



Update on Money & Politics

Party Fundraising in The 2006 Election

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PREFACE

One of the primary factors contributing to the growing partisanship, lack of accountability, and ineffectiveness of political leaders in this country is the relationship between money and politics. The way in which campaigns for public office are financed has had a corrupting influence on our government.

In spite of opposition from powerful interests seeking to maintain the status quo, there has been significant progress made in reforming campaign finance in recent years. Most notable among the victories were the passage of the Bipartisan Campaign Reform Act of 2002 (BCRA), also known as McCain-Feingold, and the successful defense of the law in the U.S. Supreme Court against a legal challenge. Despite the recent gains made by the reform movement, there is still work to be done to build upon the important reforms that have been enacted and to guard against attempts to turn back the progress already made.

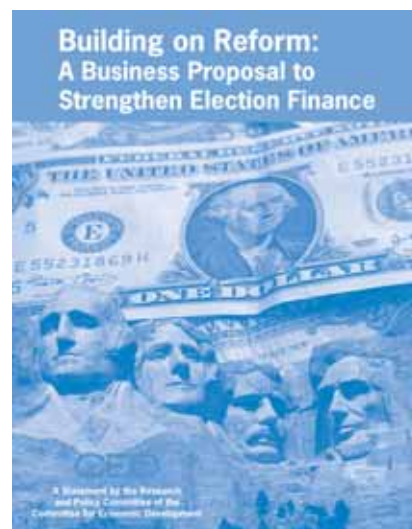
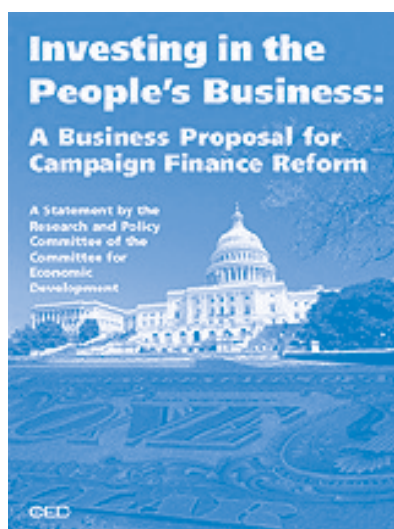
The *Committee for Economic Development* (CED), a non-partisan public policy research organization led by 200 senior corporate executives and university leaders, has been in the vanguard of the movement for comprehensive campaign finance reform. CED's landmark 1999 policy statement, *Investing in the People's Business: A Business Proposal for Campaign Finance Reform*, persuasively made the case for business leadership in campaign finance reform. Over 300 business leaders endorsed

CED's recommendations for reform. CED's core recommendations — including banning “soft money” contributions; stricter scrutiny of so-called “issue advocacy” advertising; and raising the limit on individual contributions to federal candidates and indexing the limit to inflation — were included in BCRA.

In 2005, CED issued a follow-up policy statement, *Building on Reform: A Business Proposal to Strengthen Election Finance*, which explored the major post-BCRA campaign finance issues. Recommendations in the report include regulating “Section 527 groups” formed to influence federal elections; strengthening the presidential public financing system; and reforming the Federal Election Commission (FEC) so that it has the will and the resources to properly implement and enforce the law.

The *CED Update on Money & Politics* is a series of issue briefs designed to keep business leaders and others abreast of the latest developments in money and politics issues. The CED Update will highlight the effects of BCRA's reforms on how campaigns are financed and conducted, and identify where further action is needed. We are grateful to *The Pew Charitable Trusts* for their support of the CED Update and other efforts related to money and politics.

For more information on CED and our work on money and politics, please visit CED's website at <http://www.ced.org>.



Party Fundraising in the 2006 Election

INTRODUCTION

The 2006 election is the first federal midterm election to be conducted under the new fundraising rules established by the Bipartisan Campaign Reform Act of 2002 (BCRA), also known as the McCain-Feingold legislation. BCRA reduced the potential for corruption in the political system by prohibiting national parties from financing their election activities with unlimited donations from individuals, corporations or labor unions, which are commonly called “soft money” contributions. The law also established new rules for campaign advertising to prevent party committees from using unregulated funds to finance “issue advocacy advertisements.” In this way, the law ensured that party committees could no longer use issue advertising as a means of circumventing federal campaign finance restrictions. CED identified soft money and issue advertising as areas needing major reform in our 1999 policy statement, *Investing in the People’s Business: A Business Proposal for Campaign Finance Reform*. CED recruited more than 300 business and civic leaders to endorse these proposals and became a leading voice of the business community in the effort that led to the adoption of the new law.

In 2004, the first election conducted under BCRA, the national party organizations demonstrated their resiliency by responding to the ban on soft money by adapting their fundraising strategies and emphasizing the solicitation of small contributions. The parties added millions of new donors to their rolls and, as a result, raised more money than they had in any previous election cycle. In all, the national party committees raised more than \$1.2 billion, which was more than they raised in hard and soft money *combined* in the 2000 election.ⁱ This was accomplished in large part by increasing the amounts received from small contributions of under \$200, which are known as “unitemized contributions” in the parlance of fed-

eral disclosure law.ⁱⁱ In 2004, the Democratic national committees took in \$212 million from small donors, as compared to \$78 million in 2000. The Republican committees received \$237 million, as compared to \$145 million in 2000. National party small donor fundraising thus rose by \$227 million, an increase of more than 100 percent as compared to the previous presidential campaign.ⁱⁱⁱ

Whether the parties would continue their financial success was an open question at the start of the 2006 election cycle. Typically, national party fundraising is more difficult in midterm elections, since there is no presidential contest to galvanize national attention. For example, in 2002, the total amount of hard money taken in by the national parties was \$60 million less than the total in 2000. But the parties made up for this loss by focusing on soft money, eventually raising \$495 million in unlimited contributions before the ban on these gifts was implemented after the 2002 campaign. Consequently, almost half of the money raised by the national parties in 2002 came from soft money gifts, with a majority of the Democrats’ funding coming from this source.

Could the parties continue to show financial strength in 2006 without soft money, as they did in 2004? Would the small donors recruited in 2004 continue to help the parties without a highly competitive presidential race as an incentive to spur their giving? And would the congressional committees, which raised less in 2004 than they did in 2000 (with soft money included), be able to generate the funds needed to play a major role in the House and Senate races that would determine control in the next Congress? With party fundraising well underway, it is now possible to provide initial answers to these questions.

ⁱ There are six national party committees, with three in each major party: the Democratic National Committee (DNC), Democratic Senatorial Campaign Committee (DSCC), Democratic Congressional Campaign Committee (DCCC), Republican National Committee (RNC), National Republican Senatorial Committee (NRSC), and National Republican Congressional Committee (NRCC). Data for 2004 and 2000 based on a Federal Election Commission press release summarizing party financial activity that was issued on March 14, 2005.

ⁱⁱ The amounts raised from donations in amounts of less than \$200 are listed as “unitemized contributions” in federal disclosure reports because the parties are not required to itemize the individual donors who make contributions of less than \$200.

ⁱⁱⁱ Based on the data reported in FEC, “Party Financial Activity Summarized for the 2004 Election Cycle,” press release, March 14, 2005.

PARTY FINANCE IN 2006

At the midpoint of the election year, the national party committees are once again demonstrating the capacity to raise significant sums of money under the rules established by BCRA. They are continuing to generate large sums from small donors, and smaller gifts now constitute a substantial share of total party resources. As a result, the parties have accrued substantial amounts of cash that will be used to support their candidates in the general election.

Through the first 18 months of the 2006 cycle, the Democratic and Republican national party committees have raised \$574 million, or about \$58 million less than the \$632 million in hard and soft money combined that they had raised at a comparable point in 2002. While Republican fundraising has slightly declined as compared to four years ago, the Democrats have improved and surpassed the 18-month hard and soft money total they achieved in 2002. To date, the Democrats have raised \$240 million, which is more than they raised in 2002 and \$10 million more than they received through June 2004. The Republican committees have received \$334 million, or about \$70 million less than their hard and soft money total at this stage four years ago, and \$51 million less than their total at midyear 2004. (See Table 1.) This pattern reflects the current political environment and national opinion trends, which have produced stronger challenges for Republican Party fundraising in this election year. But the sums indicate that the parties in 2006 are replacing a major share of the \$308 million of soft money that they had received in the first 18 months of the 2002 cycle with new hard dollar contributions.

With respect to hard money alone, national party fundraising has improved significantly as compared to the previous midterm election. At midyear 2002, the Republican committees had raised \$223 million in hard money alone, while the Democratic committees had raised \$102 million, for a combined total of \$325 million. This year, with six months remaining in the cycle, the Republicans and Democrats have both exceeded their hard money totals for the entire 2002 election cycle. The Republicans have raised \$334 million, or \$110 million more than their hard money total for the entire 2002 cycle, and the Democrats have raised \$240 million, or \$78 million more than their total for all of 2002. As a result, the Republicans hold a \$94 million advantage in fundraising to date over their Democratic counterparts. But this advantage is smaller than in previous years. In 2002, the Republicans led the Democrats by \$176 million in hard and soft money combined after 18 months of financial activity. In 2004, they led the Democrats by \$154 million. So the Republicans continue to lead in fundraising, but the Democrats have narrowed the gap. The Democrats are therefore more financially competitive in 2006 than they were in previous midterm elections.

In midterm elections, the fundraising activity of the House and Senate congressional campaign committees (DCCC, DSCC, NRSC and NRCC) is particularly important, since these committees have the principal responsibility for supporting candidates for congressional office. Congressional committee fundraising is particularly noteworthy since

Table 1: National Party Committee Fundraising Receipts at 15 Months (\$ million)

Committee	2006	2004	2002	
			Hard	Hard and Soft
DNC	90.4	125.4	44.5	99.0
DSCC	73.0	49.3	29.8	70.3
DCCC	76.6	56.0	27.3	58.7
Democrats	240.0	230.6	101.6	228.0
RNC	168.2	219.4	115.8	200.9
NRSC	62.6	50.4	42.2	86.2
NRCC	102.9	115.2	65.0	117.7
Republicans	333.7	385.0	223.0	404.8
Total	573.7	615.6	324.6	632.8

Source: Based on Federal Election Commission data. These figures reflect unadjusted receipts reported by the committees and may include transfers among the committees.

these committees raised large sums of soft money in 2002 and took in less money in 2004 than their combined hard and soft money totals in 2002.

This year both of the Democratic Hill committees, the DSCC and the DCCC, have raised more money than they had in hard and soft money combined at a comparable point four years ago, while the two Republican committees, the NRSC and NRCC, have fallen short of their 2002 hard and soft money bench-

mark. All of the congressional committees, however, have increased their hard dollar fundraising significantly, with the two Democratic committees raising \$150 million as compared to \$105 million at a comparable point in 2004 and the Republican committees raising \$165 million, about the same amount as in 2004. Compared to 2002, Democratic Hill committee hard money has more than doubled, while Republican hard money funds are up more than 50 percent.

SMALL DONORS REMAIN STRONG

One of the reasons why CED supported campaign finance reform was our belief that an end to soft money would encourage the party organizations to place more emphasis on small contributors as a source of funding. In 2004, the national party committees were able to raise record sums of money because they successfully expanded their small donor fundraising efforts. In 2006, both parties continue to show strength in small donor fundraising as they continue to emphasize the recruitment of small donors as a key to their financial success.

After 18 months of fundraising, the national committees had collected a total of \$232 million in unitemized contributions (individual contributions of less than \$200), which is more than they received from small contributors in the entire 2002 election cycle. The Republicans have received \$141 million from small donors, which is

an increase of \$25 million as compared to a similar point in 2002, but \$19 million below the amount received during the presidential election in 2004. The Democrats have received \$90 million from small donors, which is about the same amount as they received at a comparable point in 2004, and more than twice the \$41 million they had received in 2002. (See Table 2.)

The importance of small donors as a source of party funding is seen in the relative contribution they now make to party funding. To date in 2006, almost half (48 percent) of the money received in individual contributions comes from donations made by small donors, with the percentage share roughly the same in the two parties. In contrast, in 2002, when individuals could also make soft money contributions, only 28 percent of the money from individuals came from small donors.

Table 2: Small Individual Contributions to Party Committees: 18 Month Totals

Committee	2006		2004		2002		2002	
	Amount (\$ millions)	% of Total Ind. Receipts	Amount (\$ millions)	% of Total Ind. Receipts	Amount (\$ millions)	% of Total Ind. Receipts (Hard \$ Only)	Amount (\$ millions)	% of Total Ind. Receipts (Hard and Soft \$)
DNC	54.7	66.0%	59.6	53.6%	26.9	68.8%	26.9	28.7%
DSCC	14.2	25.1%	12.5	34.2%	5.9	43.8%	5.9	11.0%
DCCC	21.7	43.3%	18.5	51.4%	8.4	57.5%	8.4	18.3%
Democrats	90.5	47.8%	90.6	49.3%	41.3	78.4%	41.3	21.3%
RNC	89.9	56.6%	104.7	49.2%	74.8	67.9%	74.8	38.3%
NRSC	19.6	39.2%	18.6	43.7%	12.4	40.1%	12.4	16.6%
NRCC	32.0	37.8%	37.3	36.3%	28.6	55.7%	28.6	27.5%
Republicans	141.5	48.2%	160.6	44.8%	115.8	82.0%	115.8	30.9%
Total	232.1	48.1%	251.1	46.4%	157.1	81.0%	157.1	27.7%

Source: Based on Federal Election Committee data. Table reports amounts received by national party committees from "unitemized" individual contributions, which are contributions of less than \$200 that do not have to be itemized in disclosure reports under federal law. Percentage columns indicate the share of the total amount received in individual contributions that was received in unitemized contributions.

CONCLUSION

Party finances to date indicate that both parties will be able to spend substantial amounts to support their candidates and mount well-financed campaigns in 2006. As of the end of June, the Republican national committees had \$91 million in cash on hand, including \$46 million in the accounts of their congressional committees (NRSC, \$19.9 million; NRCC, \$26.5 million). The Democrats had \$80 million in cash, including \$69 million in their accounts of their congressional committees (DSCC, \$37.7 million; DCCC, \$31.9 million). By midyear, the Democratic congressional committees had more than twice the amount of cash as they had at a comparable point in 2004 (\$69 million versus \$32 million in 2004). The Republican congressional committees also have more to spend than they did four years ago (\$46 million versus \$39 million). When the monies held by the DNC (\$11 million) and RNC (\$44.7 million) are included, the Republicans have an overall cash advantage of more than \$10 million over the Democrats. But this gap

between the parties is much smaller than it has been in the past. The Democrats are therefore in a better position entering the fall campaign in 2006 than they have been in other recent midterm elections. (See Table 3.)

Both parties continue to capitalize on a highly partisan political environment, which offers strong incentives to donors, especially small donors, to support the party of their choice. As of the end of June in 2006, \$232 million of the \$574 million raised by the national parties—or 40 percent of the total funding—has come from small donors of \$200 or less. By contrast, at a similar point in 2002, more than 50 percent of the money raised by the parties came from unlimited soft money gifts. This shift in the composition of party funds highlights the major change that has taken place in party financing as a result of the adoption of BCRA. Instead of relying on unlimited corporate and labor union contributions, parties now depend on small donors for a substantial portion of the funds.

Table 3: National Party Committee Cash Balances: 18 Month Totals (\$ millions)

Committee	2006	2004	2002		
	<i>Hard</i>	<i>Hard</i>	<i>Hard</i>	<i>Soft</i>	<i>Total</i>
DNC	10.8	60.0	3.9	17.1	21.0
DSCC	37.7	13.7	13.8	16.1	29.9
DCCC	31.9	18.4	6.4	16.0	22.4
Democrats	80.4	92.1	24.1	49.2	73.3
RNC	44.7	77.8	45.1	21.6	66.7
NRSC	19.9	19.2	17.6	20.5	38.0
NRCC	26.5	20.2	11.9	15.1	27.0
Republicans	91.1	117.2	74.6	57.2	131.7
Total	171.5	209.3	98.7	106.4	205.0

Source: Based on Federal Election Commission disclosure reports.



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