

Surviving BCRA?

State Party Finance and Organization in Colorado and Florida

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On December 10, 2003, in its eagerly anticipated decision, the United States Supreme Court upheld the bulk of the Bipartisan Campaign Reform Act of 2002 (“BCRA”), also known as McCain-Feingold. In *McConnell v. Federal Election Commission*,¹ the court let stand nearly all of BCRA’s Title I, which banned parties from using “soft money” for “federal election activity.”² This activity, for which only regulated hard money could be used, included voter registration (120 days prior to an election with a federal candidate on the ballot), voter identification, get-out-the-vote (GOTV) efforts, and electioneering communications mentioning a federal candidate. In banning soft money—which before BCRA included six- and seven-figure contributions from individuals and the treasuries of companies and labor unions—the law not only altered the strategies and activities of the national political parties, but also by extension those of the state parties. With state parties no longer permitted to solicit soft money for use in federal campaigns to receive transfers of soft money from the national parties, some observers—including members of the high court—questioned whether state parties would be able to survive under BCRA.³

In this paper we assess how state party organizations in two states have responded to the new campaign finance regulatory environment indirectly imposed upon them by federal law. We

¹ *McConnell v. Federal Election Commission*, 540 U.S., 2003 U.S. Lexis 9195 (2003).

² The term soft money was originally used in 1983 to describe “largely unregulated and unlimited nonfederal money raised by political parties that fall outside FECA limitations” (Dwyre and Kolodny 2002: 141). The defined purpose of soft money under FECA was to allow parties to be able to fund volunteer based party building activities.

³ According to some court watchers, during the court’s oral argument a few justices openly questioned the possible effect that the soft money ban would have on soft money limits to state and local political parties. In its decision, though, the court’s majority accepted an “anti-circumvention” rationale, upholding soft money limitations on state and local parties. According to the majority opinion: “If indeed state or local parties can make such a showing [that the provision prevents their ability to engage in effective advocacy], as-applied challenges remain available” (*McConnell v. Federal Election Commission*, 2003: 65).

ask how BCRA's "ban"⁴ on party soft money in federal campaigns has impacted the fiscal and organizational health of the state parties in Colorado and Florida. Has BCRA caused state parties to alter either their revenue or expenditure strategies, and has it affected all state parties equally? Have some state parties shown themselves to be more immune to the federal changes than others? Do the electoral context and the state campaign finance regulations of a state allow some state parties to be better positioned than others to weather the supposed wrath of BCRA?

After briefly reviewing the scholarly conversation anticipating the effects of BCRA on state parties, we probe the financial and organizational durability of state parties under the new campaign finance regime. In order to manageably appreciate the effects of BCRA on state parties, we compare over time *both* the *federal* and *non-federal* (also known as *state* money) accounts of the Democratic and Republican parties in Colorado and Florida. The party activities in these two states provide useful comparisons, as the fundraising capacities and organizational strength of the state parties differ, and the parties in the two states operate under substantially different state campaign finance laws.

Our case studies, which draw upon campaign finance reports filed with the Federal Elections Commission (FEC), the Division of Elections of the two states, and data compiled by the Center for Public Integrity (CPI) allow us to probe in considerable detail the contribution and expenditure patterns of state parties for both their federal and state accounts.⁵ While we are limited in our ability to generalize to the campaign finance activities of all state parties, our in-

⁴ Technically, BCRA did not ban all soft money. BCRA included the Levin Amendment, which allows state and local parties to raise limited soft money from groups (primarily corporations and labor unions) who are otherwise prohibited from contributing to national party committees. These contributors are permitted to give up to \$10,000 to each state and local committee where not prohibited by state law, but these Levin dollars may not be transferred and the parties receiving it may not coordinate their activities with national parties or candidates.

⁵ We would like to thank Bob Biersack of the FEC for providing the federal data for the Colorado and Florida parties, Agustin Armendariz of the Center for Public Integrity for providing the state data for the Colorado and Florida parties. Bob and Augustin, along with Derek Willis of the *The Washington Post*, were extremely generous with their time and sharing their wealth of knowledge.

depth case studies overcome some of the difficulties of obtaining and analyzing campaign finance data from the 50 states (Gierzynski 1998). We are able through our case studies to document changes in the federal accounts (including intra-party (national/state) transfers) during the pre- and post-BCRA eras as well as in the contributions and expenditures of the state parties' federal and nonfederal (state) accounts in the 2000, 2002, and 2004 election cycles. By examining longitudinally the contributions and expenditures of the Democratic and Republican state parties' federal and state accounts in two states, we are able to shed light on how BCRA's sanctions may have affected state party finances and activities, changed the relationship between state and national parties, and altered the overall organizational strength of state parties.

It is perhaps still too early to come to any definitive conclusions about BCRA's impact on state parties with only a single two-year campaign cycle completed under BCRA. We hesitate to conclude, as Malbin (2005) does, that BCRA has seemingly not had "a major effect on the activity...or on the financial health of the state parties" (Malbin 2005). Rather, our findings suggest that BCRA has had a *contingent effect* on the campaign finance and organizational capacity of state parties. We find that the impact of BCRA depends largely on a state's electoral context (federal and state) and campaign finance regulations. As the Colorado and Florida cases reveal, both of these elements must be considered if we are to understand how BCRA's sanctions on soft money in federal campaigns may alter the financial stability, and by extension, the organizational capacity of state parties.

State Parties under BCRA

Up through the 2002 election cycle, many state parties were the beneficiaries of—and in the eyes of some, dependent upon—soft money.⁶ Under the Federal Elections Campaign Act

⁶ Bibby and Holbrook (1996: 96-97) observed a decade ago how "state party organizations can be quite literally taken over by national party operatives in presidential election years as staff are brought in to run the campaign

(FECA), the previous federal campaign finance regime, not only did state parties raise sizeable amounts of soft money for federal campaigns on their own, they were also the beneficiaries of soft money transfers from the national parties to be used for electoral activities.⁷ In order to take advantage of financial incentives under FECA that permitted hard/soft dollar splits on coordinated spending between the national and state parties,⁸ the national parties often exchanged soft dollars that they raised for more valuable hard dollars raised by state parties. With BCRA's passage, there was good reason to anticipate dire consequences for state parties. While some observers thought the national parties would be able to offset their loss of outlawed soft dollars by raising more hard dollars, others questioned whether state parties would be able to respond in the post-BCRA era.

Several scholars and practitioners cautioned about the negative effects of BCRA on state parties, arguing that the ban on party soft money would diminish the strength of state parties and party competition. On the revenue side, La Raja (2002: 183) anticipated that “the middling and weaker state parties” that “national party soft money often helped incorporate” into national campaigns would suffer under BCRA, as well as those state parties operating under campaign

effort. . . . State party organizations also run the risk of becoming overly dependent on the national party organizations, which periodically go through dry spells in fund-raising and have shifting priorities.”

⁷ State parties, in like manner to national parties, are allowed to make special expenditures in general election campaigns of federal candidates. These coordinated expenditures are subject to a set of caps and must be made with federal (hard) dollar contributions. The state and national parties have their own coordinated spending limits; local parties, however, do not, but any coordinated expenditures undertaken by local parties count toward the state party limits. Only the national parties have coordinated spending limits for presidential candidates. Details on the spending limits for 2004 are available from the Federal Election Commission, “Federal Election Campaign Guide - Political Party Committees,” August 2004, available: <http://www.fec.gov/pdf/partygui.pdf>.

⁸ Under FECA, the national parties had a clear financial motivation to transfer coordinated money—a fixed ratio of hard and soft dollars—to the state parties. In 2002, for example, the Federal Election Commission set the ratio for national parties wishing to spend hard and soft money in Colorado on issue ads at 30% : 70%. However, if the national parties coordinated their spending with the state parties, the ratio for the hard/soft money split became a more favorable 22%/78%, allowing the national parties to spend more soft money which was easier to raise. Under such an arrangement, a state party would receive two checks from a national party: one for the split's proportion of hard money from the national party's federal fund, and one for the proportion of the split's soft money from the national party's nonfederal fund. As such, the national parties willingly transferred hard and soft dollars to the state parties to pay for issue ads, saving their more valuable hard dollars for other purposes. For an enlightening discussion of hard and soft money ratios and transfers from national to state parties, see Dwyre and Kolodny (2002).

finance laws that differed considerably from BCRA. Bowler (2003) contended that state parties would “become underfinanced, ineffective bystanders as other groups drive both issues and candidates.” There was a general expectation that states with loose or non-existent contribution limits on parties, parties that relied most heavily on national party transfers, and parties in larger states would likely face the greatest adjustments under BCRA (La Raja 2003a: 119-20). On the expenditure side, many critics expected BCRA to lead to the decentralization of party campaigning and mobilization efforts (La Raja 2003b). Soft money had many benefits, they contended, as it encouraged party building and party integration. With the national parties no longer permitted to transfer soft money to influence the activities of state parties, state parties might face financial disincentives to participate in federal campaigns. Further, defenders of the status quo argued that turning out voters would be limited under BCRA because it limited state and federal party efforts to coordinate their campaigns, and that the federal law would end intra-party agreements, thus lessening the targeting and mobilizing of voters to support the party’s entire slate of candidates, as occurred under FECA (Stoltz 2003). In sum, critics anticipated BCRA would lead toward more independent, but financially and organizationally weaker, state parties.

At the other extreme, defenders of BCRA argued that the state parties were mere money laundering conduits, “used by national party officials as vehicles for implementing their newly developed strategy of federal electioneering under the guise of issue advocacy [television ads]” (Mann 2003: 27). Others suggested that under BCRA the parties would be forced to engage in grassroots strategies. The national and state parties, they argued, would be “increasingly focusing on voter identification, registration, and turnout strategies,” which is “likely to pay dividends to the country and the parties in terms of increasing citizen participation in the political

process” (Potter 2003). Tracking the contribution patterns of 30 state parties in 15 states for nearly a decade, Morehouse and Jewell (2003) found that state parties under FECA maintained their autonomy, and as such, would not suffer under BCRA because they were never heavily dependent on the national parties for their financing. Prior to BCRA, the state parties in their sample raised on average more than two-thirds of all federal (hard) money and roughly half of all the nonfederal (soft) money raised in their states. State parties were especially robust fundraisers during mid-term elections, raising on their own roughly 90% of their total hard and soft money receipts.

With a full election cycle under BCRA complete, it is now possible to be assessing whether or not the sanctions on party soft money harmed the financial stability, and by extension, the organizational capacity of state parties. Aggregate data from the 2004 election cycle suggest that although state parties raised fewer total contributions than during the previous presidential cycle (and considerably less than the 2001-02 midterm elections cycle), they have apparently survived BCRA. According to data compiled by CPI, state parties (including both central committees and legislative campaign committees⁹) raised roughly \$735 million in the 2004 cycle, which was less than the \$823 million raised in the 2002 and the \$802 million raised in the 2000 cycles (Armendariz and Pilhofer 2005). However, as La Raja (2005) notes, when transfers from the national parties are subtracted from the pre-BCRA totals (most of which were in the form of soft dollars in 2000 and 2002), state parties actually raised more federal dollars from individuals and PACs (\$445 million) in the 2004 cycle than in previous cycles (Armendariz and

⁹ With regard to our two cases, neither of the two Florida parties have established legislative campaign committees. In Colorado during the 2004 cycle, there were two active Democratic legislative campaign committees (the Colorado Democratic House Majority Project and the Colorado State Democratic Senate Campaign Fund), which raised \$441,081 and \$341,412, respectively during the cycle. There was one Republican legislative campaign committee (Colorado Senate Majority Fund) that was active during the cycle, raising \$128,001. These amounts, as well as any raised and spent in previous cycles, are not included in our analysis.

Pilhofer 2005). La Raja (2005) points out that the CPI report does not distinguish how much of the \$445 million in federal dollars raised by the state parties in the 2004 cycle was in the form of allowable soft money (i.e., “Levin dollars”) as permitted under BCRA.¹⁰

Electoral and Campaign Finance Regulatory Environments of Colorado and Florida

While these aggregate findings are important, it is important to keep in mind a state’s electoral and campaign finance regulatory environments when considering the fiscal and organizational impact of BCRA on state parties. Our longitudinal case studies of state parties in Florida and Colorado permit us to assess the impact of BCRA due to differences in a state’s electoral and regulatory context.

With respect to the electoral environment of the state of Florida, the three electoral cycles considered in this study (2000, 2002, and 2004) are ripe for comparison, as they provide both consistency over time as well as useful variations. (See Table 1) In 2000 and 2004, Florida was considered a presidential battleground state, with the infamous statistical tie between George W. Bush and Al Gore in 2000, and a slightly wider victory for Bush in 2004 over John Kerry. A further, and important, similarity between these two presidential election cycles was the presence of close US Senate races. In 2000, Democrat Bill Nelson narrowly defeated Republican Bill McCollum with 52% of the vote in an open-seat contest, and four years later, Republican Mel Martinez edged Democrat Betty Castor with 52% of the vote in another open-seat race. Finally, in both 2000 and 2004, nearly all of the seats in the House of Representatives were won by margins of 55% or greater. There were only two competitive House races in 2000; in 2004, no

¹⁰ According to La Raja (2005), state parties reported to the FEC that they *spent* approximately \$67 million in non-federal money on shared federal/non-federal administrative expenses that were not related to federal election activity. In addition to using soft dollars on joint administrative expenses, state parties are permitted to spend money federal election activity if the money is raised under Levin Amendment provisions. Few state (or local) parties, however, opted to raise Levin dollars in the 2004 cycle. CPI (2005) found less than \$1.4 million in Levin dollars was raised by 12 state parties in the 2004 cycle.

House race was carried by a margin of less than 55%. By way of contrast to the similar features of the two presidential electoral cycles, the electoral environment of the 2002 mid-term election in Florida focused nearly exclusively on the gubernatorial race. The election was not close, with incumbent Jeb Bush winning re-election over Democratic challenger Bill McBride with 56% of the vote. There was no US Senate race in the state in 2002, and only one of the state's newly drawn 25 Congressional districts (the 5th CD) was at all competitive.

Table 1
State Electoral Context

State	Office	2000	2002	2004
FL	President	Competitive	N/A	Competitive
	US Senate	Competitive	N/A	Competitive
	US House	2/25 Competitive	1/25 Competitive	None Competitive
	Governor	N/A	Not Competitive	N/A
CO	President	Not Competitive	N/A	Competitive
	US Senate	N/A	Competitive	Competitive
	US House	0/6 Competitive	2/7 Competitive	2/7 Competitive
	Governor	N/A	Not Competitive	N/A

In terms of Florida's campaign finance regulations, state laws concerning political parties remained unchanged over the three election cycles. (See Table 2) Florida has virtually no source or size limits on contributions that can be made to state political parties. Parties registered in the state may receive unlimited contributions from corporations, unions, PACs, individuals, as well as from national and local political parties. The state's lax contribution requirements to parties, combined with the state's sizeable population, importance in the Electoral College tally, and evenly balanced party registration, has enabled the Democrats and Republicans to become among the top state party fundraisers in the country (Morehouse and Jewell 2003: 163).

Table 2
State Campaign Finance Regulatory Context: Contribution Limits to State Parties

State	Election Cycle	National Parties	Individuals	Corporations	Unions	PACs	Small Donor Committees
FL	2000-2004	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	N/A
CO	2000 - 2002	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	N/A
	2004	Unlimited	\$2,500	Prohibited	Prohibited	\$2,500	\$12,500

In Colorado, the electoral milieu during the period of study is more varied than that of Florida. (See Table 1) At the top of the ticket, the presidential election cycles of 2000 and 2004 were similar, with Bush taking the state both years, though his victory over Kerry in 2004 (52% to 47%) was slimmer than his win over Gore four years earlier (51% to 42%). The state had highly competitive US Senate races in both 2002 and 2004, with Democrat Ken Salazar topping Republican Pete Coors with 51% of the vote in 2004 in an open-seat battle. In addition to the hotly contested mid-term 2002 race for US Senate, which incumbent Republican Wayne Allard won with 51% of the vote, Colorado—like Florida—had a less-than-competitive gubernatorial race. Republican incumbent Bill Owens easily won re-election, garnering 63% of the vote. Like Florida, few of Colorado’s US House seats were competitive during the three election cycles, but some did receive money from the national parties. Most notably, in 2002 Republican Bob Beauprez won the 7th Congressional District by just 122 votes over his Democrat opponent. In 2004, two of the state’s seven House districts were competitive, with Democrat John Salazar winning with just 50% of the vote in the District 3 open seat, and incumbent Republican Marilyn Musgrave holding on for reelection with 51% of the vote in District 4.

In terms of campaign finance regulations, Colorado parties were affected abruptly by Amendment 27, a constitutional amendment ballot initiative passed in 2002 that capped contributions to state parties at \$2,500 for individuals and PACs, but permitted larger, “bundled”

contributions (up to \$12,500 annually) to state parties from restricted “small donor committees.”¹¹ (See Table 2) The amendment strictly prohibits any contributions to be made to the state (and local) parties “that are intended, or in any way designated, to be passed through the party to a specific candidate’s candidate committee.” Amendment 27, however, allows unlimited intra-party transfers among the state and national parties. Immediately after its passage, some political observers anticipated that Amendment 27 would severely constrict the fundraising abilities of the state parties, with the regulations encouraging donors to bypass state parties altogether, contributing instead directly to “527” political organizations registered with the IRS that were created with the blessings of state legislators and party officials (Blake 2003).

BCRA’s Effect on Contributions to State Parties

With the electoral context and campaign finance regulations of both Florida and Colorado as background, it is possible to compare campaign contributions to the state parties during the pre- and post-BCRA periods. We are interested whether contribution patterns to the federal and state accounts of state parties have changed under BCRA. Has BCRA ended the practice of national parties transferring money to state parties since the financial incentives to transfer soft dollars are now gone? Have state parties most reliant on heavy infusions of soft money transfers and those in larger states suffered the most under BCRA? Finally, have state parties with a successful track record of raising hard money for their federal accounts under FECA benefited from BCRA, as the new law allows donors to give twice the amount (from \$5,000 to \$10,000) in hard dollars to their federal accounts?

¹¹ Parties are also prohibited from contributing more than 20 percent of the total to any candidate committee’s spending limits. Prior to the 2004 cycle, individuals, PACs, corporations, labor unions, and national and state parties were permitted to contribute up to \$25,000 a year to state parties.

Contributions to Florida State Parties

It appears from the data that BCRA did not substantially affect the ability of the Florida state parties to raise money. In the post-BCRA 2004 presidential election cycle, the Republican Party of Florida maintained its levels of contributions to its federal and nonfederal accounts when compared to the 2000 cycle. As Figure 1 shows, the state GOP raised a total of \$50.9 million in the 2004 cycle, down slightly from the \$54.1 million it raised in the 2000 cycle. Of the \$50.9 million in total contributions in the 2004 cycle, the state party raised \$36.7 million, roughly 72% of the combined total. The balance of \$14.2 million (28%) was made up of hard dollar transfers from the national parties to the state party's federal account, belying the expectation that the national parties would stop transferring hard money to state parties once BCRA eliminated the cost-saving advantages of filtering money to state affiliates. In the 2004 cycle, the party raised nearly \$27 million in nonfederal (state account) contributions, which was marginally more than the \$26.1 million the party raised in 2000, when the \$13.3 million in soft dollar transfers from the national parties is excluded. Clearly, the expectation that a large-state party such as the Florida GOP—which seemed hooked on soft money transfusions in 2000¹²—would suffer under BCRA, is not the case. Despite the considerable money flowing from the national parties to the party's state and federal accounts in the 2000 cycle, the Republican Party of Florida was able to raise on its own substantial amounts for both of its accounts four years later.

In the 2002 gubernatorial cycle, the vast majority of the funds raised by the state Republicans went into the party's state account, including some \$11.7 million the party received

¹² In the 2000 cycle, the national parties transferred a total of \$248 million in soft money to state parties, including some \$27.3 million to Florida's Democratic and Republican parties (Barber 2004: 2).

in carefully calculated soft money transfers from the national parties.¹³ Only \$4.2 million (7%) of the total contributions (\$55.9 million) in 2002 went into the state party's federal account. The state party raised 80% (\$44.2 million) of the combined federal and nonfederal contributions that cycle. Overall then, while BCRA appears to have curtailed soft money transfers from the national parties to the Republican Party of Florida, the party has maintained consistent funding of its state account and has increased the level of contributions raised for its federal account.

The data reveal similar patterns for the Florida Democratic Party over the same period, though it is clear from Figure 2 that after the 2000 cycle the party consistently trailed (by roughly half) the aggregate campaign contributions of its more conservative counterparts. While the total amount of money raised by the Florida Democrats during the 2004 cycle (\$21.4 million) was half the total raised during the 2000 cycle (\$42.6 million), the state party demonstrated its capacity to raise money on its own for its federal account, if not its state account, in the post-BCRA era.¹⁴ Despite competitive presidential and US Senate races in 2004, the state Democrats received no transfers from the national parties. As Figure 2 reveals, this is in stark contrast with the 2000 cycle when the state party depended heavily on transfers flowing from the national parties. In the 2000 cycle, the state party received transfers from the national parties to its state and federal accounts totaling \$21.7 million, accounting for nearly 51% of its total receipts. That cycle, the

¹³ The national parties used the Florida GOP as a soft money laundromat in 2002; the national parties received more valuable hard dollars from the state party in exchange for their less valued soft money (as well as an added premium). According to a CPI report, the National Republican Senatorial Committee "sent more unregulated soft money to the Republican Party of Florida than to any other state party" in 2002, despite there not being a US Senate race. The NRSC transferred \$3.2 million from its soft money account, receiving on the same day or a few days later "slightly lesser amounts of federally regulated hard money" from the state party, for a total of \$2.7 million (Dunbar 2002).

¹⁴ There are some serious questions concerning the Florida Democrat Party's reports filed with the Florida Secretary of State and the FEC for the 2003-04 cycle. According to Agustin Armendariz of CPI, on March 28, 2005, the Florida Democratic Party had approximately \$3 million in contributions; by April 28, 2005, they filed an amended report showing roughly \$16 million in state account contributions. After the CPI team reconciled the FEC and state account reports, a process that culls any duplicative reporting, the party appeared to have raised roughly \$7 million in state account funds. According to Armendariz, the same kind of reporting errors showed up on the expenditure side of the ledger, as the party evidently reported spending some \$7 million more than they raised.

Florida Democrats raised on its own only 13% of its federal account and only 58% of its state account. When compared, respectively, with the 56% and 66% proportions respectively raised by the Republican state party for its federal and state accounts in 2000, it is clear that the Florida Democratic Party was much more dependent on infusions of cash from the national parties than their counterparts in the pre-BCRA era.

Contrary to some expectations, in 2004 the Democrats were able to successfully ramp up fundraising for their federal account, more than offsetting the hard dollar transfers they received from the national parties in 2000. The party was not as successful raising money for its state account in 2004 as it was in 2000, perhaps indicating a shift in the party's priority to raise more valuable hard money in a presidential. During the 2002 mid-term election, in similar fashion to the Republicans, the Florida Democrats raised more money for its state account (nearly \$28 million) than during either presidential cycle. As with the Republicans, nearly all (94%) the money (\$26.3 million) flowed into the party's state account, with the state party raising 84% of state account contributions.

Contributions to Colorado State Parties

Keeping in mind the electoral backdrop in Colorado and the changes in state-level campaign finance regulations, BCRA does seem to be affecting the ability of Colorado parties to raise money. In the 2004 cycle, the Colorado GOP raised considerably more hard dollars in the 2004 cycle than it did four years earlier and it received no transfers from the national parties in 2004. As Figure 3 shows, the party raised \$3.8 million for its federal account in the 2004 cycle, comprising 91% of the total contributions the party received. During the 2000 cycle, by contrast, contributions to the party's state account made up 63% of the \$3.1 million in total contributions. There were indications in 2000, though, that the GOP was well positioned to raise federal hard

dollars under BCRA, as it raised 98% of the \$1.1 million for its federal account in 2000 on its own.

During the 2002 mid-term election, the Colorado GOP, like the two Florida parties, raised considerably more money (\$14.1 million) than in either of the presidential electoral cycles. The state account to federal account ratio of total contributions was 77% (\$10.9 million) to 23% (\$3.3 million); of these subtotals, 41% (\$4.5 million) of the state account contributions, but only 25% (\$798,965) of the federal account contributions were raised by the state party. In 2002 Amendment 27 was not yet in place; the substantial contribution totals reflect the prowess of the state GOP to raise significant nonfederal funds. In contrast to the parties in Florida, which during the 2002 election cycle received little by way of transfers from the national parties, the Colorado Republicans received hefty infusions to both their state and federal accounts, reflecting the national parties' involvement in the tight US Senate and 7th Congressional District races.

The pattern of campaign contributions to the Colorado Democrats over the three election cycles is somewhat different from the Republicans when it comes to their ability to wean themselves from soft dollars transferred from the national parties. During the 2004 cycle, the state party raised almost \$5 million, more than twice it raised four years earlier. As with the state GOP, 95% of the funds the Democrats raised in the 2004 cycle were deposited into the party's federal account. The party raised only \$247,924 for its state account in 2004, some \$107,116 less than in 2000 (which excludes an additional \$355,040 in soft money transfers), and only one-tenth of the amount it raised in 2002. Unlike the state GOP, which showed it could raise federal hard dollars on its own, the Colorado Democrats under BCRA appear still very much dependent on the national parties' transfers of hard dollars. During the 2004 cycle, 75% (\$1.2 million) of contributions made to the Democrats' federal account came by way of national party transfers.

On its own, the party raised just \$1.4 million federal dollars in 2004, accounting for only 29% of its overall contributions. This is in sharp contrast to 2000 when the party raised \$1.5 million by itself in hard and soft dollars, which comprised 80% of the party's total contributions. During the 2002 cycle, the pattern of fundraising by the Colorado Democrats was remarkably similar to that of the Republicans. For both parties, the overall level of contributions was considerably higher than for either of the presidential cycles studied, with the Democrats raising a total of \$11.2 million.

Contributions Summary

Because there is data from only one post-BCRA election cycle, it is perhaps too early to reach any firm conclusions about the impact the new federal regulations have had on the ability of state parties to raise funds. While the Florida Republican party was able to approximate its pre-BCRA levels of contributions to its state accounts in the post-BCRA 2004 cycle (despite forgoing a sizable amount of transferred soft money), the other three parties struggled to raise money for their nonfederal accounts. Thus, far from being a "loser" under BCRA (La Raja 2003a: 110-12) because of its earlier acceptance on soft money transfers, the Republican Party Florida appears to have done quite well in the 2004 cycle. The party appears to have altered its fundraising strategies in accordance with the new federal restrictions. With higher allowances for hard money contributions under BCRA, the other three state parties apparently concentrated their fundraising efforts on raising federal dollars in the 2004 cycle. While it is certainly possible that the decline in contribution levels to the state accounts of the Colorado parties was due to the implementation of Amendment 27, BCRA seems to have provided the state parties with incentives to raise more valuable federal dollars. It is plausible that in the future, given that state money party contributions in the post-Amendment 27 environment are more restrictive than

BCRA's contribution limits, that Colorado state parties might opt to raise only federal money, essentially eliminating their state accounts. Nonfederal money, of course, will still need to be raised for state-level campaigns, but it might be done instead by nonparty vehicles, such as 527s and nonprofits (Blake 2004). What we are unable to determine, of course, is how fundraising by the Colorado parties may have fared under BCRA had Amendment 27 not also been in place for the 2004 general election.

BCRA's Effects on Expenditures by State Parties

On the expenditure side of the ledger, we are interested in whether BCRA altered the spending patterns of state parties or the ratio of expenditures drawn from their federal and state accounts.¹⁵ Have BCRA's limitations on soft money and coordinated campaigns caused state parties to decrease their media spending, efforts to target and mobilize voters, or provision of candidate support? Has BCRA impacted state party spending on administrative activities, including salaries for party staff? With the end of soft money transfers in the post-BCRA era, is there any evidence that state parties are not participating in federal campaigns to the same degree as they did under FECA? Finally, has BCRA led to more independent, but weaker, state parties because it has lessened national/state party integration?

Expenditures by Florida State Parties

In Florida, there is considerable evidence that the spending patterns of state parties are being affected by BCRA. In the 2004 cycle, the Republican Party of Florida spent \$38.4

¹⁵ To examine the spending patterns of the state parties over time, we drew upon La Raja's (2003c) classification scheme as well as that utilized by the Center for Public Integrity, coding party federal and state account expenditure data into six substantive categories and two catch-all categories. The six substantive categories are as follows: Administration, Media, Candidate Support, Transfers, Fundraising, and Political Contributions. The two catch-all categories were Other, for expenditures that had identifying information that did not fit into any of the classifications, and Unknown, for expenditures which were "unidentified" due to a lack of detail in reporting. The types of spending that comprise all eight categories are found in the coding key in the appendix. In order to highlight the key shifts in state party spending during the period of the study, we concentrate here on the substantive categories that demonstrate the most significant changes.

million,¹⁶ nearly \$11 million less than in 2000. As Figure 5 reveals, when accounting for both its federal and state accounts, the party spent far less (in both the aggregate and as a percentage of the party's total spending) on media expenditures, and considerably more on administration and candidate support.¹⁷ In terms of media spending, during the 2000 election cycle the party devoted nearly \$10 million (19%) of its total expenditures on media.. Four years later, in an electoral cycle with similar high profile US and presidential races but with BCRA in place, total media spending by the party dropped below \$3 million, or 7% of the party's overall expenditures.

When looking at spending over time on candidate support and party administration, a different trend emerges. In 2000, total spending by the party on candidate support amounted to \$10.1 million, or roughly 21% of the overall spending that cycle. In the 2004 cycle, spending by the party on candidate support nearly doubled to \$19.7 million, accounting for 49% of the party's total expenditures. In terms of spending on administration, which covers day-to-day operations such as rent, salaries, and utilities, the Florida GOP spent over \$6.5 million (13% of its total expenditures) in 2000. In the post-BCRA 2004 cycle, administration costs roughly doubled, eating up 27% of the Republican party's overall spending (some \$10.9 million in outlays).

As expected, given the increase in 2004 in contributions of "hard" (federal) dollars, the ratio of expenditures from the Florida GOP's state and federal accounts appears to have shifted in the post-BCRA era. In 2000, 26% of the party's total outlays flowed from the federal account; by 2004, the proportion increased to 48%. With respect to the three major categories of expenditures, the GOP increased the proportion of its federal account spending on candidate

¹⁶ As discussed earlier, there are also some serious questions concerning the Florida Republican's reports filed with the Florida Secretary of State and the FEC for the 2003-04 cycle, as they apparently reported spending \$11 million less than they raised.

¹⁷ Candidate support include includes such things as "Get Out the Vote" efforts (GOTV), party "hoopla" (signs, buttons, etc.), as well as direct mail.

support and administration in 2004, but ended, almost entirely, any federal account spending on media during the cycle.¹⁸ Despite the pronounced decline in federal account spending on media, the increases in federal spending on candidate support and administration demonstrate that the state party is still actively participating in federal campaigns.¹⁹ Not surprisingly, in the 2002 midterm election most of the party's financial outlays flowed from its state account. The party spent more money that cycle (almost \$60 million) than either the 2000 or 2004 cycles, with 16% of total expenditures (with 91% coming from the state account) devoted to the party's administrative costs, 36% of total expenditures (with 88% coming from the state account) going toward candidate support, and 36% on media (with 100% coming from the state account).

It is important to note the significant decline in transfer payments made by the Florida GOP over the three election cycles. In the 2000 cycle, the state party transferred \$21.3 million to the national parties, accounting for 43% of the party's total "expenditures"; in 2002, the amount fell to \$6.5 million, or 10% of expenditures, and by 2004 it bottomed out to \$2.4 million, or 6% of expenditures. While the decline in transfers in the 2002 cycle was likely due to the "state-centric" nature of campaigns in Florida, there is little doubt that the dramatic decline in intra-party transfers in the two presidential elections was due to the implementation of BCRA, as the law eliminated the practice of swapping valuable hard dollars collected by the state parties for soft dollars raised by the national parties.

As Figure 6 shows, the expenditure patterns of the Florida Democrats are similar to those of the GOP. Total expenditures dropped to \$28.1 million in 2004 from \$44.6 million in 2000.

¹⁸ In 2000, 67% of media outlays were drawn from the GOP's federal account; by 2004, the proportion dropped to 2%.

¹⁹ The Florida Republican's federal account outlay on candidate support increased from \$3,486,506 (34% of the total candidate support) in 2000, to \$13,954,193 (71% of total candidate support) in 2004; this is likely in part to reflect the definition of "federal election activity" under BCRA which includes spending on generic voter registration and GOTV efforts within 120 days of a federal election.

The party's expenditures on media declined dramatically after BCRA went into effect, from \$25.3 million (56% of total expenses) in 2000 to only \$1.6 million (5% of total expenses) in 2004. Like their Republican counterparts, the Democrats increased spending on candidate support and administration from 2000 to 2004. In 2000, candidate support was 22% (\$10.1 million) of the party's overall spending; by 2004, it rose to 51% (\$14.8 million). Administrative costs increased over the four years, with Democrats spending \$6.6 million (14.7% of total expenditures) in 2000, and \$10.9 million (37.7% of total expenditures) in 2004. Like the state GOP, federal account outlays on candidate support by the Democrats increased dramatically from 2000 (\$2,587,278, or 26% of total candidate support) to 2004 (\$6,818,923, or 46% of total candidate support). The proportion of the party's administration costs drawn from its federal account also increased in aggregate and as a proportion of the total in 2004 when compared to 2000. While expenditures from the federal account on media in 2004 increased as a proportion of total media spending, in real dollars the dramatic decline in total media spending by the party represented a much smaller expenditure.²⁰ During the midterm election cycle, as a proportion of the party's total outlays (\$29.5 million), the Florida Democrats spent 43% on candidate support (95% from its state account), 38% on media (94% from its state account), and 9% on administration (87% from the state account).

Expenditures by Colorado State Parties

As Figure 7 and Figure 8 show, there is a fair amount of variation in the expenditure patterns of the two state parties in Colorado. However, because of Amendment 27, which like

²⁰ The actual figures here are; administration \$1,436,804 from the federal account in 2000 (22% of total admin expenses), in 2004, \$4,023,904 (37% of total admin costs) – a considerable amount of the increase in total administration costs and also the proportion drawn from the federal account was devoted to salaries; this may reflect the BCRA regulation that state or local party employees who spend more than 25% of their time on federal election activities fall under the “federal election activity” definition and hence hard dollars exclusively or in combination with Levin funds must be used to meet these expenses.

BCRA went into effect for the 2004 cycle, it is difficult to discern whether the effects are a result of the new state campaign finance regulations at the state or federal level. In contrast to the Florida state parties, which both experienced significant declines in their overall expenditures from 2000 to 2004, overall expenditures for the parties in Colorado in 2004 were significantly higher than four years earlier. Expenditures by the Republican Party of Colorado in the 2004 cycle increased to \$4.7 million, 37% more than the \$3.5 million the party spent in 2000.

Spending by the Colorado Democratic Party more than doubled over the four years, from \$1.5 million to nearly \$4 million. The increases in state party spending were largely due to the fact that there was a competitive US Senate race in 2004 (versus no race in 2000), as well as several competitive US House races and state House and Senate races in 2004 following redistricting. Like Florida, overall spending by Colorado parties in 2002 greatly surpassed spending in the two presidential cycles, as both states had a lopsided gubernatorial election and a contested US Senate race. Colorado Republicans spent more than \$16.7 million in 2002, with the state Democrats spending roughly half that figure (\$8.4 million). Changes in the parties' federal and state expenditure ratios before and after BCRA are nearly impossible to detect given the low level of contributions made to the parties' state accounts under Amendment 27.

An exploration of the spending patterns by the Colorado parties across the various categories reveals trends similar to those found in Florida. For both Colorado parties the proportion of total spending allocated to administrative costs (including salaries) increased from 2000 to 2004. As a percentage of total expenditures, the Colorado Republicans increased spending on administration over the two presidential cycles from \$414,193 (12%) in 2000, to \$1.9 million (32%) in 2004. Colorado Democrats, too, spent much more on administrative costs in 2004 compared to 2000. In 2000, the party spent a total of \$217,688 (14%) on administration,

compared to \$1.1 million (28%) in 2004. Neither Colorado party spent much money on media in any of the cycles, the sole exception being the Republicans in the 2002 midterm election.

Overall expenditures (combined state and federal accounts) on media in the 2000 and 2004 election cycles comprised less than 7% of expenditures for both parties. It is likely that the spike in media expenditures by the state GOP in 2002 (\$8.2 million, roughly 48% of the party's total expenditures) was driven by national party transfers to assist the competitive US Senate and 7th Congressional District races.²¹

In a pattern that is consistent across both states and parties, spending on candidate support increased over time, with higher spending levels in the post-BCRA 2004 presidential election than in 2000. The contrast in spending on candidate support in the presidential cycles is most dramatic for the Colorado Democrats, rising from 20% (\$303,238) of total expenditures in 2000, to 69% (\$2.7 million) in 2004. Comparable figures for the Colorado Republicans are less striking, rising from 35% (\$1.2 million) in the 2000 cycle to 43% (\$2.0 million) in 2004. In the 2002 midterm cycle, the Colorado parties adopted different spending strategies. The Democrats in 2002 devoted a majority of their expenditures (80%, \$6.7 million) to candidate support and spent less than 1% of their total on media; the Republicans, by way of contrast, spent a very modest 14% (\$2.3 million) on candidate support, but spent more than half of their total outlays on media.

²¹ The data on the Center for Public Integrity website indicates that 86% of the CO GOP's expenditures on media in the 2002 cycle was drawn from the party's federal account; however, upon closer inspection, CPI appears to have mistakenly reversed the ratio of expenditures flowing from the federal and state accounts given the level of contributions made to the two accounts. Thus, the bulk of the party's media spending in the 2002 cycle reflects the infusion of soft money transfers from the national party committees that was earmarked for the state's hotly contested US Senate and US House races.

Expenditures Summary

Expenditures by the four state parties during the pre- and post-BCRA periods shed much light on the issue of state party organizational strength. In both states, the parties are spending less money on media and more money on administration (including salaries for staff) after BCRA. In terms of candidate support, the parties are spending more on candidate support under BCRA, with a consistent increase in the proportion of spending being drawn from the parties' federal accounts. In Colorado, the impact of Amendment 27, which like BCRA came into effect in 2004 cycle, appears to have caused state parties to depend more heavily on their federal accounts, as the revenue of their state accounts has declined considerably.

Conclusion

As the data from the two states make clear, the ability of state parties to raise funds and the organizational capacity of state parties is largely conditioned by the electoral context and campaign finance regulations of each state. On the revenue side of the equation, parties in states with competitive federal races appear to be able to raise sufficient hard dollars to offset the loss of soft money transfers from the national parties, though the Colorado Democrats showed less ability to do so. It also appears that parties operating in states with campaign finance restrictions that are equally or more severe than BCRA, such as those in Colorado under Amendment 27, do suffer because of their dependency on soft money transfers from the national parties under FECA. The ban on soft money in federal elections appears to have had a negligible effect on the ability of the Florida GOP to raise money for its state-level campaigns and administrative overhead, as Morehouse and Jewell (2003) anticipated, but the Florida Democrats have not been so fortunate. While overall state parties' coffers have withered slightly now that the transfer of soft money from the national parties is gone, state parties seem to have not only survived BCRA,

but benefited from being able to collect more hard dollars for their federal accounts. Data from the 2006 midterm cycle will certainly help to confirm our admittedly tentative conclusions.

On the expenditure side, there is evidence from Florida and Colorado that state parties have altered their spending allocations under BCRA. The state parties have virtually eliminated their expenditures on media and any transfer payments to the national parties. In contrast, they have increased significantly their spending on candidate support and administration. Despite concerns in some quarters, there appears to be little evidence that state parties have removed themselves from federal campaigns under BCRA. In the 2004 cycle, the bulk of state party spending on candidate support, which includes targeting and mobilizing voters, flowed from the parties' federal accounts. Although it is still too early to draw firm conclusions after one post-BCRA election cycle, the federal law may be having an effect on the organizational health of the parties in terms of their spending priorities. As the case studies make clear, the spending patterns of state parties seems more to be tied to a state's electoral context and campaign finance regulations, rather than any changes in the federal law.

Ascertaining the fiscal and organizational "strength" of state parties under BCRA is a difficult and somewhat subjective enterprise. The shift away from media spending by state parties in the 2004 general election seems to indicate that control by the parties to set the campaign agenda may be slipping when there are federal candidates on the ballot. Data compiled by the Center for Public Integrity (Armendariz and Pilhofer 2005) and others report that overall media spending in the 2004 cycle did not dramatically decline, but rather that media expenditures moved from parties (state and national) to nonparty organizations (Weissman and Hassan 2005; Boatright, et al. 2005). This trend could certainly lead to an organizational weakening of the state parties. Yet, as our data show, the Colorado and Florida state parties

under BCRA increased their spending on candidate support, which includes voter mobilization and contact, as well as their share of administrative costs, which includes salaries for party staff, perhaps indicating a strengthening in the organizational capacity of state parties.

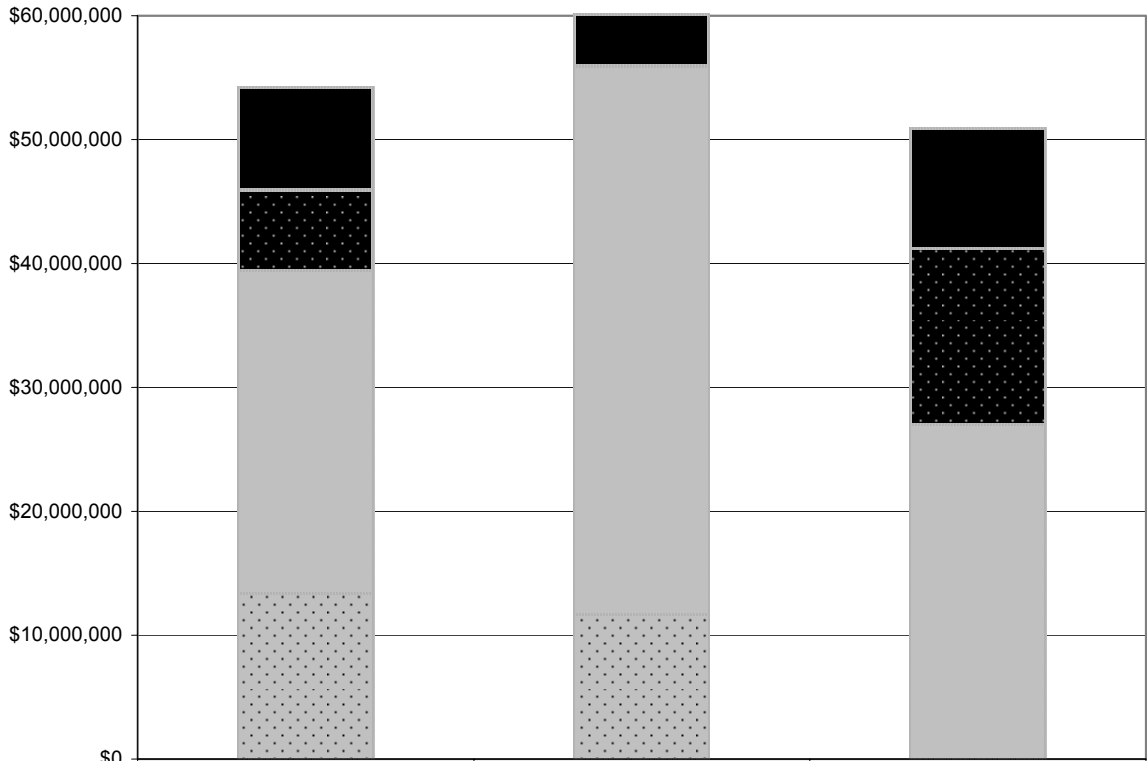
So, have state parties survived BCRA? As was the case with FECA, it is important to understand the electoral and campaign finance regulatory contexts of a state to fully appreciate BCRA's effect on state parties. During election cycles where there are not competitive presidential, US Senate, or US House races, the national parties will likely continue to politely ignore state parties, just as they did under FECA. But when there are competitive federal elections to be won, as was the case prior to BCRA, the national parties will still be involved in those states. Although it still is too early to fully comprehend how the landscape for state parties is changing under BCRA, the federal law will likely to continue to have a contingent effect on the finances and organizational strength of state parties.

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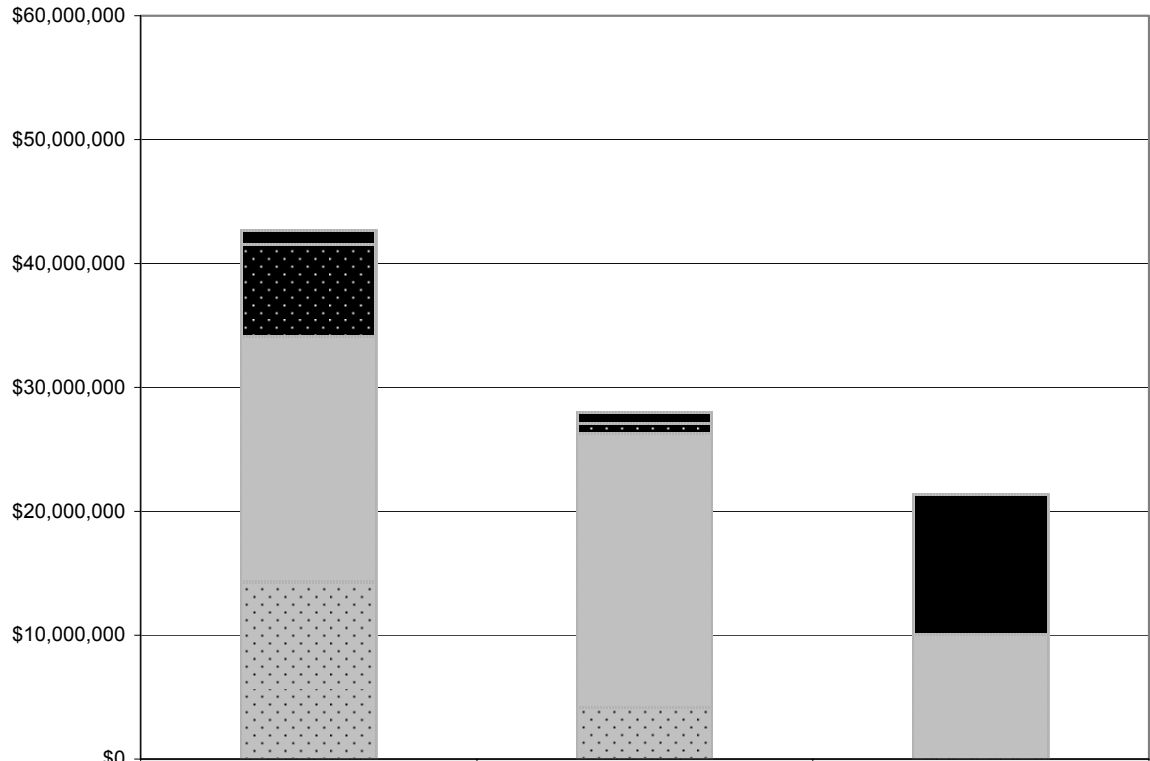
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Figure 1: Republican Party of Florida, Total Contributions



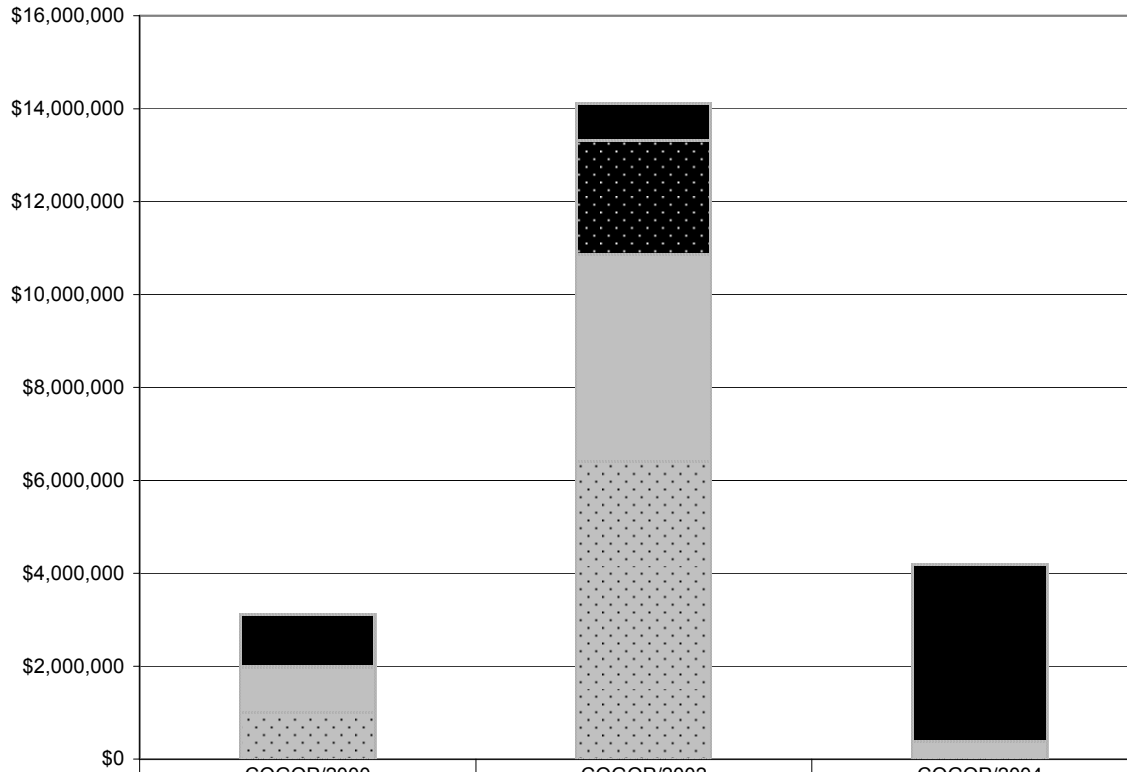
	FLGOP/2000	FLGOP/2002	FLGOP/2004
■ Federal Account, Raised by State Party	\$8,242,080	\$4,103,491	\$9,699,922
■ Federal Account, Transfers from National Parties	\$6,475,920	\$104,001	\$14,232,654
■ State Account, Raised by State Party	\$26,113,120	\$44,219,949	\$26,987,799
■ State Account, Transfers from National Parties	\$13,340,880	\$11,679,593	\$0

Figure 2: Florida Democratic Party, Total Contributions



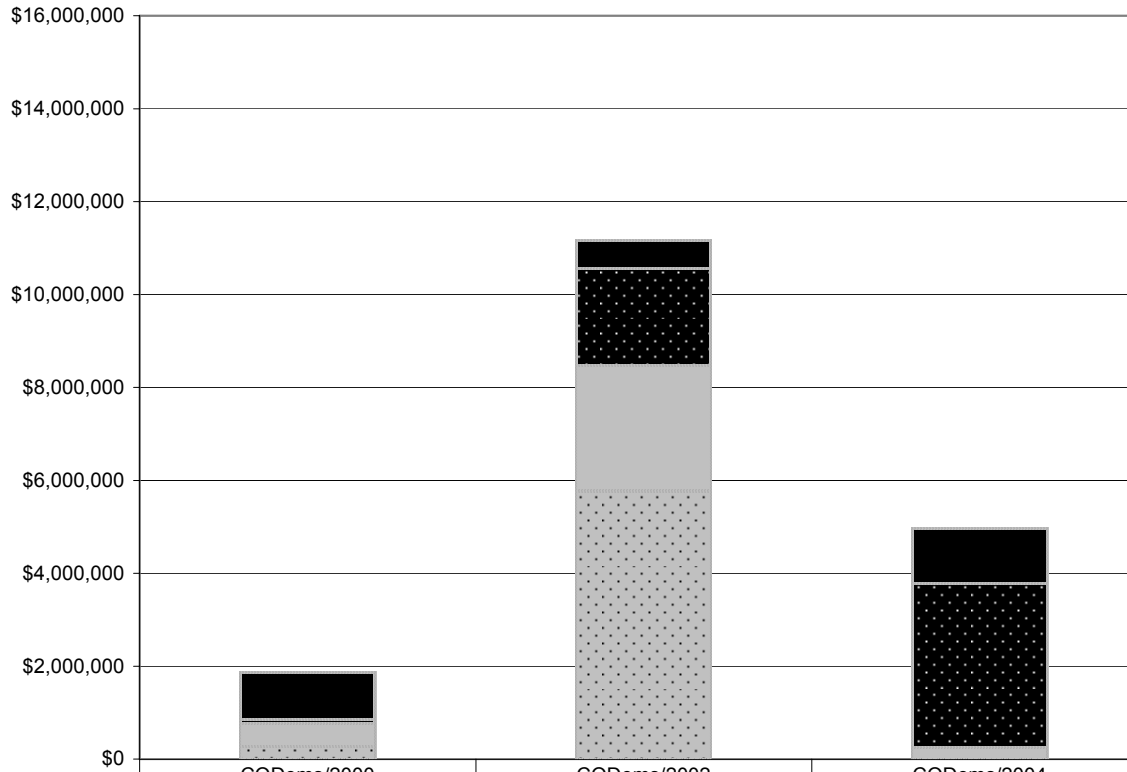
	FLDems/2000	FLDems/2002	FLDems/2004
■ Federal Account, Raised by State Party	\$1,106,950	\$855,501	\$11,327,207
■ Federal Account, Transfers from National Parties	\$7,408,050	\$821,890	\$0
■ State Account, Raised by State Party	\$19,831,360	\$22,124,193	\$10,044,881
■ State Account, Transfers from National Parties	\$14,296,640	\$4,154,942	\$0

Figure 3: Republican Party of Colorado, Total Contributions



	COGOP/2000	COGOP/2002	COGOP/2004
■ Federal Account, Raised by State Party	\$1,121,120	\$798,965	\$3,812,062
■ Federal Account, Transfers from National Parties	\$22,880	\$2,447,250	\$0
■ State Account, Raised by State Party	\$972,700	\$4,460,599	\$377,017
■ State Account, Transfers from National Parties	\$996,300	\$6,407,164	\$0

Figure 4: Colorado Democratic Party, Total Contributions



	CODems/2000	CODems/2002	CODems/2004
■ Federal Account, Raised by State Party	\$1,015,680	\$604,699	\$1,175,015
■ Federal Account, Transfers from National Parties	\$88,320	\$2,073,024	\$3,535,547
■ State Account, Raised by State Party	\$477,040	\$2,708,318	\$247,924
■ State Account, Transfers from National Parties	\$278,960	\$5,771,139	\$0

Figure 5: Republican Party of Florida, Total Expenditures

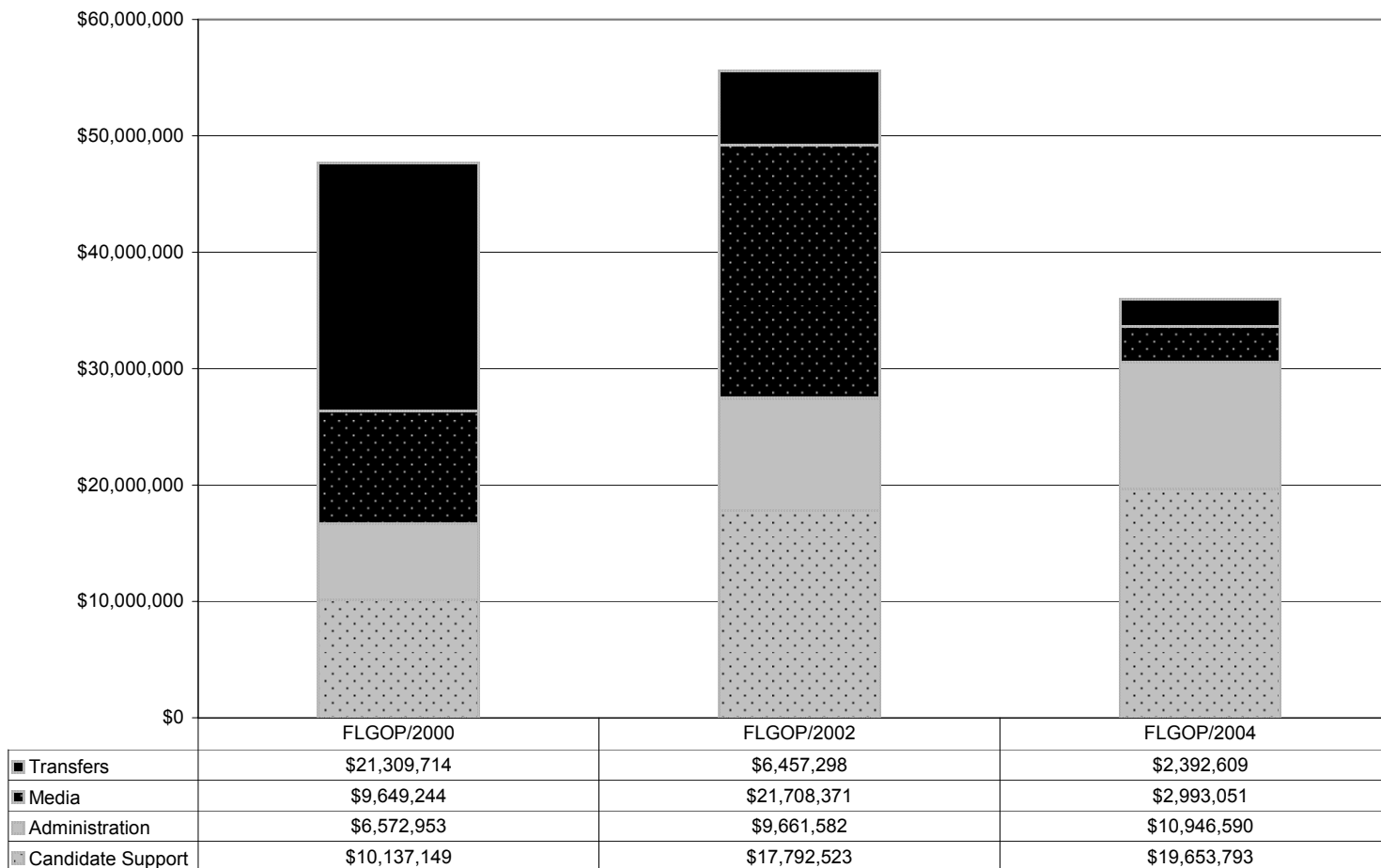


Figure 6: Florida Democratic Party, Total Expenditures

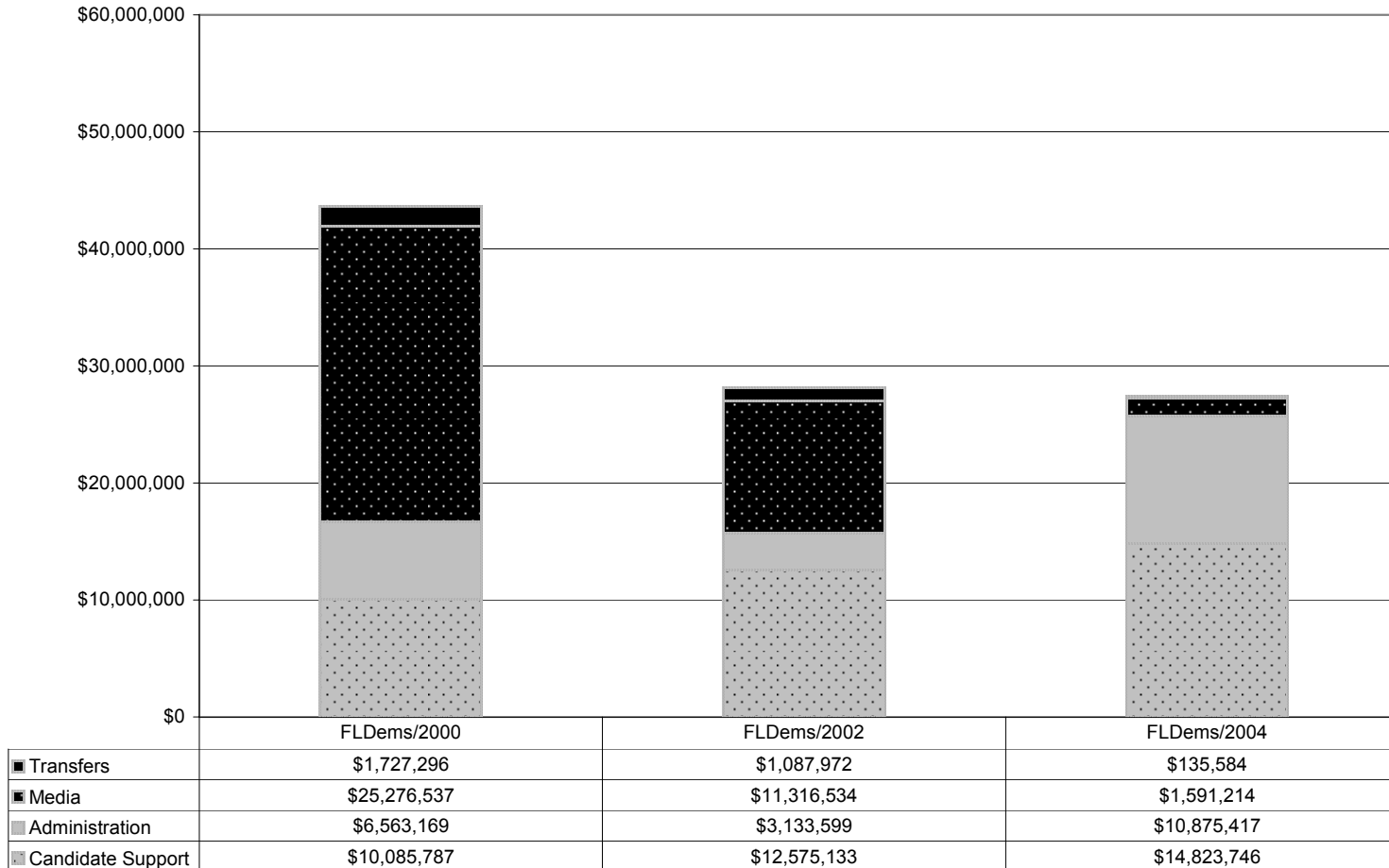


Figure 7: Republican Party of Colorado, Total Expenditures

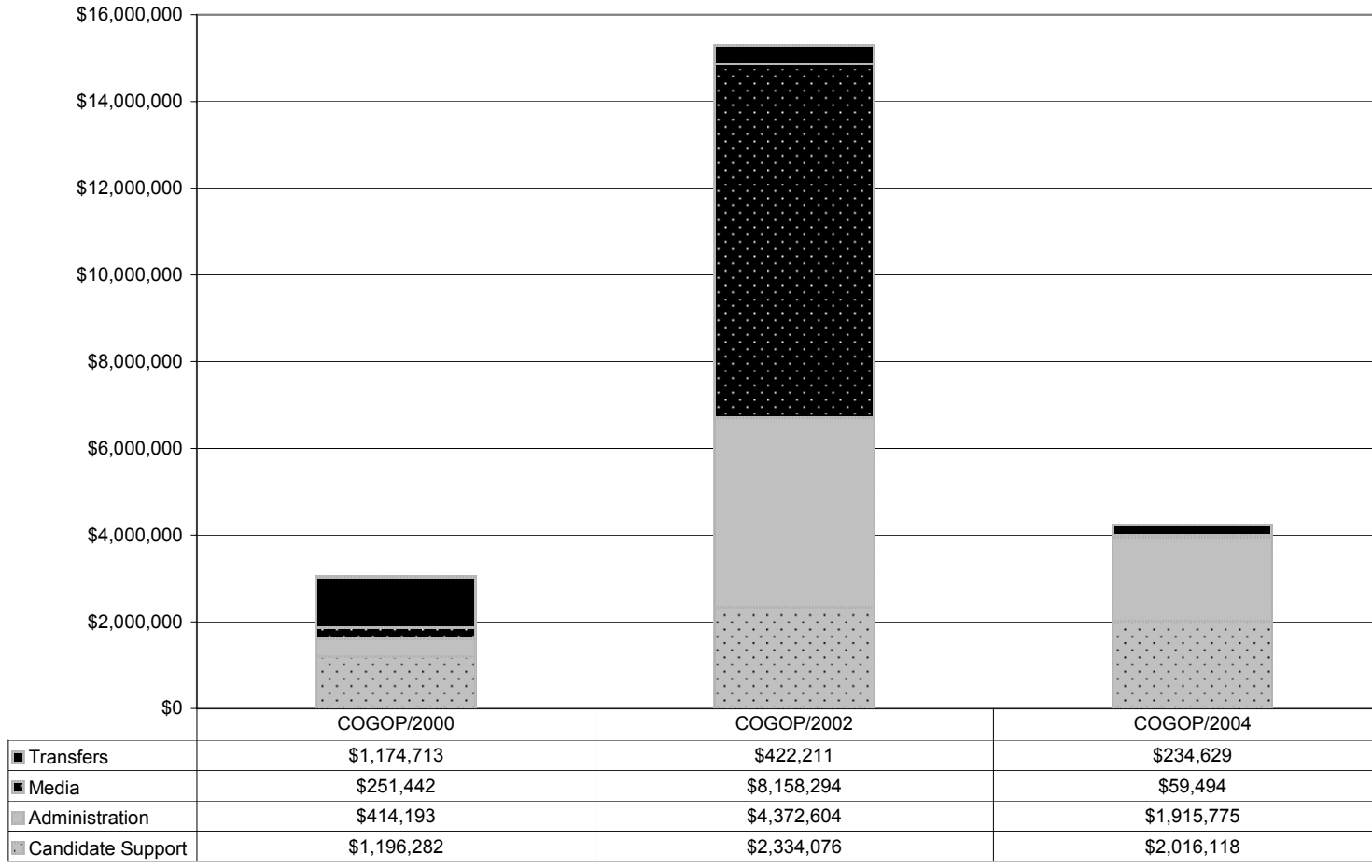


Figure 8: Colorado Democratic Party, Total Expenditures

