

The State of the National Parties after BCRA

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The 2004 elections were the first run under the new federal election campaign law, the Bipartisan Campaign Reform Act of 2002. The new law was meant to end the flow of unregulated soft money to political parties and to increase disclosure about campaign activities by political parties and interest groups. While BCRA was not meant to be a wholesale change in campaign finance regulation, reformers hoped that it would mean that less money would be spent in elections through political parties, that competition might increase, and that campaigning would be “fairer” to candidates without party and interest group issue advocacy advertising.

In this paper, we examine several important issues in contemporary campaign finance through the rubric of BCRA. First, we will ask about the contemporary state of campaign money via political parties. What do we know about party fundraising? Was the soft money “explosion” a significant problem? Did BCRA succeed in getting it out of politics? Second, we assess the current situation of competitive elections in the US and ask whether increased levels of campaign money have helped or hindered this basic tenet of representative democracies. Third, we look at the current pattern of party expenditures to ask whether they are effective in helping the parties reach their goal of controlling governmental institutions and whether the arguments behind restricting party assistance to candidates are tenable.

What Money Is In Politics?

When we correct the data for inflationary effects (by converting all the amounts to 2000 dollars), we find that in 2004, Democrats significantly closed the gap with Republican fundraising overall (see Figure 1). This finding is extremely significant, as the innovations in fundraising Democrats achieved may indeed reshape the nature of party competition, given the longstanding conventional wisdom that Republicans have a natural money advantage. If anything, this election showed that the Republicans' capital intensive edge was not so large, and that the Democrats' labor-intensive edge was indeed replicable by the Republicans.

[Figure 1 about here]

When we compare the national committees for receipts corrected for constant dollars, we see that the DNC essentially tied the RNC in receipts in 2003-04. This, of course, was the big story of the 2004 elections, one that was repeated often in accounts of the election (Corrado 2006). The Hill committees were another matter entirely, with three of the four committees not achieving parity with their overall hard and soft money fundraising in 2000 (see Figure 2). Only the NRCC was able to exceed previous fundraising markers, and that by a significant factor - \$25 million more in hard money only than in 2000 (hard *and* soft money). In the post soft-money environment, the DNC, RNC and NRCC were able to surpass their previous hard and soft money receipts with hard money only. The NRSC, DSCC and DCCC were not able to achieve even parity with their past totals.

[Figure 2 about here]

The most misunderstood question in campaign finance concerns whether the overall amount of money in politics is rising or not. If we look at party receipts in real dollars and in constant numbers, the answer appears to be a yes, overall and by the DNC, RNC and NRCC. Ansolabehere, Gerber and Snyder (2001) argue that campaign spending has been growing at the

same rate as the economy as a whole. Instead of correcting reported monies for inflation, they should be scaled to the size of the gross domestic product (GDP). We converted GDP to 2000 dollars and compared the constant receipts of the six national committees for comparison (see Figure 3). Starting in 1996, it seems that for some committees, the amount of money they raised has been rising relative to GDP. This is especially true for the DNC and the NRCC. In 2004, the DNC did not experience the traditional rise and fall associated with off- and on- year fundraising. They far exceeded the size of their receipts in a presidential election year in 2004. The RNC, on the other hand, was not able to raise money at the same proportions that they had in 2000 and 1996. The NRCC tells a rather impressive story of nearly continuous growth in relative receipts since 1994. While they took a slight dip in 2004 compared to 2002, it is clear that the House Republicans have developed a strong fundraising program. The other three Hill committees fared very poorly in comparison, experiencing significant retractions in their resource capacity.

[Figure 3 about here]

Party Fundraising under the New Rules

Of course, the sudden loss of soft money meant that the parties had to raise much more hard money in order to merely maintain their level of fundraising from previous elections. This new campaign finance environment thus created incentives for entrepreneurial thinking. Necessity was indeed the mother of invention, for while three of the national party committees did not raise as much in hard money alone in 2003-04 as they had in hard *and* soft money in previous election cycles, they all implemented stepped up and new fundraising efforts, and they all performed beyond expectations, considering the loss of millions of dollars in soft money.

Although the national party committees do not have the generous flow of soft money any longer, BCRA raised the hard money individual contribution limits, and, for the first time, those

limits are indexed to inflation. Congressional reformers recognized that the ban on soft money might have a detrimental effect on party fundraising and that the contribution limits had not been increased since the 1970s, so that the value of a donation had diminished significantly over time. Before passage of BCRA, an individual contributor could give \$20,000 in hard money per year to a national party committee. This amount counted against an individual's annual aggregate contribution limit of \$25,000 per year for all hard money contributions, including those to candidates and PACs. Under the new law, an individual may contribute \$25,000 per year to each party committee, and there is a separate sub-limit within the new aggregate individual contribution limit of \$95,000 per two-year election cycle of up to \$57,500 for all contributions to party committees and PACs, with the remainder (\$37,500) being an individual's total allowed contributions to candidates (see Table 1).

[Table 1 about here]

In fact, the new law actually provides an incentive for individual contributors to give to the parties by stipulating that \$20,000 of the total \$95,000 aggregate limit for individuals could only be given to political parties (Magleby, Monson and Patterson 2005, 13). The incentive seems to have worked. Contributions at the maximum amount constituted a larger proportion of party hard money receipts than in past election cycles for all of the national party committees. For instance, 12.4 percent of the DNC's individual contributions were at the maximum amount, up from 9.8 percent in 2000; and 17.4 percent of the RNC's individual contributions were maximum contributions, up from 6.5 percent in 2000 (Federal Election Commission 2005). Of course, some of these individuals may have contributed large sums of soft money before, and thus would have given even more had they been permitted to. Ultimately, however, the new

limits and the party-friendly structure of the rules channeled some of that political money to parties in a more open and controlled manner.

Parties raised more in small contributions as well. All of the national party committees raised more from individuals in 2004 than in past elections, and the Democratic committees in particular saw a surge in small contributions (called “unitemized” contributions in the FEC records). In 2003-04, the DNC raised \$166 million in unitemized contributions, well above the \$38 million they raised for 2002 and the \$60 million raised for 2000. Likewise, the RNC increased the amount it raised in small chunks, collecting \$157 million for 2004, up from \$103 million for 2002 and \$91 million for 2000 (Ibid.).

New Rules Bring New Approaches to Fundraising

The national party committees used a variety of approaches to raise more hard money under the new fundraising rules. They asked current contributors for larger contributions, tapped partisan grass-roots supporters for contributions, found new contributors, especially via the Internet, and hit up their own office holders and candidates to contribute to their party. Both parties invested heavily in new computer technology for direct mail, Internet fundraising and voter mobilization. The DNC spent about \$15 million on such efforts. The huge data base of potential party contributors and voters was dubbed “Demzilla” by party operatives, and the RNC established a similar data program called Voter Vault (Farhi 2004, A1).

The Internet proved to be an effective fundraising tool for the party committees, and one that involved very little cost thus retaining nearly the full value of each contribution. While there are no reliable figures on how much the parties raised from the Internet, it is safe to assume that at least some of the increase in small contributions came from stepped up on-line contributing.

The parties' web sites were set up to accept contributions, and they developed large e-mail lists of party supporters to solicit them for contributions directly and at a much lower cost than traditional direct mail or telemarketing fundraising. Of course, the parties still raised money the old fashioned way with mail solicitations, phone calls and events, and these efforts benefited greatly from the larger and more sophisticated lists of contacts developed by the parties with the aid of advanced computer management systems.

The parties also stepped up their large contributor programs. The DNC established the "Presidential Trust" and enlisted some big-money fundraisers, "the Patriots," to raise at least \$100,000 for the Democratic nominee (Theimer 2003). The RNC invited the Bush team's "Rangers" (who raised \$100,000 for Bush) and "Pioneers" (who raised \$200,000) to become "Super Rangers" by raising at least \$300,000 for the party (Kaplan 2004, 4). Since BCRA permits individual contributions to a party committee up to \$25,000, raising these large sums for the party was quite a bit easier than raising large amounts for a candidate that had to be collected in only \$2,000 increments.

The Hill committees continued their programs that rewarded big contributors with access to party leaders. The NRSC's "Majority Makers" gave \$25,000 (the maximum) to the party committee and received an invitation to a private reception featuring President George Bush at Senate Majority Leader Bill Frist's Washington-area home (Theimer 2004). The DSCC invited "allied lobbyists and consultants" (not the PACs they represent) to be on its "Majority Council" by making a \$25,000 contribution from their personal funds in exchange for monthly meetings with Senate Democratic leaders (Bolton 2004).

A somewhat unanticipated (by outsiders at least) source of increased funding for the parties was their own officeholders and candidates. While the parties have long asked their

officeholders to contribute to the common goal of attaining or maintaining majority status (Kolodny 1998), the House and Senate party committees stepped up these efforts for the 2004 election. The law allows candidates and former candidates and officeholders to transfer an unlimited amount from their own campaign accounts to a party committee. Party leaders recognized this huge fundraising potential of their own colleagues. The 2003-2004 DCCC Chairman Rep. Robert Matsui (D-Calif.), remarked that “. . . money from members is particularly important, because there [are] no costs of fundraising . . . When a member gives a dollar, that entire dollar is spent on candidates, whereas with direct mail, there’s the cost of stamps and printing.”(Carney 2004, 2170).

The party committees expected their members to pay what are sometimes called “dues” to the campaign committee. The amount expected in dues depended on one’s seniority, committee posts, fundraising history and leadership positions. The DCCC announced in early 2004 that it expected its 186 safe incumbents to transfer part of the \$87 million in their campaign accounts to the DCCC (Billings 2004). House member dues increased, and the DCCC collected \$18.3 million from Democratic House members, up from \$12.1 million in 2002; the NRCC received \$19.4 million from its members, up from \$13.9 in 2002. The Senate campaign committees did not levy formal dues, but their members nonetheless gave more generously in 2004 than in 2002 (see Table 2).

[Table 2 about here]

All of the national party committees collected much more from legislators in 2003-04 than they had in previous election cycles, as Table 2 shows. Officeholders were able to give more to their parties in part because of the increase in individual contribution limits after BCRA (from \$1,000 to \$2,000 per election), which made it possible for them potentially to collect more

from each contributor to their own campaigns. And since there is some evidence that individual contributors are more likely to give to a candidate than to a party in order to reap the benefit of a personal connection to an officeholder (Francia et al. 2003), legislators can raise money more easily than parties, which can offer only the collective benefits of party loyalty and majority status.

The parties' presidential nominees also transferred large amounts to party committees in 2004, most of it from excess primary funds. John Kerry's campaign gave \$23.6 million to the DNC, \$3 million to the DCCC, and \$3 million to the DSCC (Federal Election Commission 2005; Kane 2004). Al Gore gave \$1 million to the DCCC, \$1 million to the DSCC, and \$4 million to the DNC, most of it left over from his 2000 presidential campaign (Cillizza 2004). The Bush reelection campaign transferred \$26.5 million to the RNC, \$1 million to the NRCC and \$1 million to the NRSC (Federal Election Commission 2005).

The State of Competition

Despite the record amounts of money the parties have poured into federal elections, the level of competition has not increased. Indeed, the number of House and Senate races considered competitive has declined significantly since 1992, as Table 3 shows (Campbell 2003). And the real action took place in only 12 states were considered to be "battlegrounds" in the last presidential election. One might expect that the parties, more than other types of contributors, would be inclined to spread the wealth among candidates and thus make more races competitive, giving them a better chance to attain majority status or enhance their control of a chamber. Yet the parties have not behaved that way.

Prior to the 1980s, the congressional campaign committees generally operated as incumbent protection organizations, giving the majority of their funds to incumbents, most of

them in safe seats (Kolodny 1998; Dwyre 1994). As the Republicans began to make some real gains in the House and the Senate (due in part to the realignment in Southern congressional elections), the stakes grew higher and both parties began to distribute their resources more strategically. That is, they directed funds to those candidates in the most competitive contests rather than to safe incumbents who really did not need the money (Dwyre 1994). As the number of competitive races dwindled (see Table 3), party money went to fewer House and Senate contests.

[Table 3 about here]

It is rational for the parties to invest in those races where they have a real chance of making a difference if their resources are limited. Yet party resources have grown (even under the new BCRA restrictions), and the parties are not investing in the second tier races. Instead, they are pouring even more into the handful of races and states deemed truly competitive. Since the parties are not spreading their resources around more widely, they have done little to enhance the level of competition in federal elections. Indeed, since many PACs and big individual contributors follow the parties' lead, they too are directing their resources to those same few close races, leaving hundreds of candidates who might have a chance starving for cash.¹

The Appropriateness of Party Expenditures

On the expenditure side, one of the most significant effects of the BCRA was to change the avenue of party assistance from candidate-oriented issue advocacy to independent expenditures. Parties can still help their candidates by making direct contributions and coordinated expenditures in their races, but these types of spending have severe limits. Before BCRA, parties made issue advocacy advertisements, which were paid for with a mix of hard and soft money.

Although these ads restricted the type of campaign language parties could use (that is, no “magic words,” like “vote for,” “vote against,” “support,” or “defeat” could be spoken or written), they could be paid for in a way that allowed parties to use generous amounts of unlimited soft money donations mixed with hard money. BCRA eliminated soft money as a fundraising stream for the parties, making issue advocacy a less attractive choice for the political parties. Without the ability to use easy-to-raise soft money, parties could only use hard money for unlimited independent expenditures. However, this category of spending does allow parties to use “magic words” and explains why issue advocacy was entirely abandoned.

Money for independent expenditures (IEs) is raised by the parties in limited, fully disclosed hard money donations, but IEs allow parties to spend in unlimited amounts. The only restriction is that parties may not coordinate their efforts with the candidate they intend to help. For this reason, parties stayed away from IEs in previous elections, even though they have been allowed to make them since 1996. The law’s original authors did not mean for parties to have the use of unlimited IEs (making instead a unique category of limited “coordinated” expenditures for parties), but parties won this role in the first of two important Supreme Court rulings discussed below.

Colorado I and Colorado II

_____ In *Colorado Republican Federal Campaign Comm. v. Federal Election Commission* (518 U. S. 604 [1996]) – known as *Colorado I* – the Colorado Republican party spent money to help a yet-to-be named Republican US Senate candidate defeat Democratic Senatorial candidate Tim Wirth. Because the ad was really anti-Wirth, and because the Republican primary had not yet been held and hence no nominee selected, the party claimed this expenditure could not be coordinated with the candidate’s campaign, and hence was independent. Further, the party

challenged the notion that there should even be coordinated expenditure limits, arguing that the very basis of a political party is different from any other political donor, as they are trying to promote a slate of candidates and not trying to lobby for particular votes or policy outcomes. In *Colorado I*, the Court agreed that parties could engage in independent expenditures. However, they remanded the argument about parties and unlimited coordinated contributions to the lower courts. The restrictions against coordination proved burdensome to the national party committees, and they declined to try independent expenditures, with the exception of a brief experiment by the National Republican Senatorial Committee (NRSC) in 1996. Issue advocacy advertising under the soft money regime was preferable, as it did allow some information-sharing with the campaigns and central party organizations.

Colorado II

In *Federal Election Commission v. Colorado Republican Federal Campaign Committee* (2001), otherwise known as *Colorado II*, the court upheld the constitutionality of coordinated expenditure limits on parties, arguing that to take the limits off would invite wealthy donors to contribute to parties with instructions that those contributions should go to particular candidates, a corruption of the party conduit (also called the “corrupt conduit” idea).² The argument for the 5-4 majority opinion was that evidence of a past tally system by one of the six national party committees, the Democratic Senatorial Campaign Committee (DSCC), where the party organization kept track of donors’ wishes regarding how their donations should be redistributed, was extrapolated to mean that taking the limits off of coordinated spending would be the same as taking real contribution limits off wealthy donors (as if making a check out to a party committee would have implicit or explicit assumptions about the specific candidate or target of such a donation).

The majority opinion also addressed two other corollary arguments of importance. First, it acknowledged, as the court had previously argued in *Buckley v. Valeo* (1976), that independent expenditures were not as helpful to candidates as coordinated expenditures and could even be harmful to them. The opinion quoted the following from *Buckley*:

“...independent expenditures may well provide little assistance to the candidate’s campaign and indeed may prove counterproductive. The absence of prearrangement and coordination of an expenditure with the candidate or his agent not only undermines the value of the expenditure to the candidate, but also alleviates the danger that expenditures will be given as a quid pro quo for improper commitment from the candidate.”³

Does the court prefer that party spending end up being counterproductive to the candidate? The court’s focus on the corrupting influence of donors is so intense as to preclude the harm that may come to the quality of democratic discourse by preventing parties from coordinating with their candidates. There are numerous examples of independent party campaigning (through both issue advocacy and independent expenditures) that have introduced themes unimportant to the candidates or made factual errors about candidates or their opponents. We would argue that these rushed, though well-intended efforts harm not only the parties as viable electoral organizations, but perceptions of candidate competence and integrity (as voters normally do not distinguish campaign appeals by source), and ultimately citizen interest in the political process.

The second problem in the court’s reasoning, briefly considered by the court, is the matter of large contributions or transfers from incumbent members of Congress or from prosperous nominees back to the party organizations. The parties argued that their coordinated expenditures amounted to very little compared to donations from incumbent members. The idea was that parties are at least as dependent on their officeholders for funds as on outside donors. But the majority in *Colorado II* argued:

The Party again discounts the threat of outflanking contribution limits on individual and nonparty groups by stressing that incumbent candidates give more excess campaign funds to parties than parties spend on coordinated expenditures. But the fact that parties may do well for themselves off incumbents does not defuse concern over circumvention; if contributions to a party were not used as a funnel from donors to candidates, there would be no reason for using the tallying system the way the witnesses have described it (Colorado II, Majority opinion, section V).

The Court does not answer the issue it addresses in *Colorado II*. In the next section, we fully explore the logic of the court's argument and present empirical evidence, particularly with respect to the 2004 elections, to refute it.

The Logic of the Corrupt Conduit Argument

The argument for political parties as a corrupt conduit goes like this:

Contributor (Co) wants to help candidate (Ca).

Contributor (Co) gives to candidate (Ca) but has small limit (L_1), so the contribution is suboptimal.

Contributor (Co) gives to party (P)

Contributor (Co) tells party (P) to give to candidate (Ca) at a level closer to their ideal contribution, (L_2)

Party (P) gives L_2 to candidate (Ca).

Candidate (Ca) receives $L_1 + L_2$ and attributes this to Co This sequence can be repeated for N contributors.

Equation (1) $Co \rightarrow Ca (L_1)$

$L_1 \leq \$2000$ per election (~\$4,000)

Equation (2) $Co \rightarrow P \rightarrow Ca (L_2)$

$L_2 \leq \$20,000$ per two year cycle

The logic of this corruption argument is that the contributor is thought to maximize their contributions to the candidate, and the candidate will feel more beholden to the contributor.

However, taking the limits off of coordinated expenditures is not the same as sanctioning unlimited contributions, as was the case in the era of soft money. It means that the candidate will

have the opportunity, perhaps, to aggregate a large number of prospective contributors to give to the party as a conduit to giving to the candidate (if indeed this is the case). Still, we might think that a corruption problem would exist if only a handful of contributors were involved, and if their sole motivation was to influence the candidate to take actions in office the candidate otherwise would not (that is, contrary to the officeholder's political philosophy or constituency interests). If a considerable number of donors do this, then it is not clear how giving to the parties to earmark contributions to candidates would be much different than giving donations directly.

The next problem with the corrupt conduit argument is that it assumes the contributor wants to influence officeholders individually instead of wanting to help further a broad party goal like having a certain party attain or maintain majority status. This might be done by donating directly to the candidates in the most competitive races, with the greatest chance of winning – a concept known as “bundling” that is quite common among political parties and interest groups alike (EMILY's List is a notable innovator in this regard), in which they collect many checks and bundle them for an earmarked candidate. Presumably, majority status for the favored party is what the bulk of donors not “earmarking” their contributions are assumed to want. Earmarking or tallying alone does not preclude that goal.

In addition, as Justice Clarence Thomas argues in his dissent in *Colorado II*, the corrupt conduit only works if you can draw a direct line from the tallied contribution to the coordinated expenditure made. So, if the candidate receives more from the party than his tallied contributions, what does that mean? Thomas points out that it only means that parties' consider the fundraising ability of the candidate among many other factors in determining disbursements:

The tally system is not evidence of corruption-by-circumvention. In actuality, the DSCC is not acting as a mere conduit, allowing donors to contribute money in excess of the legal limits. The DSCC instead has allocated money based on...the financial strength of the campaign...what [the candidate's] poll numbers looked like...who had the best

chance of winning or who needed the money most...The 'bottom line' of the tally system is that some candidates get back more money than they raise, and others get back less.⁴

Finally, despite the court's dismissal of candidate contributions to parties, the trend is significant, especially in 2004. If candidates contribute to party campaign committees, are they the same as other contributors in corrupting the process? The majority's opinion raises, but does not explore this issue. First, we should ask why candidates might contribute to other candidates either directly or through parties. The answer is that they are interested in being part of the majority party, a goal which cannot be won individually. Another answer is that they aspire to leadership positions in the legislature, and want other potential officeholders to support their bids. While both answers derive direct payments to the donor (such as the incumbent officeholder), they are not considered to be ongoing and insidious, hence not corrupting, to the Court.

The Logic of Candidate Giving to Parties

In this instance, a candidate is now in the role of contributor to another candidate. A candidate in this position, Ca₂, is probably an incumbent officeholder in a race considered not to be competitive or a challenger or open seat candidate in a lopsided race (such as Senator Barack Obama's position in the 2004 elections). The FEC allows unlimited transfers of funds between candidate committees and party committees. Therefore, a candidate in a strong position, Ca₂, can give an amount, L₃ which is unbounded (∞). Such a donor-candidate receives their money from individual contributors (or multicandidate committees) either through a PAC they control or directly into their campaign funds. Therefore, the relationship is:

Equation (3) Co _{j-a} → Ca ₂ → Ca ₁ (L ₁)	L ₁ ≤ \$2000 per election (~\$4,000)
Equation (4) Co _{j-a} → Ca ₂ → P → Ca ₁ → ∞ (L ₃)	L ₃ → ∞ (unlimited)
P → Ca ₁ = L ₁ + L ₄ + L ₃	L ₄ = party coordinated exp.

Given that candidate transfers to party committees are unlimited, whereas contributions to candidates and parties are not, is the real corrupting issue that donors use the parties as conduits to help candidates, or that other candidates use donors to get the parties to help candidates? In the 2004 election, candidate contributions to the party committees hit an all-time high. Losing soft money challenged the parties to find reliable sources of hard money. Naturally, the parties turned to their own incumbent officeholders and sure bet candidates (Dwyre and Kolodny forthcoming 2006).

Asking candidates for their excess campaign contributions to redistribute makes sense. There is no fundraising cost involved and the inducements to collective benefits (with the potential for privatized benefits after the collective benefit is achieved, e.g., committee chairmanships) are very strong. Still, candidates are not as crude about using donations to cultivate power as equation 4 implies. Most candidates fear for their electoral security and need to be induced to participate in collective goals. As a result, parties levy "dues" on secure candidates. This is the amount they expect candidates to pay to the party committees. Formal dues have been collected since the 1994 election cycle, when the Republicans demanded them from House candidates (incumbents at that time) for the benefit of the National Republican Congressional Committee (NRCC). So, the party (P) seeks donations from contributors (Co) directly and indirectly, through strong candidates (Ca₂).

The ethical issue here is whether or not candidates (Ca₂) are misleading their donors, who gave contributions to benefit them, when those same contributions are now being passed on to other candidates in the form of direct contributions (L₁) or indirect contributions (L₂) through the party committees. Why does the court assume that the corruption is one way – that donors can only corrupt candidates? What if the candidates are "using" donors to create stronger parties? In

that instance, we should consider Justice Thomas’s query that “One can speak of an individual citizen or a political action committee corrupting or coercing a candidate, but ‘[w]hat could it mean for a party to ‘corrupt’ its candidate or to exercise ‘coercive’ influence over him?’ 470 U.S. at 646.⁵

Independent Expenditures in 2004

The purpose of the discussion above is to make the case for the problematic nature of independent expenditures by political parties compared to the relative merits of taking the limits off coordinated expenditures. While party observers often lament how weak the parties seem to be (a debatable contention to be sure), the prohibition on significant coordination with candidates during the campaign season is an extreme impediment to strong parties. Party organizations that have maximized the use of funds for IE investment, such as the NRCC, have also witnessed a growth in internal party cohesion in the legislature. While we do not contend that one behavior causes the other, the two are clearly correlated.

In a previous work (Dwyre and Kolodny forthcoming 2006) we looked carefully at the spending in congressional races in 2004. Because IEs, unlike issue advocacy, are fully disclosed, we can appreciate the magnitude of party investment in competitive races and compare it to the very modest effect of coordinated expenditures (see Table 4). In House contests, 61 candidates received total party spending of \$500,000 or more. This figure includes both coordinated and independent expenditures. Since the limit for coordinated spending was \$73,000, most spending was done independently of the candidate – without their knowledge or consent. Interestingly, we found that 17 of these candidates were outspent in their own races by national party organizations (ibid., Table 3.3).

[Table 4 about here]

An analysis of Senate races yielded similarly surprising findings. In eight out of 12 races considered competitive, the party committees spent between one and four million dollars in independent spending on behalf of their candidate. That parties did not exceed candidate spending in any of these races suggests only that Senate races are extremely expensive. In several instances, parties spent close to half what their candidates did.

Avenues for Future Research

In this paper, we have established that parties' fundraising abilities were not hurt by BCRA as much as some feared (and some, like the RNC and DNC even prospered), and that competition in national elections continues to decline despite high levels of money present in the system. We argue that forcing parties to act independently of their candidates instead of in a coordinated manner does not promote good democratic discourse, and that the arguments for prohibiting parties from talking to their candidates are problematic.

The next logical step in this analysis is to gather data on how independent expenditures were made. We have some preliminary FEC data that shows that IEs were used primarily to air television ads and that some duplicative investment in polling is evident. For the Senate Republicans, we found that polling in all of the competitive races was conducted by a single firm. Surely the candidates in these states did not use the same pollster, so we can imagine that the attention to local context would not have been high in the NRSC polls. What did that mean for the quality of advertising conducted by the parties independently of their candidates? Did party spending produce the "counterproductive" tendencies that *Buckley* predicted? Could there be an inverse relationship between investment and outcomes between parties and candidates?

As there continue to be calls for further reform of the federal campaign finance system (e.g., to regulate the activities of the 527 independent groups), we expect that some in Congress,

especially the party leaders, might call for taking the cap off of party coordinated expenditures on behalf of candidates as a more rational way to channel money in federal elections than independent expenditures. Some on the Supreme Court seem open to such a change. Moreover, if it can be shown that coordinated spending would allow parties and their candidates to efficiently pursue majority status and perhaps therefore to increase the number of competitive congressional races (even if this is merely a byproduct), then perhaps even reform-oriented interest groups, such as Common Cause and the League of Women Voters, might get behind such a change in policy. We expect that both of the major parties would prefer unlimited coordinated over unlimited independent expenditures.

Further research covering more election cycles is needed to analyze more fully the relationship between party spending and competition. Of course, the parties will continue to target the most competitive races. But with the ability to coordinate with their candidates, and thus to have more reliable information and fewer wasted and ineffective efforts, the parties may become motivated to spread their resources more widely around.

Figure 1: Party Fundraising Trends, 1992-2004 (adjusted for inflation 2000 dollars)

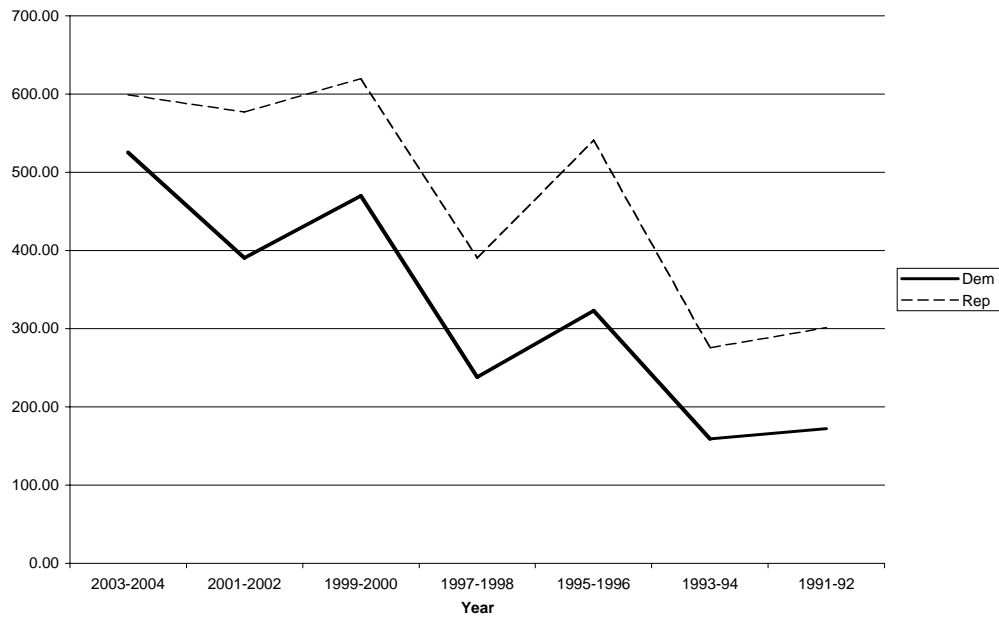


Figure 2: Comparison of National Committee Receipts (adjusted for inflation in 2000 dollars)

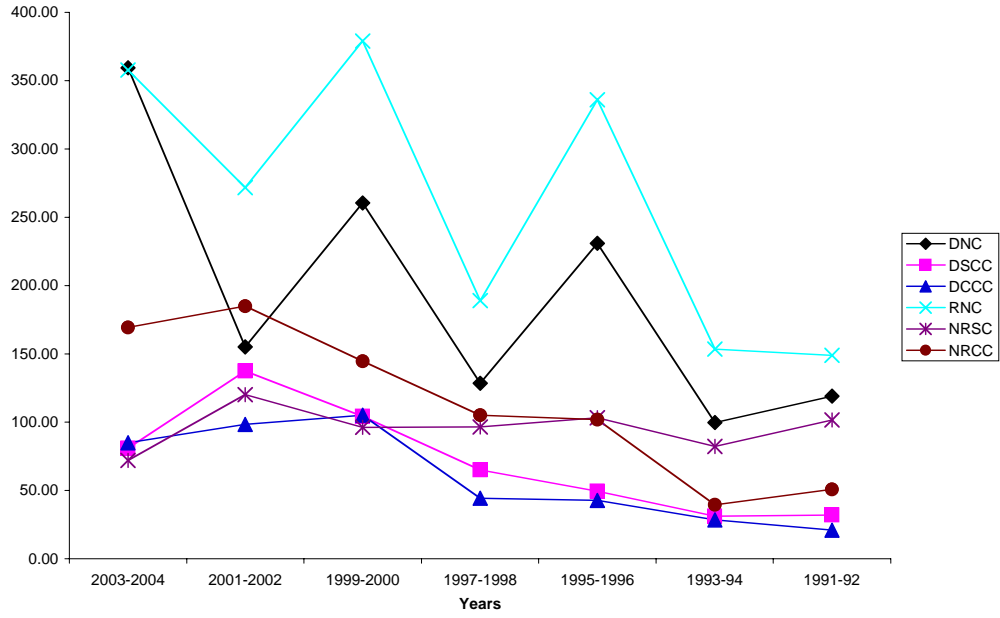
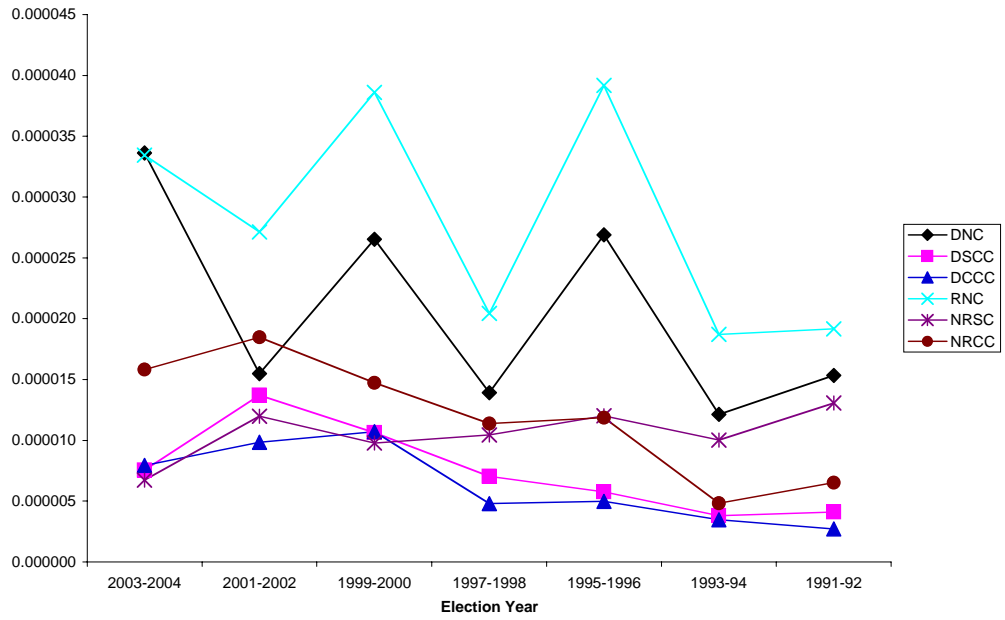


Figure 3: Party Committee Receipts as Proportion of GDP



Individuals

- Contributions to candidates - \$2,000*¹ per election (was \$1,000).
- Contributions to multicandidate committees (PACs) - \$5,000 (unchanged)
- Contributions to state, district and local party committees - \$10,000 (combined) per year (was \$5,000).
- Contributions to national party committees - \$25,000* per year (was \$20,000).
- Overall limit on contributions from one person now \$95,000* every two years (was \$25,000 per year). Within this limit, however, only \$37,500 may be contributed to candidates and no more than \$37,500 to other committees that are not national parties

Party Committees

- National party committees may now contribute up to a total of \$35,000* to Senate candidates per six-year campaign (was \$17,500).
 - All other contribution limits remain the same (\$5000 per election for House candidates)
-

Table 1: New contribution limits under BCRA -- beginning January 1, 2003:

Source: Federal Election Commission, Campaign Finance Law Quick Reference for Reporters
http://www.fec.gov/press/bkgnd/bcra_overview.shtml#Contribution%20Limitations%20and%20Prohibitions

¹ Amounts with an asterisk are indexed for inflation. Increases will be implemented during odd-numbered years starting in 2005 and will be in effect for a two-year period.

Table 2: Legislators' Giving to Parties (\$ millions)

Candidate	PCC ² to All Party Committees	Percent Increase PCC to All Party	PCC to Party CCCs ³	Percent of PCC Total Party Giving to CCCs	Percent Increase or Decrease to Party CCCs
HOUSE					
2002					
Dem	\$14.1	-	\$12.1	85.8	-
Rep	15.3	-	13.9	90.8	-
TOTAL	29.3	-	26.0	88.7	-
2004					
Dem	20.3	44.0	18.3	90.1	51.2
Rep	21.8	42.5	19.4	89.0	39.6
TOTAL	42.1	43.7	37.7	89.5	45.0
SENATE					
2002					
Dem	3.6	-	1.6	44.4	-
Rep	2.3	-	1.9	82.6	-
Total	5.9	-	3.5	59.3	-
2004					
Dem	11.3	213.9	8.0	70.8	400.0
Rep	4.9	113.0	3.2	65.3	68.4
Total	16.2	174.6	11.2	69.1	220.0

Source: Compiled by authors from FEC data.

² PCC stands for Personal Campaign Committee of an officeholder or candidate.

³ CCC stands for congressional campaign committee—the DCCC, NRCC, DSCC and NRSC.

Table 3: Competitive Congressional Races, 1998-2004

Election Year	Competitive House Seats	Competitive Senate Seats
1992	103	17
1994	152	14
1996	174	20
1998	58	15
2000	43	13
2002	48	13
2004	35	9

Source: Various issues of *CQ Weekly Report*: October 24, 1992, 3340, 3342, 3358-59; October 22, 1994, 2998-99, 3006; October 19, 1996, 2955-56, 2964; October 24, 1998, 2870-71, 2873; September 23, 2000, 2182; October 26, 2002, 2790, 2794; October 23, 2004, 2502, 2506.

Table 4: Party Coordinated and Independent Expenditures, 2000-2004 (in millions of dollars)

Party Committee	2003-2004		2001-2002		1999-2000	
	Coordinated	Independent Expenditures	Coordinated	Independent Expenditures	Coordinated	Independent Expenditures
DNC	16.1	120.3	0.35	0	13.5	
DSCC	4.4	18.7	0.18	0	0.13	0.
DCCC	2.4	36.9	1.8	1.2	2.6	1
RNC	16.1	18.3	14.1	0.5	23.7	
NRSC	8.4	19.4	0.55	0	0.000172	0.
NRCC	3.2	47.3	0.45	1.3	3.7	0.

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¹ Gary Jacobson (forthcoming) argues that only one competitive congressional race, that of the US Senate race in Kentucky (Democratic side) was underfunded enough that more party investment could have made a difference in the outcome.

² This is the argument behind the September 29, 2005 indictment against Tom Delay for evading Texas campaign finance law.

³ *Federal Election Commission v. Colorado Republican Federal Campaign Committee* (2001), 00-191, June 25, 2001; section II of Majority Opinion.

⁴ *Federal Election Commission v. Colorado Republican Federal Campaign Committee* (2001), 00-191, June 25, 2001, Thomas Dissent, section I.

⁵ *Ibid.*