Party Financing of the 2000 Elections

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The political parties have come to play a larger role in the financing of federal elections over the past two decades. This role has been characterized primarily by the parties' activities as service providers, or parties "in service" to their candidates (Aldrich 1995; see also Herrnson 1988; 2000). In a previous article, we argued that the parties have recently taken on a more pivotal role in campaigns, one that gives them more control over a variety of aspects of their candidates' campaigns. Thus, we view the parties as *orchestrators* of campaign activities (Kolodny and Dwyre 1998, 278). Like Aldrich (1995) and Schlesinger (1991), we argue that the most important condition necessary for ambitious politicians to turn to their parties for pursuit of their goals is the presence of true competition. However, politicians must believe that the political parties will have something to contribute to their potential victories.

We argue that since 1996, the combined effect of the parties' use of the soft money loophole in the Federal Election Campaign Act (FECA) and the more permissive interpretations by the courts of "issue advocacy" have made the political parties into the central mediators of money in elections in the United States. The political parties' campaign finance activities during the 2000 elections show how dominant the parties have become. In this paper, we recount the financial activities of the national political parties during the 2000 elections and explain how their activities are key to those of other actors in the system, especially state parties, interest groups and candidates. Since 1994, control of the House, Senate and Presidency has been legitimately competitive. The new viability of the Republican Party at the congressional level not only encouraged Republican party electoral activities to increase, they forced the Democrats to retool their methods and fundamental assumptions about electoral politics. With close margins in both the House and Senate, parties became more aggressive about pursuing majorities in their chambers and focused the attention of the party organizations and incumbent members on the handful of truly competitive races being waged in 2000. With control of the federal government so closely contested, it is no wonder that more money is required earlier than ever before to make elections competitive. Further, the campaign finance regulatory environment helps explain why the parties are now able to spend such great amounts on media advertising, the state parties are newly invigorated by funds from the national parties, and the candidates themselves are sometimes outspent by their parties. In this paper, we take a first look at the currently available data on the parties' campaign finance role and information on their other activities during the 1999-2000 election cycle to test the validity of our hypothesis that parties have become the central mediators of money in federal elections.

The Parties and the 2000 Presidential Election

The 2000 presidential election will be remembered mostly for the drama that took place after election day surrounding the disputed balloting in Florida that delayed declaration of a winner. Yet other aspects of the election were quite extraordinary as well. The activities and strategies of the political parties, in particular, illustrate the changing nature of the financing of presidential elections and highlight the need to question whether the objectives of the public financing system for presidential elections are being met at all. For instance, the national party committees raised and spent more unlimited and unregulated soft money in 2000 than they had in any previous presidential election cycle since the public financing system was first used in 1976, far more, in fact, than the presidential nominees received in public funding. In this first section, we discuss the parties' financial activities related to the 2000 presidential election. Then we consider the parties' role in the 2000 congressional elections.

Given that all major-party presidential nominees since 1976 have opted to voluntarily limit their own spending in exchange for public funding and that the parties are limited in the amount they may spend on behalf of their nominees, it would seem that the parties' role would be somewhat limited. However, the national political parties have discovered a number of methods to direct resources in ways that assist their presidential nominees outside of the regulated campaign finance system. Primarily because of their tremendous success at soft money fundraising, their effective spending of soft money, and their strategic use of more lenient soft money spending rules in a number of states, the parties have come to play an increasingly important role in modern presidential elections. We argue that the parties have become in some respects more influential in the financing of presidential elections than the candidates themselves.

Regulated and Limited Spending

The Revenue Act of 1971 and the 1974 amendments to the Federal Election Campaign Act established a system of public financing for presidential elections that was intended to reduce the potential influence of wealthy individuals and powerful interests and slow the increasing cost of presidential campaigns. The Presidential Election Campaign Fund was financed through a voluntary check-off on income tax forms by which taxpayers may divert $1 (now $3) of their tax liability to the public fund. Presidential nominees are eligible for the public funds if they agreed to limit their overall spending to the same amount of the public subsidy (public funds are also available to qualifying pre-nomination candidates and to the parties for their nomination conventions). In 2000, each major party presidential nominee received $67.56

million in public funds, and each, therefore, was subject to a spending limit of $67.56 million plus the amount of the subsidy and a personal spending limit of $50,000 from their personal funds. Presidential nominees may also raise additional funds, subject to the limits and prohibitions of the FECA, for legal and accounting expenses, called general election legal and accounting compliance (GELAC) funds (Federal Election Commission 2000b, 2000c). The public funding amounts are indexed to inflation and thus increase each presidential election cycle. Table 1 shows the amounts given to the candidates in all presidential elections since the public funding system was implemented in 1976.

Table 1: Public Funds for Presidential Nominees, 1976-2000

Election Year	**Amount of Public Funds** (in millions of dollars)
1976	$ 21.82
1980	29.44
1984	40.40
1988	46.10
1992	55.24
1996	61.82
2000	67.56

Source: Federal Election Commission 2000b, 2000c.

In addition to these funds spent directly by the candidates, the national political parties sponsor the nominating conventions. Each of the major political parties received $13,512,000 in public funding for planning and conducting their 2000 presidential nominating conventions, and the Reform Party received $2,522,690 (Federal Election Commission 2000b, c and d). In exchange for these public funds for their conventions, the parties must agree to spending limits, disclosure requirements and detailed audits. However, this money is for the national party committees to spend on the direct operation of the convention event. It does not cover the monies raised and spent by the host committees affiliated with the cities where the conventions were held. This past year, Philadelphia 2000 raised more than $52 million and LA Convention 2000 raised $37 million, monies that essentially supplemented the parties' normal public money allowance (Stevens 2000). Because the host committees for the two convention cities are technically non-partisan, non-profit organizations, no federal contribution limits apply. Consequently, major corporations donated enormous sums to both parties. For example, Microsoft Corporation donated $500,000 to each organizing committee to assist them with their Internet needs. AT&T and Lockheed Martin are also among the most generous donors (Goldstein and Van Bergen 2000).

Each host committee explains its goals quite plainly:

For the Democrats: "LA Convention 2000 is contractually responsible for providing the Democratic National Convention Committee with goods and services totaling $35.3 million, the cost associated with hosting the 2000 Democratic National Convention. The City of Los Angeles will provide $7 million of this amount in transportation and security related services, plus $4 million in cash. The Host Committee is responsible for the remainder of the funds, with cash requirements between $18 - $20 million, and in-kind goods and services totaling $10 million" (www.lahost2000.org/about_host.html).

For the Republicans: "Philadelphia 2000 is a non-profit, non-partisan organization that serves as the official Host Committee for the 2000 Republican National Convention. Philadelphia 2000 is responsible for raising the necessary funds for the convention, promoting the greater Philadelphia region, coordinating city and regional services, and recruiting and training 10,000 volunteers" (www.philadelphia2000.org/public/).

The Philadelphia 2000 web statement did not mention that the city of Philadelphia contributed $7 million and the state of Pennsylvania contributed an additional $7 million (Goldstein and Van Bergen 2000). While conventions have always had host organizations defray ordinary costs, the enormous amount of money raised was unprecedented. More important, donors did expect something more than goodwill in return for their contributions. According to Joni Stevens' account of Philadelphia 2000 and the Republican National Convention, "depending on the amount donated, businesses could get limited edition host pins, convention and host committee memorabilia, tickets for receptions ranging from simple affairs to high profile or heavily restricted events, and various levels of credentials for different sections outside and within the First Union Center," the convention venue (Stevens 2000, 17).

Party Coordinated Expenditures

The parties are also permitted to spend money on behalf of their presidential nominees. These are called coordinated expenditures, and the amount the parties may spend is limited but indexed to inflation so that the limit increases each election cycle. The parties may work with a candidate's campaign to determine how the coordinated expenditure money should be spent, but the campaign does not receive the funds directly. The parties report this spending to the Federal Election Commission (FEC). For the 2000 presidential election, the parties' national committees (the Democratic National Committee or DNC and the Republican National Committee or RNC) were each limited to $13,680,292 in coordinated spending for their presidential nominees. These funds are raised from private sources and are subject to the limitations and prohibitions of the FECA, including accepting only limited contributions from non-corporate and non-union sources and reporting all fundraising and spending to the FEC. The parties spend most of their coordinated expenditure money on media advertising (Kolodny 2000).[1]

Such regulated and disclosed funds are called federal or "hard" money, because they are monies subject to the *hard* limits of the law, contrary to the controversial non-federal or "soft" money that is discussed below. Coordinated hard money expenditures were designed to be the primary way for the parties to participate in their candidates' presidential campaigns. For the 2000 presidential election, the DNC spent $13.5 million of the allowed $13.7 million on behalf of Al Gore, and the RNC spent $13.3 million on behalf of George W. Bush (figures compiled by authors from FEC data). Each national party committee spent just short of the maximum allowed by law. In 1996 the parties were allowed to spend $12.1 million on behalf of their presidential nominees, but the DNC spent only $6.7 million and the RNC only $11.6 million (Corrado 1999, 79-80). Before 1996, the Republicans had always spent the maximum allowed in coordinated expenditures on their presidential nominees and the Democrats had from 1984 to 1992 (Ibid.). In 1996, the DNC was saving its hard dollars to match with soft money funds. In 2000, the DNC was able to increase its hard money fund raising by at least $50 million dollars, permitting the party committee to maximize its coordinated expenditures and still have sufficient hard money to match with soft money dollars. While the national parties spent almost the maximum coordinated expenditures allowed in 2000, this hard money spending was not the main focus of their presidential campaign efforts. Since 1996, the national parties have made extensive and effective use of soft money for media advertising and voter contact. It is this

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[1] This assessment is based on party coordinated spending in past presidential elections. Exact figures that breakdown how the parties spent their coordinated expenditure funds are not yet available for 2000. Full audits of the presidential campaigns are usually completed two years after the election.

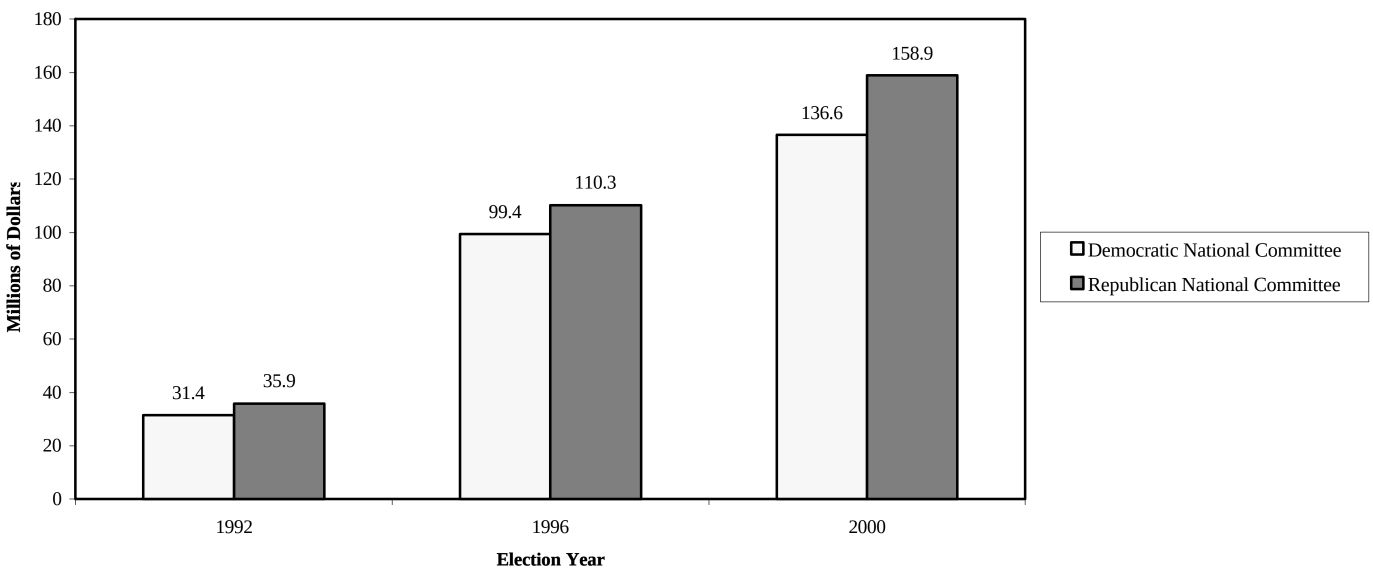
spending "off the books" that truly characterizes the parties' role in modern presidential campaigns.

<u>Party Spending Off the Books in the 2000 Presidential Election</u>

The major parties' national committees have become expert fund raisers of non-federal or soft money. Soft money is money raised and spent outside the limitations and prohibitions of the FECA. The parties can raise it in huge, unlimited chunks, so it is easier to raise than hard money, which must be raised in relatively small, limited increments from regulated sources such as PACs and individuals. While the parties must report the source of the soft money contributions they receive, soft money may be raised from otherwise prohibited sources that are not permitted to give hard money to parties or candidates, such as corporations and labor unions. Moreover, soft money *spending* does not have to be fully reported to the FEC. Thus the parties might avoid much of the bad press that often results when large sums of money are spent to benefit a particular candidate. On the contrary, all hard money raised and spent by the parties must be fully reported to the FEC. The result is that party soft money spending skirts around the intent of the FECA to regulate and make public all federal election campaign finance activity.

The national parties have been tremendously successful at raising huge amounts of soft money, as Figure 1 shows. Figure 1 contains only the soft money raised by the national party committees (the DNC and the RNC), because these are the committees most involved in presidential campaigns. Note, however, that much more soft money is raised and spent by each party's congressional and senatorial campaign committees, as our discussion below of these committees illustrates. Soft money spending was originally permitted by the FEC to enable political parties to fund volunteer-based party-building activities such as voter registration and get-out-the-vote (GOTV) drives. Soft money may also be used to pay for overhead expenses such as rent, utilities and payroll, and thus it frees up the more-difficult-to-raise hard money for contributions to candidates and coordinated spending. Additionally, the national parties and their consultants have found methods to get around the law that enable them to spend soft money in ways that directly benefit their federal candidates, something that the regulations governing soft money were (not so effectively) designed to prohibit.

Figure 1: DNC and RNC Soft Money Receipts, Presidential Election Cycles, 1992-2000



The national parties spend much of their soft money via transfers to state and local party committees, which then spend the money on various activities such as voter registration and GOTV drives, voter contact campaigns, mailings, polling and television and radio advertising. The DNC transferred $114,979,620 to state and local party committees during the 1999-2000 election cycle, $73,087,085 in soft money and $41,892,535 in hard money. The RNC transferred $126,871,1414 to state and local Republican committees, $93,017,578 in soft money and

$33,853,563 in hard money (Federal Election Commission 2001). Clearly, the national parties favor soft money over hard when giving to the state parties. This is due primarily to the fact that some states have more permissive rules for spending soft money than the federal regulations and can thus get more bang for the soft money buck than can the national party committees. Moreover, some states with permissive soft money rules are used by the national parties to, in effect, launder soft money**.** For example, in 1992 the National Republican Congressional Committee gave $236,250 in soft money to the Oregon Republican Party. The Oregon Republican Party then gave $11,000 in hard money to GOP House candidates in *other* states. Oregon was used as a conduit to channel the money because of its permissive soft money regulations (Dwyre 1996). Moreover, the national parties also *swap* soft money for hard money with state parties (Ibid.). The state parties in effect "sell" hard money for soft money with a 10 to 15 percent commission for the state party (Morehouse 2000; Common Cause 1998), a convention established by the national and state parties to maximize their mutual spending.

Once the national party soft money is transferred to the state party committees, however, it is extremely difficult to trace exactly how that money is eventually spent, for each state has different reporting requirements and different rules regarding the use of soft money (Dwyre 1996; Morehouse 2000). The DNC disbursed an additional $53,033,666 and the RNC an additional $59,434,940 in soft dollars beyond what they transferred to state and local parties (figures compiled by authors from data in Federal Election Commission 2001). Most of this money appears to have been spent on party issue advocacy advertisements.

The most controversial use of soft money by the political parties is for the production and airing of party issue advocacy advertisements. Party issue ads are paid for with a combination of hard and soft money in accordance with allocation formulas established by the Federal Election

Commission (Corrado 1997; Federal Election Commission 1995). The national parties are required to use only hard money for ads that expressly advocate the election or defeat of a candidate for federal office by using such words as “vote for,” “vote against,” “support,” or “defeat.” Use of these so-called *magic words* has been interpreted by the courts to be the only way to determine whether a communication expressly advocates the election or defeat of a candidate and is therefore a campaign communication subject to fund raising and spending limits and reporting requirements of the FECA. Any other communications that do not include the words or phrases of express advocacy, no matter how much they *appear* to be campaign ads, are not considered to be campaign communications and therefore are not subject to regulation or reporting requirements. Such ads are called issue advocacy ads. Issue advocacy ads are supposed to advocate some position on some issue. Yet the parties, as well as interest groups and wealthy individuals, produce issue advocacy ads that in every other respect, except for the lack of the magic words of express advocacy, look and sound like campaign ads that must be paid for with hard money and reported to the FEC. Here are some issue advocacy ads produced and aired by the national party committees that were broadcast during the 2000 presidential election. These ads were paid for in part with soft money, which was not limited by federal law nor was the spending fully reported to the FEC.

<u>DNC Ad: “Oil & Water” (aired mid-September 2000)</u>

> ANNOUNCER: They say that oil and water don’t mix. Nowhere is that more true than in Texas. After 17 years in the oil business, George W. Bush ran for governor. Then passed laws to let big polluters regulate themselves.
>
> *(On screen: Source: New York Times, 11/9/99, Tacoma News Tribune 7/9/00)*
>
> Today, Texas is number three in water pollution, number one in air pollution.
>
> *On screen: EPA, “1998 Toxics Release Inventory,” 5/00)*

For over 20 years, Al Gore has fought against polluters and helped pass laws to clean up our air and water. America's environment is cleaner now. Do we really want it to look

(On screen: 1800thefacts.com; Paid for by

(On screen: Paid for by the Republican National Committee)

ANNOUNCER: While George Bush offers a positive issue agenda, more negative
Bush is cleaning up Texas. The
Environmental Protection Agency reports that Texas leads America in reducing toxic

-1998)

And Al Gore? Gore has allowed mining compani

Inventing Al Gore, *2000, p. 106)*

They've been cited for polluting the source of local drinking water . . .

(On screen: Tennessee Department of Environment and Conservation, Notice of on, May 16, 2000)

. . . all while Gore's made half a million dollars in mining royalties.

(On screen: Al Gore's 1999 Executive Branch Personnel Public Financial Disclosure, filed May 15, 2000)

Even on the environment, Al Gore says one thing but does

: <u>www.gorepollution.com</u>

-hitting and effective advertisement that benefits a

te for" or "vote against".

Most voters in the television audience would interpret these ads as campaign ads designed to

are

rts. Indeed, David Magleby found that voters they tested in focus groups “saw election issue ads as more about the election or defeat of a candidate than the candidates’ own commercials” (Magleby 2000, 13). Negative issue advocacy ads often feature the familiar ominous background music, code words such as “liberal” and “radical,” and grainy, unflattering black-and-white pictures so common in campaign attack ads. Positive issue ads use cheery music, code words such as “trust,” and family-values pictures, while praising some policy position of an official or party (Herrnson and Dwyre 1999). These are exactly the same techniques used in conventional campaign television ads (West 1997: 4-9; Jamieson 1992), making issue advocacy ads virtually indistinguishable from campaign ads. Thus it should not be surprising that the parties and interest groups that use issue advocacy advertising hire the same consultants to make issue ads that they hire to produce regulated campaign advertisements (Dulio and Kolodny 2001).

While the national parties aired soft-money issue ads as early as 1980, the use of issue advocacy advertising by parties and interest groups exploded during the 1996 election (Biersack and Haskell 1999; Dwyre 1999). Yet the use of issue ads in 1996 pales in comparison to the 2000 elections. The 2000 presidential election marked the first time in modern campaign history that the political parties spent more on television advertising than the candidates themselves, most of it issue advocacy advertising paid for in part with soft money (Brennan Center for Justice 2000). While the parties spent $48.8 million on television advertising for their presidential nominees in 1996, that amount was still less than the candidates themselves spent on TV advertising that year, $67.3 million (Ibid., 1). The Brennan Center for Justice at the NYU School of Law reports that the DNC and the RNC spent an estimated $79.9 million in mostly soft money to air advertisements for their presidential nominees in 2000 (Ibid.). This constitutes a $13 million gap in party over candidate spending. The gap may be considerably larger, however, since the researchers did not include ads sponsored by state party committees, nor did they include the cost of production and placement of the ads (Ibid., 2). Add to this that over $16 million was spent by interest groups on behalf of the presidential candidates, and it becomes clear that the candidates' own spending on advertising ($67.1 million) was significantly overshadowed by party and interest group advertising spending in 2000 (Ibid.).

Most of the national parties' issue advocacy ads stuck to a few common themes. The number one issue was health care (Annenberg Public Policy Center 2001). Other topics included education, the environment, Social Security and taxes. The national party committees targeted most of their issue advocacy advertising in just seventeen battleground states: Arkansas, Florida, Georgia, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland (for broadcast to Deleware viewers), Michigan, Missouri, New Mexico, Ohio, Oregon, Pennsylvania, Washington and Wisconsin (www.nationaljournal.com, 2000a). Other states saw considerable amounts of issue advocacy advertising by state political party committees. For example, the California Republican Party ran issue ads designed to help George Bush in the state, and their efforts appear to have narrowed the gap between Bush and Gore in California.

The national political parties' did not wait until their presidential nominees were chosen at their summer conventions to start their ad campaigns. The RNC hit the airwaves as early as mid-January with a spot that attacked the Democratic front runner Al Gore by accusing him of wanting to require a "political litmus test" regarding gays in the military that neither General Colin Powell nor Norman Schwartzkopf—"the heroes of Desert Storm"—could pass (www.nationaljournal.com, 2000b).[2] The RNC also began running ads targeted at Hispanic

[2] There actually was a Republican party issue ad that ran even earlier, but it was not focused solely on the presidential race. During the summer of 1999, the Republicans appealed to

voters in January. By election day, the RNC had spent over $5 million on Spanish-language ads supporting Bush or the GOP in general (www.nationaljournal.com 2000c). The DNC waited a bit longer before airing ads designed to help Gore win, with the first issue advocacy ad sponsored by the DNC debuting in early June (www.nationaljournal.com 2000d). The GOP's early spending is much like the strategy used by the Democrats in 1996 when the DNC spent almost $50 million on issue advocacy ads that promoted incumbent president Clinton's accomplishments and criticized the "Gingrich-Dole" agenda before the general election began (Corrado 1999, 80). In 2000, while the presidential candidates were still in the throes of the primary season, the Republican party was already waging the general election. The trend that appears to be emerging is one in which the national parties begin their campaigns against the other party well before the general election begins and well before their nominees begin to focus on their opponent.

While this assistance from the parties may be welcome by their presidential nominees, the parties' increasing role takes some control out of the hands of the candidates themselves. Party issue advocacy advertisements are more inclined to be attack ads than the ads run by candidates (Herrnson and Dwyre 1999). Indeed, the overwhelming majority of party issue ads during the 2000 presidential election featured an attack on the other candidate or his positions on the issues (Annenberg Public Policy Center 2001, 19). Thus the more ads that the parties run relative to the number of ads that the candidates run, the more negative the tone of the campaign is likely to be. Yet no one is held responsible for the tone of these negative ads, for the candidates are the only ones on the ballot come election day and they can easily distance themselves from the negative campaigning conducted by their parties on their behalf. Indeed,

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President Clinton, Senate Democratic Leader Tom Daschle and "Hillary and Al" to support the presidential nominee George W. Bush asked that the RNC pull an attack ad criticizing Al Gore's prescription drug proposal that included the word "rats" subliminally flashed across the screen for fear that his campaign might suffer because of the negative fallout from the ad. Candidates can leave it to their parties to do the dirty campaigning and not suffer the consequences on election day. While many observers welcome a larger role for the political parties in modern politics, this generally is not what most have in mind.

The parties' use of soft money and issue advocacy advertising to promote their presidential nominees has changed the balance of financial control over presidential campaigns from one controlled primarily by the candidates to one where their parties now have a good deal more control, particularly in the area of advertising. This change in financial control has the potential of significantly altering the tone of the presidential campaign, the content of the campaign dialogue and the level of accountability for campaign conduct. These developments are quite consistent with the new roles the parties have come to play since the 1980s as parties "in service" to their candidates (Aldrich 1995) and are therefore somewhat predictable. Yet the extent to which the parties have come to control so much of the financing of presidential campaigns is somewhat unexpected. The presidential campaign finance system itself has shaped some of these developments, in that the candidates are limited in the amounts they may raise and spend for their own campaigns if they accept public funding. Thus while the presidential public funding system has stemmed the growth of campaign spending by candidates, at least to the extent that the rate of growth in spending is below that of congressional campaigns (Sorauf 1992, 158), the public funding rules also have encouraged spending outside of the regulated system. It is possible that eventually the candidates may choose not to take the public monies for their

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Social Security "lock box" idea (Annenberg Public Policy Center 2001).

general election campaigns if their parties can make up for the lack of those funds. This would mark the death of publicly funded presidential elections.

We now turn to a discussion of the parties' financial role in the congressional elections of 2000. Here too the parties have come to play a much larger role in their candidates' campaigns, but as with the presidential race, with mixed or unclear results.

Party Activity in House and Senate Campaigns

For the congressional party committees[3], the big story for 2000 was the reversal of fortune between the Democratic and Republican sides. While Republicans long had a significant fundraising advantage, in 2000 the Democrats pulled even or surpassed their Republican counterparts, especially in soft money receipts. Though the party committees spent more money than in the past, and in competitive races at least more than their candidates, the result of this spending was mixed. Democrats in the Senate clearly did better than expected by winning seven of the nine "toss up" races (four of them through defeats of Republican incumbents), but Democrats in the House saw a net gain of only one congressional seat.

As Figure 2 shows, the trend in soft money receipts for the four congressional campaign committees since 1992 changed significantly in 2000. The Democrats' remarkable fundraising turnaround came at the behest of new leadership at the CCCs and encouragement by the Republicans' soft showing in the 1998 midterm elections. DSCC Chair Robert Toricelli (D-NJ) and DCCC chair Patrick Kennedy (D-RI) made soft money their top priority. The big story here is that both of the Democratic Hill committees raised more soft money than their Republican counterparts by significant factors.

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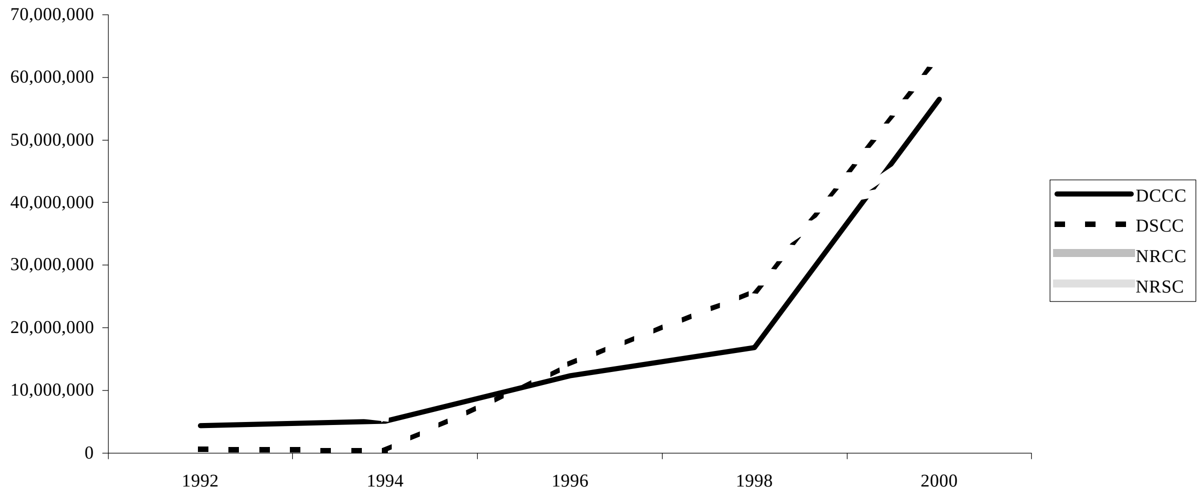
[3] For the U.S. Senate races: the Democratic Senatorial Campaign Committee (DSCC) and the National Republican Senatorial Committee (NRSC). For the U.S. House races: the Democratic

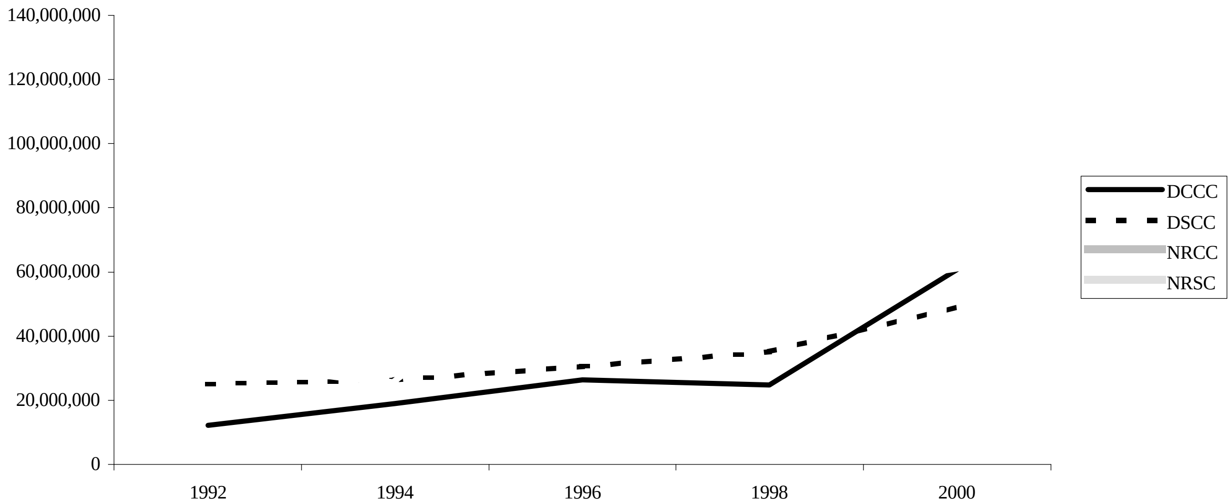
Figure 2: Congressional Campaign Committee Soft Money Receipts, 1992-2000



Hard money receipts were also up, with the DCCC and NRCC raising significantly more than past election cycles but with the Republican still surpassing the Democratic House committee (see Figure 3). Raising large amounts of hard money is important to the party committees. Hard money can be spent directly on and in coordination with candidates' campaigns or on directly targeted independent expenditures. On the other hand, soft money has to be carefully spent. Normally, as with presidential elections, much of the national parties' soft money spending is conducted via transfers of hard and soft money to state party committees in permissible mixes that take into account both federal regulations and state laws. Thus, though it is easier to raise, soft money proves harder to spend in congressional races. Indeed the effects of soft money spending may be less direct on electoral outcomes than the spending of hard money.

Congressional Campaign Committee (DCCC) and the National Republican Congressional

Figure 3: Congressional Campaign Committee
Hard Money Receipts, 1992-2000



Party spending in elections takes five forms: direct hard money contributions, hard money coordinated expenditures, hard money independent expenditures, soft money spending by national parties, and party transfers (hard and soft money) to the states.

Hard Money Contributions

As Figure 4 shows, the trends in hard money contributions for the six national party committees (the DNC, the RNC and the four Hill committees) to all candidates for federal office have been unremarkable. However, the hard money contributions to federal candidates from state and local parties have taken off, especially since 1994 and particularly from the Democratic party committees, as Figure 5 indicates. Under the FECA, national party committees may donate $5,000 per election to a House candidate. Generally, that's a maximum of $10,000 ($5,000 in the primary and $5,000 in the general election) though each special or run-off election also entitles a candidate to an additional $5,000 contribution. Senate candidates have a special situation, with a $17,500 contribution allowed from the national party committees combined and

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Committee (NRCC).

an additional $5,000 from the state party. The exponential growth in hard money contributions by state and local committees comes in the wake of the 1996 decision in *Colorado Republican Federal Campaign Committee v. Federal Election Commission* that allowed parties to make unlimited independent expenditures on behalf of candidates. The national party committees now transfer larger amounts than ever before to state parties who in turn make hard money contributions to candidates. We believe that the changes in independent expenditure regulations and interpretations of issue advocacy guidelines has prompted the national party committees to ask the state parties to take responsibility for direct contributions and coordinated expenditures, freeing the congressional campaign committees (CCCs) to spend without worries regarding collusion with their candidates, which is forbidden for independent expenditure spending.

Figure 4: Hard Money Contributions by National Party Committees, 1992-2000

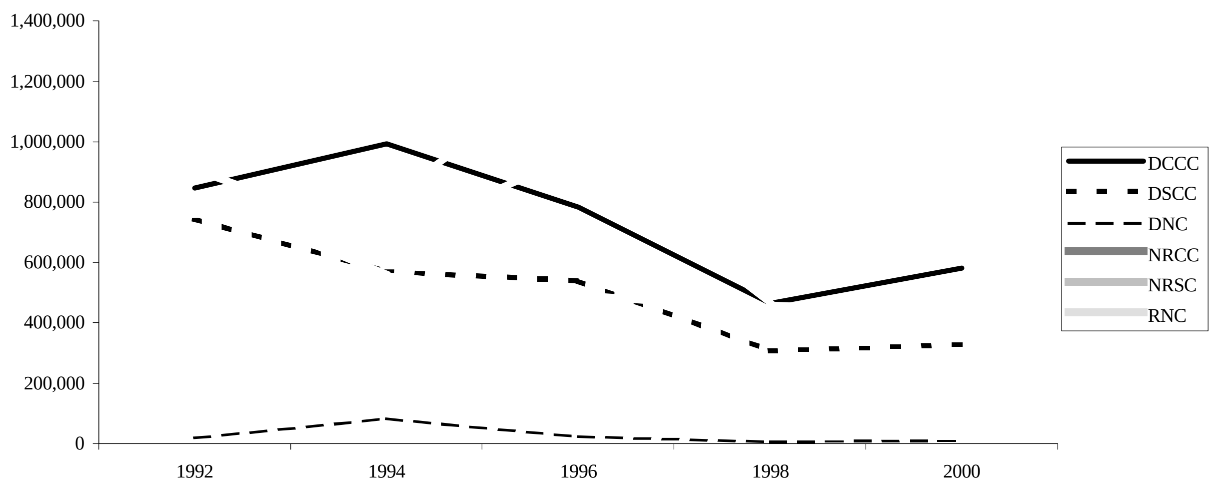
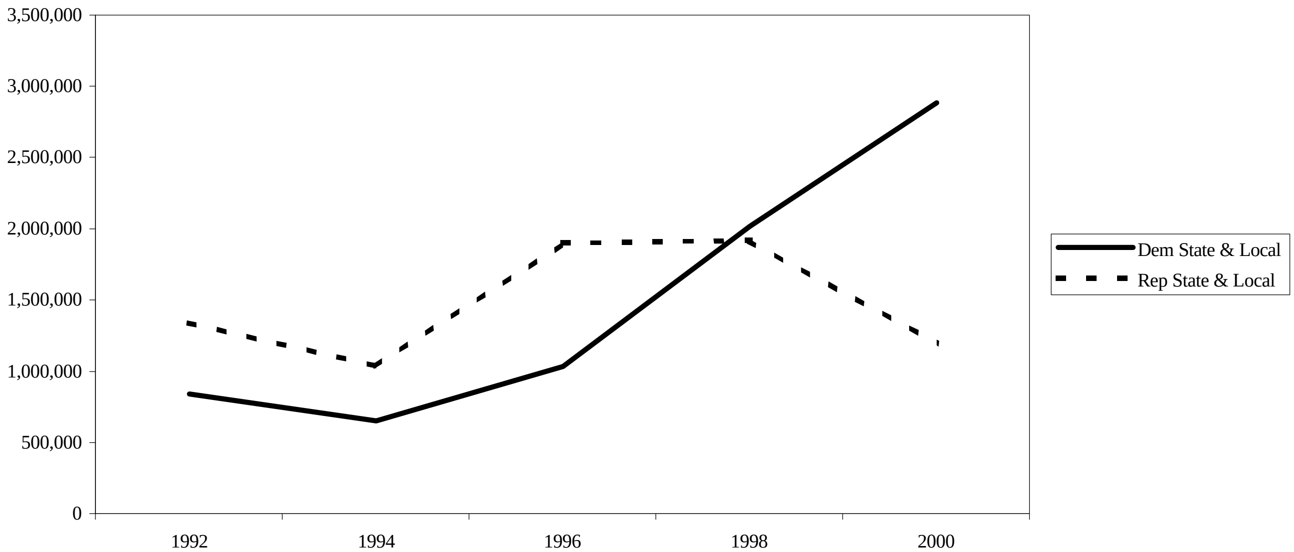


Figure 5: State and Local Party Hard Money Contributions to Federal Candidates, 1992-2000



Coordinated Expenditures

Patterns in coordinated expenditures have been dramatically changed by the 1996 court decision allowing parties to spend on independent expenditures (see next section) and the parties' use of soft money for issue advocacy. Coordinated expenditures, as explained above, are hard dollars that the parties may spend with the candidates' knowledge and consent on their behalf. The 1974 law set the amount of coordinated expenditure for U.S. House races at $10,000 plus a COLA for the national party and the relevant state party. For 2000, that amount was $33,780, for a total of $67,560 from both party organizations (the national committee and the state committee) (FEC 2000a). Usually, the national party committees do not spend the maximum allowable coordinated expenditure for each race possible, or even for each competitive race possible. This is because of the historic scarcity of hard dollars. This scarcity is one of the chief motivating factors in the proliferation of soft money (Kolodny 1998). Hence if each party were to spend the maximum in coordinated expenditures for 435 House races in 2000, the total would be $29,388,600. If each party were to spend the maximum in the 64 most competitive races[4], the total would be $4,323,840 for the House committees (the DCCC and the NRCC). For Senate races, coordinated expenditures are calculated based on state population and range from a low of $135,120 for the least populous states to a high of $3.3 million for California. If each party senatorial campaign committee had spent the maximum allowed coordinated expenditure in all 34 Senate races, they would spend $21 million each. Counting only the 17 most competitive Senate races[5], total allowed coordinated expenditures would be $13 million.

In the last two election cycles, coordinated expenditures by the DSCC have virtually disappeared and those by the DCCC have declined significantly. Meanwhile, coordinated expenditure spending by state and local parties has risen, especially in 1998. Much of this is a result of hard money transfers from the national party committees to the states. The DNC's coordinated spending was also up significantly, though all of the $13.5 million was spent on behalf of Al Gore and Joseph Leiberman. On the Republican side, a similar pattern holds. The NRSC has virtually stopped spending coordinated money and the NRCC's coordinated outlays have declined. The RNC spent $13.3 million in coordinated money on the presidential race, $9.8 million in Senate races, and $324,350 on House races. The congressional coordinated spending by the RNC is more than twice what they spent in 1998 when no presidential election was fought. However state and local committees spent much more in 1998 than in 2000. This indicates an abandonment of the agency agreements, which were the backbone of party committee strategy in the 1980s. Agency agreements allowed each congressional campaign

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[4] The number 64 comes from *Roll Call*'s 2000 election outlook. *Roll Call* found 19 House races to be "toss ups," 23 leaning Republican, and 22 leaning Democrat. (http://election.capwiz.com/rollcall/emap)

committee (CCC) to spend both the national party's and the state party's coordinated expenditure limit on a candidate (Kolodny 1998). Now, because of independent expenditures and soft money, parties have returned to the original agreement whereby the state party committees and national party committees each spend their own maximum allowed in coordinated expenditures.

Independent Expenditures

When *Colorado Republican Federal Campaign Committee v. Federal Election Commission* was decided in 1996, pundits feared the opening of the floodgates on independent expenditure spending. Independent expenditures are hard dollars spent to expressly advocate the election or defeat of a candidate but *without* the knowledge or consent of the candidate whose campaign this effort is meant to help. Originally, parties were not believed capable of true *independence* from the candidates who were nominated by them (even if such nomination was obtained despite or apart from the party establishment such as through an open primary). When the Colorado Republican party began broadcasting ads against the incumbent Democratic senator before the Republican nominee was known, the court challenge was triggered. The *Colorado I* decision (as it is known since the appeal, Colorado II, is now before the Supreme Court) invited the parties to use independent expenditures that, although paid for by limited hard dollar contributions, could be spent without any limitation. While the NRSC and the Republican state and local party committees experimented with significant independent spending in 1996, the practice was largely abandoned in 1998. The reason party operatives gave was that it was too difficult to establish separate offices for the "independent" requirements of these expenditures. In 2000, the DCCC and the Republican state and local committees made an effort to try spending in this way again. A detailed examination of the DCCC's independent expenditure spending

[5] This number based on a generous assessment by the authors.

revealed that the entire independent expenditure allocation of $1.9 million dollars was spent on phone banks in 38 close races in the last few days before the election. Phone banking is actually an ideal way to spend independent money, as it requires no direct strategizing with a candidate or his/her campaign to be useful and therefore can be implemented without having to establish a separate party operation. Additionally, in most of these races, the amount of money spent matched or exceeded the allowable coordinated expenditure limit for that district. While independent expenditures are a tremendous way to enhance party spending, their major drawback is their transparency – while unlimited they must be reported. This is likely why the CCCs, especially on the Senate side, preferred to focus on spending soft money instead.

Soft Money Spending

As stated earlier, the big news is the change in soft money raised and spent. Not only have all the party committees made better use of soft money, among the CCCs, the order of spending is: DSCC, DCCC, NRCC, and NRSC. If we had predicted this pattern in 1996, with the Democrats spending more than the Republicans, we would have been considered mad. The Republicans had the fundraising advantage for so long, that the notion that both Democratic congressional committees would out-raise both Republican congressional committees seemed unlikely. After all, the Republican party is thought to be a larger recipient of corporate America's beneficence.

Party Transfers

The clear strategy by all party committees, but quite significantly by the CCCs, is the shift to more inter-party transfers from the national committees to state party committees. Both hard and soft money is transferred in this way (see Table 2). With hard money, some transfers appear to be the result of a severance of the "agency agreements" the CCCs worked hard to craft in the 1980s (Kolodny 1998). Agency agreements permitted the CCCs to spend the hard money coordinated expenditures allowed to the state parties on the state parties' behalf. Now, it appears that since 1998, national party committees are transferring hard dollars to state parties' federal election accounts so that the states may spend coordinated expenditures as originally intended in the FECA. This seems especially true for U.S. Senate races. Hard money is also transferred to state parties so that they may send the money to other deserving candidates as hard money contributions and so that hard dollars may be used with soft dollars to spend on party-building activities and issue advocacy advertising.

Table 2: Congressional Campaign Committee Transfers to State Party Committees During the 1999-2000 Election Cycle

Party Committee	Hard Money	Soft Money	Total
DCCC	$ 15,383,695	$ 34,707,004	$ 50,090,699
DSCC	24,388,338	37,444,869	61,833,207
NRCC	10,957,743	15,852,920	26,810,663
NRSC	10,684,700	20,485,179	31,169,879

Source: Federal Election Commission 2001.

The soft money transfers have obvious roots – the rationale for grassroots party-building activities exists at the local levels. The FEC rulings and court decisions permitting transfers of hard and soft money were crystallized in 1995 and along with the Christian Action Network's successful court case (*Federal Election Commission v. Christian Action Network* W.D. Va 1995, 4th Cir. 1997) in the same year allowing issue advocacy advertising with soft money dollars, soft money transfers to state parties became a campaign finance institution for the 1996 cycle that endures today (Corrado, et. al., 1997). In 1998, the state parties spent nearly a third of all soft money raised in Washington, D.C. on issue advocacy campaigns (LaRaja 2000). We expect that a detailed examination of similar party spending data for 2000 will show the same if not greater results.

The pattern for total transfers (both hard and soft dollars) to state parties was phenomenal in 2000. Since 1996, the two national committees have followed surprisingly similar routes, with significant transfers of money to state parties in the presidential years 1996 and 2000, but a dramatic fall-off in party transfers in 1998. While the RNC transferred more money to the states than the DNC in 2000, the difference is not tremendous ($127 million v. $115 million). Yet the story for the CCCs is significantly different. While all four Hill committees transferred much more money than they had in the past, no one could have predicted the magnitude of Democratic party activity compared to that of the Republicans. The NRSC transferred $31 million to state parties, while the DSCC transferred $61 million, about twice what the NRSC did (see Table 2). The House committee results are just as dramatic, with the DCCC transferring $50 million to the NRCC's $27 million (see Table 2).

That's not the end of the soft money transfer story. Several of the most competitive Senate candidates created new "joint committees" that linked their candidacies to the political parties. Usually called "victory committees," these entities raise both hard and soft money, but the soft money usually was transferred to the national party committees, since it cannot be used to directly advocate for a candidate's election or defeat. The national committees, in turn, send the money to appropriate state parties, which sometimes turn out to be the Senate candidate's home state party. Though the candidates deny they are involved in money laundering, which is prohibited by the FECA, it is a curious new arrangement indeed (Gordon 2000). Currently no definitive figures are available regarding this new practice.

Conclusion

What do we make of the dramatically changed patterns of financial activity by the political parties in recent federal elections? Political parties have adapted their activities once again to make the best use of changes in the contemporary campaign environment. Since George W. Bush was the first major party nominee to opt out of the federal matching funds for a presidential primary campaign, the 2000 presidential election took on a decidedly different money cast. Both parties needed to spend more money earlier to keep the contest competitive. Hence, innovations in the use of soft money, and energy in the raising of it, were critical to both parties. The spending urgency spilled over into a handful of congressional and Senatorial races that ultimately did determine the partisan balance in Congress. Under such competitive electoral conditions, it should not surprise us terribly much to see that party spending for all federal candidates not only surpassed what many candidates themselves spent, but surpassed previous party expenditures by a large factor.

Most of the changes that permitted such significant party spending, such as the new use of independent expenditures and wider use of issue advocacy, came about because of initiatives by the parties themselves. The soft money loophole, which is used to help fund issue advocacy advertising campaigns, could only be exploited by the two major parties, not by the candidates themselves. Because of the important stakes for the parties in controlling both the Presidency and Congress, the parties started fundraising earlier and more aggressively than previously. Soft money allowed the parties to virtually peddle Washington access (and clearly in 2000, presidential nominating convention access) to the highest bidders. Once raised, the best outlet for this money was to promote candidates in a small number of tight congressional races, resulting in the parties outspending the candidates in many of those key races (Magleby 2001).

As discussed above, the parties used many different strategies with both hard and soft dollars to maximize the effect they could have in the handful of races that would determine control of Congress. The major changes were the use of state parties as important conduits for hard and soft (but especially soft) money transfers and the reintroduction of independent expenditures by the parties. We also have preliminary evidence of extensive party orchestration in at least one competitive race where national party committees transferred funds to state parties who in turn paid Washington, DC based media production consultants and media time buyers to do nationally-themed issue advocacy ads (Kolodny, Suarez, and Kreider 2001). Our expectation is that if data were available, we would find that soft money has allowed the national parties to enhance their financial muscle multifold, using state parties as money-laundering operations creating an accounting fiction rather than true party building. So, rather than finding further party decline in the 2000 elections, we find that parties are still orchestrating nationwide party activity in legislative and executive arenas. The difference in 2000 is that the orchestra is larger and more complex, but the party conductors have extremely powerful batons.

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