

Party Fundraising Success Continues Through Mid-Year

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With only a few months remaining before the 2004 elections, national party committees continue to demonstrate financial strength and noteworthy success in adapting to the more stringent fundraising rules imposed by the Bipartisan Campaign Reform Act (BCRA). A number of factors, including the deep partisan divide in the electorate, the expectations of a close presidential race, and the growing competition in key Senate and House races, have combined with recent party investments in new technology and the emergence of the Internet as a major fundraising tool to produce what one party chairman has described as a “perfect storm” for party fundraising.¹ Consequently, both national parties have exceeded the mid-year fundraising totals achieved in 2000, and both approach the general election with substantial amounts of money in the bank.

After eighteen months of experience under the new rules, the national parties are still outpacing their fundraising efforts of four years ago. As of June 30, the national parties have raised \$611.1 million in federally regulated hard money alone, as compared to \$535.6 million in hard and soft money combined at a similar point in the 2000 election cycle. The Republicans lead the way, taking in more than \$381 million as compared to about \$309 million in hard and soft money by the end of June in 2000. The Democrats have also raised more, bringing in \$230 million as compared to about \$227 million in hard and soft money four years ago. Furthermore, with six months remaining in the election cycle, both national parties have already raised more hard money than they did in the 2000 election cycle.² In fact, by the end of June, every one of the

Democratic and Republican national party committees had already exceeded its hard money total for the entire 2000 campaign.³

This surge in hard money fundraising has allowed the national party committees to replace a substantial portion of the revenues they previously received through unlimited soft money contributions. Through June, these committees have already taken in enough additional hard money to compensate for the \$254 million of soft money that they had garnered by this point in 2000, which represented a little more than half of their \$495 million in total soft money receipts in the 2000 election cycle.

The party committees have accomplished this change in finances primarily by expanding their respective bases of donor support. Indeed, one of the most notable aspects of party fundraising so far in this cycle continues to be the dramatic expansion of the number of party donors. The Democratic National Committee (DNC) and Republican National Committee (RNC) have each added more than a million new contributors to their donor roles in advance of this year's election.⁴ The National Republican Senatorial and Congressional Committees (NRSC and NRCC) have recruited a combined total of more than 700,000 new donors.⁵ The Democratic Congressional Campaign Committee (DCCC) has added 230,000 new donors, more than double the 100,000 new donors it recruited in the 2002 cycle.⁶ And, although exact numbers have not been released, the Democratic Senatorial Campaign Committee (DSCC) also reports that the breadth of its donor base has "increased significantly."⁷

Both national party organizations thus approach the 2004 general election in strong financial positions with substantial amounts of money available to spend in support of their candidates and campaign activities. Overall, the parties have as much cash available for general election campaigning as they did at the comparable point in the 2000 contest. The Republicans

maintain their lead over the Democrats, albeit by a lesser margin than their fundraising activity might suggest and by a narrower margin than was the case three months ago. While the Republican national committees have raised \$150 million more than their Democratic counterparts, the cash difference between the parties is only around \$26 million. Although this constitutes a sizable difference, the Democrats are in a stronger relative financial position than they were in March, when the Republicans held a \$43 million cash advantage.

The Republicans have \$117 million of net cash in the bank, as compared to \$91.7 million for the Democrats.⁸ The Democrats have the same amount of net cash available to spend as they did at the mid-election-year mark four years ago, even with soft money included. The Republicans probably have more cash than they did four years ago, although the exact amount is difficult to determine because the NRCC in 2000 did not report the amounts of cash-on-hand in its soft money accounts. Excluding the NRCC soft money funds, the Republicans had more than \$94 million in combined hard and soft money at the end of June 2000, as compared to \$117 million this year. Even if the NRCC held as much soft money as the DCCC at mid-year in 2000 (\$26 million), the Republicans would still be only slightly behind where they were four years ago in terms of cash-on-hand.

In addition to the impact of expanded hard money fundraising, the parties have been able to maintain strong cash positions without soft money in part because they have not had to expend large sums on advertising prior to the conventions in support of their presidential nominees. In 2000, the DNC had to spend millions of dollars (usually by channeling the funds through state parties) beginning in early June on “issue advertising” designed to support Al Gore, who was unable to mount an advertising campaign on his own due to the constraints of the presidential public funding expenditure limits. Even though the Bush campaign had plenty of money

available to spend, Republican party committees responded to the Democrats' spending, beginning with a \$2 million ad buy launched in the second week of June. By the end of the summer, the two parties had combined for more than \$40 million in issue advertising financed with a combination of hard and soft dollars.⁹ This year, given the unprecedented fundraising success of the Bush and Kerry campaigns, the parties have not had to devote resources in June or July to advertising in support of their presidential nominees.

The Democrats have been able to narrow the Republican cash advantage by combining lower levels of spending with more competitive fundraising. In 2003, the Democrats trailed the Republicans in fundraising by more than \$110 million, or a margin of more than 2-to-1. In 2004, they have been much more competitive: in the first quarter of this year, the Democratic national committees raised about \$50 million to the Republicans' \$82 million; in the second quarter, they raised almost \$85 million as compared to the Republicans' \$93 million. This "fundraising momentum" reflects the party's expanded donor base and success with Internet fundraising, the partisan enthusiasm generated by the presidential race, and improving prospects in some of the key congressional races. But it also reflects some of the differences in the timing of various types of fundraising activity. For example, the Republicans do not hold their main congressional fundraising gala until July, so most of the receipts from the event, projected to top \$22 million, are reported in the third quarter.¹⁰ The Democrats have also gained a marginal advantage from the early contribution activity of their congressional incumbents. Democratic members of the House and Senate have provided more funding to their congressional campaign committees at this stage in the election than have their Republican colleagues. By the end of May, House Democrats had already contributed or transferred \$7.9 million from their personal campaign funds to the DCCC, which was more than twice the amount that House Republicans had given to

NRCC. Senate Democrats had contributed more than \$1 million from their own campaign accounts to the DSCC, again more than doubling the amount donated by Senate Republicans to the NRSC.¹¹ Given these factors, it is unlikely that the Democrats will continue to narrow the gap in the third quarter of 2004, although they will continue to be more competitive financially than they were either last year or in the first quarter of this year.

Looking Ahead

Party fundraising in this first election conducted under the soft money ban has proven to be more vigorous and dynamic than most observers anticipated. It is now clear that the national party committees will replace most of their former soft money revenues with hard money, thus enabling them to provide significant assistance to their candidates in this fall's election. The parties have demonstrated their ability to adapt to a hard-money world and have shown their capacity to raise the monies needed to play an important role in federal elections. There is even a possibility that the parties will end up replacing all of the soft money raised in the past presidential election, an outcome that few observers would have predicted a year ago.

Whether the parties will be able to match the revenues they amassed four years ago remains an open question. In previous elections, party fundraising has been particularly intense in the months leading up to election day, as party leaders push their organizations to raise as much as possible in hopes of electoral victory. In 2000, the national party committees raised \$499 million—including \$228 million of soft money—in the four-and-a-half month period from July 1 through mid-November. This \$499 million constituted almost 47 percent of the national party committees' total receipts for the entire two-year election cycle. For the parties to continue

to outpace their fundraising efforts of four years ago, they will have to match the \$271 million in hard money raised in the post-June pre-election period, and generate additional hard dollars to replace at least \$150 million in “lost” soft money revenue.¹² Even in times of a “perfect storm” for party fundraising, this is a challenging task.

The parties, however, will benefit from the assistance they will get from the presidential candidates. Each party is expected to receive a substantial sum of “surplus or excess money” from the primary campaign fund of the ir respective presidential nominee. President George W. Bush and Senator John Kerry will end their nomination campaigns with millions of dollars left in the bank. Once they accept the \$75 million in public funding available to each major party presidential candidate, they are barred from spending any funds remaining from their primary campaigns on general election activities. Instead of allowing millions of dollars to linger in these accounts, the candidates are expected to transfer excess monies to the parties, which can use these hard dollar funds on the general election campaign. This is how the Bush campaign used most of its excess funds in the 2000 election: with more than \$5 million left to spend at the start of the general election, the campaign transferred about \$4.9 million in late October to Republican national party committees, including \$2.9 million to the RNC and \$1 million to each of the congressional committees.¹³ This year both Kerry and Bush should have millions of dollars left after their conventions, which they are expected to shift to the parties to pay for advertising and voter mobilization activities.

How well state parties will adapt to the provisions of the new law also remains to be seen, but the early evidence suggests that many state parties are adjusting their fundraising efforts to accommodate the ban on soft money. Under the provisions of the Bipartisan Campaign Reform Act, state parties will have to rely solely on hard money contributions to pay for federal election

activities. The new rules thus place a premium on hard money fundraising at the state level. Accordingly, both parties are also encouraging more aggressive hard money fundraising efforts at the state level. In this regard, for example, the Democrats recently announced a “Battleground Victory Fund” effort, aimed at generating funds for state party committees in presidential battleground states.¹⁴

Although the Federal Election Commission has not yet released its compilation of state and local party finances through June 30, the amounts of federal money reported by state and local committees through the end of March offer early indications that state party fundraising is also ahead of the pace set in 2000. In that election cycle, state and local party committees reported raising a total of \$190 million of hard money for use in connection with federal elections.¹⁵ As of the end of March 2000, these committees had raised about \$74 million in federal money, with Republican party committees taking in almost \$50 million and the Democrats, \$24 million. As of the end of March 2004, the state committees reported more than \$94 million in hard money contributions, or about \$20 million more than at the comparable point four years ago, an increase of more than 25 percent. Republican state committees reported almost \$59 million in hard money raised (about \$9 million more than 2000), while the Democratic committees reported more than \$35 million in receipts (about \$11 million more than 2000). In other words, federal fundraising by both Democratic and Republican state parties during the first 15 months of the 2004 election cycle (\$94 million) has already surpassed the totals raised by these committees during the first 18 months of the 2000 cycle (\$88 million). Given the favorable political environment that currently exists for party fundraising, it is safe to assume that state party fundraising is now well ahead of the mark set four years ago.

Furthermore, these figures for state and local party funding do not include any monies raised by these organizations for Levin accounts. Levin accounts are separate financial accounts allowed under BCRA that may be used by state or local party committees for the purposes of raising funds for generic party voter identification and mobilization activities.¹⁶ The provisions for Levin funding constitute an exemption to the ban on soft money, and permit state or local party committees to raise contributions of up to \$10,000 per donor for Levin accounts, so long as such donations are permissible under state law. The monies raised may be spent in combination with hard money funds to pay for generic party voter registration or turnout programs.¹⁷ Levin funds explicitly may not be used to finance broadcast, cable or satellite communications, or activities that refer to a clearly identified federal candidate.

The early data currently available indicate little Levin activity (14 committees raising a total of about \$1 million through March). Whether this indicates that state or local parties are not planning to pursue this option is unknown at this point. The lack of early activity may reflect the fact that state party voter registration and turnout programs are typically emphasized later in an election year. Or it may reflect the complexity of the law and the uncertainties about the constitutional status of this provision, which were not resolved until the U.S. Supreme Court issued its *McConnell* decision at the end of 2003.¹⁸ The mid-year data should give a better indication of the extent to which state and local parties are beginning to take advantage of the additional opportunity to raise money under this provision of the new law.

Conclusion

The national party organizations continue to demonstrate financial success, despite more stringent regulations and a highly competitive fundraising environment in which the presidential and congressional candidates are raising unprecedented amounts of money and nonparty organizations, including so-called 527 groups, are aggressively seeking political contributions. So far the national parties are raising more money than they did in 2000, and they can look forward to heightened prospects for future success due to their burgeoning bases of donor support and a favorable political climate. They begin the 2004 general election campaign with as much money in the bank as they had four years ago, and it now seems likely that they will be able to replace most of the soft money they received in past elections. Whether they will have as much to spend in this election as they did in 2000 is a question yet to be resolved. Other questions also remain, including those concerning the relative importance of party funding, the role of party organizations vis-à-vis nonparty groups, and the extent to which the outpouring of financial support experienced in this cycle can be translated into more durable bases of party support in the future. What is clear at this stage is that the parties are successfully responding to the ban on soft money in the first national contest under the new campaign finance law. They will play a major role in the financing of campaign activity in the months ahead.

¹ Terrence McAuliffe, Democratic National Committee Chairman, quoted in Paul Fahri, "Small Donors Grow Into Big Political Force," *Washington Post*, May 3, 2004, p. A11.

² In 2000, the Republican national party committees raised \$361.6 million in hard money, while the Democratic national committees raised \$212.9 million. These figures are based on unadjusted data and do not take into account any transfers of funds that may have taken place among the national party committees.

³ The election cycle totals for 2000 can be found in Federal Election Commission, "FEC Reports Increase in Party Fundraising for 2000," press release, May 15, 2001. Available at <http://www.fec.gov/press/press2001/051501partyfund/051501partyfund.html> (viewed July 28, 2004).

⁴ Fahri, "Small Donors Grow Into Big Political Force," p. A11; Mark Shields, "Giving the 'Devil' His Due," <http://www.cnn.com/2004/ALLPOLITICS/07/05/devil/> (viewed July 29, 2004).

⁵ Based on donor figures reported in Thomas B. Edsall, "McCain -Feingold Helps GOP," *Washington Post*, February 7, 2004, p. A8, and Eliza Newlin Carney, "In the Money," *National Journal*, July 10, 2004, p. 2173.

⁶ Carney, “In the Money,” p. 2171 and 2173.

⁷ Democratic Senatorial Campaign Committee, “DSCC Out Raises NRSC by Near 2-to-1 Margin in June,” press release, July 8, 2004. Available at http://www.dscc.org/news/press_releases (viewed on July 29, 2004).

⁸ The Democrats reported an unadjusted \$92.1 million in cash-on-hand at the end of June. This figure does not account for debt obligations on the books of the congressional committees at the end of the reporting period. The DSCC reported \$364,000 in debt obligations; the DCCC, \$106,000.

⁹ For a discussion of party advertising in the 2000 presidential race, see Anthony Corrado, Sarah Barclay, and Heitor Gouvea, “Political Parties and the Financing of the 2000 Presidential Election,” in John C. Green and Rick Farmer, eds., *The State of the Parties*, 4th ed. (Lanham, MD: Rowman & Littlefield, 2003).

¹⁰ Jim VandeHei and Thomas B. Edsall, “Democrats Outraising the GOP This Year,” *Washington Post*, July 21, 2004, p. A4.

¹¹ Carney, “In the Money,” p. 2171.

¹² As of June 30, the national party committees were roughly \$75 million ahead of their fundraising totals at a comparable point in 2000. If the committees match the hard money totals they achieved in 2000, the balance of soft money that would have to be replaced to meet the 2000 total is roughly \$150 million.

¹³ These transfers are disclosed in the Bush for President Post-Election disclosure filing, which includes financial activity through November 27, 2000. The transfers were made on October 25, 2000, and are listed as “itemized disbursements” on Schedule B of the report at page 23 for line 29. This page is available at <http://herndon2.sdrdc.com/cgi-bin/dcdev/forms/C00343509/10444/sb/29> (viewed July 29, 2004).

¹⁴ Glen Justice, “Determined Not to Be Outdone by Richer G.O.P., Democrats Rev Up Money Engine,” *New York Times*, July 30, 2004.

¹⁵ The election cycle totals for 2000 can be found in Federal Election Commission, “FEC Reports Increase in Party Fundraising for 2000,” press release, May 15, 2001. State and local party committees reported a total of \$325.9 million in federal funding. Of this amount, \$190.2 million was raised by state and local committees themselves. The rest represents transfers of money received from national party committees.

¹⁶ For an explanation of the Levin amendment provisions of BCRA, see Robert F. Bauer, *More Soft Money Hard Law* (Washington: Perkins Coie, 2004), pp. 35-45. Also available at <http://www.moresoftmoneyhardlaw.com/parties/index.htm> (viewed July 30, 2004).

¹⁷ Levin activities must be financed with a mix of hard money and Levin money according to allocation formulas established under FEC rules.

¹⁸ *McConnell v. Federal Election Commission*, 124 S.Ct. 619 (2003).