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Message from the Chairman

There is nothing more important in American political life than preserving the integrity and fairness of the electoral system

In New Jersey, the Election Law Enforcement Commission (ELEC), which is in but not of the Department of Law and Public Safety, stands as the guardian and watchdog over the financial aspect of this process and it attempts to do so with diligence and impartiality

As with many governmental agencies, the Commission continues to grow and evolve. This evolution, however, is a movement toward simplicity and clarity. It is also an effort to insure that the public is well informed about the role of money in campaigns without discouraging people on any level of politics from being involved in this most important aspect of democracy.

The year 1985 was a banner year for the Commission Through the implementation of its reorganization plan, engineered by the new Executive Director, Frederick M. Herrmann, and various and sundry other accomplishments, including the completion of its computer project, the Commission kept faith with its mission and laid the groundwork for future achievements

I am, therefore, extremely proud to submit this report to the members of the Legislature. It outlines, in detail, positive developments in the life of ELEC.

Cordially, Condine C. Antell

Andrew C Axtell

The Commission

Andrew C. Axtell, Chairman

Mr Axtell is serving his third term as Commissioner. Named Chairman in 1982, he is a businessman who also serves on the Boards of Directors of Star-Glo Industries (E. Rutherford, N.J.) and the Afro-American Purchasing Commission (N.Y., NY). Vice President of Robinson Technical Products Corporation, Mr Axtell is also President and a partner of Parkhurst Realty Company of Newark He is a member of the Board of Directors of the Dreyfus Consumer Bank of East Orange, former Councilman and Mayor of Livingston, former Chairman of the Essex County Republican Committee. and former member of the State Republican delegations to the National Coventions of 1960, 1964, and 1976 Mr Axtell also served as a Commissioner on the Port Authority of New York and New Jersey from 1970-1976, and currently serves on the Board of Trustees of the Boy Scouts of America (Robert Treat Council) and the East Orange General Hospital Mr Axtell is married to the former Ruth Cunningham and has two children

Alexander P. Waugh, Jr., Vice Chairman

Mr Waugh is serving his second term as Commissioner Vice Chairman since 1984, Mr Waugh is a partner in the Princeton law firm of Smith, Stratton, Wise, Heher and Brennan Mr Waugh also serves as Secretary of the New Jersey Supreme Court's District VII Ethics Committee and as a member of the New Jersey Supreme Court's Committee on Civil Practice. Mr Waugh was an assistant counsel to former Gover nor Brendan Byrne from 1978 through 1980

Married to the former Anne Christie, Mr. Waugh lives in Pennington with his wife and their two children.

Haydn Proctor, Commissioner

Haydn Proctor is serving his second term on the Commission. A former Associate Justice of the New Jersey Supreme Court, Justice Proctor served in both the General Assembly and the State Senate. Chairman of the Joint Appropriations Committee in 1941 and 1943, Justice Proctor was Senate Majority Leader in 1945 and Senate President in 1946.

A delegate to the New Jersey Constitutional Convention of 1947, Justice Proctor resides in Interlaken with his wife, the former Dorothy Young. The couple has two daughters.

Owen V. McNany, III, Commissioner

Mr McNany is serving his second term on the Commission. He is President and Director of Yorkwood Savings and Loan Association and President and Director of the Crestwood Service Corporation. Involved in both the civic and political life of the State, Mr McNany is active with many business and professional associations. He is the State Director of the Institute of Financial Education of the U.S League of Savings Associations and is a trustee and Vice President of the Hospital Center at Orange, New Jersey. Mr McNany and his wife, the former Patricia Beury, have three children and reside in Maplewood, New Jersey

Edward J. Farrell, General Counsel

Edward J. Farrell has been General Counsel to the Commission since its inception in 1973. He is senior partner in the firm of Farrell, Curtis, Carlin & Davidson.

Frederick M. Herrmann, Executive Director

Frederick M. Herrmann worked for the New Jersey Legislature in the area of election law for eight years before coming to the Commission. He holds a doctorate in American political history, has taught at Rutgers University and Kean College; and is the author and co-author of numerous books, articles, and reviews in New Jersey history. In December 1985, Mr Herrmann was named the Executive Vice Chairman of the Northeast Regional Conference on Lobbying.

Message from the Executive Director

The financial activities of New Jersey candidates for public office are regulated by the Election Law Enforcement Commission, which works to publicize the role of money in politics

Conceived in the aftermath of Watergate, the Commission was established as part of the movement to reform electoral politics in the State and to reduce the influence of money over governmental decision making.

To insure that campaigns are honest and government accountable on all levels, the Commission's authority begins with the State's highest office, the Governor, and extends through compaigns for the Legislature down through races for local office, including school boards. Candidates for federal offices, however, do not fall under the Commission's jurisdiction.

Established in 1973, the Commission was organized to administer "The New Jersey Campaign Contributions and Expenditures Reporting Act." Through the years, the Commission's responsibilities have expanded and its staff has grown

Originally the Commission was responsible for monitoring the spending activities of candidates for state, county and municipal office. In recent years, however, the Commission's authority has broadened to include disclosure of lobbying activity and Political Action Committees' (PACS) spending, and disclosure of legislative and gubernatorial candidates' personal financial information.

In addition, the Commission assumed responsibility for administering New Jersey's Gubernatorial Public Financing Program for Primary and General Elections.

With this strong tradition of growth in mind, combined with an equally strong tradition of public trust, the Commission continued to make progress in 1985. As you will see in the following pages of this report, the Commission not only underwent a thorough reorganization but dramatically improved its capacity to provide information to the public. This gain was made through the completion of its computer project.

I am proud of these, as well as other accomplishments in 1985, and on behalf of the Commission's staff, we look forward to serving the people of our State in the year ahead

Sincerely,

Frederick M Herrmann

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COMMISSION STAFF

Frederick M. Herrmann Jeffrey M. Brindle Josephine A. Hall Executive Director Deputy Director Executive Secretary

Legal

Gregory E Nagy Margaret McCarthy Carol Neiman Staff Counsel & Director Assistant Staff Counsel Secretary

Compliance and Information

Evelyn Green R David Rousseau Maryanne Bonczyk

Kim Rivera
Connie Spencer
Nellie Kendall
Evelyn Robeson
Carol Killings
Brenda Dunkins

Director

Research & Project Coordinator

Computer Specialist

Clerk Clerk Clerk Clerk

Data Processing Operator Data Processing Operator Data Processing Operator

Administration

Shirley Thorpe

Richard J Magee Donna D. Margetts Sandra Magee Debra Kostival Director

Administrative Officer Administrative Officer

Receptionist

Gubernatorial Public Financing

Peter D Nichols
James Wojtowicz
Vratislav Pechota
Antoinette Hickman

Director

Financing Assistant Financing Assistant

Secretary

Review and Investigation

Cheryl R Clarke Sherla E. Becker John Hulick Cathy Hawn Kevin Wright Celia Minich Director

Senior Investigator Report Examiner Report Examiner Report Examiner Secretary

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1985 and 1986 Budget Overview

The Commission has 24 budgeted full-time positions. In addition to the full-time employees, the Commission has four temporary employees to manage the Gubernatorial Public Financing Program Part-time hourly employees are occasionally used to help with professional and clerical backlogs.

The following chart compares fiscal years 1985 and 1986. It includes the Public Financing budget for both years.

Comparison of Fiscal Years 1985 and 1986 Appropriations

Account	1985 Adjusted Appropriation	1986 Adjusted Appropriation
Personnel	\$ 557,000	\$ 672,000
Printing & Office Supplies	39,000	39,000
Travel	7,000	7,000
Telephone	13,000	15,000
Postage	17,000	19,000
Data Processing	65,000	52,000
Professional Services	38,000	41,000
Other Services	15,000	17,000
Maintenance of Equipment	1,000	1,000
Central Motor Pool	4,000	4,000
New Equipment/Furniture	0	15,000
Commissioner Per Diem	24,000 *	30,000 *
Total Operational	\$ 780,000	\$ 912,000
Gubernational Public Financing Data Processing Initiative	\$ 4,000,000 \$ 237,000	\$ 3,000,000 \$ 0

^{*} The Commission met a total of 33 times during fiscal year 1985. It is anticipated that approximately 30 meetings will be held during fiscal year 1986. Per Diem rose from \$200 in fiscal year 1985 to \$250 in fiscal year 1986.



Compliance and Information Section

The Compliance and Information Section of the Election Law Enforcement Commission performs the critical function of processing, maintaining and disclosing information. In 1985, this section grew to ten staff members and is presently the largest section of the Commission.

The Compliance and Information Section has two goals: first, to provide information to candidates and reporting entities to assist them in filing, and second, to make available for public inspection the individual reports filed

There are literally thousands of persons in New Jersey who are affected by the campaign disclosure laws. To assist these individuals, the Compliance and Information staff held twelve workshops during 1985 at numerous locations throughout the State These sessions provided valuable guidance to would-be filers. Moreover, these workshops, which were well attended, helped candidates and other reporting entities understand their filing obligations, improving compliance tremendously.

To assist candidates and reporting entities even further, the Compliance and Information staff undertook a massive direct mail project. As part of this effort, instruction booklets and forms were sent to filers well in advance of the 1985 filing periods. In addition, helpful reminder notices were sent out periodically These efforts were well rewarded since the resulting compliance with election disclosure laws reach 94 percent in 1985

The Compliance and Information staff continued throughout 1985 to develop new and innovative methods of assisting candidates and reporting entities, and familiarizing them with their filing obligations.

Equal in importance to the staff's compliance efforts is its responsibility in the area of public disclosure. Without a doubt, public interest in campaign and political financial disclosure continues to increase each year. In 1985, more than 10,000 reports were filed with the Commission The Compliance and Information staff coded the reports, highlighted the errors, and entered the "hard copy" into its data base. Within 48 hours of receipt, the Compliance and Information staff had the reports available for public inspection. In a word, a fast turn-around time for reports was maintained in 1985 and plans are already in place to improve upon this record in the future.

The year 1985 was a transition year for the Compliance and Information Section. For the first time in its history, the Commission had begun to process information through its own computer. The computer's data base is arranged into four modules, public financing, campaign reporting, PAC and political party committee reporting, and lobbying. Each module is equipped to assemble and organize contributor and disbursement information. Summary data, once it is placed in the data base, can be easily accessed. Data can be cross-referenced to produce detailed listings of large PAC spenders, candidates who received contributions from a particular donor, and other meaningful combinations. In the years ahead, the Commission, through the Compliance and Information Section, plans to continue to speed the preparation and dissemination of campaign financial information to the public. This information, moreover, will be available in both preelection and postelection settings

The Compliance and Information staff made great strides in 1985. Through the completion of the Commission's computer project as well as the introduction of more efficient administrative procedures, the Compliance and Information Section experienced a truly successful year. The achievements of the past year will serve as solid building blocks for continued improvements in the future



Review and Investigation Section

The Review and Investigation Section was established last year as the result of the reorganization of the Commission's staff.

Prior to the reorganization, the field auditors and desk auditors operated in separate areas. Now they are placed together and function as one unit. The primary function of the Review and Investigative staff is the discovery of potential violations. Often, the desk staff initiates these investigations by identifying possible problems during its initial review of campaign reports. It then refers them to the staff in charge of field investigations. By consolidating these two groups, communication was vastly improved, thus enhancing the ability of the Commission to conduct investigations of campaign law infractions.

A significant accomplishment of the Review and Investigation Section was the development of a formal training program for newly hired desk auditors. The purpose of this program is to familiarize them with information that is necessary for solid job performance. The two-week program combined the reading of a comprehensive training manual with in-depth lectures The first week of the program provided information about the Commission and its reporting requirements The second week concentrated on the specific skills that the trainee needs to meet his or her responsibilities. The training program experienced great success in 1985 with the training of two newly hired staffers. The most useful aspect of the program was the training manual which is used daily as a reference guide, not only by the desk auditors, but by the entire staff as well.

Another significant achievement of the Review and Investigation Section last year was represented in its added ability to internally process financial reports. This activity was facilitated by the new computer system, which provided desk auditors with access to important financial information. More specifically, the desk auditors had access to current, up-to-date information, and no longer had to rely on outdated checklists to complete their reviews. Additionally,

they were able to enter data into the computer directly from the reports. In the past, this data would have been forwarded to the data entry staff for entry into the computer. Although the amount of data entered into the computer by the desk auditors is not substantial, their access to the computer system has streamlined the process significantly

The handling of alleged violations by the Review and Investigative staff has also been the beneficiary of an effort to streamline procedures. As a result of this effort, the percentage of cases closed in 1985 increased significantly over 1984. The Review and Investigation Section closed 44 percent more cases in 1985 than 1984. The following table provides the number of cases opened and investigated in the past three years:

	Opened	Completed
1983	128	102
1984	129	66
1985	127	95

In 1986, the Review and Investigation Section foresees completion of an even greater number of cases than in the past three years as a result of continued efforts to improve procedures

The Review and Investigation Section in 1985 made significant progress in effecting administrative efficiency. It envisions even greater progress in the years to come as a result of the continuation of these efforts.



Legal Section

Litigation and enforcement are important functions of the Election Law Enforcement Commission. Authorized to initiate complaints for late or inaccurate filling of campaign financial reports, the Commission, through its Legal Section, started 396 complaints in 1985. In all, the past year witnessed the collection of \$21,000 in fines against candidates, treasurers, or political committees.

The following summarizes the 1985 enforcement activity:

Complaints initiated in 1985	0				43	-	,		396
Cases carried over from 1984	*	9	*	1 5		>		s	130
Total 1985 cases	40	s	è			ä			526

These 526 cases had the following outcome	es:
Fines	246
Reprimands	115
Dismissals	29
Carryovers to 1986	136
Total	

Out of the 390 cases concluded in 1985, a total of 22 were litigated through the Office of Administrative Law (OAL) in the Department of State.

In addition to its enforcement function, the Legal Section in conjunction with the General Counsel, is also responsible for issuing advisory opinions. In 1985, the Commission received 19 requests for advisory opinions, one of which led to an adverse ruling by the New Jersey Supreme Court. In this case, the campaign committee of Governor Thomas H. Kean successfully challenged an advisory opinion concerning allocation of campaign advertising expenses.

The 19 advisory opinion requests ran the gamut of campaign financial issues. Five requests dealt with the Gubernatorial Public Financing Program while the other 14 involved a host of other campaign-related issues. These issues included: circumstances under which newsletter expenses must be reported as campaign contributions; reporting requirements for corporations or other organizations that contribute more than \$10,000 in an election, and reporting requirements of a campaign committee that planned to turn over its money to a State political party committee.

Like some other State agencies, the Commission is empowered to adopt regulations. These regulations are adopted to facilitate its administration of campaign financing laws. During 1985, several regulations were adopted through the Legal Section, among them were:

- a clarification that "continuing political committees," as well as other categories of contributors, are subject to the \$800 contribution limit contained in the public financing statues;
- (2) the readoption of subchapters concerning general provisions, using or transmitting of deposited funds, reporting of contributions, and public financing of the general election for the office of Gover nor; and
- (3) the relaxation of the reporting threshold of "political committees" from \$10,000 in a calendar year to \$10,000 per election.

Besides its other important duties, the Legal Section is also responsible for the review of legislation that impacts upon the Commission. Through its efforts, the Legal staff contributed to the Commission's attempts to structure the content of certain bills, for the purpose of improving the overall administration of campaign laws.

In 1985, for instance, legislation that pushed back the date for candidates to file nominating petitions was enthusiastically supported by the Commission. This change, from the 40th day to the 54th day preceding the primary election, provides the Commission with adequate time to send compliance notices to candidates. The first ELEC filling is 29 days before an election.

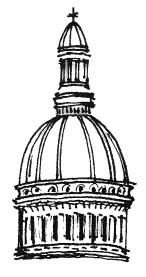
The past year also witnessed participation by the Commission in the legislative debate about the public financing statutes. Although no change was made to the program, a strong possibility exists that modifications will be made in 1986, and the Commission is in the process of issuing a report with recommendations to the Legislature and Governor.

Without a doubt, the Legal Section is an important part of the day-to-day operations of the Commission. Whether it be in litigating cases, in preparing regulations and advisory opinions, or in reviewing legislation, the Legal Section is integral to the successful functioning of the Commission.

Suggested Legislation for 1986

- Legislation to regulate the use of surplus funds and clarify the use of continuing political funds.
- * Legislation to require elective office holders to file reports for testimonial affairs conducted while they are in office.
- Legislation to increase the threshold requiring the indentification of contributors from in excess of \$100 to in excess of \$200.
- *Legislation to raise the threshold from \$250 to \$500 for 48-hour identification of contributors immediately before an election
- Legislation to raise the threshold for requiring reporting by persons making independent expenditures from \$100 to \$1000

- Legislation to permit candidates and committees required to file 60-day postelection reports to file quarterly reports instead.
- Legislation to increase the length of the term of each Commissioner from 3 to 5 years.
- Legislation to increase the time for responding to a request for an advisory opinion from 10 to 35 days
- Legislation to delete special district elections, including fire districts, from the Reporting Act.
- Legislation to establish civil jurisdiction in the Commission to enforce the provisions concerning prohibited contributions by insurance companies, banks, regulated industries, and political parties in primary elections.
- Legislation to establish civil jurisdiction in the Commission to enforce requirements that political literature identify the persons who paid for it.
- Legislation to increase the threshold of administrative termination from \$1,000 to \$2,000
- Legislation to include candidates as well as committees in the administrative termination process
- Legislation to establish a unitary lobbying reporting system as recommended in the December, 1982
 Joint Report of the Attorney General and the Commission.
- Legislation to combine the personal financial disclosure statements required of candidates for legislative office and of members of the Legislature



Gubernatorial Public Financing Section

The Gubernatorial Public Financing Program, first administered in 1977, proved highly successful again this year.

In the June primary, six Democrats and one Republican competed for the two party nominations. Out of this field, six candidates qualified for public money by raising \$50,000 and received a combined total of \$3.6 million in matching funds (Table I).

State Senator John F Russo, Essex County Executive Peter Shapiro and former State Senator Stephen B. Wiley, all Democrats, received the maximum in public funds (\$643,572.40) each, as did Govenor Thomas H. Kean, a Republican. Newark Mayor Kenneth Gibson, a Democrat, qualified for the maximum in public dollars, but did so after the primary. The Commission did not certify his final submission because his campaign failed to demonstrate the need for additional funds. As for the other two Democratic candidates, former U.S. Attorney Robert J Del Tufo received \$445,136 42 in public funds while Elliott Greenspan did not qualify to receive money.

TABLE I: Public Funds Received By 1985 Gubernatorial Primary Election Candidates

Candidates	Public Funds Received
Del Tufo (D) Gibson (D)	\$ 445,136.42 601,409.66
Greenspan (D)	.00.
Kean (R)	643,572.40
Russo (D)	643,572.40
Shapiro (D)	643,572.40
Wiley (D)	643,572.40
Democratic Subtotal	\$ 2,977,263.28
Republican Subtotal	643,572.40
TOTAL	\$ 3,620,835.68

Total campaign spending in the 1985 gubernatorial primary amounted to \$6.28 million, 57.5 percent of which was public money Four candidates, including the eventual nominees, spent more than a million dollars on their respective campaigns. These figures, included in Table II, compare favorably to the 1981 primary figures. In 1981, ten Democrats and six Republicans spent \$14.7 million, 43 percent of which was in public funds.

TABLE II: Expenditures By 1985 Gubernatorial Primary Election Candidates

Candidates	
Del Tufo (D)	\$ 778,894.40
Gibson (D)	987,834.94
Greenspan (D)	600.00
Kean (R)	1,145,949.23
Russo (D)	1,139,958 36
Shapiro (D)	1,170,971 55
Wiley (D)	1,060,553 36
Democratic Subtotal	5,138,812.61
Republican Subtotal	1,145,949 23
TOTAL	\$ 6,284,761.84

As in the primary, the Public Financing Program played an equally important role in the general election Both major candidates qualified for the maximum \$1.3 million in public matching funds. Governor Kean received those funds, while Essex County Executive Shapiro fell just short of receiving the maximum. Mr. Shapiro submitted enough private contributions to qualify for the maximum amount, but did not receive full funding due to technical reasons. Table III shows the actual amount of public dollars received by each candidate.

TABLE III: Public Funds Received by 1985 Gubernatorial General Election Candidates

	Public Funds				
Candidate	Received				
Kean (R)	\$ 1,287,144.80				
Shapiro (D)	1,281,083.18				
TOTAL	\$ 2,568,227.98				

During the election, the Kean campaign's total expenditures outdistanced the Shapiro effort by \$300,000 (Table IV). This figure compares to 1981 when Democratic candidate James Florio spent \$2.37 million and Republican candidate Kean spent \$2.36 million, or an almost equal amount

TABLE IV: Expenditures By 1985 Gubernatorial General Election Candidates

	Amount Within	Amount Outside	Total Net
Candidate	The Limit*	The Limit**	Expenditures
Kean (R) Shapiro (D)	\$2,180,003.28 1,880,924 15	\$ 73,137 95 91,287.57	\$2,253,141 23 1,972,211 72
TOTAL	\$4,060,927.43	\$164,425,52	\$4,225,352.95

The 1985 general election continued a trend toward the use of broadcast media and direct mail and away from the use of print media and campaign workers. Governor Kean and County Executive Shapiro expended approximately 88 percent and 80 percent of their campaign budgets, respectively, on broadcast media and direct mail, with Governor Kean outspending Mr. Shapiro by over \$400,000 for this purpose, \$1.98 million to \$1.55 million. They both spent only \$800.19 and \$1,410 10 respectively on print media.

Obviously, the Public Financing Program constitutes a major responsibility of the Commission Monitoring primary and general elections, as well as inaugural activities, the program has enabled candidates to conduct their campaigns free from improper influence. Supported by the State income tax check-off provision, it also has allowed persons of limited financial means to seek election to the State's highest office. Rightfully, the Commission is proud of the programs' success.

- * The expenditure limit was \$2.3 million
- ** The following categories of expenditures are allowable outside the expenditure limit: candidate travel costs, ELEC compliance costs, and food and beverage costs for fund raising events



Administration Section

As part of a full scale reorganization of the Election Law Enforcement Commission, an Administration Section was created in 1985.

Established to provide organizational support and to perform the myriad of administrative tasks so critical to the efficient functioning of a State agency, the Administration Section has grown in stature and importance in only a few short months of existence Its creation was deemed crucial because the Department of Law and Public Safety does not have day-to-day responsibility for the management of the Commission

Designed to handle fiscal and personnel responsibilities, the Administration Section performs such duties as paying employees, purchasing property, and making contracts.

In addition, this section plays a key role in longrange budgetary planning, which is critical to making ELEC one of the best run agencies in State government

Finally, the Administrative staff is essential to human resource management, including accomplishing the agencies' affirmative action goals.

In the first few months since its creation, the Administration Section numbers among its accomplishments an improvement in contract procedures, the installation of a sprinkler system, and a proposal for a change in the Commission's record retention schedule, which allowed ELEC to reduce a serious fire and shelving hazard by removing over 300 boxes of nonessential records

Moreover, the section was instrumental in implementing an important internal office move and in laying the groundwork for computerizing the Commission's fiscal and personnel operations.

Finally, the Administrative staff has taken steps to codify office procedures, and very importantly, to implement the Employee Evaluation Program. Part and parcel of the latter, of course, is upgrading many of the Commission's positions in order to make those positions consistent with the current needs of the agency.

Obviously, the Administration Section is symbolic of the progress made by the Commission in 1985. Its creation constitutes a very real step toward modernizing the agency and toward enabling it to meet the ever-increasing demands of the future.

NEW JERSEY ELECTION LAW ENFORCEMENT COMMISSION

TABLE OF ORGANIZATION

