



M U L T I S T A T E

[States Split on Cryptocurrency's Place in Political Races](#) (U.S.)

Raising funds for political campaigns has been a hallmark of American politics for quite some time, dating back to [1867](#). But a lot has changed since then, and digital currencies are raising new questions about the future of campaign funding.

According to the Federal Election Commission's website, cryptocurrency donations have [been allowed](#) in federal elections since 2014. But, some [state governments](#) have not been as open to the idea, resulting in laws banning these types of contributions.

For example, [California](#), Arkansas and North Carolina do not allow cryptocurrency donations in state races under existing campaign finance laws. Meanwhile, states like Oregon, Colorado, Massachusetts, Montana, Tennessee and Washington, D.C., allow it.

Data compiled by Government Technology found that most crypto donations for federal campaigns have come from venture capital firms totaling \$1,210,589. Other findings include that more than \$1.47 million has been donated to political organizations by transferring crypto assets since 2021.

Bitcoin tends to be the currency of choice, followed by USD Coin, Ethereum, Dai and non-fungible tokens for political donations.

ARE CRYPTO DONATIONS CAUSE FOR CONCERN?

Industry experts point to transparency, traceability and lack of regulations as potential sticking points for cryptocurrencies in American politics.

Contributions made by check, cash, credit cards or loans are more easily traceable since they are recorded through financial institutions. Digital currencies, on the other hand, forgo banks, recording transactions through a decentralized digital ledger, called a blockchain.

The issue with this is that it makes crypto donations virtually untraceable, allowing those who contribute to campaigns to remain anonymous.

Another major concern is market volatility, as evident in the wild market fluctuations in recent months.

“The big thing with currency and crypto is just how incredibly volatile it is and how much its value can fluctuate,” said Stephen Spaulding, senior counsel for public policy and government affairs for nonpartisan watchdog group Common Cause. “If you take a step back and think about why we regulate the raising and spending of money to influence elections, ultimately, it’s to prohibit corruption and the appearance of corruption that can come with large contributions of cash or other things of value.”

Outside of that, Spaulding said, the lack of regulations surrounding these types of donations is also concerning.

“People are familiar with the two largest cryptocurrencies, Bitcoin and Ethereum,” he added. “But there are all sorts of cryptocurrencies that are coming on the market that are not entirely regulated, raising a lot of questions about whether campaign finance law, which is in place to curb corruption, can keep pace with changing cryptocurrency practices.”

As for transparency and traceability, he said the amount of money being contributed may not be as important as who is making a contribution.

“It’s not so much about the amount of money in politics; it’s where it comes from and what contributors want in return,” Spaulding added. “We’d love to encourage a system that relies on small-donor contributions because there’s less of a chance the contributions from many small-dollar donors will lead to corruption or the appearance of corruption, versus the system awash in large contributions.”

ARE STATES READY TO CHANGE THEIR TUNE?

A couple of states are looking into digital currencies as a donation alternative — one of them being California.

In 2018, the California Fair Political Practices Commission (FPPC) voted to ban crypto contributions for political campaigns due to concerns that donations could circumvent contribution limits or allow foreign entities to contribute to campaigns.

Now, four years later, the commission is re-evaluating its decision.

“The commission always makes every attempt to stay ahead of trends in political activity,” said FPPC Communications Director Jay Wierenga via email. “It’s nothing new for us to look at trends and try to stay ahead of them. Crypto is no different, as it obviously has grown in usage and visibility since 2018 when the commission, at that time, voted to ban contributions of cryptocurrency.”

As a result, Wierenga explained, the commission wants to review it and determine if any changes should be made.

Wyoming is also considering digital currency’s place in politics. During a hearing June 14 of the Select Committee on Blockchain, Financial Technology and Digital Innovation, lawmakers discussed the alternative with varying opinions on the issue.

Senators Chris Rothfuss and Tara Nethercott expressed that one approach could be for the value of a cryptocurrency political contribution to be associated with the worth of the crypto at the time of the donation, though the group did not reach a decision on the matter.

“I think we should refrain from creating any legislation about it, at this point in time, and allow that to be managed with rules and regs,” Nethercott said. “How to value it is probably the question at hand, and probably likely at the time of receipt.”

One state that has fully embraced digital currency donations is Colorado.

“The re-election campaign of Colorado Gov. Jared Polis is the first Democratic gubernatorial campaign to accept donations in the form of cryptocurrency,” a statement from the governor’s office explained. “Polis supporters may contribute Bitcoin, Ethereum and a variety of other cryptocurrencies on the ‘Polis for Colorado’ website in addition to commonly accepted forms of U.S. dollar payment.”

The statement also said that the governor’s commitment to a \$100 contribution limit per person per year still applies along with Colorado’s other campaign finance regulations. Additionally, donations made to the campaign in the form of cryptocurrency will be converted to U.S. dollars.

As for whether these types of donations are the future of political campaign funding, however, the answer remains as varied as the states themselves.

“It’s an issue that is not going away, and it’s an issue that I think the FEC and Congress may need to continue to grapple with because I don’t think this is an issue that is going to disappear,” Spaulding said.

Indiana ranks the worst when it comes to campaign finance reporting (Indiana)

A national not for profit organization has rated Indiana the worst in the nation when it comes to campaign finance reporting.

The Coalition for Integrity recently released its first study of campaign finance laws in all 50 states and Washington D.C.

The study looked at the scope, independence and powers of state agencies which regulate campaign finance, as well as each state’s laws on disclosure of campaign contributions, transparency and political advertisements.

Indiana ranks last in the nation, according to the study.

“Indiana’s lack of transparency and oversight of campaign finance leaves politicians susceptible to influence by private interests and less attentive to the needs of their constituents,” Shruti Shah, president of the Coalition for Integrity, said in a press release.

“Indiana needs to improve its campaign finance laws,” he said. “The most obvious area of improvement would be limiting the amount of campaign contributions to individual candidates and political parties and establishing coordination laws. Equally as important, the state needs to require disclosure by independent expenditure committees of their donors both prior to and after elections.”

The study noted that although the Indiana Election Commission has the authority to conduct investigations, hold hearings open to the public and issue subpoenas, the legal framework is minimal.

“Indiana has no limit on the amount of campaign contributions from individuals and PACS (Political Action Committee) to candidates or political parties,” the study stated. “It does not prohibit coordination between independent spenders and candidates.”

The study found no state had a perfect score but the states of Washington, California and Maine obtained the highest rating.

South Dakota and Utah joined Indiana at the bottom of the rankings.

“The State Campaign Finance Index showcases the wide variation in state campaign finance laws across the country and highlights the gaps that continue to exist,” Shah said.