

POST-ELECTION MONEY IN POLITICS ANALYSIS

The 2012 election, surprisingly, didn't turn out to be a big victory for outside money. Instead it proved unlimited outside spending alone can't carry the day. Super PAC and 501(c) spending was far more effective in the 2010 congressional elections, when candidates weren't as prepared to fight back. This time, both sides were ready for the onslaught of spending and advertisements. Outside spending wasn't decisive in most races, though there were some exceptions.

- In all, outside groups spent more than \$1 billion on federal elections for president, the House, and the Senate, and parties spent more than \$250 million in independent expenditures on these races. While the final numbers on candidate spending won't be available until December 6, candidates raised a total of nearly \$2.9 billion, and as of October 17 they had spent more than \$2.5 billion.
- Overall, Republicans and their supporters outspent Democrats and their supporters by roughly \$500 million. Democrats and their supporters overall spent about \$1.78 billion, while Republicans and their supporters spent about \$2.33 billion.
 - Most of this disparity was from outside groups. SuperPACs and tax-exempt groups supporting Republicans spent \$715.2 million, while groups supporting Democrats spent \$291.6 million.
- Despite this money advantage, Democrats were able to run almost as many television ads as Republicans. Up through October 29, both sides had run more than a million ads, though Republicans had a slight edge.
 - This is because not all advertising dollars are created equal. Candidates pay a lower rate than outside groups.
 - Because more Democratic money was controlled by the candidates – especially in the presidential race – they were able to match the number of ads.
- To a significant degree, the new outside spending supported Republican candidates, with roughly 69 percent by conservative groups. The disparity was even starker for dark money groups, with 85 percent of their spending in support of Republicans.
 - All of these figures exclude the hundreds of millions of dollars of issue ads – run largely by groups supporting Republicans – that are not reported anywhere.
 - In addition, outside groups spent money on the ground game, though it's impossible to tell how much.
 - A bigger percentage of outside money supporting Democrats came from super PACs that disclose donors.

Specific races

- Virginia Senate: Tim Kaine (D) v. George Allen (R)
 - This was the most expensive Senate race in the country, with roughly \$81 million spent by the two candidates, outside groups, and parties.
 - About \$51 million was spent by outside groups and parties, with 60 percent of that supporting Allen. Roughly \$37 million came from super PACs and 501(c)s.
 - To put that in perspective, when Allen ran against Jim Webb for the same Senate seat in 2006, the race cost half what it did this year, a little less than \$40 million. Outside groups and parties spent just \$13.6 million, and nearly all of that was by parties.

- In this year's race, Crossroads GPS spent the most, \$10.6 million, and American Crossroads added another \$728,000. That alone is almost as much as the approximately \$12.7 million Allen himself spent.
- A Republican consultant who worked for Allen admitted after the election the race "never would have been competitive without outside money."
- Wisconsin Senate: Tammy Baldwin (D) v. Tommy Thompson (R)
 - This may have been the most negative race in the country. In October, 99 percent of all television ads broadcast in the race were negative.
 - Outside groups and parties spent \$41.6 million on the race, nearly \$29 million of that by super PACs and 501(c)s. Much of this spending was late, with \$17.8 million spent in the last three weeks alone.
 - The outside spending here was roughly even, with about \$18.3 million against Baldwin and \$20.6 million against Thompson.
 - Parties led the outside spending in this race, followed by the Democrats' super PAC at \$4.9 million and Crossroads GPS at \$4.7 million.
 - Like Romney, Thompson may have suffered from the effect of a brutal primary in which outside groups were prominent. It became so contentious that one of the other two candidates, Eric Hovde, threatened to sue Americans for Job Security over an ad accusing him of taking stimulus funds.
- Ohio Senate: Sherrod Brown (D) v. Josh Mandel (R)
 - Another example of massive spending by outside groups that did not carry the day.
 - Brown outraised Mandel \$22.4 million to \$16.2 million, but outside groups and parties more than made up the difference, spending \$22.1 million to support Mandel compared to only \$14 million supporting Brown.
 - Crossroads GPS again was the biggest outside spender, dumping \$6.3 million into the race, while the U.S. Chamber of Commerce put in \$4.4 million.
 - Brown's win shows that in most races, even an onslaught of outside money usually can't overcome a weak candidate like Mandel.
 - Brown also undoubtedly benefitted from get-out-the-vote efforts in the state supporting President Obama by both the president's campaign and unions.
- Nevada Senate: Dean Heller (R) v. Shelley Berkley (D)
 - Unlike Ohio and most other races, outside spending may have turned the Nevada Senate race.
 - In many ways, this election was the climax of Sheldon Adelson's 15-year fight to take down Berkley. Berkley once was Adelson's corporate lawyer, and the two began feuding in the 1990s over Adelson's efforts to make his casino non-union.
 - Noting the personal animosity between Adelson and Berkley, a former Adelson executive said this race was his number one Senate priority this year.
 - Crossroads GPS, reportedly funded in part by Adelson, spent \$6.6 million against Berkley. In all, outside groups spent about \$27.4 million on the race, compared to about \$19 million by the candidates.
 - Crossroads GPS's ads attacked Berkley, who was vulnerable on ethics issues from her support of a kidney center that benefitted her husband.

- North Dakota: Heidi Heitkamp (D) v. Rick Berg (R)
 - While Democrats and their supporters were able to keep pace with Republicans and their supporters in many races, one Democrat who was outspent but still won is Heitkamp.
 - Outside groups and parties spent \$8.7 million against Heitkamp, versus \$7.6 million against Berg. Berg also outraised Heitkamp by another \$1.4 million.
 - While Crossroads GPS again was the leading 501(c) spender at \$1.8 million, a host of other conservative groups, including Patriot Majority, Now or Never PAC, the U.S. Chamber of Commerce, and the Freedom Fund of North America each spent half a million dollars or more against her.
 - Nevertheless, Heitkamp topped Berg by fewer than 3,000 votes.

- Montana Senate: Jon Tester (D) v. Denny Rehberg (R)
 - The amount of spending per vote in this hard-fought race may have been the highest in the country. With 481,453 votes cast, candidate, outside groups, and parties spent roughly \$91 per vote.
 - In all, outside groups and parties spent \$24.9 million on the race out of a total of \$43.8 million spent on it – massive amounts for a state the size of Montana.
 - Crossroads GPS and American Crossroads were the top outside spenders, spending a combined \$5 million on the race.

- Connecticut Senate: Chris Murphy (D) v. Linda McMahon (R)
 - This race involved not outside spending, but massive personal spending by a candidate.
 - Linda McMahon gave her campaign about \$47 million. By contrast, Murphy raised about \$9.3 million, and outside groups and parties spent roughly \$6 million on the race.
 - Failed self-financing is nothing new. Other candidates, from Michael Huffington to Jon Corzine to Meg Whitman, have met the same fate.

- IL-8: Tammy Duckworth (D) v. Joe Walsh (R)
 - Duckworth raised more than \$4.6 million – more than double the campaign contributions raised by Walsh. But outside groups spent more than \$5.9 million in the race, and more than 91 percent of the outside spending backed Walsh. In addition, the NRCC spent more than \$450,000 in the race. In the end, the outside money meant Walsh and his allies outspent Duckworth by more than a third.
 - Outside spending nearly equaled the \$6.3 million in candidate spending.
 - Now or Never PAC, the biggest outside spender in the race, spent nearly \$2.8 million supporting Walsh. Interestingly, the PAC received a \$1.95 million donation from Americans for Limited Government, Walsh’s former employer.
 - Now or Never spent heavily late in the race, pouring roughly \$1 million into it as late as October 31.
 - Despite the outside spending, Duckworth won with 55 percent of the vote.

- House: PA-12: Keith Rothfus (R) v. Mark Critz (D)
 - This was the House race with the most outside spending. Critz outspent Rothfus by about a third, but outside groups and parties more than made up the difference. Critz benefited from more than \$4 million in outside spending, but outside support for Rothfus topped \$6 million.
 - Americans for Tax Reform spent the most of any outside group in this race, putting \$2.5 million into the race to benefit Rothfus.
 - Rothfus won with 51.5 percent of the vote.

Patterns and Impacts

- Timing of spending:
 - Early spending:
 - Outside groups, distracted by a contentious Republican presidential primary, appear to have done less than they could have against the president in 2011, leaving his campaign free to devote resources to organize and prepare without the distraction of responding.
 - Several groups supporting Romney did spend on ads in the spring and summer of 2012, covering him at a time when he was short on money after the brutal and lengthy primary and less able to pay for ads. Those groups include both Crossroads groups, Restore Our Future, and Americans for Prosperity.
 - Late spending: Several groups supporting Republican House and Senate candidates dumped money into races late, but in many races, the spending binge seems to have come too late to shape the outcome, especially given early voting.
 - In the last three weeks, outside groups spent more than \$400 million on federal races.
 - Outside groups spent \$6.6 million in the last week on the Indiana Senate race.
 - Outside groups spent \$6 million in the Virginia Senate race in the last week, mainly opposing Tim Kaine.
 - One exception to this was the OH-6 race, Rep. Bill Johnson (R) v. Charlie Wilson (D). The race was a rematch of a tight 2010 campaign, in a district made a little more Republican by redistricting.
 - This was Americans for Tax Reform's number one race this year. In the month leading up to Election Day, ATR, led by Grover Norquist, dumped \$3.1 million into the race, all on advertisements. Buoyed by the spending, Johnson won, 53 percent to 47 percent.
 - It's not clear why Norquist spent so much on this race. It may have been part of the coordinated effort by conservative groups to split up the races – no other conservative group spent significant money in it.
 - Norquist's election spending could help him maintain his influence over tax policy. New numbers from Bloomberg project the number of members who have signed the pledge will fall to 264 from 279. ATR's campaign spending, aimed at supporting friendly candidates, bolsters the group.
- The barrage of advertising may have reached a point of diminishing returns in some races, eventually getting tuned out by many voters.

- In the House race with the second-most outside spending, OH-16, the Republican candidate, Jim Renacci, cancelled an \$850,000 advertising buy near the end of October and instead put the money into grassroots outreach. “People are not paying attention. They are just turning it off,” Renacci said. He won re-election.
- While the conservative dark money groups closely coordinated their campaign spending in the general election, it probably is a mistake to think of them as monolithic. There appear to be two camps:
 - Political pragmatists: the Crossroads groups, the U.S. Chamber of Commerce, American Action Network, and others.
 - Run by political operatives, and care most about electing Republicans.
 - Ideologues: Americans for Prosperity, Club for Growth, FreedomWorks.
 - Frequently back more ideologically pure candidates.
 - The divide could be seen in Senate primaries:
 - American Action Network spent more than \$645,000 opposing Richard Mourdock in the Indiana Senate primary, instead favoring incumbent Sen. Dick Lugar, viewed as more of a centrist. The Club for Growth and FreedomWorks spent roughly \$2.4 million backing Mourdock, who won the primary but lost the general election.
 - Other primary battles between the pragmatists and the ideologues took place in Wisconsin, Missouri, and Utah.
- One of the major effects of outside spending was extending the Republican primary. Billionaires such as Sheldon Adelson and Foster Friess dragged the primaries out into an extended bruising and expensive fight that soaked up Romney’s time and resources and pushed him further to the right, limiting his options for the general election.
- American for Prosperity – the main vehicle of the Koch brothers – also notably spent on state and other down ballot races, and won at least some victories, notably the Arkansas legislature. By doing this, they are cultivating pipelines of elected officials indebted to the group for launching their political careers, and positioning themselves to shape the political landscape at the state and local level.
- One lesson from the presidential race may be that money concentrated in the hands of the candidates is more effective than money under the decentralized control of outside groups. Even though outside groups coordinated with each other, the candidates didn’t control the spending.
- Geography: Outside groups tried to expand the electoral map. At the presidential level, they spent on Pennsylvania and Minnesota when Romney didn’t or couldn’t, and were the first to spend in Wisconsin.
- Negativity: Outside groups’ ads were almost entirely negative, especially at the presidential level - perhaps because they did not have to worry about backlash as much as candidates.
- Union spending:
 - *Citizens United* not only allowed corporations to make direct political contributions. It also freed unions to expand their outreach activities beyond union members and their households.
 - Unions made a conscious decision to spend most of their money on grassroots operations rather than on television advertisements, deploying hundreds of thousands of volunteers to knock on doors and turn out the vote.

- This emphasis on the “ground game” paid dividends in states like Ohio and Wisconsin, and on the presidential level in Nevada.
- Union spending, especially on grassroots activity, is harder to track than spending by super PACs and 501(c)s, but unions were expected to spend about \$400 million on elections, mostly to back Democrats.
 - The SEIU, AFSCME, and AFL-CIO reported the largest amount of independent expenditures to the FEC, with the SEIU reporting more than \$30 million, AFSCME reporting \$17 million, and the AFL-CIO \$7 million.
- Unions spent fruitlessly to support Berkley. The SEIU and AFSCME together reported spending more than \$2.5 million on independent expenditures in her race against Heller.

Keeping donors secret

- The dark money groups can only protect the names of their donors if they maintain their tax-exempt status, which has prompted them to create a lot of convoluted ways to launder money and move money around.
 - Group-to-group: Many of the groups give each other money as a way to essentially launder money.
 - In 2010, for example, Crossroads GPS gave Americans for Tax Reform \$4 million to be spent on non-political activity. Not coincidentally, ATR spent \$4 million on politics that year.
 - CREW first pointed out this shell game to the *Washington Post* in April. Just before the election, Norquist essentially admitted it was true, telling *Time* that he tells donors that contributions like those from Crossroads GPS frees up money to be spent on politics.
 - In at least some cases, the money is passed through multiple groups, making the original source even more difficult to track. Just before the election, California’s election agency forced an Arizona 501(c)(4), Americans for Responsible Leadership, to reveal the source of money eventually spent to fight a California ballot initiative. The money came from another 501(c) group, Americans for Job Security, but only after it passed through a third 501(c) group, the Center to Protect Patient Rights. California officials called the case “the largest contribution ever disclosed as campaign money laundering in California history.”
 - Flaunting the law: Some groups just blatantly break the law, and either hope the IRS never pursues them or go out of business before the IRS catches up to them.
 - One pop-up group called the Commission on Hope, Growth and Opportunity spent millions supporting Republicans in the 2010 election, but failed to report any of its spending. After CREW filed complaints with the IRS and the FEC, the group simply went out of business, leaving enforcement agencies with no one to go after.
- Super PACs also use a loophole in election law to keep at least some donors secret until after the election. PACs don’t have to disclose contributions in the last two weeks before an election until December, so several didn’t report many contributions before that last deadline, then suddenly started spending millions on races.

- For example, a mysterious super PAC called Republicans for a Prosperous America spent \$1.7 million against President Obama starting just after the last date for reporting donors. It turns out the group is the super PAC of the Republican Jewish Coalition, which intentionally gave it a misleading name to prevent tipping its hand to observers.

Who are the donors and what do they want?

- Because super PACs must disclose their contributors, we know that most of their donors were very wealthy.
 - 62 percent of contributions to super PACs come from 1 percent of their donors.
 - Sheldon Adelson and his wife were the biggest contributors, donating more than \$53 million to super PACs.
 - It is impossible to know exactly how much Adelson and his family donated to dark money groups, but he reportedly gave \$35 million to Crossroads GPS, donated heavily to the Republican Jewish Coalition, and gave roughly \$800,000 to the New American Energy Opportunity Foundation, which has ties to the oil and gas industry.
 - This represents a power shift to the very wealthy.
- Most large, publicly-traded corporations avoided public super PAC donations, but in October Chevron gave \$2.5 million to the Congressional Leadership Fund, a conservative super PAC with close ties to House Speaker John Boehner.
- We don't know who most of the donors to the 501(c) groups are or what they want, but we do have some information.
 - The largest 501(c)4 groups don't have many donors, but their donations are large: 80-90 percent of donations to the largest 501(c)(4) groups in 2010 were for more than \$1 million, and we expect the same is true for this year.
 - For example, through the end of 2011, Crossroads GPS had received 90 percent of its money from fewer than two dozen big donors.
 - We know about a few donors:
 - The biggest example is Aetna: CREW brought to the public's attention Aetna's accidental disclosure of \$3.3 million to American Action Network and \$4.5 million to the Chamber of Commerce.
- There are both individual and corporate donors, and they have varied interests:
 - Sheldon Adelson: Very interested in Israel, but he also is facing a major FCPA investigation.
 - Health care: The issues for an insurance company like Aetna will most likely involve the details of implementing health care reform.
 - Energy: Some large donors, particularly to the more ideological groups, are individuals and privately owned companies in the traditional energy business.
- One thing we do know is the point of many of these groups is to enable secret donations, and exposure of donors hurts or kills them and makes them less effective.

What does this mean going forward?

- The Republican primaries showed candidates will have to cultivate billionaires as political patrons – people whose support can keep them in the race and help them push back against the super PACs backing rivals.
- Candidates could grow wary of public association with controversial donors such as Adelson, which could lead them to push billionaire backers towards dark money 501(c) groups over super PACs.
- Outside groups will supercharge candidates' existing drive to build a big war chest. Candidates at all levels will have to fundraise even more incessantly than they do now, so they can signal their readiness to fight back against outside money dumps.
- Outside groups have usurped some of the functions of traditional parties, especially on the Republican side, where outside money groups such as Crossroads have overshadowed the RNC. The change is less marked on the Democratic side. Essentially, outside groups comprise a shadow party that threatens to overtake the traditional one. The public is more familiar with Karl Rove than Reince Priebus.
- Traditionally, Democrats have struggled to keep everyone on message. Now, Republicans are having more problems “herding cats” as outside groups who don't feel they owe anything to traditional party institutions are taking more control of campaign issues.
- President Obama's victory has the potential to blunt super PACs' influence on the Democratic Party and their growth on the left. His campaign showcased the advantages of candidate-directed campaign spending.
- Donors who sunk hundreds of millions of dollars into outside groups this election cycle will evaluate their effectiveness, and could retrench.