership Committees, and Political Party Committees was drafted during 1994, along with the new Form R-3. The Form R-3 is the detailed report required of most PACs and had to be revised to accommodate the enhanced disclosure required by the revamped law, such as the occupation and employer information of individual contributors. The new materials for PACs will begin to be used during 1995.

An important aspect of the campaign financial disclosure reforms addressed the candidate-controlled, or "personal" PAC. This type of PAC was banned by the new law. Accordingly, staff spent hours assisting treasurers with the finalization of these PACs.

Reporting by legislative agents and lobbyist organizations continued to be on the rise during 1994. Overall, there were eight percent more reports filed in 1994 over 1993. Cost-effective initiatives which began in 1993, were continued during 1994. These measures included administrative termination of agents who failed to pay the annual fee and consolidated reminder mailings.

Compliance efforts through informational mailings continued on schedule throughout 1994. Reminder letters and materials were mailed to every candidate running for public office, every PAC treasurer, and all legislative agents. Non-filer and delinquent letters were promptly sent after each filing date. Facsimile transmission (fax) of blank forms continued to help candidates, treasurers, and legislative agents who lost or misplaced their reporting forms.

Telephone assistance to the filing community remained high in 1994, despite the fact that 1994 was a year of mostly local elections. On average, in excess of 700 telephone calls per month were handled by the Compliance and Information Section. In order to streamline records of telephone conversations, a telephone record grid was developed and put into effect in

late 1994. The grid contains topics which may be discussed during the telephone conversation, providing a more uniform record.

Compliance efforts through its manuals and materials, non-filer and delinquent letters, seminars, and telephone assistance were certainly well rewarded, since the rate of compliance with the law remained outstanding.

### Information

Due in part to the high priority placed on public disclosure, the Commission has been viewed as one of the finest disclosure agencies in the nation. More and more New Jersey citizens are joining forces in grassroots movements and voicing an interest in the fundraising and spending by officeholders, candidates, and special interest PACs. Accordingly, the Compliance and Information Section has worked carefully with these citizens as well as with representatives of the grassroots groups to assist them with obtaining timely disclosure.

Beginning in May of 1994, a "public" copy of most reports was made and catalogued by election type. If a member of the public or press wished to look at (not purchase) a report, it was readily available. Also, to reduce photocopying costs for the public, staff encouraged the use of portable photocopying machines that could be brought to the Commission's public room. This idea became a popular new initiative and will be explored further in 1995.

The Compliance and Information Section published numerous press releases in 1994 announcing upcoming reporting dates to keep the public and press apprised of the availability of filed reports. These releases, along with analytical releases, helped to inspire television networks, radio stations, and the print media to view and access campaign and lobbying reports, thereby further disseminating important information to the public.

Interest in the activity and financial reports of legislative agents and lobbyist organizations increased during 1994. A summary of lobbying activity and a compilation of lobbying reports was sent to Governor Whitman, Senate President DiFrancesco, and Assembly Speaker Haytaian for each of the four quarters of 1994, pursuant to the "Legislative Activities Disclosure Act." A comprehensive analytical study was published in April of 1994 based upon the annual financial reports filed by legislative agents and lobbyist organizations. This study focused on spending by legislative agents, as well as benefit passing to legislators and regulators, and was quoted in numerous media reports.

### Conclusion

Nineteen ninety-four was a year in which the Compliance and Information Section examined anew its procedures and policies, looking for ways to deliver optimal services with minimal costs. The filing community was provided with all the tools necessary to file timely and complete disclosure reports. The citizens of New Jersey were served by making these reports

quickly available for review and purchases. It is in these ways that the Compliance and Information Section played a key part in 1994 in creating an informed New Jersey electorate.

## ***REVIEW AND INVESTIGATION SECTION***

### **Investigations**

All requests for investigations received from candidates, treasurers, or the public that come within the Commission's jurisdiction are evaluated by staff and presented to the Commission, which determines which investigations it will undertake. Any person may request that the Commission undertake an investigation by submitting a written statement setting forth an allegation that constitutes a potential violation of the Campaign Reporting Act. The Commission also initiates investigations as a result of staff review of reports filed with the Commission.

During 1994, the Commission received 107 requests for investigations, 80 of which made allegations that came within the Commission's statutory authority. Twenty-six investigations were opened as a result of these requests, and fifteen additional investigations were opened as a result of staff review, for a total of 41 opened investigations. Commission staff completed 42 investigations during 1994, and 25 investigations remained open at the end of the calendar year.

Investigations conducted by the Section involved such issues as: failing to report disbursements and contributions, failing to identify contributions in excess of \$200.00, exceeding the \$2,000 expenditure threshold for filing as an A-1 filer (or the \$4,000 or \$6,000 expenditure threshold for A-2 filers), contributing excessively, late filing or non-filing of reports, failing to report outstanding obligations, improperly finalizing a campaign, alleging "personal use" of campaign funds, and filing obligations of entities allegedly engaged in election advocacy.

Noticeable in the investigative work conducted by the Section in 1994, were new issues arising out of the 1993 Amendments to the Reporting Act. For example, new requirements relating to contributor information were the subject of several investigations which examined the alleged failure of campaign reports from the 1993 general election to detail occupation and employer information for individuals contributing more than \$200.00. Other new issues examined by the investigative staff included the issue of "earmarking" contributions and the new 48-hour notice reporting requirement for expenditures by a political committee or continuing political committee.

Investigations also continued to involve issues of reporting of street money disbursements. Many of the issues concerning alleged street money violations that occurred in the 1993 general election were rectified through legislative action effective January 1994. A new law now requires that each disbursement be made by check.

Staff completed seven investigations initiated in 1993 at the direction of the Commission into the reporting of street money disbursements in the 1993 general election. Staff also examined, at the request of the Commission, the 1993 fourth quarter reports of 14 continuing political

committees for reporting of street money disbursements in the 1993 general election.

As a result of investigations into the reporting of ultimate recipient information for street money disbursements, staff recommended issuance of complaints against three Legislative candidates and their treasurers for late filing (during the investigations) of \$13,930 in ultimate recipient information; and additionally failure to provide addresses for 25 ultimate recipients.

As a result of staff's investigations into reporting of street money disbursement information by continuing political committees, staff recommended a complaint against one political party committee for late filing (during the investigation) of information for \$5,390 for 85 ultimate recipients; against another political party committee for late filing of \$920 in disbursement information for 10 ultimate recipients; and a letter of correction for a legislative leadership committee that filed late amounts of payment totaling \$2,100 for ultimate recipients for which it had already provided names and addresses.

The Commission concluded early in 1994 an investigation into the utilization of public funds and the use of street money in the 1993 publicly-financed gubernatorial campaigns. The Commission concluded that no irregularities in reporting had been found regarding public funds and "street money" disbursements by the two 1993 general election publicly financed gubernatorial campaigns.

At that time, the Commission instructed staff to continue an investigation of non-public funds disbursements to two vendors by one of the gubernatorial campaigns in connection with "get-out-the-vote" telemarketing for the campaign. It was necessary to determine that the vendors' efforts were not coordinated to eliminate the possibility of a gubernatorial expenditure limit violation. The Commission closed the investigation in July, 1994, after concluding that it could find no evidence of reportable coordinated expenditure activity between the telemarketing conducted by the gubernatorial campaign and telemarketing activity conducted by other campaign entities.

In a case involving a continuing political committee of a candidate for State Senate, the respondent continuing political committee filed during the investigation quarterly reports with financial information for calendar years 1988-1992. As a result of this investigation, staff recommended filing a 24-count complaint against the respondent continuing political committee and its treasurer for filing late 20 quarterly reports, filing late three Forms D-3, and filing late detailed information relating to 37 credit card disbursements totaling \$12,127.54.

In all, the Commission closed 42 investigations in 1994. In 27 investigations, the Commission approved issuance of 38 complaints. Six investigations resulted in the issuance of 11 letters of correction to

candidates, committees and/or treasurers, and nine investigations were closed with no further action.

#### Subpoenas

The Review and Investigation Section issued four subpoenas in 1994, three directed to respondents that failed to produce the financial records that were necessary to complete the investigation, and one directed to a witness to provide testimony in an investigation.

#### Prosecutorial Assistance

The Review and Investigation Section is also responsible for generating complaint recommendations for those candidates or filing entities that did not file campaign or personal financial disclosure reports with the Commission. In order for the Commission to identify these entities, staff must undertake a review of its files of campaign reports, and compare those files against the computer-generated checklist which identifies those entities that have not filed with the Commission as of a specific date. The complaint recommendation process is conducted with painstaking thoroughness so that complaints are recommended only in cases where both the report files and the checklist agree no report was filed.

The section staff also assists in the preparation of cases for hearings before the Office of Administrative Law in the Department of State. The investigators first prepare a chronology of the filing events that constitute the alleged violation. This chronology identifies documents such as bank statements, deposit slips, cancelled checks, and other financial records that may result in a request for discovery by the Legal Section for additional information prior to the date of the hearing. In 1994, staff prepared 15 such chronologies in anticipation of hearings. The investigators also assist in the preparation for the presentation of the Commission's case at the actual hearings, including testifying as witnesses for the Commission. In 1994, the Assistant Election Finance Analyst prepared testimony for six hearings and testified as a witness at three hearings.

The Review and Investigation Section also completed resident address checks for the Legal Section to determine the current and correct address for a respondent whenever a county sheriff advises ELEC that personal service could not be accomplished at the address provided in election records.

#### Fine Collection

The Review and Investigation Section is also responsible for maintaining a fine collection program in cases where penalties remain unpaid for 90 days after issuance of Final Decisions. During 1994, staff issued 67 fine collection letters. Staff also issued a press release in March, 1994, to identify the names of respondents who did not make payments in response to fine collection letters. Staff efforts resulted in the collection of \$3,515.44 in unpaid fines in 1994.

### Other Activities

In addition to investigations and prosecutorial assistance, the Review and Investigation Section also provided public assistance during 1994 for 645 telephone calls or in-office contacts with candidates, treasurers, or other persons seeking information on reporting requirements.

Staff also provides technical assistance and input into the drafting of Commission regulations and into the issuance of new compliance manuals and forms. Staff members also provide assistance to the Legal Director in the preparation of advisory opinions, including providing background information on the filing status of a requesting entity and suggesting appropriate technical solutions for reporting questions.

The Associate Director assisted the Compliance Section in the review of campaign reports filed by candidates prior to enactment of the 1993 Amendments to determine whether or not those candidates were eligible to establish a "grandfather" account, under the provisions of Advisory Opinion 05-1994, to pay off debts of a campaign. This review necessitated ascertaining whether the total liabilities of a campaign exceeded total assets, and examining account balances.

The Associate Director conducted training and oversight in connection with a contributor coding project for the 1993 general election. This project will provide computer identification and analysis of contributor information derived from campaign reports.

Because of the vacancy in the Director's position for most of 1994, the Associate Director also served as liaison to investigative counterparts in other state, local, and federal agencies in giving assistance in investigative inquiries.

### Staffing

The Review and Investigation Section was staffed by two investigators during 1994. These investigators are the Associate Director and the Associate Report Examiner. At the end of 1994, the Director position was filled. The Commission looks forward in the coming year to providing more assistance and responding to more requests for review and investigation.

### **GUBERNATORIAL PUBLIC FINANCING SECTION**

While it remains one of the Commission's primary statutory responsibilities, the Gubernatorial Public Financing Program receives much less attention once a gubernatorial election year is past. However, the continuing work of Commission staff after the conclusion of a gubernatorial election year becomes the foundation of future administration of the program and ensures the integrity of New Jersey's gubernatorial public financing system.

The 1993 public financing program distributed \$13.4 million to 1993 primary and general election gubernatorial candidates. With the assistance of the temporary public financing staff through June, 1994, and then with the continuing efforts of permanent members of the Commission staff, analysis of the financial activity of the primary and general election campaigns receiving these funds was undertaken.

#### **Analysis of Expenditure Information**

During a gubernatorial election year, the attention of the public focuses on the contributions received by the publicly-financed candidates. The public financing staff therefore directs its energy toward providing complete contributor data to the public in a very short timeframe. The staff emphasis shifts after the election year to a detailed examination of the expenditure activity of the campaigns.

Not only is the expenditure information of interest to the public and to individuals contemplating a future gubernatorial candidacy, but it is also the basis of the statutory campaign cost adjustment process. The Commission is required pursuant to N.J.A.C. 19:44A-7.1 to establish a campaign cost index, an adjustment factor, which reflects the inflationary changes in the costs of campaigns and to use that index prior to each gubernatorial election to adjust the thresholds and limits that govern New Jersey's public financing program as well as the new Campaign Act.

This campaign cost index is weighted to reflect the relative importance of various types of campaign expenditures, which can only be determined after detailed analysis of the expenditure activity of prior campaigns. A major portion of the activity of the public financing staff during 1994 was therefore to examine each expenditure transaction to determine its type (i.e., communication, administration, travel, etc.), to code it, and then to enter it into the computer database. Expenditures of the four 1993 primary election campaigns totaling \$10 million and expenditures totaling \$12.9 million for the two 1993 general election publicly-financed campaigns were reviewed.

The Commission therefore has available the expenditure data component necessary to calculate the campaign cost index for the 1997 gubernatorial election. In December, 1996, the Commission will meet the statutory deadline for providing to the Legislature its determination of the contribution and expenditure limits, the public funds caps, and the public



financing qualification threshold which will govern the 1997 gubernatorial primary and general elections.

#### Audits of the Publicly-Financed Campaigns

As it has at the conclusion of prior publicly-financed gubernatorial elections, the Commission engaged the services of an independent auditing firm during 1994 to review the expenditure activity of the primary and general election campaigns. An auditing firm was selected through the State's competitive bidding process, which required that staff prepare detailed audit specifications and evaluate the bids received from several auditing firms.

The public funds and non-public funds accounts of each candidate were scrutinized by the auditors to verify that expenditures were properly documented. Each public funds expenditure was examined to be certain that the funds were used only for the purposes permitted by the statute. Compliance with the spending limits imposed upon 1993 publicly-financed campaigns, \$2.6 million in the primary election and \$5.9 million in the general election, was verified.

The Campaign Act requires that a publicly-financed campaign return to the State any funds remaining after all campaign obligations have been satisfied. The audits of the publicly-financed campaigns therefore serve further to verify that all unspent funds have been refunded to the State. To date, funds in the amount of \$130,165.14 have been returned to the State by the 1993 primary and general election campaigns.

The publicly-financed campaigns are aware that such audits are an integral part of the Commission's detailed review of their financial activity. The audits therefore serve to encourage compliance with the complex provisions of the public financing law and to safeguard public funds by confirming that they have been spent in accordance with statutory restrictions.

#### Computer Initiative

The 1993 amendments to the Campaign Act required the reporting by all candidates, including gubernatorial candidates, of the occupation and employer of individual contributors whose aggregate contributions exceeded \$200.00. As a result of efforts begun in 1993, the Commission's public financing software was modified during 1994 to permit the computerization of this additional contributor data.

Software design and testing was concluded in 1994, and the temporary public financing staff developed an occupation coding system. With the assistance of the Commission's data entry staff, available occupation and employer information for the Florio and Whitman 1993 general election campaigns was added to the contributor database. Members of the public may now receive alphabetical lists of contributors to the two general election campaigns which contain the occupations and employers of individual contributors. Further, the lists can be sorted by occupation.

The Commission believes that the availability of this computerized contributor information will be of great assistance to those studying New Jersey's gubernatorial campaigns.

#### 1994 Inaugural Activity

The Commission and its public financing staff are responsible for monitoring the statutory \$500 inaugural event contribution limit. Therefore more than 3,600 contribution transactions contained in the reports filed by Inaugural Committee '94, the Whitman inaugural event, were carefully reviewed by staff to confirm that no contributor exceeded the \$500 limit. These contributions represent \$1.6 million in inaugural receipts, all of which are available for review by the public in computerized format.

#### Public Assistance

Public interest in the 1993 gubernatorial campaigns continued into 1994, with the public financing staff fielding over 1,000 telephone inquiries and providing over 32,000 pages of computer printout and other information to the public. Now that the computerized contributor data for the two publicly-financed 1993 general election campaigns includes occupation and employer information, the Commission expects that the demand for this data will continue to be high as members of the public become aware of its availability.

#### Program Evaluation

In its efforts to continually improve the gubernatorial public financing program, the Commission conducted public hearings in February and March, 1994, to elicit comment from the public. Announcements of the hearings were sent to almost 200 individuals who had expressed an interest in public financing or who were connected to the 1993 primary and general election publicly-financed campaigns.

Eight individuals offered testimony, including publicly-financed and non-publicly-financed gubernatorial candidates and a representative of one of the 1993 gubernatorial debate sponsors. One candidate offered the suggestion that the Commission make available computer software to permit candidates to file reports on computer diskette. In the future, the Commission contemplates that candidates will be able to take advantage of computer technology to make reporting tasks simpler. Please see the discussion in this report of the steps currently being taken by the Commission to modernize its computer operations. The Commission will carefully consider this and all other comments as it prepares for the 1997 gubernatorial election.

Historically, following each gubernatorial election cycle, the Commission has issued legislative recommendations based upon the experience gained in operating the program. In May, 1994, following its successful administration of the fifth publicly-financed gubernatorial election cycle, the Commission issued a series of recommendations designed not only to strengthen the public financing program, but also to preserve taxpayers' dollars. These recommendations, and legislation already introduced in

response to them, are discussed in the Legislation section included in this report.

#### Looking Forward

Successful administration of New Jersey's pioneering gubernatorial public financing program requires on-going efforts during non-election years. Commission regulations and operating procedures must be reviewed and evaluated. It is not unusual to receive inquiries from potential gubernatorial candidates as much as two years prior to the next gubernatorial election. Staff must be prepared to respond to such inquiries. During 1995, the Commission will also begin its research into inflationary changes as the next step in preparing the campaign cost index for the 1997 election cycle.

The Commission and its staff welcome the opportunity to serve the citizens of New Jersey through the operation of the gubernatorial public financing program. As the oldest program of its type in the nation, the Commission is aware that public financing in New Jersey serves as a model for other states. By constantly examining the program to identify possible areas of operational and legislative improvement, the Commission hopes that gubernatorial public financing will remain at the forefront of national campaign finance reform.

## **COMPUTER SECTION**

The Computer Section is basic to managing the Commission efficiently and effectively. The two functional areas comprising this section are data entry and computer/systems operation.

### Data Entry

During 1994, the Data Entry staff keyed lobbyist financial information from 1993, which was critical to the production of the lobbyist financial activity press release. Moreover, staff inputted lobbyist activity data for the quarterly reporting system. Finally, summary information on receipts and expenditures for candidates ranging from local elections through State elections was keyed, along with financial information on political parties, political committees, and special interest PACs.

Above and beyond these notable achievements, the Data Entry staff began the process of completing the G-93 project, which is a compilation of contributors to legislative candidates. Moreover, the staff assisted the Deputy Director with respect to input and retrieval of important information relative to the white paper on ideological, nonconnected PACs.

The Data Entry staff assisted other sections with telephone coverage, mailings, typing, and preparation of compliance request information. It also assisted with processing information requests from the public.

### Systems Operations

The systems/operations area has the responsibility for maintaining the system software for the PRIME Information 4050 Operating System as well as the personal computers utilized by the secretarial staff. It also is charged with the responsibility for upgrading the various systems, developing software, and enhancing the capacity of the computer to do its job. In 1994, this process was facilitated in the following ways:

- modified software to include new forms;
- changed the campaign software program to include occupation and employer information;
- upgraded hardware to include 16 additional ports to be used by new ELEC users and their display terminals;
- installed new printers;
- developed program for retrieval of information for nonconnected PAC White Paper; and,
- programmed PCs to facilitate the lobbyist/agent statistical press release.

In 1994, the systems operations area contributed to the Commission's research efforts. It produced statistical information relevant to White Paper Number Ten on ideological, nonconnected PACs as well as statistical information pursuant to campaigns, PACs, parties, and lobbyists.

The responsibility of the Computer Section is to provide support to the users of the system and to provide the public with timely data. During 1994, the section met the challenge vigorously.

## **ADMINISTRATION SECTION**

During 1994, the Administration Section effectively met the ever-increasing fiscal and personnel demands of the Commission. An essential part of the agency, Administration provides all management services for the Commission.

Since ELEC is "in but not of" the Department of Law and Public Safety, the Department has no administrative responsibility or control over the Commission.

### **1. Managing the Budget**

In FY-1995, ELEC received an additional \$300,000 in its appropriation, bringing its total funding to \$1,362,000. This money has, so far, been utilized to hire six new staff (one Director of Review and Investigation, one Assistant Legal Director, one Legal Secretary, one messenger, one Report Examiner, and one Research Assistant). The Commission has almost returned to the staff level it had in FY-1990 (34), however it has a much greater workload due to the new campaign financing and lobbying laws as well as ever-increasing campaign committee and lobbyist expenditures.

The Commission was also able to purchase new telephone equipment for its two receptionists, its Executive Director, and his secretary. The telephones previously used were the original telephones the Commission had in 1973 (the year the Commission began). This old equipment was no longer able to keep up with the more than 75 telephone calls a day the Commission receives. On busy "filing days," calls coming into the Commission office average over 150. Frequent breakdowns with these telephones made purchasing new ones a top priority. The Commission has also purchased two new high-volume, plain-paper facsimile machines to be used by PACs and candidates to file 48-hour notice reports to the Commission beginning with Primary 1995 election (subject to regulatory approval). This option will allow candidates another way of filing 48-hour notices to the Commission in a timely fashion. Notices will also be accepted by regular mail, overnight delivery, and hand delivery, as always. However, faxing should provide a very easy alternative to filing these very time-sensitive reports. No other reports, however, will be accepted by facsimile.

In addition to the above-mentioned purchases, ELEC is also purchasing a video system to be used to show pretaped training seminars to interested audiences at the Commission office. This system will also be used for other official purposes including investigations. In addition, an overhead projector will be purchased to aid in presenting materials at training seminars which are now being conducted more frequently to interested groups upon request.

### Other Activities

In 1994, the Commission, with the cooperation of the Office on Telecommunications and Information Systems (OTIS) in the Department of State jointly prepared a report which investigated various technologies that are available which would enhance the efficiency and effectiveness of the Commission. Briefly, imaging and scanning technology which has been used in other states i.e., New York and Washington, would greatly increase the speed in which reports could be made available to the public. In addition, original paper reports could be stored off-site, thus reducing some of ELEC's space requirements which is now being taken up by filing cabinets. In addition to this technology, remote access was also explored which would allow users of ELEC materials to access it at remote locations, possible county clerk offices. Electronic filing was also investigated as were new platforms for the operating system.

An estimate of \$84,000 - \$92,000 was given by OTIS for the completion of a feasibility study which would evaluate the functionality and cost of the available technology and to re-estimate the cost and timeframe necessary to implement such changes. Estimates for implementation in the OTIS report ranged from \$1 million to \$1.4 million.

### Looking Forward

The Commission's operating budget for FY-1996 is anticipated to be \$1,417,000.00. The Commission is requesting help from the administration in order to complete the feasibility study recommended by OTIS in order to upgrade its computer technologies in the future.

**1994 AND 1995 BUDGET OVERVIEW**

In FY-1995, the Commission was appropriated an additional \$300,000 which was placed in the salary account. In FY-1996, the Commission anticipates an appropriation of \$1,417,000 based on the Governor's Budget Recommendation.

**COMPARISON OF FISCAL YEARS 1994 AND 1995 APPROPRIATIONS**

	<u>FY 1994</u> <u>Appropriation</u>	<u>FY 1995</u> <u>Appropriation</u>
Personnel	\$1,068,000	\$1,157,000
Printing & Supplies	21,000	44,000
Travel	0	1,000
Telephone	17,000	25,000
Postage	19,000	26,000
Data Processing	34,000	39,000
Professional Services	33,000	40,000
Other Services	0	8,000
OTIS	5,000	5,000
Maintenance/Equipment	1,000	2,000
Central Motor Pool	0	0
Furniture/Equipment	0	0
Commissioner Per Diem	<u>15,000</u>	<u>15,000</u>
Total Operational	\$1,213,000	\$1,362,000
Public Financing Administration	565,000	0
Gubernatorial Public Financing	\$7,800,000	0



**1994 Evaluation Data**

Disclosure Reports (Total)	20,693
Campaign & Quarterly	17,114
Lobbyist	3,574
Personal Finance	5
Photocopies	167,096
Investigations	42
Civil Prosecutions	107
Public Assistance Requests	10,376
Fine Collection	\$ 41,639
Lobbying Annual Fees	\$117,600