



New Jersey Election Law Enforcement Commission

Legislative Election 2003: The Rise of Party-Oriented Campaigning

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State of New Jersey

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Acknowledgement

The Commission is very pleased to present the citizens of New Jersey its latest analysis on a topic of importance in the field of public disclosure. ELEC's Deputy Director, Jeffrey M. Brindle, is the author of this study. His expertise in the field of campaign financing is apparent throughout.

Research Associate Steven Kimmelman coded reports used in this study and provided invaluable research, while Systems Administrator Carol Neiman provided necessary data. Thanks also to Data Entry Supervisor Brenda Brickhouse for her coordination of data entry by Data Entry staff. Proofreading was done by Legal Director Nedda Gold Massar. Director of Administration Barbra Fasanella served as the statistical proofreader, while the word processing and charts were expertly done by Administrative Assistant Elbia Zeppetelli. The general editor was Executive Director Frederick M. Herrmann.

Legislative Election 2003: The Rise of Party-Oriented Campaigning is the seventeenth White Paper report in a series dating back to 1988. These studies are based on staff research. It is ELEC's goal to contribute substantive analysis to the ongoing debate on improving the way our State regulates the impact of money on its political process. The Commission is presenting this paper to promote discussion.

For further reading about the role of campaign financing in New Jersey's and the country's political systems, the Commission suggests referring to the "COGEL Campaign Financing and Lobbying Bibliography" compiled by ELEC's executive director and published by the Council on Governmental Ethics Laws (COGEL).

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PREFACE

This report is written as a supplement to two previous white papers that analyzed legislative elections over a period of two decades from the perspective of campaign financing.

Those reports analyzed campaign financial activity of legislative candidates participating in elections occurring between 1977-1987 and 1987-1997. In those reports, trends were identified both in terms of the sources of campaign money and in terms of campaign strategies uncovered by analyzing expenditure activity.

This analysis, which supplements those reports, looks at the financial activity of candidates participating in the legislative general election of 2003. Not only did this most recent campaign record the highest level of financial activity ever but it also marked the culmination of a trend away from a candidate-centered electoral process to one dominated by political party entities.

The purpose of this report is to provide important information about New Jersey's legislative campaigns and also to stimulate debate and discussion about the trend identified in this analysis as well as in previous reports that highlighted the fact that a "repartyization" process was taking place in the Garden State.

Hopefully this report will succeed in accomplishing this goal.

INTRODUCTION

Twice before, in 1989 and again in 1999, comprehensive analytical reviews were undertaken of campaign financial activity in legislative campaigns. The first report covered financial activity spanning 1977 through 1987. The second report included an analysis of this activity from 1987 through 1997, and contained comparisons of data with the decade before.

Ordinarily, the next report on legislative candidate activity would not appear until 2009. But events surrounding the 2003 election involving the Senate and Assembly were so extraordinary that they cry for review now. In the general election of 2003, about \$48 million was contributed to legislative candidates. To say that this amount is a record is an understatement. This figure is a record and more; it eclipses that set in 2001 by 35 percent.

The fact that \$48 million was raised by legislative candidates in New Jersey last year is certainly eye catching. Of even more significance, though, is the fact that the overwhelming majority of receipts came from political party entities and the fact that this development represents the culmination of a steady shift in the electoral landscape that has been occurring over the past decade.

An earlier White Paper entitled Repartyization: The Rebirth of County Organizations stated:

It is the contention of this work that county party organizations, once power brokers, only to become poor relations in the mid 1980s, once again are emerging as strong players on the electoral stage....[R]epartyization is ongoing in New Jersey with the county party organizations a central part of the process.

Introduction

Through an analysis of the sources of contributions to legislative candidates in the 2003 legislative general election, as well as through an analysis of their expenditure activity, this White Paper will show how political parties have come to dominate campaigns for Statewide office in New Jersey. In just a decade, the electoral landscape has changed from one that was candidate-centered, with special interest PACs increasing in influence, to one that is party-oriented, with state and county party entities assuming a powerful role over the direction of political campaigns.

This development can be traced to 1993. It was then that the Legislature amended New Jersey's campaign finance laws. The amendments were based on recommendations made by the Rosenthal Commission, which, three years earlier, was established to study legislative ethics and campaign finance.

As the result of the reforms stemming from the 1993 legislation, limits were imposed on contributions made to non-gubernatorial candidates. To prevent these limits from being circumvented, the new law limited candidates to a candidate committee and/or joint candidates committee. The days of multiple campaign committees, officeholder PACs, and unlimited contributions were past.

A goal of the reforms was to offset the growing influence of special interest PACs and reinvigorate an enfeebled political party system. The law accomplished this by establishing a \$25,000 per year limit on contributions made to political parties compared with a much lower per election limit of \$1,800 on contributions made by individuals, corporations, and unions to candidates.

It accomplished these goals also by statutorily formalizing an evolving statewide party entity termed legislative leadership committees. These committees, each to be run by one of the four legislative leaders, enjoyed a \$25,000 per year limit on contributions received.

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In a final effort to revive the political parties and offset the increasing influence of the special interests, the law allowed these party entities to spend unlimited amounts of money on their candidates but held the PACs to contributing \$5,000 per election to those seeking office.

There was sufficient reason for the Governor and Legislature to undertake this approach. There was widespread concern about the systematic weakening of broad-based political parties at the expense of narrow-interest PACs. To be sure, there was solid evidence supporting this contention.

For example, by 1987, PAC donations rose to 20 percent of total contributions to legislative candidates. This percentage was just under the 22 percent of contributions to legislative candidates made by political parties. At the time the 1993 reforms were enacted, the PACs had surpassed the political parties in terms of the percentage of contributions made to candidates for the Legislature. PAC contributions constituted 15 percent of these contributions compared with nine percent made by political party organizations.

By the early 1990s, New Jersey's electoral system had become candidate-centered with candidates aggressively attempting to raise funds. Political parties were playing a secondary role, with the state's storied history of legendary party leaders and dominant county party organizations a thing of the past.

The deterioration of a strong party system, however, had not taken place overnight. Though reaching its depth in the 1980's and early 1990's, the trend had been years in the making. Factors contributing to the decline in party influence were suburbanization, reapportionment decisions, gubernatorial public financing, the 1981 open primary law, low voter turnout, and the professionalization of political campaigns.

It did not take long to reverse this trend, however. By 2003, the political party entities had become as influential, if not more so, than ever before.

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The process of party renewal actually began in 1989, when the U.S. Supreme Court, in Eu vs. San Francisco Democratic Central Committee, declared California's open primary law unconstitutional. This law had prohibited political parties from participating in primary elections. The decision directly affected New Jersey's electoral process. It was determined by the state superior court that Eu applied to the State's own open primary law, thereby ending a decade of banning political parties from endorsing and funding candidates.

While the Eu decision constituted a very important step on the road to party recovery, the main catalyst for bringing about a shift in the electoral landscape in New Jersey was the enactment of the 1993 reforms.

The trend, as noted above, was first identified in Repartyization: The Rebirth of County Organizations, published in 1997. This particular report traced increases in financial activity by the county political party committees. The data indicated a jump in fundraising by these organizations between 1992 and 1995 from \$5 million to \$10.1 million. Subsequent reports published by ELEC demonstrated the overall intensity in fundraising and electoral participation by the State party entities as well as the county organizations.

For their part the State political party committees and legislative leadership committees experienced an exponential growth in financial activity. In A Resurgent Party System: Repartyization Takes Hold, ELEC White Paper Sixteen, published in 2003, it was shown that between 1997 and 2001, contributions to the two State party committees rose from \$10.7 million to \$24.6 million. In the same way contributions to legislative leadership committees increased from \$6 million to \$10.9 million and to county party organizations from \$12.1 million to \$21.5 million.

An era of party dominance is unquestionably upon us. And the analysis of legislative financial activity during the general election of 2003 contained in this report makes this fact abundantly clear. For example, regarding contributions in amounts over \$400 made to candidates for the Legislature last year, the data indicates that political parties made 25 percent

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of all contributions, legislative leadership committees another 25 percent, and candidates themselves an additional 12 percent. Party entities, therefore, accounted for almost two-thirds of the funds raised by legislative candidates.

The influential role in New Jersey's electoral process now played by political parties is further illustrated by examining the various ranges of contributions made to legislative candidates in the last election. As will be described in detail in the report, the data shows that 93 percent of all contributions fell into the \$5,000 or less category, while contributions over \$20,000 constituted just two percent of total contributions made to the legislative candidates. Contributions in ranges between \$5,000 and \$20,000 accounted for the remaining five percent of legislative contributions.

The report, however, will make clear that statistics can be misleading. It notes that while it is true that contributions over \$20,000 represented just two percent of contributions made, in real dollars they accounted for 48 percent of all funds received. On the other hand, contributions in amounts up to \$5,000, while representing 93 percent of all contributions made, accounted for a lesser percentage of 35 percent of funds received. Because political parties are unlimited in terms of how much monetary support they can give to their candidates, the analysis points to these statistics to bolster its conclusion that the campaign process is now dominated by the political parties.

This seventeenth White Paper will undertake a comprehensive review of campaign financing as it pertains to elections for the Statewide offices of Senate and Assembly. Through an analysis of contribution and expenditure activity in the 2003 general election, it will illustrate how there has been a monumental shift in New Jersey electoral politics from a system that was candidate-centered to one that is now party dominated.

It is hoped that this analysis will lead to a careful review of recent developments occurring within New Jersey's electoral system and perhaps point the way toward meaningful reform for the purposes of building citizen trust and confidence in the processes of politics and government in the Garden State.

I. HISTORICAL OVERVIEW

Between 1987 and 1997, candidates for State Senate and Assembly increased fundraising by 57 percent. At the same time, their spending jumped by 60 percent. In 1987, these candidates raised \$16.2 million for the general election. Ten years later, in 1997, they raised \$25.4 million. Spending rose as well, from \$12.9 million in 1987 to \$20.7 million in 1997.

The percentage increases during this decade were modest compared with the previous ten-year period 1977 through 1987. This period witnessed an intensification of fundraising amounting to 295 percent. Similarly, spending increased by 231 percent over this ten-year span. Candidates, in 1977, raised \$4.1 million and spent \$3.9 million. As noted above, by 1987 those totals had risen to \$16.2 million and \$12.9 million respectively.

Despite campaign contributions exceeding \$25 million in 1997, and expenditures of almost \$21 million, the percentage increase in financial activity during this ten-year period was more modest than that occurring between 1977 and 1987. Furthermore, financial activity during 1987-1997 did not reveal a steady upward trend as had taken place between 1977-1987. Namely, financial activity decreased in the general election of 1993 from that exhibited in 1991. It then climbed again in 1997.

The Legislature passed noteworthy campaign finance reforms in 1993. Upon Governor James J. Florio's signature, the Campaign Act imposed contribution limits on contributions made to non-gubernatorial candidates and political party entities. The limits imposed on contributions made to candidates, however, were considerably more stringent than those imposed on political party entities. Limits on contributions to state and county party committees, as well as on newly

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established legislative leadership committees, stood at \$25,000 per year whereas limits on contributions to candidates equaled \$1,800 per election from individuals, unions, and corporations, and \$5,000 per election from PACs. These reforms gave quite an advantage to the parties. Moreover, these party entities were unrestricted in terms of how much they could spend on their candidates.

In the immediate aftermath of then Governor Florio signing this landmark legislation, the law appeared to have an impact on the overall state of financial activity by candidates. In fact, financial activity by legislative candidates slowed, even declined in 1993. However, as the result of the law, money would begin to flow to party entities; and, as will become evident, in ways that would change the electoral landscape in a manner not foreseen by many upon the enactment of the new law.

While the impact of the reforms may not have been widely recognized at first, as the years wore on, its effects would become increasingly apparent. Political parties would become the dominant players in electoral politics in New Jersey. And ultimately, they would fuel an incredible increase in financial activity by legislative candidates during the 2003 general election.

Fundraising: Partisan Breakdown

Republican candidates for the Legislature went from \$6.8 million to almost \$14 million between 1987 and 1997, a jump of 105 percent. Democratic candidates increased fundraising by 21 percent, from \$9.4 million in 1987 to \$11.4 million in 1997. This pattern reflects the party in power at any given time during the ten-year period. During the nascent stages of this period, the Democrats shared power with the Republicans, even controlling the executive and legislative branches from 1989-1991. Over this period, Democratic legislative candidates surpassed Republicans in fundraising activity. As the decade progressed and Republicans assumed control of the Governorship and Legislature, it was the GOP candidates that garnered the most dollars.

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This trend is not unlike that experienced between 1977 and 1987. Fundraising totals increased substantially during that period; and in a bipartisan manner. From 1977 through 1987, Republican legislative candidates increased fundraising by 237 percent while Democratic candidates realized a 300 percent increase in campaign receipts.

Spending Surprises

Spending by legislative candidates between 1987 and 1997 followed the same path as fundraising. Further, the pattern of expenditure activity was similar to that displayed between 1977 and 1987. Expenditures rose by 60 percent between 1987 and 1997, from \$12.9 million to \$20.7 million respectively. Spending by legislative candidates between 1977 and 1987 increased by 231 percent, from \$3.9 million to \$12.9 million.

Most interestingly, the analysis of spending during these two ten-year periods indicates that money alone was not the determining factor in the outcome of legislative elections. From 1987 through 1997, though Republican candidate spending increased by 87 percent and Democratic candidate spending by 41 percent, in actual dollars the Democrats by far outspent the Republicans. As noted in Trends in Legislative Campaign Financing: 1987-1997, 2nd Volume:

. . . . in 1987 Democratic candidates spent \$7.4 million compared with Republican spending totaling \$5.5 million. Four years later, in 1991, Democrats outspent Republicans by a wide margin, \$10.9 million to \$5.4 million. Over the two-year election cycle leading to the 1993 legislative general election, Republican candidates outspent Democratic candidates, \$8 million to \$7.3 million, but in the next Senate and Assembly election four years later Democrats again outdistanced Republicans in spending, \$10.4 million to \$10.3 million.

The spending patterns in the previous decade, 1977-1987, mirrored, though in the opposite way, that of the ten-year period 1987-1997. Both parties' candidates increased

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spending in each successive election, except that in this earlier decade it was the Republican legislative candidates that edged out their Democratic counterparts in spending.

What is interesting is that in both periods, while money was essential and of growing concern, it was not the only factor contributing to success or failure in elections. As noted in the 1999 report cited above:

In 1987 the two parties divided control over the Legislature, with Republicans controlling the Assembly and Democrats controlling the State Senate. During that general election, Democratic candidates spent more money than Republican candidates. Four years later, in 1991, when Democrats controlled both houses of the Legislature, Democrats again outspent Republicans by a wide margin, this time by a 2 to 1 margin. But in that election, Republicans won a veto-proof majority in both houses of the State Legislature.

This situation was repeated in 1997 and was evident in the earlier decade, when in the elections of 1977 and 1987; the party spending the most money failed to gain a majority in either house.

Though it could be said with certainty that during the twenty-year period 1977 through 1997 that money was necessary, but not sufficient, the same adage may not apply to the most recent elections for the Legislature. In the elections of 2001 and 2003, Democratic candidates for the Legislature overwhelmed their GOP counterparts in terms of money raised and spent. The election of 2001 saw Democrats take control of the Assembly (the first time since the 1989 election) and tie the Republicans for control of the State Senate. Following the next legislative election, the Democrats had gained control of both houses of the Legislature.

Many view the legislative redistricting plan as an important factor in the Democrats success. Just as important, perhaps even more so, was the Democrats' understanding and use of the campaign finance system that derived from the 1993 campaign finance reform law. In the

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ensuing chapters, it will be demonstrated how the Democrats succeeded in capitalizing on a campaign finance system that strengthened political party entities through changes in the campaign finance laws that advantaged parties over individual candidates.

II. LEGISLATIVE RECEIPTS: A RECORD

Trends in Legislative Campaign Financing: 1987-1997, 2nd Volume, stated:

In this modern era, an essential requirement for a successful legislative campaign is the ability to raise money. For the most part, candidates for the State Senate and Assembly have proven to be quite adept at this task.

By the election of 2003, not only were campaigns for the Legislature adept at raising money, but also downright superb. This ability, however, was helped in no small measure by the emergence of political party entities as the dominant force in electoral politics in New Jersey. As will be shown, political party entities, advantaged by the 1993 campaign finance reforms, dwarfed all other contributors in terms of contributions, both direct and in-kind to legislative candidates. While not the focus of this analysis, this fact also points to the enormous ability of the party entities themselves to raise large sums of money.

During the 2003 general election, candidates for the Legislature raised about \$48 million, a new record that surpassed fundraising totals in the election of 2001 by 35 percent. In terms of identifiable contributions, those amounting to more than \$400, over \$34 million was raised. Regarding these contributions, the average donation made to legislative candidates last year was \$2,826, an increase of 16 percent over 2001, when the average contribution reached \$2,441.

This chapter will analyze the fundraising activity of candidates for State Senate and Assembly during the 2003 general election for the New Jersey Legislature. It will do so in

Legislative Receipts: A Record

detail. As the chapter progresses, certain patterns of fundraising will be uncovered in terms of the candidate's party, office sought, and incumbency status. In particular, the data will indicate how political party entities have become the primary force behind political campaigns for the Legislature and how they have shaped a new electoral landscape in the Garden State. Unlike trends uncovered in earlier analysis, the gains in fundraising will prove to be stupendous and linked to a party's success or failure at the polls. The first two reports covering legislative elections between 1977 and 1997 showed money to be an important factor but not always linked to the party's fortunes on Election Day.

Where Did the Money come From?

As mentioned above, candidates for the State Legislature raised a record \$48 million in the general election of 2003. Out of that total, \$34 million is identifiable as deriving from sources making donations in amounts over \$400. Table 1 shows the sources of contributions of over \$400 made to general election candidates for the Legislature.

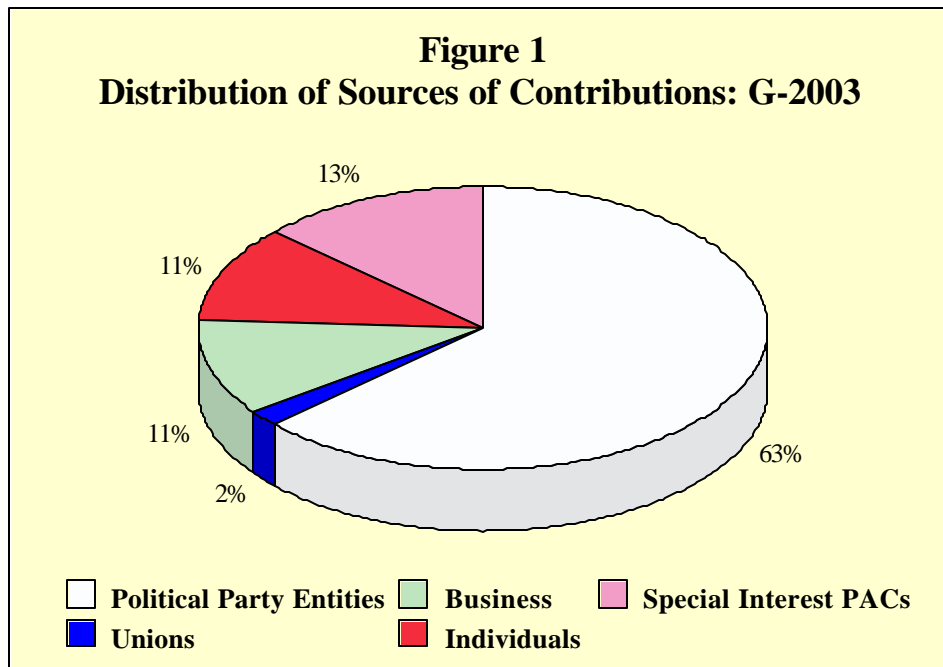
Table 1		
Sources of Contributions: G-2003		
Contributor Type	Amount	Percentage
Individual	\$3,853,736	11%
Bus./Corp.	3,660,996	11%
Union	610,440	2%
Bus./Corp./PACs	486,119	1%
Prof./Trade Asso. PACs	2,275,616	7%
Union PACs	1,442,136	4%
Ideo. PACs	408,101	1%
Political Parties	8,677,420	25%
Legislative Leadership	8,543,068	25%
Political Committees	18,700	-
Candidates	4,085,604	12%
Miscellaneous	7,473	-
TOTAL	\$34,069,409	

Legislative Receipts: A Record

What stands out from the chart above is the amount and percentage of contributions derived from political party entities. For purposes of this report, party entities include political party committees, legislative leadership committees, and candidates. Political party entities, by themselves, reported contributing \$8.7 million, or 25 percent of total candidate funds. Another 25 percent, \$8.5 million, was contributed by legislative leadership committees. While political committees contributed just over \$18,000, candidates themselves contributed to legislative candidates a total \$4.1 million, or 12 percent of all funds. In total, therefore, party entities contributed over \$21 million toward legislative candidates, or about 63 percent of contributions of more than \$400.

Individual contributors, for their part, gave \$3.9 million to legislative candidates, or 11 percent of total. Contributions from corporate and business treasuries amounted to \$3.7 million, also 11 percent of total. Donations derived from union treasuries equaled \$610,440, or two percent of all contributions to 2003 general election legislative candidates. In terms of special interest PACs, business and corporate PACs contributed \$486,119, or one percent of total, while professional and trade association PACs provided \$2.2 million, or seven percent of legislative funds. Finally, union PACs, at \$1.4 million, provided four percent of total funds, and ideological PACs an additional one percent of contributions at \$408,101. Thus, together, special interest PACs contributed \$4.6 million, or close to 13 percent of all contributions over \$400. Contributions placed in the miscellaneous category amounted to just \$7,473.

Figure 1 below shows the distribution of contributions to general election legislative candidates by contributor categories. This chart demonstrates clearly the influence political party entities have acquired vis-à-vis the electoral process in New Jersey.



As noted earlier, the reforms undertaken in 1993 advantaged political party organizations and legislative leadership committees in terms of their ability to raise money and to spend it. These reforms were undertaken to offset the growing influence of special interest PACs and to strengthen what many believed to be an enfeebled party system. As demonstrated in the figure above, the campaign finance law more than accomplished its goals. In so far as it is believed that money is the “mother’s milk of politics,” and that it is the driving force behind elections, the chart clearly demonstrates that party entities have replaced other contributor types, especially the special interests, in the driver’s seat.

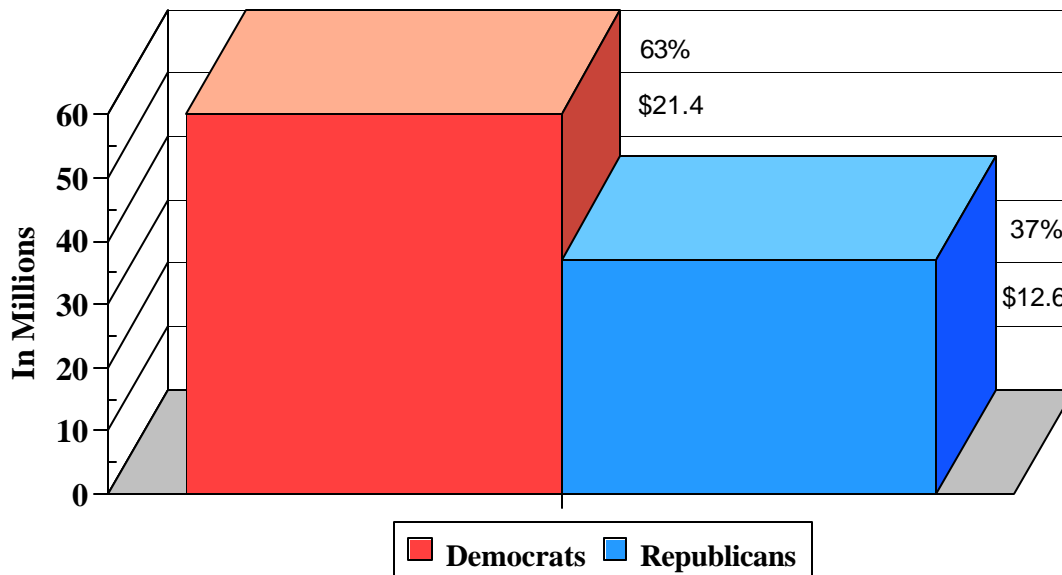
When lumped together, party entities comprised 63 percent of all funds contributed to 2003 general election legislative candidates. Together, special interest PACs contributed just 11 percent of total funds. Individuals again made 11 percent of contributions, unions two percent, and business 11 percent.

In a word, the data demonstrates that political parties have become the dominant force in New Jersey’s electoral process and that the road to success for legislative candidates runs through these entities.

Democratic Candidates Lead

Figure 2 below illustrates the overwhelming superiority of Democratic candidates in the battle to raise funds for the 2003 legislative general election. As shown, of the approximately \$34 million in contributions over \$400, Democratic candidates raised \$21.4 million compared with \$12.6 million raised by the Republican legislative candidates. Democratic candidates, therefore, raised 63 percent of all funds compared with 37 percent of funds raised by GOP candidates. The Democratic party's superiority in fundraising during the 2003 race is due to its ability to draw upon the fundraising prowess of political party entities brought about by the 1993 law that transformed New Jersey's electoral landscape from candidate-centered to party-oriented.

Figure 2
2003 Legislative Receipts by Party: G-2003



The reliance of the Democratic legislative candidates on political party entities to advance their electoral prospects through fundraising can be seen by observing the sources of contributions made to the candidates of both major political parties. The sources of contributions are displayed in Table 2 below.

Legislative Receipts: A Record

Table 2
Sources of Contributions by Party: G-2003

	Democratic Amount	Percentage	Republican Amount	Percentage
Individual	\$2,035,802	10%	\$1,817,933	14%
Bus./Corp.	2,089,766	10%	1,571,229	12%
Union	425,350	2%	185,090	1%
Bus./Corp./PACs	239,030	1%	247,089	2%
Prof./Trade PACs	1,005,058	5%	1,270,557	10%
Union PACs	1,096,931	5%	345,205	3%
Ideological PACs	158,238	1%	249,862	2%
Parties	6,456,511	30%	2,220,908	18%
Legislative Leadership	5,213,049	24%	3,330,018	26%
Political Committees	5,200	-	13,500	-
Candidates	2,710,246	13	1,375,357	11%
Miscellaneous	5,167	-	2,304	-
TOTAL	\$21,440,348		\$12,629,052	

The data above indicates that Democratic candidates for the Legislature received 30 percent of their funds, \$6.5 million, from political parties. An additional 24 percent of funds, \$5.2 million, derived from their two legislative leadership committees. Finally, another \$2.7 million, or 13 percent of funds, came from other Democratic candidates. Thus, a total of \$14.4 million, or 67 percent of Democratic legislative candidate funds arose from party related entities. Individuals added \$2 million, or 10 percent of funding, as did business at \$2 million and 10 percent of funds. Unions contributed two percent of funds, or \$425,350. Regarding special interest PACs, business/corporate PACs were responsible for one percent of Democratic candidate receipts at \$239,030. Professional trade association PACs accounted for \$1 million, or five percent of contributions to Democratic legislative candidates. Union PACs gave \$1.1 million, or five percent of Democratic receipts while ideological PACs accounted for just one percent of funding at \$158,238. All together, special interest PACs were responsible for 12 percent of funding or \$2.5 million.

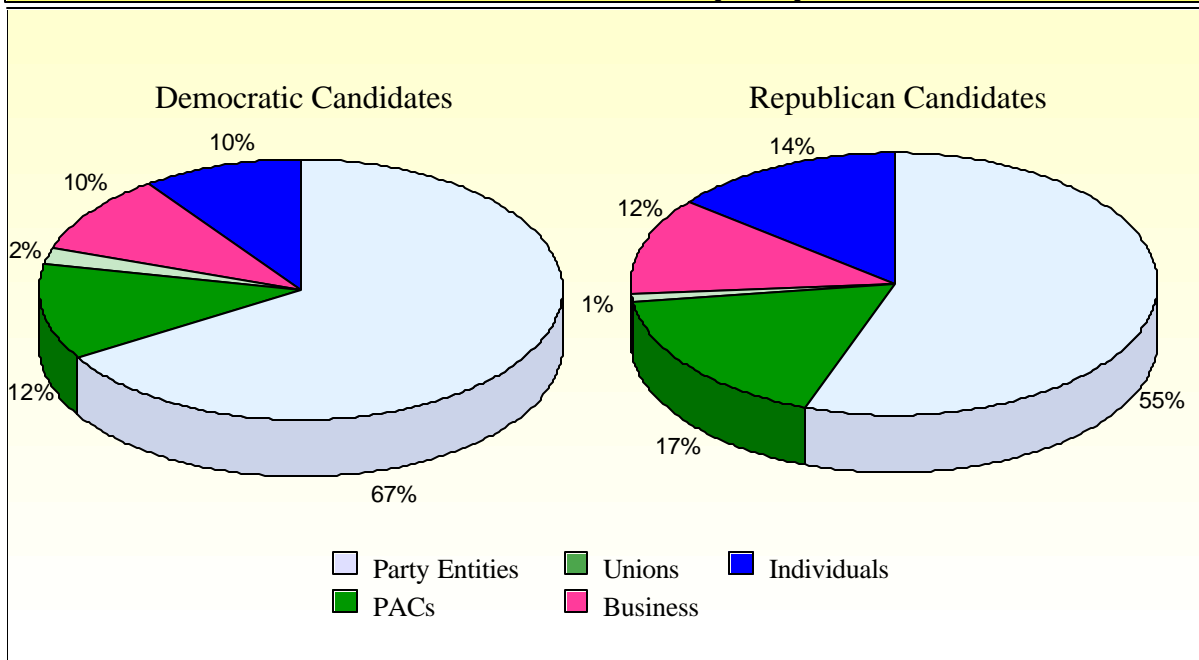
Legislative Receipts: A Record

On the Republican side, the percentages were similar, except for that of contributions from political party organizations. Moreover, it must be noted that overall Republican candidate receipts were significantly less than Democratic candidate receipts. Political party committees contributed \$2.2 million to Republican legislative candidates, or 18 percent of total funds. Contributions from legislative leadership committees amounted to \$3.3 million, or 26 percent of Republican committee funds. Political committees added \$13,500 while candidates contributed \$1.4 million, or 11 percent of Republican legislative candidate funds. In total, Republican legislative candidates received \$6.9 million from party entities, or 55 percent of total funds.

Individuals made \$1.8 million in contributions, or 14 percent of GOP legislative donations. Business contributed \$1.6 million, 12 percent of total, while unions made \$185,090 in contributions, amounting to one percent of GOP receipts. Business and corporate PACs accounted for two percent of funding to Republican candidates, at \$247,089, whereas professional/trade association PACs were responsible for ten percent of funding, at \$1.3 million. Union PACs gave \$345,205, or three percent of GOP funds, while ideological PACs provided \$249,862, or two percent of these funds. Altogether, special interest PACs accounted for \$2.1 million, or 17 percent of Republican legislative candidate funding.

The candidates of both political parties benefited from the greater participation by political party entities brought about by the new law, although in actual dollar amounts received from these entities it is evident that the Democrats are ahead of the Republicans in terms of using the system wrought by the 1993 reforms. Figure 3 below shows the distribution of sources of contributions to both Democratic and Republican legislative candidates when party entities are lumped together as well as when special interest PACs are combined. In viewing this chart, the dominance of political parties becomes clear. They are an increasingly important player in both Democratic and Republican campaigns with Democrats definitely leading the charge in recent elections.

Figure 3
Distribution of Contributions by Party: G-2003



Candidates for State Senate Raise Most Money

As in the past, candidates for State Senate raised the majority of funds contributed during the 2003 legislative elections. Though candidates for the Senate were mainly responsible for over \$14 million donated to joint candidates committees, those numbers are excluded from the data on contributions pursuant to office.

Nevertheless, candidates for State Senate raised 121 percent more money than did candidates for Assembly. Excluding joint candidate committee numbers, Senate candidates raised \$13.7 million compared with \$6.2 million raised by Assembly candidates.

To reiterate what was said in Trends In Legislative Campaign Financing: 1987-1997, 2nd Volume:

Legislative Receipts: A Record

The campaigns of Senate candidates for example, receive more attention from the public, the media, and, of course, contributors, simply because they are candidates for the “upper house” of the State Legislature. The mere fact that Senate candidates are vying for 40 seats as opposed to 80 in the Assembly creates the impression that they are more individually influential than their Assembly counterparts. Moreover, Senators exercise advice and consent over gubernatorial appointments. In politics, money more readily flows to the more powerful and influential.

While much has changed vis-à-vis New Jersey’s electoral landscape, the thoughts expressed in the previous paragraph remain true.

Incumbents Outraise Challengers

Another aspect of legislative campaigns in New Jersey that has not changed is the fact that incumbents outraised challengers.

Totaling \$20.3 million in receipts, incumbents running for reelection for the Legislature in 2003 accounted for 60 percent of funds raised. Challengers, on the other hand, raised \$13.7 million, or 40 percent of funds. These percentages, though in a very small way higher for challengers than in past elections, correlate positively with past statistics. The previous high for challengers was 39 percent of funds recorded in the Senate and Assembly election of 1997.

The advantages to incumbents have been well documented, both in previous White Papers published by the Commission, as well as in studies done by noted political scientists. These advantages include: the provision of constituent services; attendance at community events; free media; and, relationships with opinion makers, influential community leaders, and business and union leaders. All add up to an incumbent ability to raise money for communicating their message and heightening their name recognition, which in most instances is already greater than that of challengers.

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Contribution Ranges

Table 3 depicts the number and proportion of contributions falling in certain ranges in the 2003 general election for the Legislature. It also shows the dollar amount in contributions represented by each category as well as the proportion of overall funds represented by that dollar amount. It further shows the average contribution in each category.

Table 3					
Contribution Ranges: G- 2003					
	Number	Percentage	Amount	Percentage	Average
0-5,000	11,245	93%	\$11,848,668	35%	\$1,053
5,001-10,000	482	4%	\$3,502,690	10%	\$7,266
10,001-15,000	100	1%	\$1,299,766	4%	\$12,997
15,001-20,000	53	--	\$988,261	3%	\$18,646
20,001	216	2%	\$16,430,019	48%	\$76,064
	12,096		\$34,069,404		

The table above indicates that 93 percent of contributions made to legislative candidates in the general election of 2003 fell within the up to \$5,000 range. Four percent fell within the category \$5,001-\$10,000 while just one percent fell between \$10,001-\$15,000. Less than one percent of contributions made were within the category \$15,001-\$20,000. Finally, only two percent of all contributions made were of amounts over \$20,000.

Interestingly, or better yet, as might be expected given the new electoral landscape dominated by political party entities, there is an inverse relationship between the number of contributions made in each category and the dollar amount represented by each range.

Legislative Receipts: A Record

For instance, though only two percent of all contributions made fell within the over \$20,000 category, this category was responsible for \$16.4 million in contributions, or 48 percent of all funds. In contrast, 93 percent of contributions made were \$5,000 or less, though \$11.9 million, or 35 percent of all dollars raised derived from this category. The data supports the conclusion advanced throughout that political party entities dominated the 2003 legislative elections. All told, \$22.2 million dollars derived from contribution ranges of over \$5,000, or 65 percent of all funds raised. To be sure, a certain number of contributions within the \$5,001-\$10,000 range derived from special interest PACs, but for the most part contributions over \$5,000 came from political party entities. These entities have no limit on how much they can contribute to or spend on candidates.

The fundraising activity analyzed in this chapter demonstrates the influence that political parties have come to exert over New Jersey's electoral process, in this case the 2003 legislative elections. Perhaps more than anyone could have imagined, in 1993, the reform law enacted in that year transformed elections from ones that had become candidate-centered to ones that have become party-centered.

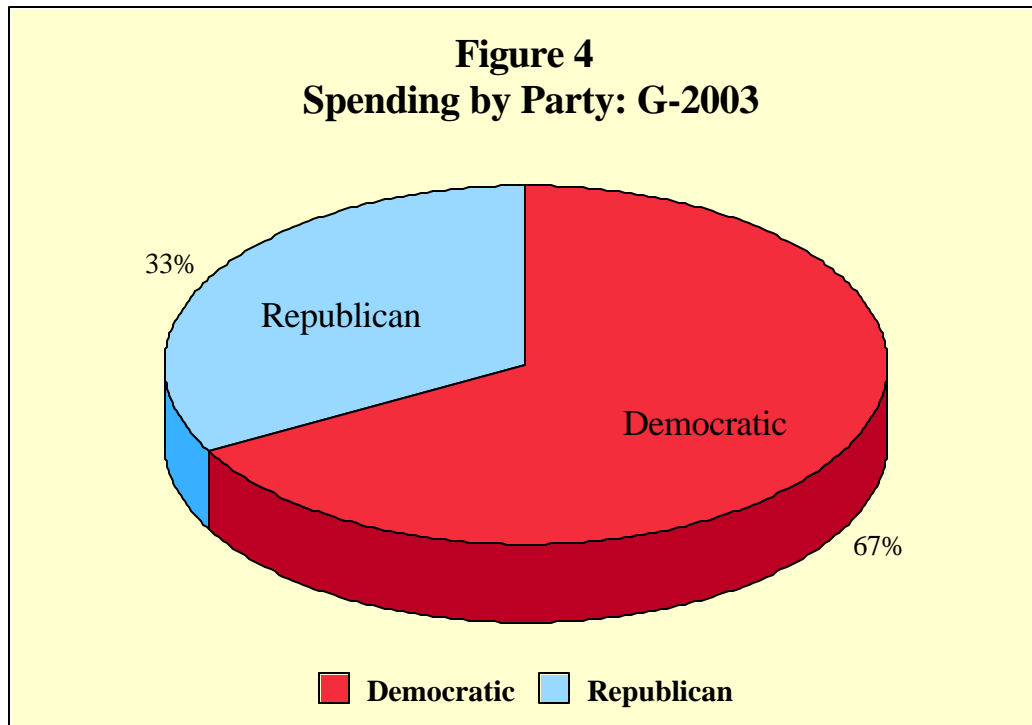
III. HOW THEY SPEND THEIR MONEY

Overall, \$36.4 million was spent by legislative candidates in the 2003 general election. This amount represents a record in direct spending by legislative candidates and continues a trend highlighted in previous reports involving the same subject.

As part of this study, a painstaking effort was undertaken to categorize expenditures made by all candidates filing detailed reports with the Commission. In doing so, this glimpse of how money was spent by 2003 legislative candidates is perhaps the most complete study of strategies in campaigning by New Jersey's Statewide candidates ever undertaken. In depicting how candidates decided to spend their money, the analysis will provide a better understanding of whether or not strategies have changed or remained the same as political party entities grew more influential.

As would be expected, given the differential in fundraising between Democratic and Republican candidates, Democratic legislative hopefuls outspent their Republican counterparts by a wide margin in 2003. Democrats spent \$24.2 million compared with \$12.1 million spent by GOP candidates. Thus, Democratic candidates spent 100 percent more than did Republican candidates in the general election of 2003. Figure 4 compares Democratic candidate spending with Republican spending in the recent legislative campaign. The chart highlights the widening gap between Democratic financial activity in 2003 and Republican financial activity; an immeasurable advantage accrues to the Democrats in campaigning due to their tapping of the financial resources flowing to political party entities.

How They Spend Their Money



How Campaign Funds were Spent

In Table 4 below, the uses by which campaign funds were used are displayed. As shown, half of their available funding was directed toward mass communication. Almost \$18 million was spent on radio and television advertising (primarily cable), direct mail, newspaper, or billboard advertising.

Election day get-out-the-vote efforts, most of which were assumed by local political parties, consumed \$553,899, or two percent of overall spending. Dollars spent on fundraising itself accounted for \$767,468, or another two percent of total.

Consultants were used quite extensively. They absorbed nine percent of total funds at \$3.2 million. Donations to charity constituted \$433,778, or one percent of funds. Interestingly, as corroborated by the data on legislative receipts, candidates for the Legislature made \$7.4

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million in contributions to other candidates, directing 20 percent of their funds toward this purpose. Refunds for excessive contributions, etc. constituted two percent of legislative expenditures, at \$637,288, while administration, including salaries, equipment, etc., accounted for \$2.8 million, or eight percent of spending. The cost of entertaining constituents, attending fundraisers, etc. amounted to \$586,360, two percent of expenditure activity, while spending for polls reached \$747,976, at two percent of expenditures. Finally, candidates for the Legislature transferred \$1.2 million to accounts set up for future elections. This activity accounted for three percent of spending.

Table 4		
2003 Legislative Expenditures: G-2003		
	Amount	Percentage
Mass Communication	\$17,960,657	50%
Election Day	553,899	2%
Fundraising	767,468	2%
Consultants	3,181,308	9%
Charity	433,778	1%
Contributions	7,392,713	20%
Refunds	637,288	2%
Administration	2,805,493	8%
Entertainment	586,360	2%
Polls	747,976	2%
Transfers	1,175,233	3%
TOTAL	\$36,242,173	

Trends in spending that were identified in the 1999 publication, Trends in Legislative Campaign Financing: 1987-1997, 2nd Volume were similar, except that spending on mass communication increased from 36 percent of total expenditures back in 1997 to 50 percent in 2003. Legislative candidates continued to spend more on consultants as well, expending over

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nine percent of funds for this purpose. In other words, strategies employed by legislative candidates in 2003 in terms of how they used their money remained largely the same as in years past. The difference in 2003 involved the amount of money spent in this behalf.

Breakdown of Spending by Party

The table below contains a breakdown of expenditures made by Democratic and Republican candidates for the Legislature in the general election of 2003.

Table 5				
Expenditures by Party: G-2003				
	Democratic Amount	Percentage	Republican Amount	Percentage
Mass Communication	\$12,069,176	50%	\$5,891,477	49%
Election Day	401,815	1%	152,083	1%
Fundraising	345,379	1%	422,089	3%
Consultants	2,592,197	11%	589,110	5%
Charity	182,568	1%	251,209	2%
Contributions	4,224,240	17%	3,168,473	26%
Refunds	478,363	2%	158,924	1%
Administration	1,953,487	8%	852,005	7%
Entertainment	330,343	1%	256,017	2%
Polls	577,835	2%	170,141	1%
Transfers	1,011,981	4%	163,251	1%
TOTAL	\$24,167,384		\$12,074,779	

Differences in the percentage of funds spent in each expenditure category did occur between the parties. For example, Democratic candidates did spend a higher percentage of total funds on consultants than did Republican candidates. Spending \$2.6 million on consultants, Democrats used 11 percent of their funds for this purpose. Republican candidates, expending \$589,110 on consultants, committed five percent of their total contributions for this purpose.

How They Spend Their Money

Republicans, though spending less in actual dollars than Democrats, at \$3.2 million, did use 26 percent of their funds in the cause of contributing to other candidates. Democratic candidates gave \$4.2 million to fellow candidates, or 17 percent of their funds. The only other difference of any significance occurred in the area of transfers to future campaigns. Democratic candidates transferred \$1 million into accounts they will use in the future, or four percent of receipts. Republican legislative hopefuls were able to carry over only \$163,251, or one percent of funding for future efforts.

As much as there were differences in the proportion of money spent on certain categories, there were similarities as well, and important ones. In the area of mass communication, Democratic candidates spent \$12.1 million, or 50 percent of their money for that purpose. Mass communication accounted for 49 percent of Republican expenditures, or \$5.9 million. One percent of Democratic expenditures, \$345,379, was spent on fundraising compared with three percent, or \$422,089, spent for that purpose by Republicans. The relatively small amounts spent for fundraising can be explained by the fact that such a large percentage of receipts for both parties' candidates derived from political parties that raised substantial funds for them.

Administrative costs accounted for eight percent, \$2 million, for Democratic candidates whereas Republican candidates committed seven percent of funds for this purpose, or \$852,005. Democratic candidates spent \$577,835 on polls, or two percent of their receipts, while Republican candidates spent one percent, or \$170,141, for surveys. Entertainment accounted for one percent, \$330,343, of Democratic expenditures and two percent, or \$256,017, of Republican ones. Democrats gave \$182,568, one percent, to charity while Republicans gave \$251,209, or two percent, toward charitable purposes. Finally, Democratic candidates committed \$401,815, one percent of expenditures, for election day activities while their Republican counterparts spent \$152,083, or one percent of their total spending for this purpose. As noted above, county and municipal political parties assumed most of the get-out-the-vote expenses, leaving candidates free to use their money in other areas.

How They Spend Their Money

In Legislative Candidates: How They Spend Their Money, published in 1994, it was written:

There is no doubt that legislative campaigns are becoming more sophisticated and candidate-centered . . . the findings of this paper suggest legislative campaign strategies . . . to be a blend of the new and the old, and centering around the local characters of the contest. Mass communication techniques are utilized for these more candidate-centered efforts, but with emphasis on advertising efforts that fit the essentially local nature of the campaigns. At the same time, more traditional models of campaigning have not been abandoned. The candidates do, through the party and through direct campaigning, try to meet as many people as possible.

While this statement correctly described the situation in 1994, it does not in entirety depict the situation today. Certainly, these campaigns have become more and more sophisticated. Certainly, advertising is directed at issues of concern to the candidate's district. Certainly, candidates still meet and greet as many people as possible. And certainly, campaigns center around the candidate running. But what is different from 1994 is the obvious involvement and influence of political party entities. When 63 percent of the money available to candidates derives from political party entities, it can no longer be said that the electoral process is candidate-centered. Rather, the advanced sophistication of campaigns, i.e., use of consultants, commitment to mass communications and polling, etc. is both bankrolled and supported by political party entities and operatives. Moreover, the limited use of campaign money to get-out-the-vote on election day points to the influence of political parties vis-à-vis the ground war as well. Thus, for both air war and ground war purposes, political party entities have become indispensable, reinforcing the belief that New Jersey's electoral system has shifted to a party-oriented one.

Mass Communication

Unfortunately a very large amount of expenditures on mass communication were not identified properly by candidates. Out of a total \$18 million in mass communication expenditures, \$8.4 million is unable to be identified. However, from the data involving those expenditures that were identifiable it can be safely assumed that the bulk of these unidentified mass communication expenditures went toward direct mail, cable television advertising, and to a lesser extent radio advertising.

As in past reports, mass communication expenditures are divided into two categories: broadcast advertising; comprised of television (mainly cable) and radio, and print advertising; comprised of direct mail, newspaper advertising, and billboard advertising. In the general election of 2003 legislative candidates clearly identified \$4.4 million as going toward broadcast advertising. This figure amounted to 25 percent of total expenditures made for mass communication. Print advertising on the other hand, constituted \$5.2 million of mass communication expenditures, or 30 percent. Those unidentified mass communication expenditures made up 47 percent of the spending in the mass communication category.

Of the identifiable expenditures made for communicating with voters, direct mail was the method most used. Almost \$4.1 million was spent on direct mail advertising, or 23 percent of mass communication expenditures. With campaigns for the Legislature being local in nature, this mode of communication, which can be targeted toward local issues, makes sense. Moreover, it continues a trend identified in the 1999 report.

Another trend identified earlier was the increasing use of cable television advertising by legislative candidates. This means of communicating with voters can also target local concerns. Approximately \$3.7 million was expended on cable television advertising, or 21 percent of total.

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Advertising on radio constituted \$671,060 in mass communication spending, or four percent of total, while newspaper advertising at \$648,988 and billboard advertising at \$491,143, made up four percent and three percent of mass communication spending respectively.

Certainly of concern is the amount of mass communication expenditures that were unable to be clearly identified as to type. Currently, there is a bill in the Legislature that calls for training of legislative candidate treasurers. One of the aspects of this training will surely be related to this issue of clearly identifying expenditures. Having said that, however, anecdotal experience, as well as commonsense, suggests the fact that most of these expenditures went toward direct mail, cable television or radio advertising. Table 6 shows how money was spent within the mass communication category.

Table 6			
Mass Communication Spending: G-2003			
		Amount	Percentage
Broadcast	Television	\$3,708,099	21%
	Radio	671,060	4%
	SUBTOTAL	4,379,159	
Print	Direct Mail	4,055,654	23%
	Newspaper	648,988	4%
	Billboard	491,143	3%
	SUBTOTAL	5,195,785	
Unidentifiable		8,374,713	47%
<u>TOTAL</u>		<u>\$17,949,657</u>	

How They Spend Their Money

Mass Communication Spending by Party

Democratic candidates for the Legislature spent almost \$12.1 million on mass communication. Much of this spending, however, was not clearly identifiable. Out of the \$12.1 million spent by Democratic candidates \$6.5 million, 54 percent, could not confidently be placed in any one category. About \$1.9 million, or 32 percent of the \$6 million the GOP spent on mass communication was unidentifiable. Again, it makes sense to suggest that with both parties' candidates most of the unidentifiable expenditures can be safely placed in the categories television, radio, or direct mail.

Regarding the identifiable categories, Democratic candidates spent \$2 million, or 16 percent of mass communication expenditures on cable television advertising. These candidates spent an additional \$470,258 on radio commercials, or four percent of total mass communication spending. Thus, total identifiable Democratic expenditures directed toward broadcast advertising equaled \$2.4 million, or 20 percent of their mass communication spending.

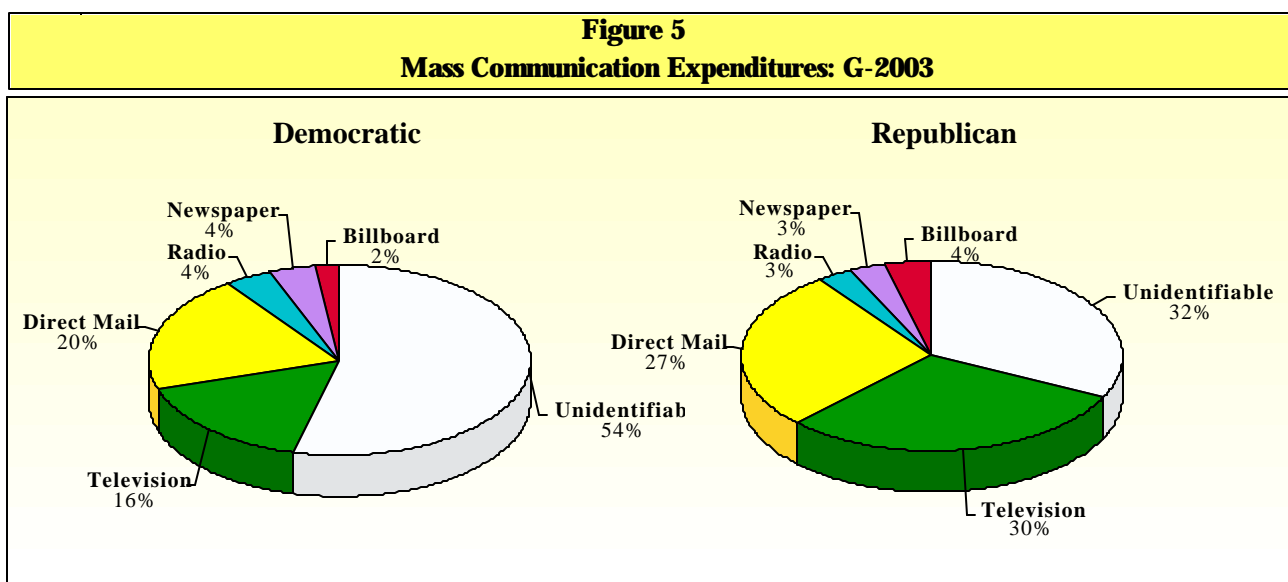
The proportion of identifiable mass communication expenditures spent by GOP candidates on broadcast advertising was somewhat higher. Approximately \$2 million was spent by Republican candidates on broadcast media, or 33 percent of total mass communication expenditures. Within the broadcast category, cable television absorbed the most advertising dollars. The GOP candidates spent \$1.8 million on cable television, or 30 percent of mass communication spending. Radio advertising accounted for \$200,801, or three percent of total.

Democratic legislative candidates spent \$2.4 million of identifiable mass communication expenditures on direct mail, or 20 percent of total media dollars. They spent \$484,974, or four percent of mass communication dollars, on newspaper advertising and \$282,912, or two percent, on billboard advertising. Altogether, Democratic legislative candidates directed \$3.2 million, or 26 percent of mass communication spending toward print advertising.

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Republican legislative candidates committed \$2 million, or 33 percent of identifiable mass communication spending toward print advertising. Thus, among Republican candidates there was an even split between broadcast and print advertising. Within the print advertising, category, direct mail was the medium of choice. A total of \$1.6 million, or 27 percent of mass communication spending went toward direct mail. Republicans put \$164,013 toward newspaper advertising, three percent, and \$208,230, or almost four percent, toward advertising on billboards.

Figure 5 below shows the distribution of mass communication spending between Democratic and Republican candidates for the Legislature.



Target Districts

In legislative elections, party leaders select certain districts that they consider to be swing, competitive districts. In the minds of the leaders, these districts involve races that could result in a net pickup or loss of important seats. To be successful in these districts, particularly when the Legislature is closely divided between Democrats and Republicans, could spell the

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difference between control, or loss of control, of the Legislature. Winnable districts, in the eyes of most observers of the 2003 legislative election, included districts three, four, twelve, fourteen, thirty-six, and thirty-eight. In all of these districts, except fourteen, Democrats picked up seats, thus wresting total control from the Republicans.

Candidates in these districts spent \$23.2 million on their campaigns. This amount represents 64 percent of total spending. Thus, in just six of the 40 legislative districts, almost two-thirds of the money was spent. Moreover, within these districts, the average amount spent was \$3.9 million. The most amount of money was expended in district four, over \$6 million, while the least amount was spent in district 14, at \$3.2 million.

The data compiled with regard to the six targeted districts points to the importance of money in the 2003 general election for the Legislature, particularly when it involves challengers defeating incumbents. Further, it reinforces the very influential role that political party entities played (in that they financed almost two-thirds of funding) in not only the outcome of the election, but in which party was to control the Legislature.

END GAME

The legislative election in New Jersey in 2003 set all kinds of financial records. It also marked the culmination of a trend begun in the 1990's which has altered the electoral landscape from being one that was candidate-centered to one that is party-oriented.

Candidates for the Legislature raised an astonishing \$48 million to fuel their campaigns. Unlike the decade before, however, the majority of this money derived from political party entities, not individuals, corporations, unions, or special interest PACs. Money that derived from these sources came in lesser percentages or were filtered through the party entities, which are broad-coalitions of people rather than narrow interests.

During the general election of 2003, party entities, including state, county, and municipal party committees, as well as legislative leadership committees, made 63 percent of contributions to legislative candidates. Thus, almost two-thirds of the money raised for this campaign by legislative candidates came from their respective political party entities. Compare this proportion of receipts to the thirteen percent of contributions made by special interest PACs, the eleven percent of contributions made by individuals and business respectively, and the two percent of donations made by unions; and the shift to an electoral process dominated by the political party entities becomes apparent.

The movement toward a party-oriented electoral system was ushered in by the 1989 U.S. Supreme Court decision in EU vs. San Francisco Democratic Central Committee followed by the

End Game

1993 campaign finance reform law in New Jersey. This reform truly paved the way toward political party dominance in giving the advantage to political party entities in terms of fundraising as well as an unfettered ability to contribute as much money as desired to candidates and other party entities.

Gaining the most from these changes was the Democratic Party. As shown in previous publications dealing strictly with the repartyization process in New Jersey as well as in this analysis supplementing previous reports on legislative campaigning, it has been the Democratic entities and candidates that have benefited most from the changes in the statute that advantaged the parties.

In this election, for instance, Democratic candidates received 67 percent of their funds from party entities. Republican candidates, on the other hand, received 55 percent of their contributions from political party sources. Moreover, in actual dollars, Democratic candidates, who enjoyed an overwhelming advantage in total fundraising, \$21.4 million to \$12.6 million, received \$14.4 million from party sources. Republican candidates, conversely, received \$6.9 million from their party sources. Thus, both parties received a significant proportion of their money from party entities, with the Democrats receiving more.

The general election of 2003 set some new standards in spending as well. Altogether, legislative candidates spent \$36.2 million on last year's campaign. Democratic candidates, spending \$24.2 million, accounted for 67 percent of those expenditures. Republican candidates spent \$12.1 million, or 33 percent of expenditures.

There were six targeted districts in last year's race. Sixty-four percent of spending occurred in these districts. Candidates running in districts three, four, twelve, fourteen, thirty-six, and thirty-eight spent \$23.2 million. In all but one of those districts Democrats, with the advantage financially, picked up seats, with the result of a gain in their majority in the Assembly and the assumption of control in the State Senate. Thus, when observing the fact that Democrats had the overwhelming advantage in fundraising, that these candidates derived 67 percent of their

End Game

money from party entities, and that money was such a critical factor in the election, particularly in targeted districts, the undeniable impression is left that the electoral process is one in which the ground has totally shifted from a candidate-centered process to a party-oriented, dominated one.

This report supplements two previous reports that analyzed legislative elections over a 20-year period, first 1977-1987 and then 1987-1997. Precedent would hold that the next report on legislative campaign financing would come at the end of this decade, covering 1997-2007 elections for the Legislature. But this past election was so remarkable for its financial activity, as well as for marking the culmination of a shift from a candidate-centered system to a party-oriented system, that it begged analysis. It is hoped that this supplemental report will spur debate and discussion, as well as ideas, if any, to improve the system.

PREVIOUS WHITE PAPERS

- Number One:** Contribution Limits and Prohibited Contributions (1988)
- Number Two:** Trends in Legislative Campaign Financing: 1977-1987 (1989)
- Number Three:** Legislative Public Financing (1989)
- Number Four:** Ideas for an Alternate Funding Source (1989)
- Number Five:** Lobbying Reform (1990)
- Number Six:** Autonomy and Jurisdiction (1991)
- Number Seven:** Is There a PAC Plague in New Jersey? (1991)
- Number Eight:** Technology in The Future: Strengthening Disclosure (1992)
- Number Nine:** Legislative Candidates: How They Spend their Money (1994)
- Number Ten:** Nonconnected, Ideological PACs in the Garden State (1995)
- Number Eleven:** State Parties And Legislative Leadership Committees: An Analysis 1994-1995 (1996)
- Number Twelve:** Repartyization: The Rebirth of County Organizations (1997)
- Number Thirteen:** Trends in Legislative Campaign Financing: 1987-1997 2nd Volume (1999)
- Number Fourteen:** Local Campaign Financing (2000)
- Number Fifteen:** School Board Campaign Financing (2002)
- Number Sixteen:** A Resurgent Party System: Repartyization Takes Hold
-