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The Money Game

Emerging Campaign Finance Trends and Their Impact on 2014 and Beyond

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Continuing a consistent trend during the last decade of ever more expensive election cycles, the 2014 election was the costliest midterm election in history, with approximately \$4 billion raised and spent overall in connection with federal elections nationwide.¹ To put that aggregate total in perspective, only \$2.2 billion was spent overall on the 2002 midterm election, and only \$2.8 billion was expended during the 2006 midterm election cycle.² The historic spending tally during the 2014 election cycle was fueled primarily by record-breaking fundraising by Super PACs and other outside groups, which played significant roles in federal races across the country. It was also aided by a favorable regulatory landscape and an important Supreme Court ruling that allows high net-worth individuals to contribute more funds in connection with federal elections than ever before.

Although unprecedented amounts of funds were raised and spent on the 2014 midterm election overall, it is important to note that not all sectors of the campaign finance system shared equally in the bounty. While Super PACs and outside groups spent record sums of money, total candidate fundraising actually declined in 2014 as compared with the 2012 and 2010 election cycles. Similarly, aggregate national political party fundraising was stagnant during the 2014 election cycle compared with the 2010 cycle, and national party receipts have actually declined in real dollars during the last decade when fundraising figures are adjusted for inflation. Increasingly, we

are seeing a tale of two fundraising stories—one story for Super PACs and outside groups, which can accept unlimited contributions and which are thriving, and a very different story for candidates and parties, which labor under strict contribution limits and prohibitions. This growing imbalance in the campaign finance system will need to be watched very closely in the years ahead and could become even more pronounced in future election cycles.

**AGGREGATE CONGRESSIONAL CANDIDATE
FUNDRAISING DECLINED BY APPROXIMATELY
\$200 MILLION IN 2014 COMPARED WITH THE
2012 AND 2010 ELECTION CYCLES**

U.S. House and U.S. Senate campaign committees collectively raised \$1.63 billion in connection with the 2014 elections.³ This aggregate total is 11 percent less than the \$1.81 billion raised collectively by House and Senate campaigns in the 2012 elections, and 12.3 percent less than the \$1.83 billion raised by House and Senate campaigns in the 2010 elections. Republican House and Senate candidates as a whole raised more than their Democratic opponents.

Table 6.1 compares House and Senate campaign fundraising totals in the 2014 election cycle with fundraising figures for the 2012 and 2010 election cycles.

Based upon spending only by campaign committees, the Kentucky Senate race involving Senator Mitch McConnell was the most expensive federal election in 2014, with \$53.5 million spent by the various campaigns. Senate races in Georgia, Minnesota, Louisiana, and North Carolina were close behind with campaign spending totals in the \$30 million to 45 million range.⁴ These totals are well below the \$77 million spent by campaigns on the 2012 Massachusetts Senate race, which holds the record for the most expensive Senate race in American history based solely on candidate committee spending.⁵

As Table 6.1 indicates, Republican Senate candidates as a whole outraised their Democratic opponents by 9.9 percent during the 2014 election cycle, and Republican House candidates collectively outraised their Democratic opponents by 29.6 percent. Although Republican House candidates as a whole outraised their Democratic counterparts, Democratic House candidates had a significant advantage in small-dollar fundraising. In September, a *National Journal* analysis showed that Democrats in competitive House races had raised \$100,000 more in small-dollar contributions on average than their GOP opponents; overall, Democratic candidates had raised a total of \$8.6 million in small-dollar donations as of that time, compared with only \$4 million for Republican candidates.⁶

Table 6.1. Comparison of House and Senate Campaign Committee Fundraising¹

2014			
Republican House Campaign Committees	\$581 Million	Democratic House Campaign Committees	\$448 Million
Republican Senate Campaign Committees	\$310 Million	Democratic Senate Campaign Committees	\$282 Million
Republican Campaign Total	\$890 Million	Democratic Campaign Total	\$730 Million
2014 Total Campaign Fundraising: \$1.63 Billion			
2012			
Republican House Campaign Committees	\$616 Million	Democratic House Campaign Committees	\$486 Million
Republican Senate Campaign Committees	\$377 Million	Democratic Senate Campaign Committees	\$304 Million
Republican Campaign Total	\$993 Million	Democratic Campaign Total	\$789 Million
2012 Total Campaign Fundraising (Not Including Presidential Campaigns): \$1.81 Billion			
2010			
Republican House Campaign Committees	\$568 Million	Democratic House Campaign Committees	\$516 Million
Republican Senate Campaign Committees	\$414 Million	Democratic Senate Campaign Committees	\$310 Million
Republican Campaign Total	\$982 Million	Democratic Campaign Total	\$826 Million
2010 Total Campaign Fundraising: \$1.83 Billion			

Source: Center for Responsive Politics 2014 Election Overview (<http://www.opensecrets.org/overview/index.php>), 2012 Price of Admission (<http://www.opensecrets.org/bigpicture/stats.php?display=T&type=A&cycle=2012>), 2010 Price of Admission (<http://www.opensecrets.org/bigpicture/stats.php?display=T&type=A&cycle=2010>)

1. 2014 election cycle totals include fundraising data reported to the FEC through 11/24/14. Election cycle totals for 2012 and 2010 include fundraising data reported to the FEC through December 31 of the election year. Campaign fundraising totals for the cycle may not add up exactly because of additional fundraising by third-party candidates and because of rounding.

SUPER PACS AND OTHER OUTSIDE GROUPS RAISED AND SPENT RECORD SUMS OF MONEY FOR A MIDTERM ELECTION IN 2014

Passage of the McCain-Feingold campaign finance law, combined with recent court decisions permitting unlimited corporate, union, and individual contributions to finance independent expenditures sponsored by outside organizations such as Super PACs and 501(c) organizations, have led to a rapid proliferation of outside groups that are having a growing impact on federal elections. These outside groups, which have flourished on both the right and the left in recent years, are increasingly engaged in political activities that were once the province of political parties, such as voter registration drives, absentee ballot programs, GOTV, voter identification, and political advertising and issue advocacy efforts.

The McCain-Feingold law, which took effect during the 2004 presidential election cycle, prohibits the Republican National Committee (“RNC”), Democratic National Committee (“DNC”), and the other national political party committees from raising or spending soft-money funds for any purpose. “Soft money” is defined as funds raised outside of the prohibitions and limitations of federal law, including corporate and labor union general treasury funds and individual contributions in excess of federal limits. Funds raised in accordance with federal law come from individuals and from federally registered PACs and are harder to raise; hence, these funds are commonly referred to as “hard money.” Prior to McCain-Feingold, the national political parties were legally permitted to accept unlimited corporate, union, and individual soft-money contributions and could use these funds to help underwrite a wide variety of political and electoral activities, including voter registration efforts, absentee ballot drives, GOTV activities, slate cards, and similar ticket-wide political activities. The national political parties prior to McCain-Feingold were also able to use soft-money contributions to help finance issue advertisements supporting and opposing federal candidates. “Issue advertisements” are public communications that frequently attack or promote federal candidates and their records, but which refrain from expressly advocating the election or defeat of any candidate (which is referred to as “express advocacy”).

In *Citizens United v. FEC*, the U.S. Supreme Court in 2010 struck down the long-standing prohibition on corporate independent expenditures in connection with federal elections. In *SpeechNow v. FEC*, a federal appeals court invalidated limits on contributions from individuals to political committees that fund only independent expenditures for or against federal candidates. In advisory opinions issued after the *SpeechNow* decision, the FEC concluded that political committees formed strictly to make independent expenditures supporting or opposing federal candidates could accept

unlimited contributions from individuals, corporations, and labor organizations.⁷ These new political committees, which are prohibited from making contributions to federal candidates and to other federal political committees, are commonly referred to as “Super PACs.”

501(c) organizations are entities that are organized and operate under Section 501(c) of the Internal Revenue Code, including social welfare organizations established under Section 501(c)(4) and trade associations and business leagues organized under Section 501(c)(6). 501(c)(4) and 501(c)(6) entities are permitted to accept unlimited corporate, union, and individual contributions and may engage in partisan political activities, provided such political activities do not become their primary purpose. By contrast, Super PACs, as political committees registered with the FEC, are by definition partisan entities and may spend all of their funds on partisan political activities. Super PACs are required to publicly disclose their donors; 501(c) organizations are generally not required to disclose their donors to the public.

Driven and made possible by these recent changes to the legal landscape, Super PAC and other outside group spending reached record levels during the 2014 election cycle. Reports published just before Election Day indicated that spending by outside groups in connection with the 2014 election totaled \$480 million, which was 55 percent more than the \$309 million spent by outside groups in connection with the last midterm election in 2010.⁸ Table 6.2 identifies the top outside group spenders during the 2014 election cycle.

Analysis shows that Democratic-leaning Super PACs significantly out-raised and outspent their Republican counterparts. For example, almost 69

Table 6.2. Largest Non-Political Party Outside Spenders (2013–2014 Election Cycle)

Name	2013–2014 Disclosed Spending	Entity Type
*American Crossroads/Crossroads GPS	\$48 Million	Super PAC/501(c)
Senate Majority PAC	\$47 Million	Super PAC
*U.S. Chamber of Commerce	\$35 Million	501(c)
*House Majority PAC	\$29 Million	Super PAC
Ending Spending	\$29 Million	Super PAC/501(c)
National Rifle Association	\$27 Million	501(c)
Freedom Partners Action Fund	\$24 Million	Super PAC
NextGen Climate Action	\$21 Million	Super PAC
League of Conservation Voters	\$17 Million	Super PAC/501(c)
National Association of Realtors	\$12 Million	Super PAC/501(c)

Source: <http://www.opensecrets.org/outsidespending/summ.php?cycle=2014&chrt=V&disp=O&type=P>

* These entities were also among the ten largest non-political party outside spenders for the 2011–2012 election cycle.

percent of spending by the six largest Super PACs supported Democratic candidates or opposed Republican candidates. However, published reports indicate that Republican-leaning 501(c) entities made up for the difference. In fact, of the six 501(c) organizations that spent the most funds in connection with the 2014 election, 81 percent of the groups' collective expenditures reportedly supported Republican candidates.⁹

In 2014, many Senate and House candidates were also supported by single-candidate Super PACs that spent all of their funds on a single federal race. Although 2012 was the first election cycle in which presidential candidate Super PACs became a necessity, 2014 was the first year in which single-candidate Super PACs became prevalent in down-ballot U.S. House and U.S. Senate races. As of July 2014, single-candidate Super PACs were reported to be active in 61 percent of 2014 Senate races.¹⁰ In several cases, these Super PACs were funded by family members of the candidate.¹¹ Also as of July 2014, at least sixty-four Super PACs had reportedly spent \$21 million on House races.¹² By the end of November 2014, ninety-four single-candidate Super PACs had raised \$66 million and had spent \$52 million in connection with the 2014 election.¹³ Other types of organizations, including 501(c)(4) entities, also focused on particular races. For example, Oklahomans for a Conservative Future spent almost \$1.3 million on the GOP primary for Oklahoma's 2014 special Senate election.¹⁴

The 2014 North Carolina Senate race was reportedly the most expensive Senate race in history, with a total of \$113.3 million spent collectively on the race by candidates, Super PACs, and other organizations.¹⁵ Of that amount, 71 percent was reportedly spent by outside groups.¹⁶ By contrast, the 2012 Massachusetts Senate race was previously the most expensive Senate race in history with a total of at \$84.4 million of expenditures, with outside group spending constituting only 9 percent of the total amount spent.¹⁷

So much money was spent on political advertising in the final weeks of the 2014 election that some studies found that political advertising constituted up to 20 percent of overall advertising revenue nationwide in certain months.¹⁸ In late October 2014, published reports indicated that TV stations were unable to keep up with demand for political advertising time. One article noted that a station in Iowa started an additional news program in order to increase revenue from political advertising spots. The new program allowed the station to avoid paying syndication fees and ensured that political advertising would reach viewers interested in politics and the news.¹⁹ Another study released in October 2014 found that advertising spending in connection with 2014 federal and gubernatorial elections had topped \$1 billion and encompassed the airing of 2.2 million advertising spots.²⁰

Because Super PACs and 501(c) organizations may not make contributions to federal campaign committees, traditional PACs—which can only accept contributions subject to federal contribution limits and source prohibitions—remain an important vehicle for supporting federal candidates.²¹ Table 6.3 lists the ten largest PACs based upon the total amounts contributed to candidates during the 2014 election cycle. Each of these PACs are “connected” PACs associated with corporations, trade associations, labor organizations, and membership organizations. A number of connected PACs disseminated advertisements supporting or opposing federal candidates in addition to making direct contributions to candidates.

Table 6.3. Largest PACs by Total Contributions (2014 Election Cycle)

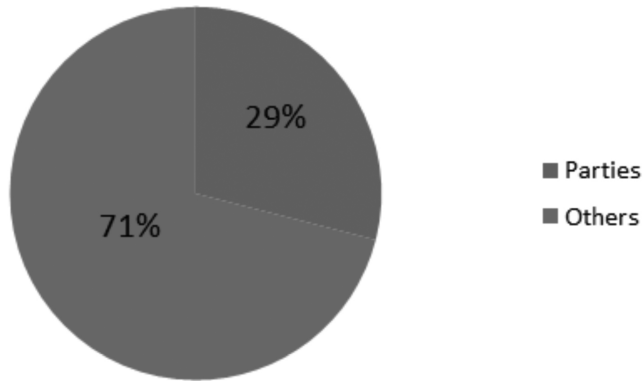
<i>PAC Name</i>	<i>2013–2014 Total Contributions</i>
National Association of Realtors PAC	\$3,583,955
National Beer Wholesalers Association PAC	\$3,017,000
National Auto Dealers Association PAC	\$2,729,350
Honeywell International PAC	\$2,705,373
Lockheed Martin PAC	\$2,625,750
American Bankers Association PAC	\$2,410,875
Intl Brotherhood of Electrical Workers PAC	\$2,385,314
AT&T Inc. PAC	\$2,381,750
Credit Union National Association PAC	\$2,359,500
Northrup Grumman PAC	\$2,347,250

Source: <https://www.opensecrets.org/pacs/toppacs.php>

NATIONAL POLITICAL PARTY FUNDRAISING WAS FLAT IN 2014 COMPARED WITH RECENT MIDTERM ELECTION CYCLES

There are growing indications that national political party committees are becoming less relevant in federal elections as spending increasingly shifts to Super PACs and other outside groups that are not subject to the hard-dollar fundraising requirements that apply to the national party committees.²² As Figures 6.1 and 6.2 demonstrate, total spending by national party committees during the 2014 election cycle made up a noticeably smaller proportion of overall outside spending than was the case during the 2010 midterm election cycle. In 2010, spending by parties constituted 38 percent of total outside spending; in 2014, this percentage dropped to 29 percent.

Because outside groups do not labor under the hard-dollar fundraising restrictions that apply to the national political parties, outside groups can raise large amounts of money from a small group of donors in a very short



Figures 6.1 and 6.2 2010 and 2014 Outside Spending by Entity Type Data, retrieved from Center for Responsive Politics https://www.opensecrets.org/outsidespending/cycle_tots.php?cycle=2012&view=A&chart=N#viewpt. Figures created by Michael E. Toner and Karen E. Trainer.

