



2007 Annual Report

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**State of Arizona
Citizens Clean Elections Commission**

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March 1, 2008

The Honorable Janet Napolitano
Governor of Arizona
1700 W. Washington
Phoenix, AZ 85007

Dear Governor Napolitano:

Pursuant to Arizona Revised Statutes (A.R.S.) § 16-956(B)(3), the Citizens Clean Elections Commission (Commission) submits its 2007 Annual Report.

In 1998, the voters of Arizona passed the Citizens Clean Elections Act. The Commission celebrates the ninth anniversary of the Act through the continued commitment of upholding the letter and spirit of the Act. With the knowledge and experience gained through the last four election cycles, the Commission strives to improve the effectiveness of the administration of the public funding program, voter education, and candidate training.

The Commission accomplished its goals set in 2007, and looks forward to a productive and successful year in 2008.

Respectfully Yours,

Gary Scaramazzo
Chairman

Mission Statement

To fairly, faithfully and fully implement and administer the Citizens Clean Elections Act.

Vision Statement

Through the successful implementation of the Arizona Citizens Clean Elections Act, the Commission seeks to improve the integrity of Arizona state government and promote public confidence in the Arizona political process.

Authority

The Citizens Clean Elections Commission was established by the enactment of the Citizens Clean Elections Act, A.R.S., Title 16, Chapter 6, Article 2. In addition to administering the provisions of Article 2, the Commission promulgates rules and enforces A.R.S. §§ 16-940 through 16-961.

Commission

The Commission consists of 5 members:

- No more than 2 shall be members of the same political party.
- No more than 2 shall be residents of the same county.
- No one shall be appointed who does not have a party registration that has been continuously recorded for at least 5 years immediately preceding appointment, with the same political party or as an independent.
- Each candidate shall be a qualified elector who has not, in the previous 5 years in this state, been appointed to, elected to or run for any public office, including precinct committeeman, or served as an officer of a political party.
- A member of the Commission shall serve no more than one term and is not eligible for reappointment.
- No Commissioner, during his or her tenure or for 3 years thereafter, shall seek or hold any other public office, serve as an officer of any political committee or employ or be employed as a lobbyist.

Commission Activity

Core functions of the Commission include providing public funding to qualified candidates through the Clean Elections Fund, publishing voter education pamphlets and sponsoring debates through Voter Education, administering the Clean Elections Fund, and enforcing campaign finance laws. The following are highlights of the Commission's accomplishments and events during the year 2007:

Voter Education and Outreach

- One of the Commission's primary functions is educating candidates and voters about the Clean Elections Act. Outreach in 2007 consisted of speaking engagements to social service organizations, civic clubs, and other interested parties. In addition, the Commission continued to keep the media and the public informed of the latest developments.
- Participating Candidate Workshops began in September of 2007 and will run through July 2008. In 2007, the Commission hosted 8 workshops. The coordination of the workshops included an informational PowerPoint presentation, the scheduling of workshops and handouts. In 2007, the Commission began conducting online Candidate Workshops through the internet.
- The Commission developed a new educational campaign with the tagline, "Clean Elections. Everybody Wins." The campaign was introduced through television, radio, and print advertisements in all areas of the state, and encouraged the citizens of Arizona to become involved in their political process.
- In addition to mainstream media, "banner ads" were used to direct and encourage people to view the Commission's website. The Commission's website was revamped in 2007, to provide ease of use to any visitor soliciting information about the Citizens Clean Elections Act.

Clean Elections Fund

In December 2007, the Commission approved \$3,843,638 to be transferred to the State General Fund. Since 1998, when Arizona voters approved the Act, the Commission has given a total of \$12.7 million to the State of Arizona's General Fund.

Enforcement

A majority of the enforcement cases filed for the 2006 election cycle were finalized in 2006. 10 complaints were carried over and finalized in 2007. The Commission launched two additional internally generated complaints as a result of the Commission's random audits, one of which remains outstanding at the end of 2007.

Statutory Changes

The Legislature adopted and enacted the following changes to the Clean Elections Act in 2007:

- 16-905, 16-941, 16-950,16-952,16-953, 16-955, 16-956, 16-958, 16-961

Rule Changes

The Commission adopted and enacted changes to the following rules 2007:

- R2-20-101, R2-20-103, R2-20-104, R2-20-105, R2-20-106, R2-20-107, R2-20-108, R2-20-109, R2-20-111, R2-20-112, R2-20-113, R2-20-207, R2-20-211, R2-20-213, R2-20-215, R2-20-222, R2-20-303, R2-20-304, R2-20-402.01, R2-20-404, R2-20-702, R2-20-702.01

Litigation

Association of American Physicians and Surgeons v. Brewer

Association of American Physicians and Surgeons, a political action committee, and three candidates, filed a lawsuit in United States District Court Arizona challenging the constitutionality of the matching funds provision in the Clean Elections Act. Plaintiffs alleged that the Act unconstitutionally "coerces" candidates to participate in public funding, and that the Act chills speech by providing matching funds for some independent expenditures.

Judge Earl Carroll denied the Plaintiffs' motion for a preliminary injunction to enjoin the Commission from disbursing matching funds and granted a motion to dismiss Plaintiffs' complaint. The Ninth Circuit affirmed the district court ruling in part and remanded Plaintiff Dean Martin's case to the District Court after the Commission acknowledged his claims were not moot..

In November 2007, Plaintiffs filed a motion to amend the complaint and to add Arizona Taxpayers Action Committee and Arizonans for a Sound Economy as Plaintiffs and a motion to vacate the earlier district court judgment dismissing Plaintiff Association of American Physician and Surgeons' claims. Defendants filed a motion in opposition to Plaintiff's motion to vacate and a motion of non-opposition to Plaintiffs' motion for leave to amend. The parties are awaiting court decisions on these matters.

Dean Martin et al. v. Citizens Clean Election Commission

Five candidates filed a lawsuit in Arizona Superior Court challenging the constitutionality of a matching fund provision in the Clean Election Act. Specifically, the lawsuit challenged A.R.S. §16-952(C)(4) and Arizona Administrative Code ("A.A.C." - the CCEC rules) R2-20-113(B)(3). The Court denied plaintiffs' request for a preliminary injunction on October 4, 2006. On March 3, 2007, the Court entered an order stating that unless Plaintiffs file a motion to set and certificate of readiness by June 26, 2007, it would place the case on the inactive calendar and dismiss it on August 27, 2007. To date, Plaintiffs have filed no motion to set or certificate of readiness but the case has not yet been dismissed.

Financial Information

The Act prescribes certain caps on expenditures from the Citizens Clean Elections Fund. Pursuant to A.R.S. § 16-949(A), the Commission shall not spend more than \$5 times the number of Arizona resident personal income tax returns filed during the previous calendar year on all costs incurred under the law during a particular calendar year. Therefore, based on the number of personal income tax returns filed in 2005 (2,463,898), the expenditure cap for 2007 was \$12,319,490.

In addition to the overall expenditure cap the Act requires a cap on expenditures for administration and enforcement activities. The Commission may use up to 10 percent of the expenditure cap for costs related to administration and enforcement pursuant to A.R.S. § 16-949(B). The Commission spent \$861,250 or 7.0 percent for administration and enforcement.

Moreover, the Commission is required to spend 10 percent of its annual expenditure cap for voter education. In 2007 the Commission spent \$1,346,226 or 10.9 percent for voter education.

