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"FINANCING THE 2006 MIDTERM ELECTIONS"

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C O N T E N T S

Panel Discussion:

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P R O C E E D I N G S

MR. MANN: Good morning. Thank you all for coming. I'm Tom Mann, a Senior Fellow here at Brookings, and I'm delighted to welcome you to this occasion to talk about financing the 2006 midterm elections in part by drawing on the experience of campaign finance in the last election cycle, the Presidential election cycle of 2004. The Brookings Press has just released the book. It is called *Financing the 2004 Election*. It is part of a distinguished series of volumes published every four years. Herbert Alexander played the key role in starting and carrying on the series. Tony Corrado, one of our participants, co-edited the 1996 volume. David Magleby, (inaudible), picked up the baton in 2000 and produced that volume, and now both David and Tony, together with Kelly Patterson, who is also here with us, have edited *the 2004 Election*. These midterm elections are really interesting, and we intend our discussion to range across many aspects of these elections. Our focus is on money, but we will reserve a lot of time in our session for questions from you, so feel free to fire away. We'll do our best to answer.

We're going to begin with a presentation by David Magleby, who is now Dean of School of Family, Home and Social Sciences at Brigham Young University, and himself the director and editor of series of studies of recent elections and the role of money in them. Then he will be followed by Tony Corrado, who is a professor of government at Colby College, a nonresident Senior Fellow at Brookings who spent

2004 watching elections with me and many of you here at Brookings. I'll follow with some brief remarks, and then we'll go to it.

David.

MR. MAGLEBY: Thank you, Tom. It's a pleasure to be here today. As Tom mentioned, since 1960 scholars have summarized data on the — and major findings about — presidential elections. We acknowledge the important contribution that Professor Herb Alexander made starting this series with the 1960 election. Later the book changed format and became an edited volume and, as mentioned, our colleague, Tony Corrado, was involved in an earlier edition, and then beginning in 2000, the Center for the Study of Elections in Democracy at Brigham University has been involved in organizing these volumes. We are very pleased to have a publisher of the quality and stature of Brookings to publish *Financing the 2004 Election*.

It's important to acknowledge those who have made this project possible. Special thanks go to the Joyce Foundation, the Carnegie Foundation of New York, and the JET Foundation. We thank them very much for their support. It's also important to acknowledge our co-editor, Kelly Patterson, seated here in the audience.

And in your packet you have a table of contents for the book with the distinguished set of scholars who have authored the individual chapters, in addition to Kelly and myself, who wrote some of the chapters. Our colleague John Green, Paul Herrnson, Diana Dwyre, Robin Kolodny, Al Siegler (phonetic), and, of course Tom Mann helped author or authored chapters in the volume.

We also express appreciation to Chris Kelaher and Mary Quack (phonetic), as well as Janet Walker, of the Brookings Institution Press, for their assistance and professionalism. And thanks to Susan Soldavin for her work in organizing today's event.

Tony, Tom, and I will discuss a few of our findings from the 2004 election in light of the data we've been able to gather to date on 2006, and we will then welcome your questions and enjoy a discussion.

I'm going to talk first about individual contributions to candidates. The data I'm summarizing is in your packet in the PowerPoint slides, as well as a set of tables, which I'll be referring to. It's important to note that the data we'll be talking about are through the first 18 months of the 2005-6 election cycle, and in virtually all cases I will be comparing data back to the 1997-98 election cycle, again comparing first 18-month data.

One of the major speculations about BCRA and campaign finance reform in general would be what would it do to individual contributions, and what would it do to candidates who in competitive races at least have developed a dependency upon soft money to help them compete? Well, the answer is that candidates — and Tony will be talking in the same vein about party committees — have dramatically increased their fundraising in most instances from individuals. These data summarize individual contributions to senate candidates for the first 18 months of the 2005-6 cycle. A major finding from our book, *Financing the 2004 Election*, was the surge in individual

contributions — individual contributions to candidates, to party committees, and in some cases to 527 and 501(c) organizations. What's important to underscore at the outset here is that surge is continuing, and I'm pointing you in the direction of that surge continuing now with respect to candidates.

As you can see in the graphic before you, individual contributions to Democratic senate candidates rose dramatically in 2004 and another 28 percent in the first 18 months in 2006, again, comparing receipts for the first 18 months.

Republican candidates also saw a substantial increase between 2002 and 2004 in individual contributions, but they have not seen a similar rise in 2006.

Tony will be talking about the fundraising at the NRSC. The same challenges are found among Republican senate candidates in individual receipts. They lag behind the senate Democratic candidates in aggregate by \$43 million in individual contributions at the 18-month mark of this cycle. And in total receipts when we add in PAC and self-funding candidates, they're behind by 36 million.

Now, it's important to underscore these are aggregate, not race-by-race specifics. In many of the most competitive senate races, the Republicans are more than amply funded.

But I think this gives you a sense of the extent to which individuals are tallying up to contribute to candidates in a much more significant way than was true previously.

Another way to look at the surge among senate Democratic candidates is to compare the 2006 candidates at 18 months with the same set of states and those

candidates in 2000. Senate Democratic candidates have more than doubled the number of dollars raised from individuals from 68 million six years ago to 145 million now.

Senate Republicans have gone from 92 million in 2000 to 102 million in 2006. You can see that the surge has therefore been more pronounced among the senate Democratic class of 2000 and 2006.

The 2006 Democratic and Republican senate candidates are at near parody in money raised from PACs, self-financing, and loans. See table 1 in your packet for that data.

Now, in terms of looking at total receipts, not just individual contributions, aggregating across all sources, Democratic senate candidates at this point enjoy a 23 percent advantage over Republican senate candidates in the aggregate. This compares to the typical senate Democratic candidate advantage at 18 months of about 10 percent.

Now, it's important to underscore again that we're talking about candidate receipts only, not party receipts, and a major part of the story we'll talk about today is the potential role of the Republican National Party in its GOTV 72-hour task force and the ability to spend independent expenditures.

Shifting now to House candidates and looking at individual contributions in the first 18 months of 2006 cycle comparing back to 1998. In 2004, in our book, *Financing the 2004 Election*, we found a surge in individual contributions to House candidates as well, especially among House Republicans, as you can see in the graphic before you. In 2006, the surge is happening more among House Democrats. House Republican

candidates have raised slightly more from individuals in 2006 than they did in 2004. House Democratic candidates in the aggregate in 2006 have raised \$40 million at the 18-month mark from individuals than they had at the same point in 2004. In 2004 at this point of the cycle, Republican candidates had raised \$34 million more than Democratic candidates. In 2006 the Democrats have reduced that difference to about \$8 million.

So, a big part of the story to date in 2006 is individuals are back and contributing more, and especially contributing more to Senate and House Democrat candidates.

What about political action committees? PAC contributions to House candidates are summarized in this figure. A few minutes ago I noted that the Senate candidates in 2006 are at near parity across parties in PAC contributions. This is not the case in the House. House Republican candidates have raised \$24 million more from PACs at the first 18-month mark than they raised from PACs at 18 months in 2004. Their PAC contribution lead over the Democrats to date in 2006 is nearly 25 million, so the (inaudible) straight dividend continues to help Republicans.

But it's important to underscore that House Democrats have also been soliciting and obtaining increased funding from political action committees. They are doing much better in 2006 at the 18-month mark than they did in the 2000-2004 cycles. To date they've raised nearly \$80 million from PACs compared to \$65 million at this point in time in 2004.

Again, for comparison purposes — and these are also in your packet — total receipts for House candidates, looking at all sources aggregated, Republican candidates at this point enjoy about a 21 percent advantage over Democratic candidates, and that's because of, as noted, the increased individual and PAC fundraising they've done. This compares to the typical House Republican advantage at 18 months of about 18 percent, so we're about where we would normally be. But both parties have ratcheted up the fundraising from PACs and from individuals.

Now, since the 1998 election cycle, my colleagues and I at the Center for the Study of Elections and Democracy have monitored non-candidate spending in competitive races. Before BCRA, that focused primarily on party soft money expenditures and issue advocacy so-called. In that research, we found and documented substantial spending by outside groups in competitive races and were able to document in many cases that the spending by the non-candidate campaigns equaled or exceeded the spending by the candidates themselves.

One of the major questions was what would happen with independent expenditures and outside money after BCRA? Well, the answer in part is interesting in terms of independent expenditures. Let me show you the data, looking at the first 18 months only. And, again, it's important to underscore in this graphic we are not looking at the DNC or the RNC. They are removed. And I'll comment on that, and I suspect Tony and Tom will have more to say. In 2004 we saw significant growth in independent expenditures. Not surprising with the soft money ban and the surge in

individual hard money contributions, the party shifted from a strategy of targeting soft money into competitive races to targeting independent expenditure hard money into competitive races. And that is happening again in 2006.

Now, again, this is only at the 18-month mark, and as all of you know most independent expenditure activity is going to occur in the last few weeks or months of the campaign. So, much more is yet to come, but based upon these data you can see that there is significant growth in independent expenditure activity in the first 18 months, and given what the Senatorial Campaign Committee and the RNC are spending in Rhode Island today and for the last few weeks, it will be even higher still.

So, this is DCCC, DSCC, NRSC, and NRCC aggregated. At 18 months in the 2006 cycle the four congressional campaign committees has spent about 10.2 million compared to 8.7 in 2004 and much less in 2002, 2000, and 1998. It's important to note that in the 1996 cycle the Republican Senatorial Campaign Committee spent quite a bit in independent expenditures in part due to the fact that they led the litigation to make possible party committees doing independent expenditures.

There will be even more substantial outside money in 2004 federal elections by 527 and 502c groups than we saw in congressional elections in 2004. A couple of reasons for that. One is that in 2004, many outside groups — 527, 501(c) groups — focused on the Presidential election. It was their primary focus. Groups like the League of Conservation Voters that had previously given about 80 percent of their resources to congressional campaigns, 20 percent to a Presidential, reversed that ratio

and spent about 80 percent on the race for the White House, as documented in *Financing the 2004 Election*. In 2006, that will go back to an exclusive focus on congressional elections, and they will spend heavily. Indeed, the League of Conservation Voters is a good example of what we think you ought to be and (inaudible) looking for in the coming weeks of the campaign. I would point you to the Colorado Senate race of 2004, and the ads by the League of Conservation Voters on the Environment and Republican Senate candidate Pete Coors. The ads repeated the theme Polluter Pete and became a major focal point of that campaign. (Inaudible) be sure there were other activities, including independent expenditures by the Democratic Senatorial Campaign Committee that were important.

Our findings about outside groups in 2004 should focus both on the ground and on the air. To the ground — that is, voter mobilization, mail, Get Out The Vote, and other efforts — the Democrats relied heavily upon 527 groups, specifically America Coming Together and America Votes. They made major investments in voter registration, mobilization, and so forth. And on the air, the Democratic allies included groups like the Media Fund, Move On, League of Conservation Voters, and others.

So, for the Democrats, the outside groups had a two-strong strategy — ground and air — and both were important. For the Republicans, there was resistance to getting involved in the 527 game, at least early on. Perhaps hopeful thinking that those groups and BCRA would be declared unconstitutional. In the end, the Republican 527s were quite important but on the air, not on the ground — specifically, Swift Boat

Veterans for Truth and Progress for America. Both of those groups, I think, provide important harbingers for what we will be watching for and what I think will be part of the mosaic of the 2006 general election. That is to say, negative advertising fairly late in the campaign and often quite effective.

Now, it's not always negative, because Ashley's story, the famous Progress for America ad, was a positive ad. Almost seemed like it could have been done by the Bush campaign, but it was done by Progress for America.

We anticipate a proliferation of groups, like Swift Boat Veterans, Progress for America, on both sides — and, in fact, those have been formed in the last year or two. I'll mention of a couple of them by name.

In 2006 while America Votes continues and will be active in some states, there will be much less activity on the ground by progressive 527 groups. One of the great unanswered questions as we go into the final weeks of the general election campaign is who will be doing the ground campaign for the Democrats. Will it be the DNC? Will they in any way match what the 72-Hour Task Force and the RNC will be doing? Will it be Senate candidates and House candidates on their own? Will it be outside groups? And if so, which ones? And I think that is one of the questions that are most interesting as we approach the general election.

I think both sides will likely have Swift Vote kinds of ads, and they will be done by groups that we may not even yet fully know or understand. For example, a group called Majority Action has been formed to support largely Democratic House

candidates, headed by Mark Longabaugh, who was at the League of Conservation Voters with the Polluter Pete ad last cycle, and a group to help Senate Democratic candidates called Fresh Start America with Jim Jordan heading that group. Those are examples of the kinds of new 527s that I anticipate, and also there will be, of course, some new 501(c) groups. So, I think outside money will remain important, but it is very different than it was in the period before BCRA, and we look forward to taking your questions on those topics.

Tony?

MR. CORRADO: Good morning, it's a pleasure to be back at Brookings again and see so many of you here.

In my talk, I'm going to refer to some of the tables that are in your packet, particularly tables 5 to 7, in case you want to follow along instead of following this PowerPoint format.

Party fundraising was clearly one of the most talked about issues in the 2004 cycle, because the 2004 election was the first election under which parties had to operate under the more stringent provisions of the Bipartisan Campaign Reform Act. As a result, the parties, as you all are aware, were banned from receiving unlimited contributions from individuals, corporations, or labor unions and consequently were in a position where they were looking at losing \$500 million in revenue that they had taken in, in each of the 2000 and 2002 election cycles.

Whether they would replace that money was one of the real questions as we entered the 2004 cycle, and, as many of you are aware, one of the things that occurred was that the parties proved to be remarkably resistant in adapting their fundraising capacities to accommodate this new regulatory regime, ending up raising \$1.2 billion in the 2004 election, which was more money than they had raised in hard and soft money, combined, in any previous election cycle.

As a result, the parties did fairly well in 2004. They put more money in direct candidate assistance, more money in to Get Out The Vote operations than they ever had before, and were in a position where they were major players in the general election both at the Presidential level and in the congressional races.

As we look at 2002, it's a question of whether the parties are going to be able to continue this success. In fact, one of the interesting things about 2006 is that you now have the first midterm election under which the parties have to operate under BCRA, and as a result it's really a whole different type of a challenge, because generally it's the case that the parties don't do as well fundraising in mid-term elections when they don't have a presidential race to galvanize their partisan support, and that's particularly true, I think, in 2006 because of the fact that you had such an extraordinary race in 2000 and 2004 that really drive party fundraising.

You know, if you look at 2004, you had both the Democratic National Committee and Republican National Committee raising more than \$390 million and the DNC essentially matching the RNC for the first time in modern history. That was

spurred by the fact that the parties took in \$227 million more in small contributions. The un-itemized contributions of less than \$200 surged dramatically in 2004, and one of the issues now facing the parties is whether or not they're going to be able to retain a lot of those small donors and continue to be able to have success raising small dollars given the fact that they don't have the Presidential race as a stimulant.

2006 is also a difficult comparison year for the parties, and I think we should take note of this as you think about 2006 and party money, because the parties have very difficult comps. You know, if this were a retail business or a financial business, one of the things that you'd be facing now is that you're going up against the year that you did the best, because in 2002 the parties raised an extraordinary amount of soft money. They looked forward to the implementation of BCRA after the adoption of the 2002 election. Therefore, they put particular stress on the raising of soft money. By 2002 they had perfected the use of issue advocacy, and therefore the Hill committees had more than half of their resources come in the form of soft contributions, and the national parties overall in the few months leading up to the election raised \$200 million in soft money, kind of a last hurrah for the unlimited gifts, in part because the Democrats in particular raised a substantial amount to finance their new headquarters building. As a result, the comparisons of resources for 2006 vis-à-vis the last midterm in 2002 are particularly difficult. On the other hand, the parties are benefiting from a number of factors that are conducive to party fundraising.

On the one hand, they entered 2006 with the best fundraising infrastructure they've ever had. They've got better donor lists. They have larger numbers of contributors. In fact, they added millions of new donors to their small donor roles in the 2004 cycle. The DNC alone added 2.3 million new donors, and therefore they have much better fundraising capacities. They've got better electronic outreach, and they also have better technology than they had four years ago for their ability to solicit funds.

The parties are also going to benefit from the fact that we still are in this polarized political environment, which is really driving party fundraising at the national level and is particularly providing an incentive in this midterm because of the confluence of dissatisfaction, dissatisfaction with the war in Iraq, the congressional scandals, the state of the economy, the general public dissatisfaction with the direction the country is taking that has made the 2006 congressional midterm elections much more competitive than was anticipated back in the middle of 2005 and has actually partisan control of the congress a major factor in this year's election.

As a result, the parties are doing very well. And, in fact, one of the things that I have been surprised with is how well they have been able to maintain the levels of funding that they achieved last time around, and in order to demonstrate that I have provided some of the, you know, table information that you find in your packet.

If we look at the midpoint of the midterm election year through June of 2002, what we find is that the national party committees continue to demonstrate substantial

fundraising capacities. They are continuing to successfully solicit contributions from small donors. They're maintaining small gifts as a component of party resources, and they're generating the cash needed to mount well-financed campaigns this fall. In fact, I expect we are going to see a significantly more direct assistance from the congressional committees to their candidates in this cycle than we've ever seen before. Overall, the Democratic and national party committees have raised \$574 million through the end of June, which is about 10 percent less than the \$632 million in combined hard and soft money that they had raised at a comparable period in 2002. So, they're replacing a lot of that soft money to this point.

As a general matter, the Democrats are doing better than they ever have in the past, while the Republicans are experiencing a modest 10 to 12 percent in their revenues, which is probably a reflection of the current political environment which places particularly strong headwinds to Republican party fundraising.

If we look overall, to date, as noted in table 5, the Democrats have raised \$240 million, which is more money than they raised in hard and soft money combined in the last midterm election, and it's even \$10 million more than they had raised to this point in 2004. The Republican committees have raised \$334 million, which is about \$70 million less than their hard and soft money total four years ago and about \$51 million less than where they were at this point in 2004.

What these figures suggest is that both parties are continuing to demonstrate financial strength in the midterm cycle and that both parties are continuing to benefit

from this highly partisan and polarized environment, which is conducive to party fundraising, but that the Democrats are doing much better on a relative basis than has been the case in other recent midterm elections.

If you look at hard money alone, the national party committees so to combine their regulated contributions in 2002 or 2004 and 2006, what you find is at this point four years ago the parties had amassed \$325 million. So, they're \$240 million ahead of where they were in hard money four years ago. At that time, the Republicans led the Democrats by \$120 million in hard money alone, a gap that increased to 175 million if you added in the soft money. In this election cycle, the Democrats have done better, raising \$130 million more as compared to four years ago with the DNC doubling its hard money receipts and the congressional committees more than doubling their receipts, and, as a result, the Democrats essentially have the advantage that the Republicans had financially four years ago.

So, they're in a much better financial position than they ever have been in the past. What we see is that Democrats are raising less than the Republicans, which is not to be unexpected. That has been the case for the last 30 years of so, and it's going to continue to be the case for some time. Particularly in midterms Republicans raise much more money than the Democrats, but they are doing so at a much small rate. There's a much narrower gap this year, which ties in with the data we're seeing on candidate fundraising. On the fundraising of Democratic challengers, on the congressional races

generally — what you generally see is that on all levels the Democrats are doing better than they have in previous midterm cycles.

If we look at it on a committee-by-committee basis, the Democratic Hill committees have raised more money than they did four years ago in hard and soft money combined. So, they're ahead of their pace of four years ago, even if you include the soft money. The two Republican congressional committees have fallen short of that mark, although their fundraising is up significantly so as a result to really draw the contrast, three out of the four Hill committees are raising more money than they did in 2004. They're ahead of the 2004 pace. They're building up their resources at a greater rate than they did in 2004, and it's really only the NRCC — the Republican Congressional Campaign Committee — that's failed to reach this benchmark, and their receipts are only down about 10 percent.

Both the DNC and RNC have raised less money than they did in 2004. That's not atypical. It's generally the case that without the Presidential race, which is the focus of the National Committee fundraising that you tend to see, particularly on the Democratic side, party receipts fall in the midterm election. What's been interesting to me is that the fall hasn't been that different between the two parties in this cycle. If we look, DNC receipts are down \$35 million, which is about 28 percent as compared to two years ago. The Republican receipts are down \$51 million, or about 23 percent. So, if you take the dollar basis, the Republicans aren't faring as well as the Democrats. If you look at a percentage basis, the Democrats are doing a little bit less better than the

Republicans, but in the broader perspective what this shows is that the Democrats are having a very good year.

Just to give you a comparison, if you look at the 2000, 2002 cycle, Democratic National committee hard money fundraising in those two cycles fell from \$112 million to \$55 million. The fact that they're, you know, keeping a much better pace this year suggests that they are having much stronger fundraising.

You really see that in the small donors. If you look at the data so far, what you see is that both parties are continuing to have great success building up their small donor profiles, great success raising money in small contributions, and maintaining small contributions as a significant share of their resources.

If we look at table 6, which looks at the small contributions, the un-itemized contributions raised by the National party committees, which are the contributions of less than \$200, what we find is that the National parties have already, as of the end of June, taken in \$232 million in small contributions. That's more than they raised from small donors in the entire 2002 midterm cycle. The Republicans have raised \$141 million, or about \$20 million less than in 2004. The Democrats have taken in 90 million, which is about the same amount from small donors that they had at this point in 2004. So, they have really done fairly well.

One of the things that we can compare this to, to give you some type of an idea on a comparative basis, if you look again between 2000 and 2002, at this point in the cycle, the National parties' small donor money had dropped from 305 million to

213 million, so that they had a drop of almost a hundred million dollars among small donors, and you're seeing nothing like that taking place this year while raising substantially more than they did in the last midterm election.

As a result, if we look at the composition of party money, we really see a change that's taken place since BCRA. The parties, as the table shows of their individual contributions, are raising about 48 percent from individuals now from small donors. That compares to about 46 percent at this point in the last cycle, and it's much higher than we saw back in the days of hard and soft money. If you look back in 2002 and the individual contributions made to the parties either in hard money or soft money, what you find is that less than 30 percent of their money from individuals was coming from smaller donors.

To view it another way, at this point in 2002, half of the money the parties raised was coming from unlimited soft dollar contributions.

If you look now in 2006, about 40 percent of the money the parties are raising is coming from small donors. 232 million out of the \$573 million they've raised has come from contributions of less than \$200. And you have the Republicans reporting a growing number of new small donors. You have the Democrats adding small donors to their roles. They've now got their Democracy Bonds Program, which now has more than 30,000 people giving \$20 a month on average to the DNC, so that as a result, you know, one of the things we're seeing is that small donors have become a big part of party resources.

In terms of the top end, I also provide in table 7 some sense of the top end, the large donors of \$20,000 or more, to just give you some idea of where that is, and I kind of look at that because I read so many news stories earlier in this year about how poorly the Democrats were doing, citing complaints about the DNC's large donor fundraising and claims that Chairman Dean may not be very effective in soliciting large contributions. So, I thought it would be interesting to look at this, and what we find is that the large contributions have fallen at the DNC. They've taken in about 6 million as opposed to \$10 million at this point in the last cycle, but the same is true at the Republican National Committee. If we look at the Republican National Committee, their large gifts are down \$18 million. So, in both parties we've seen a 40 percent decline at the top end. So, if Chairman Dean isn't doing very well, I guess we're going to have to ask whether Chairman Millman is doing very well, given the loss that we're seeing at the RNC.

It seems to me more what's happening is that these large donors, who tend to be more politically savvy tend to be more experienced, are really shifting their effort to concentrate on the congressional races, because if you look at the congressional committees, what you find is that the large contributions have increased there. In fact, what we find is greater growth at the Democrat committees than the Republican committees, but that overall the Democrats have raised 38 million from donors at the top end as compared to 27 million from donors at the top end two years ago at this point in the cycle. And you have to remember, in 2004 the Democrats had a specific

program to solicit \$25,000 gifts for their Presidential Trust Program, pledging that those gifts would be specifically placed in the Presidential trust fund to only be used for the Presidential general election advertising, so that they really focused on \$25,000 gifts, and yet overall the Democrats are raising more from this group of donors than they were two years ago. The Republicans, on the other hand, find that they're down about \$7 million at the top end, which further suggests that the Democrats are doing much better than many people have previously thought.

What does this mean with respect to the fall campaign? David talked a little bit about how 527s and party independent expenditures and the types of funding that come from the candidates. One of the things that we're seeing is that the candidates are going to have much more money in this election, particularly the candidates in the competitive races. If you look at those 71 districts that were captured by less than 60 percent last time, or if you look at the targeting about which districts are in play, what you find is that the challengers in those races are much better funded than they were in previous cycles, and we can talk about that in detail in questions, if you like. For now, from the party perspective, we are going to see more party support for candidates than ever before.

In 2004, the congressional committees spent a sizeable amount of money on the congressional races. The Democratic Congressional Committee spent a total of \$63 million when you combine contributions, coordinated spending, independent spending. The Republican Congressional Committee spent a total of \$80 million. So,

in the last cycle, we had 63 million for the Democrats, 80 million for the republicans coming out of the party committees.

By the end of June, the Republicans had \$91 million in cash, including \$46 million in cash in their congressional committees, okay? If you want to move that up and look at the end of July, which was the last time we got reports, the Republicans had \$98 million in cash, including 54 million in the congressional committees. The Democrats by the end of June had \$80 million in cash, including 69 million in their congressional committees. And if we look at the end of July, what you find is that the Democrats still had about \$80 million in cash. That's much more money than the party committees have had in cash on hand than we've seen in previous elections.

If you look at the Democrats, what you find is that in 2004 they had in the Hill committees \$32 million at this point, so they've more than doubled that amount. If you look in terms of hard and soft money, the Democrats now have more money in cash in their Hill committees than they had in hard and soft money combined in 2002. If you look at the Republicans, you find they also have more money, about 46 million versus 39 million, but less than they had in 2002 — in fact, \$20 million less in cash than they had in 2002.

So, this suggests that right now, by the end of June, the party committees on the Hill already had more money in the bank to spend on these elections in the fall than they spent in the entire cycle in 2004, and that doesn't include the \$11 million they've already spent as of June 30 on congressional races.

So, we're looking at an enormous amount of party support this year on a comparative basis. The question is whether or not that's going to be enough to overcome the national opinion trends and to overcome, you know, some of the dynamics of some of these local races. As the fall campaign unfolds, we've got a Republican party with about a \$20 million cash advantage over the Democrats, which, by historical standards, is not great.

Now, the Democrats won't benefit from the scope of voter mobilization activities by 527 groups that they benefited from in 2004, but most of that was focused on the Presidential race. If we look at the 527 composition now, as of midsummer, and we recognize that these groups conform quickly and get funded quickly, you're seeing nowhere near the level of activity that you saw in 2004. Most of the big players are not operative. Most of the major individual donors aren't making the types of resource commitments they made last time, so that what we have basically is about \$68 million that's been raised by the sixty-seven 527 groups that are active in federal elections. That compares to about 65 million at this point in the 2002 cycle.

By this point in 2004, you had already raised \$165 million, so they're a hundred million dollars less in the 527 committees. Those committees are, again, mostly on the Democratic side. You've got 50 Democratic committees up and operating right now. You've got about 17 Republican committees up and operating right now. Amongst those Democratic committees, you've seen \$53 or 4 million that's been raised. Once you take out all the transfers amongst committees and the noise, you've got somewhere

in the area of \$33 million that's been spent by the Republican committees, although they've only raised 16. They spent a lot of money left over from 2004 and 2005 that hasn't been replaced in 2006.

And, you know, the leading players are the same leading players we tended to see last time. Whether or not we're going to see large individual investment made by individuals into 527s in this last 12 weeks remains to be seen, but right now if you look at the overall picture of financing in the congressional races and you add the Democratic challenges, Republican challenges, you look at the party committees, you look at the 527 activity, this looks like it's going to be a very financially competitive midterm election, much more competitive than any Democratic midterm effort in the past and that as a result none of these races are going to lack for funding. In fact, we're probably going to see more party intervention than we ever have before.

MR. MANN: Tony and David, thank you very much.

You have been presented with and presumably absorbed a good deal of information about trends from 2004 to 2006. I want to make two brief points, one about the impact of McCain-Feingold, BCRA and, second, about the shape of the 2006 elections and then we will turn to your questions.

I am constantly struck by the Rashomon-like readings of the impact of McCain-Feingold on federal elections and campaign financing. You have sort of two opposing sides with fundamentally different worldviews whose deductions from their first principles shape the way in which they view the implementation of the law as it's

played out. Critics of McCain-Feingold immediately pointed to the infamous law of unattended consequences and said aha, we told you so.

In 2004 there was a surge in fundraising and spending — more money, not less money — in federal elections. Much of the so-called soft money was diverted from the parties to independent 527 organizations, many of these funded by huge, huge multimillion-dollar contributions from wealthy individuals. We saw the virtual collapse of the Presidential public finance system in the primary process and signs of its weakness in general and, of course, a further decline of competition in congressional elections. Therefore, it's clear the law has been a failure.

Now, the other side of this argument sort of sees things a little differently and they said hey, wait a minute, this bill had modest objectives. It was to repair the tears in the regulatory fabric that had developed in recent elections. It was specifically focused on soft money, party soft money, and on trying to restore a longstanding prohibition on the use of corporate and union treasury funds in federal elections. If those were the objectives, say the supporters, the law was pretty successful. The soft money abuses were largely curtailed. Party and public officials could still actively and aggressively raise funds, but there was a limit on what they could raise from any individuals, and they could not raise those funds from corporations and unions except from their PACs. CEOs around the country were greatly relieved to be freed from those importunings.

Moreover, as Tony has demonstrated, the political parties adapted very well. We had a lot of heated rhetoric about the decline of parties and, as we all know, no such thing happened. Supporters also note the surge in small donations, which was not mainly a result of McCain-Feingold, but it was partly a result, and certainly an intention, a hope that supporters had by giving the parties the incentives to set up more impressive small donor contribution programs.

Finally, the corporate and union treasury ban was indeed bolstered. The evidence suggests those treasury funds, especially on the part of corporations, did not find their way into the coffers of 527 organizations or anything else. Corporations either kept the money in their treasuries or spent it on internal communication and administrative support of their political action committees. Labor unions did it differently. They did give some money to the 527s and the GOTV activities but spent more on their own activities, which was long provided for in the law.

Supporters say their objective was never to reduce the overall amount of money in politics. It was not to limit television advertising, nor was it to prevent outside groups from participating in politics. That's not to say there are not reformers, people out there who want to reduce the overall amount of money, to have less TV advertising, and to limit participation by groups, but that was not the set of objectives in the McCain-Feingold law, even if at times some of the rhetoric of the supporters suggested as much.

The bottom line is that the law played out pretty much as intended and hoped for. There was no Democratic suicide bill. The Democrats were not harmed. In fact, relative to Republicans, they've adapted well. The book makes clear that speech was not curtailed. In the 2004 cycle, we had a lot of political speech. There was no shortfall in political advertising. Yet there is this sense still of it's another world. It's now in the world of litigation as we roll through a series of lawsuits in which various parties and groups are arguing that genuine lobbying activities are being constrained by this law. We'll see how that resolves itself in the courts, but as best as we can tell, summarized in this volume, political speech in America is alive and well post-McCain-Feingold.

That doesn't mean there aren't uncertainties and problematics in the law relating the status of 527s, the perilous condition of the Presidential public financing system, the competitiveness of congressional elections. All these things are true. It's just they weren't part of the focus of the law, and they are reserved for another day.

Second point about money in elections, in this cycle in particular. It seems to me as you listen to David and Tony, it ought to be clear that money is both a cause, a factor, in determining the outcome of elections, but it's also an effect of it, that is, the expectation, the presumption of a party doing well, leaves it to raise more money, which then creates a very, for that party, satisfactory dynamic in which the anticipation of success leads to more money, which helps further produce that success. We actually saw that operating in 2004 where it was more a matter of sort of a high stakes, very

close election. In 2006, we see it working clearly to the advantage of the Democratic party.

Tony has documented how the Democratic party, relative to the Republicans, has made up ground this time. David, in aggregate figures, has noted how Democratic candidates have done well. If you then go to potentially competitive races, you will find that Democratic challengers are financially competitive in substantially a larger number of races than they have been before.

The reality is that this has all the makings of a national tide election, a strongly negative referendum on the party of government. We don't have these very often — on average, once a decade — but when that tide rolls, it leaves an impact. It has an impact indirectly on the recruitment of candidates, the raising of money, the energy and interest of activists and party loyalists among voters, and has a direct impact, as well, as people change their mind in response to these national conditions.

The last five elections to the House together constitute the most uncompetitive period of congressional elections in American history. It has been a remarkable period, but that new pattern of uncompetitiveness has not yet been contested by a strong national tide. The last one was in 1994, which helped put that system in place.

Every indication is that that new structure will be tested hard by the national tides, operating both directly and indirectly. It's showing up in the finance figures. As both Tony and David have stressed, party independent spending has become a critical factor. You've got to understand, it's highly concentrated and it's huge in individual

House races. We are talking of media buys in some individual media markets for a single contest of \$3 million by (inaudible), a national party committee, which will dwarf the actual expenditures made by the Democratic candidate.

Now, in many of these situations the parties' independent expenditures will balance one another out. There's a lot of strategic thinking and planning and adjusting in the final weeks.

Tony, we're down to eight weeks, right? That's all that's left.

MR. CORRADO: I guess so. Yeah, that's —

MR. MANN: How time changes.

So, I think the signs are there. What I want to say, this final point before we turn to your questions, is while in general it's true that the candidate who spends the most money wins, in a national tide election you always have a substantial number of candidates who spend less than opponents, who win, who are taking advantage of the broader national conditions, and I guarantee you there will be such candidates this time. Whether there will be 10 or 20 in the House, I don't know, but it's very likely to happen. I think the evidence here before us today presented in the book and by our colleagues suggests that indeed the law, the most recent law that was past, modest in its ambitions, has achieved its objectives. The flexibility remains in the system for the parties to be major players, and national tides are likely to still leave a significant and political consequential mark on our national politics.

With that, we are going to turn to your questions. We have a mike, so we'd like you to introduce yourselves and pose your questions. First one, right up here. Thank you.

MS. WEXLER: Hi, I'm Celia Wexler. I'm with *Common Cause*. I wanted to know how much you studied the other groups — the 501(c)'s, especially maybe the Chamber or BIPAC and their activity this time versus '04.

MR. MAGLEBY: I'll take that one to start. The answer is we are studying them closely and monitoring them closely. We're under a bit of a challenge in talking in great detail today, because we make a commitment to the groups that we will not talk about what they tell us until after the election. We will release that data on February the 5th at the Pew Charitable Trusts in the old Woodies building, or will be invited again.

The answer, in short, that I think I'm free to say today is that both will be very active, and the same tendency that you've heard about in terms of party independent expenditure is likely to be the case on those Republican-leaning outside groups. Now, they have very different strategies and one of the most interesting ones I think for us to observe and you to observe is the extent to which they reinforce this targeting effort. So, BIPAC and the Chamber both have extensive Web-based voter identification, voter registration, absentee ballot request forms, and the like. The BIPAC program is called "Politikit," and it's targeted specifically to BIPAC members with roll-call voting studies

and other things, so I think Bernadette Booty would be happy to show it to you if you call and ask her.

The Chamber has a similar set of tools that it's developing, and I think it's fair to say that based on expenditures to date that the Chamber will be very active in the 2006 elections.

MR. MANN: Tony?

MR. CORRADO: Yeah, in fact, the Chamber's already announced that they're going to be doing more than (tape interruption) in the fall general election.

The labor unions — the AFL-CIO has announced an intention to spend 40 million as opposed to 35 million in the last cycle. We have expensive programs being mounted by both ASME and SEIU on the labor side. In fact, SEIU and Steve Wiseman brought my attention — Steve Wiseman at the Campaign Finance Institute, if you haven't seen, is doing regular press releases kind of on 527s and 501(c)'s, and one of the things he's noted is this interesting program that the SEIU is mounting where they're putting field offices in targeted districts and having personnel there to do, I believe, civic education issue discussions with individuals in those districts.

So, you're going to see the types of activity that we've seen since 2000 from these groups where they've decided their resources are best put to mobilizing membership and getting them out to vote. It's been a building objective of most of these organized groups for the last eight to ten years. They particularly shifted to that in 2002, and we're seeing a continuation of those trends in 2006.

MR. MANN: It would be very interesting to see, look back on the results of the Republican primary in Rhode Island today with Senator Chaffee, because the party has moved in significant resources, especially their 72-hour program. While the 527, the Citizens for a Sound Economy, has spent several hundreds of thousands of dollars to weaken Chaffee in that race, so usually the party and the groups are working together. This is a case in which they're working apart. Republican party thinking more strategically about holding the seat in November, Citizens for a Sound Economy trying to send a message to what true conservative principles are.

MR. CORRADO: Well, that's a continuation of something we saw two years ago with Club for Growth, specifically in the Pennsylvania Senate primary. They're heavily involved in today's primary in Rhode Island, pushing Mr. Laffey and forcing the NRFC and RNC to spend quite a bit of money defending Chaffee.

This is not a new strategy to go in the primaries for some of these groups. And, in fact, the Club for Growth points to a success in the Michigan seventh district where Congressman Schwartz was defeated, and so in some ways they score bigger by "purifying" the party, and I think you may see this same kind of activity from groups on the left in the future.

So, to Cecelia's question, I think 527s and 501(c)'s are going to be interesting and important in the future not only in the general elections but in these particular primary contests.

MR. MANN: The Jim Colby race and Jim Colby (inaudible) in Arizona is another just fascinating case where the more conservative outside groups have rallied behind a candidate whose pitch is entirely tough on immigration, while Colby and the party hope to nominate a somewhat more moderate Republican and are putting resources behind him. We've see, David, the groups get engaged in primaries. Of course that's their way to try to shape the party. But have we seen examples before of the party entering the primary to try to defend a more salable candidate in the general election, or is this the first round of this kind of competition?

MR. MAGLEBY: Didn't the Republicans get involved for Specter (phonetic) against Toomey (phonetic)? I thought so, but I'd have to go back and check. I know some Republicans campaigned for Specter against Toomey. That would be the case that I think would be the most likely indicator. But I think the answer is that in such a competitive environment where you have so few races of play, Rhode Island today could end up being quite consequential. If Laffey were to win, the Republicans have essentially announced they won't play in November and you can chalk one up to a Democratic gain. It's down to 5 from 6. So, no wonder the Republican feels and is announcing. Now, whether they would, in fact, do that in the end and concede a seat with eight weeks to go is a very interesting dynamic to think about.

MR. MANN: Yup. Question? Yes, please.

MS. KRUMULTZ (phonetic): Hi, Sheila Krumultz from the Center for Responsive Politics. So, which are the liberal organizations that might be doing this in the future — this party purification in the primary?

MR. CORRADO: Well, I think Move On. I think you look at the Connecticut Senate race would be an indication of the kind of groups that might well do this, and in some ways the Lieberman primary is a contrasted draw with the Rhode Island primary, and it would focus around issues like the war or other issues upon which groups have very strong feelings, and much like, apparently, Club for Growth has with respect to Senator Chaffee. Republican in name only, the RINO acronym has often been applied to him and not him alone.

And part of the reason you get involved in the primary is to fire a shot across the bow of all other RINOs or, on the Democratic side, Liebermans, and if you can take one down, that may well help you as you lobby for votes in the future for tax cuts or whatever it may be. So, for them it's pretty smart if you want to kind of stiffen the spine of your core, or your base.

MR. MANN: Although I have to say Lieberman made it easy for them, so in this case, given that 60 percent of Americans and, what, 85 percent of Democrats oppose the war, they seem to have a more mainstream position than Senator Lieberman does.

MR. CORRADO: If you're a Rhode Island voter today, you're going to receive a whole lot of communication. There's a relatively small number of registered Republicans in Rhode Island, and independents —

MR. MANN: Seventeen percent.

MR. CORRADO: — and independents can also cross over, but those folks have been getting phone calls and mail, and our past log surveys would suggest something approaching a dozen or more pieces of communication in the last week, as well Get Out The Vote things today. It's going to be a fascinating primary in Rhode Island today.

MR. MANN: But, it really is important, the question of the pragmatism versus the sort of ideological purity of the groups operating. I think for the most part, while the Lieberman race has attracted most attention and the argument is left-wing groups are going after (inaudible), perhaps more typical is the extent to which the Democrats were able to clear the Democratic field in Pennsylvania for Bob Casey and basically encourage a number of conservative candidates to run, and the outside groups are pretty pragmatic about not going after them. In fact, the challenge to Lieberman they felt in no way endangered the position of the Democrats as far as majority control.

MR. CORRADO: Progressive or liberal groups have an interesting dilemma facing them as they go to the fall campaign if Chaffee wins today and if it's, in fact, close enough that if the Democrats could pick up that Senate seat will the environmental choice and labor groups that tend to want to support Chaffee want to

stay with him. And so far the indications are they're going to. They want to make good on their commitment that if you vote with us we'll support you even across party boundaries. But you've got two dynamics going — party control and a friendly vote. Which is going to trump the other?

MR. MANN: I think I'd guess, yeah.

Please.

QUESTIONER: To what extent are the lessons you're drawing from the national election applicable to the local state elections, and if they're not what differences might you point out? The title here suggests a general set of observations but clearly you're focused on national elections (inaudible) data analysis.

MR. MAGLEBY: I mean, this whole thing is — for the most part, it really is about federal elections and assessing the impact of federal election law. It does not try to systematically assess the way in which the law is working in 50 states and multiple local governments and the rest. There's a sort of rich body of research. Some of our contributors and collaborators are involved in that research, but this book is really focused on the federal elections.

MR. CORRADO: I agree. I think there are some parallels and some interesting contrasts. I think the power of incumbency that we talked about here and that Tony and I both mentioned is very important at local elections as well. Where there is less knowledge about the individual candidates, the power of the party is greater, so I would say that the party fundraising elements of what we've talked about are important. And

to contrast the laws as applied to state party fundraising as compared to federal party fundraising would give you some insight. We touch on that only indirectly, but there are some applications about what we talk about with parties that can easily be drawn to state parties and, you know, a Connecticut state party where they ban soft money and have done so for some years is quite a contrast to other parties where corporate money — treasury money I'm talking about — and union treasury money can be spent on state elections. So, indirectly we cover a lot of that.

Some elements of state campaign finance that used to be thought of as quite distance from federal elections now are increasingly important, specifically ballot initiatives, and the conservative and Republican sides have used ballot initiatives — most recently, the same sex marriage ballot initiatives — as a wedge and a tool to mobilize certain segments of the public in voting. The progressives and liberals now have a ballot initiative strategy center, and minimum wage will be a part of the 2006 story for the same kinds of purposes.

So, in some ways the two are merging even though they are very different rules, and what's happened is the federal election groups are applying some of the options available to them at the state level. A lot of the speculation during BCRA, for which Tony and Tom would be better commentators, had to do with a shift of state parties in certain ways, and so I think we haven't seen a lot of evidence of that yet, because the bigger story is the one we've highlighted to you today. Individuals have simply been giving much more money to candidates and to party committees I think than anyone

had anticipated, and so the state party role has not become as prominent, but it is covered in the parties chapter of the book.

MR. CORRADO: Was there something particular you were interested in, Jim? I mean, you know, the other place where you see some of the effects in terms of state parties is if you look at state party fundraising now under the new regime, one of the things we're seeing is that the state parties now are starting to raise more money now than they have in the past. In fact, in this cycle state party fundraising is up fairly healthily as compared to 2002. If we look at the hard dollars, the state parties have already raised \$20 million more than they did at the same point four years ago. Democratic state and local party fundraising is up about 30 percent. We have the Republican state and local fundraising up about 10 percent. The other place where you see this interesting merge is in the program that the Democrats have set forth, their 50-state strategy of starting to use more national party resources and putting them into state and local parties to develop more grassroots state and local party efforts. And, you know, the DMC now has a \$10 million program that they're implementing to try to build up more grassroots party organizations. It will be kind of interesting to see how that plays out in the next four to six years. The Republicans did a similar thing back in the late '80s, '90s, and it brought them great benefits, making them much more electorally competitive in places like Michigan and some of the southern states as a result of the investments they made at the state party level, and now we're starting to see that same thing on the Democratic side.

MR. MANN: The final point just on this. Apart from campaign finance, in the states there are many fewer competitive districts than there were a decade or so ago as at the national level, and yet state legislative elections remain vulnerable to national tides, and we should expect the same kinds of shifts toward the Democrats in state houses as we anticipate in the Congress.

Curtis.

MR. GANZ: Tom, Curtis Ganz, Center for the Study of the American Electorate. I'm not going to rain on your parade except to raise one — I mean, I'm a contrarian on campaign finance reform.

MR. MANN: Right.

MR. GANZ: But there is one question. I don't think you can make a judgment on the success of BCRA with respect to parties and small givers until we get past the deep polarization of the Bush presidency. I think — I, who can't raise enough money for my own organization, could raise significant increased of money, you know, given the Bush polarization for either party. I think the only way you're going to make a judgment about whether BCRA has helped or hurt the parties is once you get away from this polarized situation.

MR. MANN: I mean, that's true. We'll never know the impact over time, but its impact will vary over time just as previous laws have. All I can say, Curtis, is I hope we have that natural experiment, but my sense is that the air of polarization will not end with George Bush's departure from the White House. It took us decades to build to this

level, and while Bush has certainly exacerbated it, at least right now it isn't obvious that it will disappear. But, you're right, the more years and cycles of experience with new conditions, the better able we are to evaluate the impact of the law.

MR. MAGLEBY: I would add that I think the Democrats picked up more ground quicker than any of us would anticipate. When Bill Brock began the focus on small, individual donors at the Republican National Party in the '70s, he did it over time and provided the Republicans with that extraordinary advantage that they've had, and it wasn't limited to small donors, but it was less focused on soft money as we articulated here.

I think a lot of what drove it — I agree with Curtis on this part — was the polarization and in antipathy to Bush and the War I think the great unanswered question that we're studying this cycle, and I think is fascinating, is can that be sustained and to what extent is the internet a tool? To what extent is connecting people in these ways and can it shift from a focus on Iraq and the war to control the Supreme Court — or a set of other issues that smart fundraisers of both parties will be using over time? The answer is we don't know. But I think there are important lessons being learned, and as we quote in the book, people we interviewed in the 2004 cycle on the Democratic and progressive side were surprised at the flow of money. They kept revising their budgets upward, and what they would tell us, which of course we did already know, was that in campaigns you're usually doing the opposite. You're revising your budgets downwards. And so that says there was something going on. I think that reinforces your point about

unusual cycle — unusual cycle No. 2. If that continues, then all of a sudden we don't have unusual cycles, we have a new process.

MR. MANN: Gary.

MR. MICHELL: Thanks. Gary Mitchell from *The Mitchell Report*. This has been a pretty clinical discussion about money and politics, and I want to pose a qualitative question which you are of course free to dodge, and that is the three of you have looked at the relationship about as long and as hard as anybody and some others in this room. And I guess the question — I'm particularly thinking about, Tom, in terms of the book that you and Norma have done, *The Broken Branch* — is having looked at it for this long and having done this sort of the diagnostics and the clinical examination of it, what do you think the enormous growth in the amount of money that is being spent in politics and political races has done to American politics — a. And b., depending upon your answer to that, what's your defense of that point of view?

MR. MANN: Okay, gents, who wants to begin? Tony, you're the political theorist. I think —

MR. CORRADO: Start on a high note and work down?

MR. MANN: Right.

MR. CORRADO: I'm going to really be low. I think there a couple of things. First of all, if you look at it broadly, Gary, more people participate financially in the financing of political campaigns in this country now than ever before in American history. We have a scope of financial participation that is unprecedented where literally

millions of Americans give contributions either to a candidate or the party of their choice or to a PAC. And, as a result, you know, one of the things we're seeing is a much broader participation than ever had in the (inaudible). At the time, we have more money being spent than ever before and part because the simple conduct of campaigns in a mass democracy takes money. Whether it's television, whether it's trying to communicate with 400,000 potential voters in the District, or in 18 different states it's a very expensive process. That has produced, I think, in some ways not necessarily better campaigns, in large part because we have a much greater emphasis on media campaigns, although we're seeing a shift now where there's much more emphasis than we've seen in the last quarter century in terms of voter-to-voter contact, more personal contact, trying to get people out to vote.

At the same time this year, amounts have, I think it's fairly safe to say, you know, increased public dissatisfaction with the political process. They've increased the cynicism, they lead to these general perceptions that for the most that Congress is responsive to campaign donors or that representatives are more concerned about the people who give them money than the people back home in their neighborhoods so that, you know, you have in some ways this strange phenomena where you've got more participation than ever before but a greater sense that it's only this small group of people who give the money that matter. And maybe as we see this expansion that's taken place admittedly as Curtis properly notes in this highly partisan era, the question is, is this going to start to change to maybe a new type of politics where suddenly with

the internet and with paying your bills on line and with, you know, the changes that are taking place in the culture that change in the culture starts to change some ways the financing of campaigns to the point where most of the money is coming from smaller donors and you don't have the million-dollar giver anymore. I think BCRA was a step towards trying to get us back to that balance of at least getting rid of the really obscene types of contributions.

But, you know, I don't really see much of an alternative. I mean, we have a system of elections in this country that have to be privately financed. I know that there are people who are advocates of public funding but I don't ever see as getting to some scope of public funding that could actually provide the funding needed for the election of the 500,000 officials we elect in America each year.

What I do think is that — more in lines of the narrower focus of especially the federal level — is that many of the points Tom and Norm make in the *Broken Branch* about the dysfunction of Congress, you know, in many ways can be associated now with the money battle. I mean, the amount of money members of Congress raise now compared to 10 years ago, compared to 20 years ago is enormous because, you have to remember, the amount they raise in their personal campaign committees is but a tip of the iceberg. The all now mostly have leadership PACs. They're raising a second part of money in their leadership PAC. Many of them are involved in raising money for their state parties. We now have a system where more and more the parties are interacting with members, placing quotas on them to raise even more money. So, we're

at a point now where just raising money for your own campaign is just a piece of your money pie. And then we look more broadly in terms of the campaign funding, and that's just a small piece of the lobbyist expenditure, so that I think that we really have a Congress now that is much more concerned with raising money than we ever had before. It has much greater demands placed on it to raise money than ever before.

MR. MAGLEBY: Let me just echo what Tony said about that. I do think when we did some work for Brookings years ago on a book called *The Money Chase*, there was a lot of complaining in this building at some dinners that we hosted to try and learn about the dynamics about the amount of time that was being spent fundraising, and Tony is exactly right, that has become a much larger preoccupation, and it's in part a consequence of this highly competitive environment we're in and really aggressive leadership on the part of the chairs of the campaign committees. That's a big story, I think, that we're seeing unfold in '06.

I think a success — back to Gary's more philosophical question of BCRA — of BCRA is it did remove the *quid pro quo* or potential *quid pro quo* connection in the soft money fundraising with large donors. Andy Stern said to us in our research, which is reported in this and other books, that he felt like he was an ATM for the party committees at the Service Employees' International Union. You can always count on Mr. Stern for a good quote. And, you know, that was not a falsehood. They were a major soft money donor, and you can look at the list of other soft money donors we've previously documented, and they were a very big part of the story, and the ask was

coming from the Tom Daschles and the Nancy Pelosi of the world, and I think that's a major change philosophically. We do not have members now doing the fundraising for the party committees with those large contributions.

It's an unclear question to me, the extent to which there's credit claiming for the large 527 donors for the people who fund Progress of America or Swift Boat Veterans — to what extent are they recognized and known by the White House and others. That's a research question worth pursuing.

One other comment on the philosophical level. I think the part that concerns me about the environment we're now in is the potential for large donors through 527 and 501(c) expenditures to significantly influence outcome of an election by spending money very smartly, like I think some groups did in the '04 election and we talk about in the book. Over time, in a competitive environment, candidates, parties, and competing groups — 501c and 527s — will respond, but it changes the field of play, and it changes the dynamic. It drives the money chase, because candidates for the Senate and the House are thinking about Polluter Pete. They're anticipating the LCVs of the world, if you're a Republican, are going to be coming after you — the Dirty Dozen, etc. You've got to therefore raise more money to be able to fend it off. And so I think there is still a part of this at the more philosophical level that is worth pondering and thinking about: What does this do to elections? What does this do to democracy, the capacity of groups to exploit that opportunity within the system? And how does the

system adjust — that is, specifically voters — to that I think is an important question we haven't fully worked through.

MR. MADAIRI: It was an important question to raise, because the focus of the volume here has been very much on just the electoral side of it, and I think it's important. Is Democratic accountability change in government still possible given the structure of our elections? Can the parties be financially competitive? What role — new role for small donors? Those are all important questions. But as Tony and David have indicated, the frenetic nonstop fundraising, the links of fundraising to leadership, and — as you know, we think one of the saddest moments in House history was the bidding for the chairmanship for the House Appropriations Committee, depending on whose leadership PAC could raise the most money, and increasing concerns about conflict of interest and downright corruption with a revolving door of members and staff and earmarks and contingency fees for earmarks and contributions that — frankly we've around this town for a long time, politics for a long time. We're not goody-two-shoes, but much of it smells to high heaven, so there are some problematics associated with it. How to deal with those is another matter. Some believe well, just let it roll, deregulate, and disclose and you'll work out a new equilibrium there. Others think you have to move in a very different direction. But you can't deny the problematics.

Yes, next question here.

MR. DORNING: Mike Dorning, *Chicago Tribune*. I was just wondering what sort of strategic — you've talked about in terms of the strategic impact of fundraising in

this midterm primarily as it will make the Democrats essentially competitive financially in the competitive districts. Do you see any other strategic impact on the way in which this election is fought based on the changes you've noticed in campaign financing — for instance, the composition of the money that's being raised. You know, did the small donors seem to make a difference, or is there any other aspect of what you've seen in the last 18 months of fundraising that looks like it will have a strategic impact on the upcoming midterm election other than generally Democrats will be competitive with Republicans.

MR. CORRADO: I think there are a couple of things, Mike. One is the fact, as I mentioned earlier, you've really seen continued interest on the part of small donors, and the parties now are really shifting to the point where small donors are making up a large component of their funding — 40 percent — today, that as a result you're seeing this continue, at least interest in engagement by individuals on the part of at least both the Democrats and Republicans, to have some way of assisting the parties in this battle for partisan control.

I think that the other major change I've seen in terms of the shift of flows of money is we're getting a huge spike in the amount of money the candidates themselves are raising to feed into the congressional committees, that I think this is going to be the cycle where we really see the refinement of the internal fundraising that's going on with the party leadership imposing quotas on their members for making contributions to the

Hill committees or the Senate campaign committees in making contributions to other candidates in these targeted districts.

Whether you call it member-to-member giving or member-to-party giving, at least from the numbers I've looked at so far, you know, by the end of June we had already seen about \$30 million flow to the Hill committees from either the candidates' own campaign committees — and for those of you who aren't familiar with this, members of Congress who have no race, who are in safe districts, who are going to get reelected, the leadership members, the chairmen of committees, the ranking minority members now increasingly are asked by the party leadership to raise certain amounts of money to give to the Hill committees, because they can give unlimited amounts to the Hill committees, and the quotas will range anywhere from \$750,000 to a hundred fifty thousand dollars, so that members, even where they have no race, have been raising lots of money so they can take those excess funds and give them to the party committees.

In addition, members have leadership PACs, which are raising additional buckets of money, and then they have their leadership PACs. I notice that by about June already more than \$2 million had flowed from leadership PACs over to the Hill committees. So, we're seeing a much greater effort in terms of placing demands on the members to raise money for the parties, that the parties are then going to redistribute into about 60 districts. And, as a result, what you're going to see is an enormous amount of party activity. In fact, I read one (inaudible) where the DSCC's already reserved \$25 million worth of airtime for their top senate races.

MR. MANN: And the House committee is 50 million advertising by, yeah —

MR. CORRADO: So that, you know, one of the interesting things that means — you know, if we want to get a little more philosophical — is that in many of these races in these last (inaudible) eight weeks, it's just — see, I'm from Maine. It seems like 12 weeks because the leaves are already turning in my yard. It's going to be cold in three weeks and winter comes. That — one of the interesting things it means is that the dominant voice in these races in these last eight weeks is not going to be the candidates. If you look at the cash the candidates have, the cash they have available is not going to match the amounts of money the parties can pour in, and therefore the dominant voice is going to be the party voice in these targeted districts. They're going to outspend the candidates. And the parties have to do so independent of the candidates. So, it will be interesting to see if we get some situations — we had three or four of them in 2004 — where you get the wrong mix and match and you have the party airing messages that the candidate would really rather not see being aired. And so, you know, it's going to be interesting to see how the party message, the national trends, and the candidates' particular local dynamics mesh in these districts.

MR. MANN: It's fascinating, because we're seeing this already. If the news reports are accurate, the Republicans working with the RNC intend a very large media buy over the next weeks.

David, you probably have detailed information on this.

But they're not going to be talking about a party message. A party message only works for Democrats this year. They are really going after Democratic challengers and trying to undermine their personal standing in their districts while I think Rohm Emanuel and the Democrats are really going to be in their focusing on the national picture and really trying to refocus the election as a national referendum on the performance of the Bush administration on Iraq, on the economy, and a host of other things. So, you have these — the parties are the dominate players, but the have precisely different, opposing strategies in spending their dollars.

MR. MAGLEBY: Mike, let me point you to a couple things. One, table 7. One of the big questions coming out of BCRA for the Democrats would be these large, individual soft money donors. A lot of their soft money came from individuals. Would they be able to reap the dividend of the BCRA increase in aggregate contributions that individuals could, and a part of that was created, in essence, to create an incentive to give to parties of \$20,000 or so? That's why the table, table 7, is set up that way. And if you look at it, the Democrats have done better at shifting to these — at least the Hill committees have done better in getting individuals to give \$20,000 or more to the committees. I think one of the tests of '06, looking to '08, will be to what extent can they get large donors to give early and sort of apply Emily's list of party spending. That is, early money is like yeast. If you get the early money, then you could invest in ground voter mobilization, (inaudible) our task force kinds of things on the Democratic

side, which most people think is the better way to do the voter mobilization.

Communication is enhanced that way.

A second thing is, is the small money donor going to continue. It's Curtis's early question. To what extent is '06 the last of these cycle elections where Bush is a major issue? We'll look for that in '08. But I think it's going to continue beyond that. You've gotten that sense from us.

I think one of the big questions is who's going to do the ground for the Democrats? Voter mobilization, voter contacting. Will it be candidates and the party committees and not the DNC? Will it be outside groups? And what's the division of labor going to be? Labor has long been very important to the Democratic ground, and is the division between the AFL-CIO, the SEIU, ASME, and others going to dampen or hamper that? And that will be a very important harbinger for '08 and beyond. What is labor going to be like as we look to the future?

And then finally I think micro-targeting is an important to be watching. We talked about it in the book and are watching it closely in '06. It's clearly part of what the 72-Hour Task Force does. The Democrats are going to be trying to do more of that in targeted races with a thing called the data warehouse and other things they're doing. So, I would urge you all to be watching that closely to see the extent to which the Democrats make up ground. Most people believe the Republicans were one cycle ahead of the Democrats at least in the ability to target in this micro-targeting way, and

to what extent did the Democrats in '06 shorten that distance between them and the Republicans in the strategic advantage.

MR. MANN: Yes.

MR. GARRETT: Thanks. Sam Garrett from the Congress Research Service. I enjoyed the presentations.

I wonder if any of you would care to comment on a bit of a speculative question. We've heard a lot about 527s and perhaps the move toward 501(c) organizations. To what extent do you expect that, say, in '08 or even a cycle beyond that we might be hearing more about an evolution away from 527s a bit, particularly if they turn out to be more regulated, and toward some of these 501(c) organizations like, say, Steve Weisman is exploring, and what factors do you think could contribute to organizations choosing 527s versus 501(c)-type organizations?

MR. CORRADO: I think it's not an either/or question, Sam. I think that what we're seeing generally, and what we have now seen for some time in the interest group community is a thickening of the interest group community. Larger organized groups that have, you know, significant funding develop multiple structures. It's something that the National Rifle Association and Sierra Club and League of Conservation Voters developed early on. It's something that we're seeing now more and more amongst many organized groups so that you have your general structure, your 501(c) structure. You might have a (c) (4). You have a 527. Or maybe it's a federal PAC or a nonfederal PAC. So that, depending on what type of money you need to use where for

what particular purposes, you're able to employ those resources. This gives you the opportunity to take, you know, unlimited contributions in some cases where a donor wants the tax write-off and you put it in your (c) (3). If they don't necessarily need the tax write-off, you can perhaps put it in your, you know, unlimited 527 fund, depending on what you want to use the monies, and then you just use the proper money out of the proper account for whatever political purpose you're engaging in from lobbying on Capitol Hill to running a TV ad in a congressional race in Reno, Nevada. And so what you're likely to see is some money, you know, shifting around, but really it tends to be the money that is used for advocacy, money that is used for what is not circumscribed in BCEA — mail, Get Out The Vote operations, telephone all programs, that it's much easier to use money that is not disclosed or not limited for those types of purposes so that, as a result, you see many of these groups setting up these alternative organizational structures to take advantage of their opportunity to do more of what David likes to call these ground activities or grassroots lobbying activities outside of the scope of public scrutiny. And so I'm sure that you're going to see more money flowing into those types of activities, because it just merges with the ways campaigns are moving. Campaigns are moving to voter-by-voter identification and finding out who likes you, what they like, making them love you, and then turning them out to vote. While you still have the air war and kind of mass communications, campaigns increasingly are being fought at the city block-by city block level, and that means organized groups, just like party organizations, are going to develop their capacities to

wage that kind of contest. And so I expect we're going to see this continue for some time.

MR. MAGLEBY: Let me just add quickly. I think in addition to Tony's analysis I would add the motivations of not only the donor but the purposes of the group. Some groups, largely membership groups, prefer independent expenditures. They want — they're into credit claiming. The AMA has long done a lot of independent expenditures, and they likely will continue that. They, like other membership groups — including the Sierra Club — will do exactly what Tony's doing. They will start to diversify their portfolio to include 501s or 527s, even though their primary mode may be independent expenditures and letting everybody fully disclosed — in fact, they want their members to know as part of increasing membership for some groups. So, a lot of it depends on the motives of the group, and I think you have to analyze it with that in mind.

The motive of the donor and the ability of the donor to influence groups is also important, and you've already had an example — Mr. Soros who had kind of a political manager for purposes of helping steer his money in different ways, and there was even a thickening of a single donor's involvement, because Soros did independent expenditures on his own, as the book documents, significantly in '04 — well beyond what he was doing to the 527s.

And one thing we didn't see much of in '04 that we could see in the future is Massachusetts Citizens for Life kinds of groups where you would be able to get

unlimited contributions into groups with fewer constraints because of that court case. So, it's a very complicated picture. You've got on both axes so many different dimensions going, and there's still a lot of degrees of freedom for groups to pick and choose, but I think Tony's exactly right. They're learning that new board game, so to speak, and most of them that are playing and continuing to play will have multiple strategies, allowing them maximum flexibility as they go into the election.

MR. MANN: Right here, yes, sir.

MR. GOLDMAN: Ted Goldman at *Legal Time*. This is more of a qualitative question as well. Obviously, there's a lot of pressure now on members, as you all laid out, to raise money, especially members in safe seats. The best way for them to raise money is through the help of lobbyists. That's the best way a lobbyist can help a member. And, obviously, from a sort of Democratic point of view that's (tape interruption) the best way to get to a member is through a lobbyist, and a lot of people want to get to a member, then the lobbyist bids up his price and ultimately it just costs more to simply get to a member. And I'm wondering if you all agree with the basic way things are headed. For whatever the reasons that this is the case, is there any way to lessen or perhaps extricate lobbyists from the process as much? Or is this what we have since fundraising has become such an essential part of the (inaudible)?

MR. MANN: You're absolutely accurate, by the way, on the extent to which lobbyists are called upon by members in raising funds for their campaign committees and their leadership PAC both for direct contributions but, more importantly, as brokers

to raise money from others. This is a huge part of the fundraising story. Some lobbyists are very comfortable with that. Some are very uncomfortable. I think I could put together a reform group of lobbyists who would be delighted if the party caucuses in Congress pass rules prohibiting them from accepting contributions or fundraising help from registered lobbyists. But there are some constitutional concerns of trying to build that into law. You could probably make it a party practice.

Around the edge, there are things you could do. You could eliminate leadership PACs, and that's one of the important draws on this kind of behavior.

Secondly, you could follow the practice adopted by almost half of the states, which is to ban fundraising while the legislature is in session.

Now, the real risk here is that since Congress this year will meet for the smallest number of days and any since Harry Truman's do-nothing Congress and probably fewer than that we might — instead of a hundred days in session, we might get down to 50 or 25 to allow enough fundraising time, but nonetheless, it's an idea of trying to separate.

The other thing, of course, is to find alternative ways of raising money with — whether it's the small donors really breaking through, whether it's public subsidies of some sort. But it's a serious part of the problematics of money in politics in Washington today.

We probably are going to — let's take a question here. We're running up against — we have five minutes left, so we're going to try to squeeze in a couple of questions and then we'll close her out.

MS. BERGO (phonetic): Hi, I'm Sandy Bergo from the Center for Public Integrity. You've talked a lot about small donors since BCRA. I'm wondering about large donors of what we always call special interest donations. How's that getting into — not so much the 527s, but is it continuing to get into the candidates, the parties? How does that part of it work?

MR. CORRADO: Well, under BCRA, the maximum an individual can give to a political party — National party committee — is set at \$25,000 with adjustments for inflation, so it's 26 for this cycle, and the maximum you can give in any two-year period to all party and PAC entities is 61,000. So, there's limits on what they can give. As I reported earlier, the amount of money coming from larger donors is up compared to the previous cycle. You'll see that in table 7. There's all the comparisons of donors who give \$20,000 or more comparing 2006, 2004, and 2002, and it's up, but it's nowhere near what it was back when individuals were able to give soft money contributions.

MR. MAGLEBY: (Inaudible) large donors is relative. I mean, I think the bigger issue with soft donors is the one I tried to highlight about their ability to come in and form 527s or other groups that would involve millions of dollars, as we saw in 2004, and people who want to play at that level have an option, and I think it's important to watch for that in '06.

MR. MANN: Of course, they had an option of just purely independent spending, which was guaranteed by the court's decision. It's just now — by the way,

there's real legal uncertainty about whether individual contributions to independent groups that accept no corporate and union financing and engage in only independent expenditures can be regulated in any way. That's still a key legal issue to be resolved.

All the way in the back, please.

QUESTIONER: Rikkie Yeung from CNAPS of Brookings. Now, thank you very much for the analysis on small donations. What have been the major or effective for raising activities or measures for small donations? I'm particularly interested in online donations. To what extent has been the (inaudible) on the donations be effective or if they're effective, are there any effectiveness available?

MR. MANN: There was just a report done between the Campaign Finance Institute and the Institute for Democracy and the internet at Georgetown University that's available on either Website, that there's a complete analysis of small donors in 2004 and those who use the Web and those who donated online and comparing the characteristics.

It's very clear that 2004 was a year in which online donations really became a part of the fundraising apparatus and that both parties are actively soliciting online donations in this cycle. And once you give one, they'll send you an e-mail about every 22 minutes asking you for another one so that I think that you're going to see more and more of the money moving to the Web as we now this, because it's so cost, you know, beneficial in terms of the parties. Candidates have not tapped into the online donations very significantly, at least so far. Whether or not online fundraising will be, you know,

something that candidates widely use will wait to be seen. The ones who tend to do well online tend to be those who for some reason peak national attention. You know, Lamont in Connecticut raised quite a bit of money from outside Connecticut in large part by different groups or Web portals or blogs driving traffic to his campaign. It's kind of the (inaudible) candidate to cast a vote against Bush's illegal war in Iraq.

MR. MAGLEBY: It's like the Oprah book list.

MR. MANN: Yes, it's like the Oprah booklist. And so some candidates will do very well online simply because the online communities are driving traffic their way. But, really, at this point it's more a party phenomena. We'll really see an explosion in 2008 with the Presidential race, because the Presidential candidates will really focus on online fundraising.

MR. MAGLEBY: Just to be clear, it's beneficial to the parties because the cost of fundraising is so much lower than prospecting through the mail or on the phone, and the cash is in your hand immediately. So, the turnaround is instantaneous, and for political operations in a tight cycle, that's a huge advantage.

MR. MANN: I want to thank you all for your interest and patience. Two hours on campaign finance is mighty impressive from the audience's point of view. Thanks to Tony and David for producing this.

(Applause)

MR. MANN: And it makes a great Christmas present, you know? Thank you.

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