Overall Spending Inches Up in 2014: Megadonors Equip Outside Groups to Capture a Bigger Share of the Pie

by Communications on October 29, 2014

The 2014 midterms may well mark the election cycle in which the small donor got left behind. Revised projections by the Center for Responsive Politics for the total cost of these congressional races suggest they may be only slightly more expensive than those in 2010, but outside money will have played an outsized role. And the number of identified individual donors will shrink, meaning more money will have come from fewer people.

Taking into account new disclosures made in the last week and adjusting our projection models, CRP now predicts that the 2014 election cycle will cost at least $3.67 billion, or slightly more than the 2010 election, which cost $3.63 billion. That figure takes into account only spending disclosed to the Federal Election Commission and does not include funds spent early in the cycle (more than 30 days before a primary or 60 days before Nov. 4) by outside groups on so-called issue ads that don’t ask the public to vote one way or another, or on certain other activities. There is no reliable accounting of such unreported spending, but CRP estimates it is likely well over $100 million.

Despite the fact that these elections will cost only a bit more than those in 2010, according to CRP projections, a major difference between the two is where the money has come from and how it was spent.

In 2010, when voting occurred just nine months after the Citizens United decision, disclosed outside spending amounted to $309 million — roughly 8.5 percent of the total spent. So far this cycle, with six days before the election and the possibility that runoffs will extend the campaigning, $480 million in outside money has already been spent. Even if outside groups don’t spend another dime, that figure is already more than 66 percent higher in terms of actual dollars. Proportionally, outside groups will account for 13 percent of this cycle’s total spending, CRP projects.

Seen from another angle, CRP’s latest projection shows that the increased spending by outside groups has meant less money spent by candidates and parties — proportionally and in terms of real
In the 2010 cycle, all House candidates spent just over $1 billion, and this cycle they will likely spend $945.9 million, CRP projects. Similarly, Senate candidates spent $779.9 million in 2010, and will spend only $636.2 million in 2014.

An analysis of the number of individual donors also shows that — despite the overall cost of this election inching up — there are fewer people donating to political organizations. In every midterm election cycle leading up to the last one, the number of individual donors of more than $200 to candidates, parties and regular PACs increased, from 275,013 in 1990 to 817,464 in 2010. That cycle may turn out to have been the apex of their strength, measured by numbers. So far this year, there have been only 666,773 individual donors — a number that will certainly increase by Election Day but may well not match the 2010 figure.

The takeaway: Despite only a slight increase in the cost of the election, outside groups, which are overwhelmingly fueled by large donors, are picking up more of the tab, candidates are cutting back on their spending, and there are fewer large (over $200) individual donors contributing overall to candidates and parties. (One caveat: Many Senate filings continue to roll in at this time, since Senate candidates aren’t required to file electronically; this may have a small effect on CRP’s projections.)

“As the post-Citizens United campaign finance system matures, we’re seeing evidence that the traditional campaign apparatus has been overtaken by shadow counterparts,” said Sheila Krumholz, executive director of the Center for Responsive Politics. “These unaccountable actors give lie to the notion that they are independent of the candidates, and the negative nature of their participation will likely further suppress turnout that is already expected to be low.”

Party breakdown

In terms of overall numbers, CRP projects Republicans will hold the advantage when it comes to money spent on this 2014 midterm election. When all is said and done, Team Red (all Republican candidates, parties, committees and conservative outside groups) will spend $1.75 billion on this election. Team Blue (all Democratic candidates, parties, committees and liberal outside groups) will spend a total of $1.64 billion — still a significant amount, but definitively less than the conservative side.

Breaking the partisan numbers down by spending type, there are a handful of areas where Democrats will outspend Republicans, but in most categories, Republicans or conservative groups will dominate.

In the House, Republican candidates are projected to spend $523.9 million, substantially more than the $417.4 million spent by Democratic candidates. That's actually an increase over the GOP's spending in 2010, when its candidates spent $505.4 million. Democrats, on the other hand, have tumbled from 2010, when they spent $501.2 million — comparable to the Republicans' outlays.

On the Senate side, Democratic candidates overall will also be outspent. As a group, CRP projects they will spend $295.5 million (down from $351.2 million in 2010), compared to $335.7 million by Republican candidates. That's a significant decline for both parties, as Republican Senate
candidates spent $408.9 million in 2010. A likely partial explanation for the smaller numbers has to do with the particular states in play in the Senate this election.

The Democratic National Committee will spend $148 million this cycle, CRP projects, a steep decline from the $176.5 million it spent in 2010. It will also be outstripped by the Republican National Committee, which CRP projects will spend $164.9 million. That will be a drop from the $185 million it spent in 2010.

One bright spot for Democrats is the spending by all other party committees, mainly the Democratic Congressional Campaign Committee and Democratic Senatorial Campaign Committee. These Democratic party groups are projected to spend $437.5 million, far more than their counterparts on the other side of the aisle who are projected to spend $349.6 million this cycle. For both sides, this will be an increase from 2010.

Party Breakdown, 2014 (projected)

![Bar chart showing party breakdown](image)

**Candidate spending**

With the election just days away, current Democratic House candidates are, on average, running far behind their Republican opponents, while in the Senate, the situation is reversed.

On the House side, candidates have raised, on average, $987,000 and spent slightly more than $798,000. But the 375 Democratic candidates fall below those numbers, having raised, on average, $952,000 and spent $790,000. The 387 Republican candidates, in contrast, are running far ahead, having raised, on average, $1.2 million and spent $929,000.

On the Senate side, it’s Democrats who lead, both in fundraising and in spending. The 35 current Senate Democratic candidates have brought in an average of $7.1 million — substantially more than
the 39 Republican candidates who have raised $5.6 million, on average. Some of that difference is likely due to the fact that Democrats are defending more seats than Republicans and incumbents have an edge in fundraising.

Democratic Senate candidates have spent, on average, $5.6 million, compared to Republican candidates who have spent an average of $5.1 million.

The incumbent advantage is stark: House members running for re-election have raised an average of $1.5 million — more than twice the $648,547 raised by the average current challenger. In the Senate, incumbents have raised an average of $9.3 million, more than double the $3.2 million raised, on average, by Senate candidates.

Wall Street is top dog again, and more conservative than ever

As in previous cycles, the Securities and Investment industry has dominated the giving in the 2014 elections, in large part due to the large checks that individuals in the industry have written to outside spending groups.

Wall Street as a whole has contributed $171.1 million, more than any other industry or interest group that CRP tracks. Of that total, $100.8 million has gone to candidates and party committees, with an overwhelming 62 percent of it winding up in the hands of Republicans and just 38 percent in the hands of Democrats. The remaining money, more than $70 million, went to outside groups, and $45.8 million of that went to conservative-leaning organizations.

But while securities and investment was the top donor industry for GOP candidates, for Democrats the No. 1 slot was occupied by lawyers and law firms. Overall, that was the third-ranking industry this election cycle, giving $66.4 million to Democrats and $28.4 to Republicans through the third quarter.

One grouping new to the top 10 is Environment — a category that includes a number of fairly small-spending groups like the Natural Resources Defense Council. What made the difference this year were contributions from Tom Steyer, a billionaire who made his money in hedge funds; he has contributed $73.7 million this cycle to outside groups, all focused on the environment or aligned with Democrats.

Outside spending

As of Oct. 29, 429 outside groups (excluding party committees) had spent $497 million. The bulk of it — $305 million — was spent by 200 super PACs, but other groups in this category include politically-active nonprofits and 527 organizations.

That’s a dramatic under-representation of the total spent by outside groups so far this year, since it doesn’t include spending on ads that run within a specified “window” before an election and don’t explicitly ask for a vote for or against a candidate, nor other voter mobilization efforts that could be considered nonpartisan. Conservative estimates suggest that at least another $100 million has been spent on such ads, the majority of which have leaned toward the GOP.

CRP’s outside spending tallies include disclosed spending by groups that fall into one of three categories — those that are completely transparent about their donors, those that disclose some donors but accept some money from opaque sources (such as political nonprofits or shell corporations that cannot be traced), and those that don’t disclose the identities of their donors at all.

CRP projects that all outside groups will spend $689.3 million. Team Red (composed of conservative or Republican-aligned groups) will spend $329 million, besting the (liberal and Democratically-aligned) groups in Team Blue, who are projected to spend $314.6 million.

But the relative parity of the spending by the two sides does not mean they will spend the same way.

Many outside groups are classified as “fully disclosing” by CRP, meaning they identify all of their donors. In theory, all super PACs must disclose their donors, but CRP classifies some of them as “partially disclosing” if they list as donors any groups that don’t reveal their contributors or corporations that are opaque about their ownership. Politically active nonprofits (usually 501(c)(4) or (c)(6) groups under the tax code, which are not required to publicly list their donors), as well as some
super PACs that receive all their funding from secret sources, are categorized by CRP as “nondisclosing”.

With that in mind, there is a clear difference between Team Red and Team Blue in each category.

CRP projects that fully disclosing outside groups will spend a total of $243.3 million. Groups in this category from Team Blue will account for $142 million of the spending — almost twice as much as was spent by all groups in this category in 2010. Team Red groups in the disclosing category will spend $83.9 million.

But Team Blue loses its advantage in other categories.

Total spending by all partially disclosing outside groups has more than quadrupled since 2010, from $25.2 million to $121 million. But in this category of semi-secretive outside groups, there is no equality between the two sides. Team Red will spend 72 percent of the money — $87.4 million — and Team Blue will spend 28 percent — $33.4 million, according to CRP projections.

Among outside groups that do not disclose their donors at all, Team Red will crush Team Blue, spending $111.7 million to $29.7 million, CRP projects.

In short, there is a sharp contrast in terms of the spending on each side in this post-Citizens United system: After being outmatched in 2010, Team Blue’s outside groups caught up, but within that category Team Red has a strong lead when it comes to groups whose donors are hidden.

Top outside groups

Team Blue managed to force its way into the top echelon of big-spending outside groups — but Republican-leaning groups still occupy the majority of the slots at the top of the list of big spenders.

The outside group with the highest outlays this cycle is Senate Majority PAC, a super PAC closely affiliated with Senate Majority Leader Harry Reid (D-Nev.); it has spent $42.6 million. But Senate Majority falls to second on the list when super PAC American Crossroads and politically active nonprofit Crossroads GPS — the tandem of outside groups associated with Karl Rove — are considered together. These two — legally separate organizations, each of which have reported less spending than Senate Majority PAC — work closely; when their efforts are combined, their total spending comes to $46.8 million, giving them the title of top-spending outside organization this cycle. In 2010, this same pair was the top-spending organization, reporting a total of $38.2 million.

House Majority PAC, a super PAC backing House Democratic candidates, is fifth on the list, with $21.5 million; the environmentally-focused NextGen Climate Action super PAC is seventh ($20.3 million) and the League of Conservation Voters super PAC is ninth ($17.8 million).

The remaining six members of the top 10 outside spending groups are conservative (including American Crossroads/Crossroads GPS). The Chamber of Commerce has disclosed spending $33.5 million this cycle and the National Rifle Association has spent $27.2 million, according to reports filed with the FEC.

Freedom Partners Action Fund, a super PAC that emerged from a network of dark money groups connected to the libertarian political financiers David and Charles Koch, received its first donation just four months ago, but rocketed to eighth on the list of top-spending outside groups, with $18.9 million. David and Charles Koch each gave $2 million to the group.

More reliance on outside money

As noted earlier, CRP’s projected total cost of the election has only inched up from previous cycles, but the portion of the bill picked up by outside groups has grown. In some races, while candidates and party committees are spending tremendous amounts, there has been a deluge of outside cash, ostensibly unconnected to the candidates.

The single race that has attracted the most outside spending is easily Democratic Sen. Kay Hagan’s bid for re-election against Republican challenger Thom Tillis in North Carolina. As of Oct. 29, outside groups had reported spending $58.1 million — shattering the record of $52.4 million spent in the 2012
Virginia Senate race. Twelve different Senate races have seen eight-digit spending by outside groups.

Tillis is the No. 1 target of outside groups. They have spent a combined $34.1 million on his election — $11.3 million supporting him and $19.4 against him (including money spent by conservative super PACs during the primary). Among those targeted for attack ads by outside groups, the top two candidates in the Colorado Senate race are close behind. Outside organizations have spent $16.4 million to unseat incumbent Democrat Sen. Mark Udall (and $5 million to boost him). His challenger, Rep. Cory Gardner, has attracted slightly more spending against him — $16.5 million — but also slightly more in his support — $5.9 million.

The mega-outside donor

What are the implications for the average American?

According to CRP data, most Americans do not give money to federal candidates or committees. Donations of $200 and under are not “itemized” in disclosures (meaning candidates or committees don’t say how many of these small donors they have or how much each gives), but just 0.19 percent of the estimated 310 million Americans give more than that $200 amount. And the bulk of campaign cash from individuals is from those who give more than $200 (at least 66 percent of the total this cycle).

Just three-one-hundredths of one percent of Americans wrote a check larger than $2,600 — the maximum one individual can give to a candidate each election — during this cycle.

But those are numbers based on the system of so-called “hard money” donations — money given to candidates or committees, which is strictly limited. Outside groups rarely deal in sums so small. While it’s true that there have been a handful of outside groups that have raised money from small donors, most outside groups rely heavily on large donors. Very large donors.

So, as outside groups have taken on a bigger share of the election tab, it necessarily means small donors — those who cannot write six, seven or even eight-figure checks — will have less say in the election.

To give an idea of the influence these large outside donors wield, consider the donations made by just the top 20 individual donors to outside groups and the top 20 organizations donating to outside groups. This elite list of individual donors have given a combined $168.6 million and the top 20 organization have ponied up a combined $116 million.

All told, these two groups of donors have combined to give $284.7 million — a princely sum that far exceeds the projected spending of the RNC or DNC this cycle.

The number one donor of disclosed outside money is Steyer, followed by former New York City mayor Michael Bloomberg, who has given $20 million to super PACs, of which 98 percent went to liberal or Democratic recipients. But despite those top two donors, conservative donors dominate the top 20 — 15 of them are conservative. The three other liberal donors are: Fred Eychaner ($7.9
The top conservative donor to outside groups is Paul Singer, of hedge fund Elliott Management, who has given $9.3 million. Last cycle’s top donor — both to outside groups and overall — was Sheldon Adelson, owner of the Venetian casino in Las Vegas, who with his physician wife Miriam gave $92 million. This cycle, the Adelsons have given $5 million. Other prominent conservative donors include Linda and Vince McMahon, who have given $2.6 million, and Robert McNair, the owner of the Houston Texans football team who together have given $3 million.

Topping the list of organizations contributing money to outside groups is the National Education Association, which has given a whopping $22.4 million to outside groups. Following the NEA are a slew of other labor unions — the Carpenters & Joiners Union ($11.2 million), the AFL-CIO ($7.6 million) and AFSCME ($6 million). These unions gave almost exclusively to liberal outside groups.

There are, however, a handful of conservative organizations on the list of big organizational donors, including the No. 3 group, the National Association of Realtors, which gave to its own super PAC; it has spent the money in support of Republicans by a two-to-one margin.

An important caveat: These lists of top donors (individuals or organizations) do not include donations made to dark money groups, which in some instances pass money on to super PACs.

The big McCutcheon donor

While very large outside donors will clearly have a new and much larger role in paying for this midterm election, small donors will take on a diminished role in another way.

In April, the Supreme Court tossed out aggregate limits on how much an individual can donate every election cycle when the justices handed down a decision in McCutcheon v. FEC. There had long been limits on how much an individual can give to a campaign, PAC or party organization and those limits have stayed in place, but prior to April the FEC also enforced an overall limit on how much one individual could donate to all of those groups. This cycle it was $123,200.

The decision was seen by some as giving traditional hard-money and national party fundraisers a weapon to fight back against outside groups with their unlimited fundraising and spending abilities. While all of the decision’s consequences are not yet clear, at least one is: the creation of “super joint-fundraising committees”. These super JFCs consist of partnerships between multiple campaigns, PACs and party committees which allows an individual donor to write one very large check and see the donation split among the member groups. Smaller JFCs existed previously, but the size of checks donors could write were curbed by the aggregate limits.

CRP spotted several of these super JFCs in third-quarter filings last week, including one on the Democratic side which consisted of 26 different members (campaigns and party committees) and collected at least one check for $150,000 — the largest check for a non-outside group ever. Republicans have their own super JFC, which consists of 14 committees banded together that collected numerous checks of $130,000 or more.

While these super JFCs are, for now, an exception, they may help explain a changing dynamic in the demographics of donors.

The 2014 cycle is not complete and the most recent data from a sizable number of Senate candidates is still not available for CRP analysis, meaning more individual donors could be identified, but comparing the numbers of individual donors so far this year to the total in the entire 2010 cycle suggests that a general decline in nearly every category may occur.

Already, there are more donors giving more than $95,000 than there were in the entire 2010 cycle.

Comparing the 2014 cycle to the 2010 cycle, this time around there are fewer individual donors by a fairly wide margin in every category except two. In 2010 there were 746 donors of more than $10,000, giving a total of $88 million. Already this cycle, there have been 785, who have contributed a total of $107.2 million. The majority of that money donated so far by these affluent donors — $60.3 million — has gone to Republican recipients, compared to $41.8 to Democratic recipients.
“This latest research again shows further compression of the process,” CRP Senior Fellow Bob Biersack noted. “More and more of the relevant participation is happening among fewer and fewer actors, both people and organizations. In a world where vibrant democracies are a function of real participation by as many people as possible, the system we have now seems to be encouraging the opposite, where more and more impact comes from fewer and fewer players.”

Other

CRP added a new category of spending for analysis this year — PAC overhead. This is money spent by a political committee other than a campaign — whether it’s a political party, a traditional PAC, a leadership PAC or a super PAC — that did not go for outside ads. It might have been used for salaries or fees for advisers or consultants, opposition research, polling or other expenses.

While some PACs tracked by CRP have a reputation for spending their money on nearly everything but the election, some of the money is also spent in a way that is influential in a race, but hard to quantify. A prominent example would be American Bridge 21st Century, a liberal super PAC which can spend money on attack ads, but mainly focuses on conducting opposition research which is then passed to other liberal groups who go on to make attack ads. The organization serves as a type of clearinghouse for information useful to Democratic causes — an outsourcing of a sometimes dirty task to one efficient hub.

In 2010, PAC overhead was $225.8 million, and CRP projects that for 2014 it will be $285.9 million.

Much of the data cited in this report is available on OpenSecrets.org, however a selection of data used here is available in a spreadsheet here.

Note: For several reasons, including the fact that we double-counted some party expenditures, our projection of the cost of the 2014 elections is lower than the number we previously released.

Categories: 501(c) groups Outside Money Politicians & Elections Press Releases Super PACs

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