

# Nationalized Financing in the 2018 & 2020 Congressional Elections

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All 10 of the most expensive Senate races in U.S. history and all 10 of the most expensive House races in U.S. history were in 2018 and 2020 (Gratzinger 2020; Miller 2020). One race among them was especially unusual. In Kentucky in 2020 Amy McGrath took on Republican Senate Majority Leader Mitch McConnell. McGrath had never held elective office before and her previous campaign experience was a single losing campaign for a U.S. House seat in 2018. McGrath never led in any pre-election polls and her campaign was considered a longshot by most observers. The independent expenditure arm of the Democratic Senatorial Campaign Committee, the principal party organization for supporting Democratic Senate candidates, spent nothing on the race. But McGrath's campaign against McConnell took in \$96 million in receipts.

Democratic Senator Brian Schatz of Hawaii tweeted that Democrats should donate to an independent group run by party veterans: “Don’t pick your favorite candidate or the one you’ve heard of. Give here. I repeat, this money goes directly to the most competitive races, not just the most famous candidates” (Garrison 2020).

The last two election cycles have seen an accelerated increase in campaign spending fueled both by a larger scale of individual donations and independent expenditure activity. But some of the money donated to candidates headed to different races than where independent groups chose to spend. This latest surge in campaign money is distorting campaigns in a new way, where ideologically motivated donors have made more “negative” contributions to challengers of incumbents the donors dislike.

This paper explores three questions about this enlarged campaign finance landscape: first, to what degree is the spending in House and Senate contests nationalized – that is, drawing from national donors or national spenders; second, do the more fluid and pragmatic independent expenditure organizations tailor their spending to account for the rising and potentially distorting influence of national ideological donors; and third, within independent expenditure groups, do groups affiliated with the parties distribute their spending more efficiently compared to non-party groups with respect to the competitiveness of races?

## Expensive and Nationalized Campaigns

Total spending in congressional campaigns (Figure 1) has increased dramatically in the past two election cycles. Even after adjusting for inflation, increases in congressional campaign spending in the 2018 and 2020 cycles have dwarfed the rise in spending first attributed to the effects of the **Citizens United** and **Speechnow.org** decisions in 2010. In inflation-adjusted dollars congressional campaign spending in 2018 jumped by 40% compared to the previous midterm cycle. Total spending in congressional races in 2020 nearly doubled

**Figure 1: Total Expenditures in Congressional Campaigns, 1998-2020** Source: Center for Responsive Politics (opensecrets.org) accessed June 21, 2021. Yearly totals represent all spending in U.S. House and U.S. Senate campaigns by candidate committees excluding candidate-to-candidate transfers, all spending by party committees and other 527 committees, and all other independent expenditures reported to the FEC. Figures expressed in 2020 constant dollars.

(up 95%) compared to the previous presidential cycle in 2016. By contrast, the previous change in midterm spending (2010 to 2014) was slightly negative by 3% and the previous change in congressional campaign spending in a presidential cycle (2012 to 2016) was a modest increase of 8%.

These expenditures in congressional elections are made by a wide array of increasingly national actors. The main actors in campaign spending are still candidate committees. Candidates are narrowly focused on their own (re)election and typically spend every dollar they take in on their own race unless victory is almost certain (Jacobson 1985-86). Safe incumbent candidates will serve a broader interest by transferring funds out to party candidates in greater peril, but these transfers are usually done only by the safest senior incumbents (Heberlig and Larson 2005). While candidates are almost entirely focused on

their own local race, their funding is often national in scope. House and Senate incumbents receive the majority of their individual itemized donations from outside of their districts and states, often more than three-fourths coming from outside of their constituencies (Canes-Wrone and Miller n.d.; Crespin and Edwards 2016; Gimpel, Lee, and Pearson-Merkowitz 2008).

The most venerable actors besides candidate committees in campaign spending are the **formal party groups** through the national “Hill Committees” for each major party: the Democratic Congressional Campaign Committee (DCCC), National Republican Congressional Committee (NRCC), Democratic Senatorial Campaign Committee (DSCC), and National Republican Senatorial Committee (NRSC). Hill Committees have two separate components - a coordinated campaign component that gives strategic advice and limited coordinated expenditures with candidates and an independent expenditure component that produces and airs political messages in races. To remain compliant with FEC rules the independent expenditure arm of the Hill Committee cannot communicate with candidates, nor with the coordinated campaign. The independent expenditure arms of Hill Committees are responsible for far more direct spending than the coordinated campaigns.

The parties have additional, substantial independent spending vehicles for campaign efforts beyond the Hill Committees. **Informal party groups** are super PACs closely aligned with House and Senate leaders created in the immediate wake of the **Speechnow.org** decision. These groups, Senate Leadership Fund and Congressional Leadership Fund on the Republican side and Senate Majority PAC, House Majority PAC, and Priorities USA Action on the Democratic side are important tools for the party since their ostensible independent status allows them to accept unlimited contributions.<sup>1</sup>

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<sup>1</sup>Priorities USA Action was founded by Obama White House aides to support his reelection in 2012, and continued to support the Democratic presidential candidate in 2016 and 2020. The group is still mostly a presidential campaign group but it spent a small portion of its war chest, \$16.6 million, to support several Democratic Senate candidates in 2020.

Independent expenditures controlled by the parties, whether formally via the Hill Committees or informally via the super PACs closely tied to party leadership should most closely allocate their resources according to a seat-maximizing strategy to win as many races as possible (Damore and Hansford 1999; Jacobson 1985-86; Snyder 1989). Groups controlled by party interests generally pay little attention to candidates' policy positions, ideological extremity, or even past loyalty to party leadership on floor votes, instead basing allocation decisions almost entirely on the candidate's electoral chances (Cantor and Herrnsen 1997; Kolodny and Dwyre 1998; Nokken 2003), and within similarly competitive races allocating further on candidate financial need (Miller 2017).

Non-party **independent groups** include the independent expenditures by other super PACs, 501c groups, and other 527 groups that, while in most cases support exclusively Democratic or Republican candidates, are most often formed around policy or ideological goals and are not directly connected to the parties, e.g. Chamber of Commerce, National Rifle Association, Next Gen Climate Action, or one of the many Koch-affiliated 501c groups.

When interest groups that make up the bulk of non-party independent group spending choose to directly spend on a race it is with the goal of replacing policy opponents and installing policy champions (Dwyre and Braz 2015; Franz 2011; Issacharo and Peterman 2013; Sorauf 1992). When independent groups pursue a replacement strategy, even groups formed around a single issue or group interest such as National Rifle Association or US Chamber of Commerce will target close contests. After all, backing their most ardent policy champions running in hopeless contests would be a waste of resources. But programmatic policy interests can cause them to deviate from a purely pragmatic seat-maximizing strategy pursued by formal and informal party groups: e.g. the Sierra Club will support Democrats over Republicans, but when choosing which of several Democrats to support, the group could choose the stronger environmental advocate instead of the candidate with the greatest need of financial support.

## Spending in the 2018 and 2020 House and Senate Campaigns

To measure the state of spending by these actors and describe the interplay between candidates and independent expenditure groups in this landscape, candidate receipts and expenditures were obtained from the FEC candidate summary files and independent expenditures from independent expenditures summary files (Federal Election Commission 2021a,b). These data capture the receipts and expenditures of November general election candidates for U.S. House and Senate seats who filed receipt and expenditure reports for that campaign cycle (Georgia Senate special election candidates are excluded from these analyses).<sup>2</sup>

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<sup>2</sup>The FEC page states that the candidate summary files contain “information for each candidate who has registered with the FEC or appears on an official state ballot for an election to the U.S. House of Representatives, U.S. Senate or U.S. President.” However, comparing these files with election results from the MIT Election Data Lab revealed that a small number of candidates were missing from the FEC’s reporting. These candidates in all cases were extreme longshots or unopposed by a major party candidate.

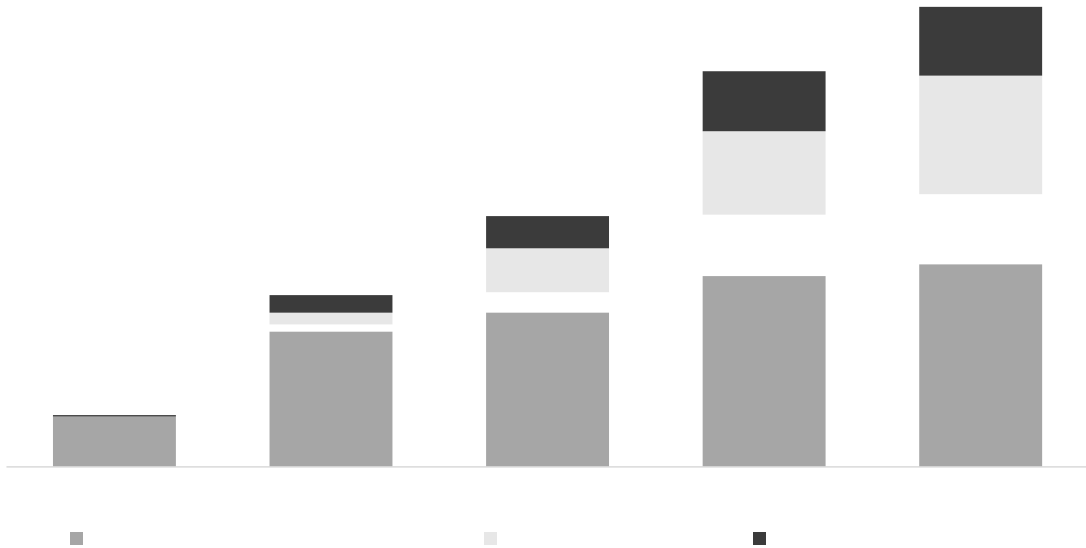
Table 1: Candidate and Independent Expenditures in General Election Campaigns

Campaign actor	Senate		House	
	2018	2020	2018	2020
Candidates	63%	60%	72%	73%
Formal party groups	4%	8%	6%	8%
Informal party groups	14%	16%	10%	13%
Independent groups	18%	16%	11%	7%

the closest races than the spending by candidates.

To illustrate this difference in responsiveness to competition, the average levels of spending in races by the degree of competitiveness as rated by Rothenberg & Gonzales Political

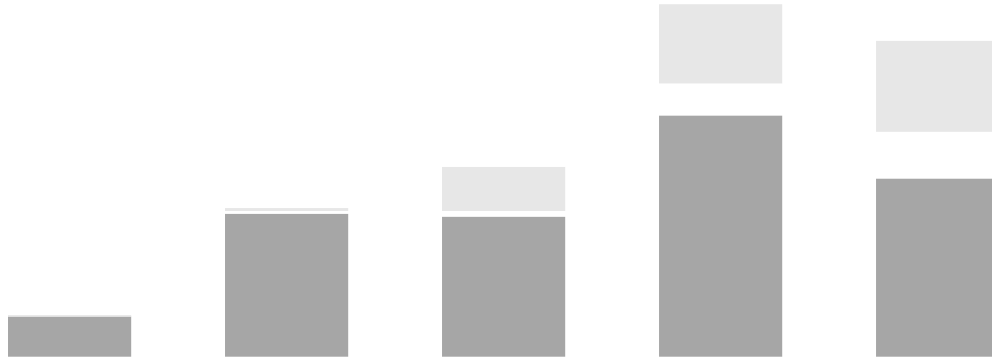




**Figure 2: House General Election Expenditures by Competitiveness, 2018 & 2020** Totals represent the average spending post-primary by campaigns within each category of race competitiveness. Percentages at top of bars indicate the average percent of total spending in the campaign made by candidates within each category of race.

contests.

The higher average spending by Senate candidates in tilting races was the result of several 2020 contests where Democratic challengers (and usually their Republican opponents in turn) attracted massive windfalls into their campaigns. In Arizona Democratic challenger Mark Kelly received \$101 million in his race against incumbent Republican Martha McSally who took in \$74 million. Democrat Sara Gideon received nearly \$76 million to try to unseat Maine incumbent Republican Susan Collins, who received slightly less than \$29 million for her campaign. Most impressive, Democrat Jaime Harrison took in \$132 million in his campaign against South Carolina incumbent Republican Lindsey Graham who brought in \$107 million. To put these totals in context, the average receipts for all other Senate candidates in the tilting category was under \$23 million and the average candidate



**Figure 3: Senate General Election Expenditures by Competitiveness, 2018 & 2020** Totals represent the average spending post-primary by campaigns within each category of race competitiveness. Percentages at top of bars indicate the average percent of total spending in the campaign made by candidates within each category of race.

receipts in toss up races was \$33 million.



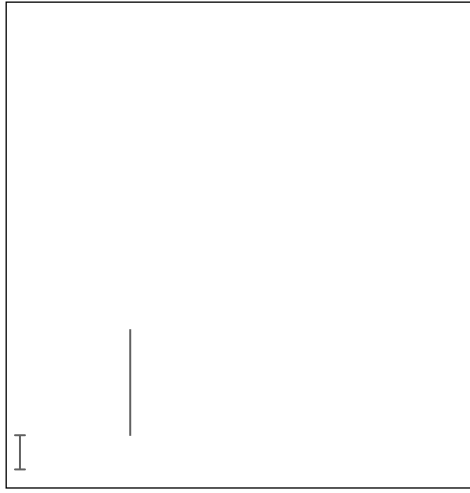
nated and more efficient donation strategy among individual donors would have directed far more to the Iowa and Montana contests instead. But because individual donations are not efficiently coordinated, it becomes incumbent upon the parties and independent groups to counter this inefficient distribution of resources across the party's candidates in Senate contests. Interestingly, this inefficient distribution of uncoordinated ideological money was not a major phenomenon in House contests, where candidates were much less likely to attract attention at the national level.

## **Compensating for Overfunded Candidates**

To test whether independent expenditures were distributed differently in House and Senate contests, regression models are estimated to assess the effect of a candidate's total receipts on the level of outside spending support in the race. The unit of analysis is the general election campaign for a given candidate for a Senate or House seat. Only major party candidates are included, and the analysis is limited to spending after the state's primary. The dependent variable is the total independent expenditures in support of the candidate measured in millions of dollars, that is all independent expenditures reported to the FEC as supporting the candidate or reported as in opposition to that candidate's general election

Table 2: Outside Spending in House and Senate Campaigns, 2018 & 2020

	Senate [1]	House [2]
Candidate receipts (millions)	-0.008** (0.003)	0.053** (0.019)



**Figure 4: Marginal Effects of Race Competitiveness on Outside Spending**

outside groups allocate resources in parallel to where resources flow to candidates.

The intensity of the race has the expected strong association with outside spending. Figure 4 illustrates the effect of increasingly competitive contests on outside group spending in that race. The marginal predictions of outside spending increase with competitiveness at a roughly linear rate once other factors of the candidate and the campaign are held fixed, as compared to the steeper exponential response to competitiveness seen in uncontrolled comparisons.

Interestingly, Senate incumbents received less independent expenditure support than challengers in the 2018 and 2020 election cycles. And in a reversal of trends from prior election cycles, in both the House and Senate models Democratic candidates were associated with greater independent expenditure support than Republican candidates.

Estimates of the substantive effects of candidate receipts on outside group spending are shown in Figure 5. Holding other covariates at their mean, in Senate campaigns an

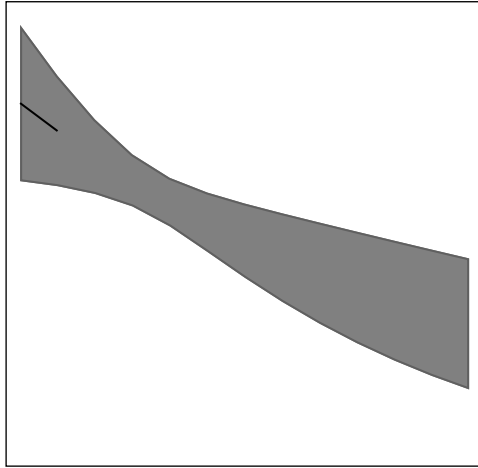


Figure 5: Marginal Effects of Candidate Receipts on Outside Spending

additional \$10 million in candidate receipts is associated with approximately \$1 million less in outside group spending in support of that candidate. Contrast this with the House where an additional \$1 million in candidate receipts is associated with approximately \$31,000 more in outside group spending for the candidate.<sup>5</sup>

These results show that holding constant measures of the competitiveness of the race, incumbency, party, and year, in Senate campaigns outside money plays a compensatory role where it avoids the candidates who have taken in the most contributions and spends more where the candidates have less resources of their own. Conversely, in House contests outside money plays a complementary role, simply going to the same contests where the candidates have received the most in donations – that is, the most competitive races.

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<sup>5</sup>Mean candidate receipts for Senate candidates in 2018 and 2020 was \$17.5 million (s.d. = \$24 million) and for the House \$1.9 million (s.d. = \$2.6 million)

## Party and Non-Party Spending Strategies

A second set of models are estimated to determine whether formal and informal party groups respond differently than non-party independent groups to candidates' perceived electoral threat and opportunity. Holding other factors constant, formal and informal party groups should bias their support more strongly towards the closest contests compared to non-party independent groups. For these models formal and informal party independent spending is combined and considered separately from non-party independent spending, with one category of outside spending the dependent variable in the model and the other category included as an independent variable. That is, when predicting party spending in support of a candidate, the level of spending in support of that candidate by non-party



Table 3: Party and Independent Spending in House and Senate Campaigns, 2018 & 2020

	Senate Party [1]	Senate Independent [2]	House Party [3]	House Independent [4]
Candidate receipts (millions)	-0.017** (0.005)	-0.001 (0.004)	0.028 (0.021)	0.091** (0.019)
Independent spending (millions)	-0.007 (0.015)	—	-0.036 (0.035)	—
Party spending (millions)	—	0.001 (0.007)	—	-0.060 (0.058)
Opposing spending (millions)	0.019** (.006)	0.021** (0.005)	0.086** (0.010)	0.067** (0.022)
Incumbent	-0.417 (0.215)	-0.617** (0.182)	0.082 (0.085)	-0.207 (0.133)
Democrat	0.543* (0.220)	0.224 (0.184)	0.131 (0.091)	0.383** (0.122)
2020	0.481 (0.263)	-0.466** (0.180)	0.459** (0.075)	-0.111 (0.160)
Competitiveness ratings	included	included	included	included
Intercept	-2.624** (0.877)	-0.326 (0.322)	-5.071** (0.300)	-3.878** (0.221)
Pseudo R <sup>2</sup>	.81	.70	.72	.48
N	131	131	1,553	1,553

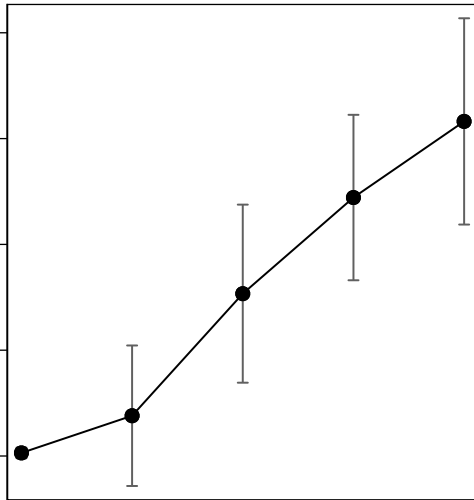
Note: Dependent variable in columns [1] and [3] is the formal and informal party group spending in support of the candidate, in millions of dollars. The dependent variable in columns [2] and [4] is the non-party independent group spending in support of the candidate, in millions of dollars. Robust standard errors in parentheses below poisson regression coefficients.

\* p < :05, \*\* p < :01, two-tailed tests

groups.

Across all models, spending by the opposing side was positively associated with greater spending. For both party and non-party groups, money follows money. In addition, the coefficients for the dummy variable for 2020 illustrate that party spending on legislative races was higher in the presidential election year while non-party group spending was lower.

Figure 6 illustrates the predicted spending by party groups (at left) and independent groups (at right) at each level of race competitiveness in Senate campaigns based on the



**Figure 6: Marginal Independent Spending by Groups in Senate Campaigns** At left are the marginal predicted levels of independent expenditures in Senate campaigns by parties at different levels of race competitiveness. At right are the marginal predicted levels of independent expenditures in Senate campaigns by independent groups at different levels of race competitiveness. Margins calculated with all other covariates held constant at their means.

models in columns [1] and [2] of Table 3. Holding other factors constant, formal and informal party groups increase spending at a linear rate from about \$1 million for less competitive races up to \$16 million for toss up Senate races. Non-party independent groups are less responsive to the perceived competitiveness of the race, and are predicted to spend roughly the same, between \$5 million and \$7 million, across the top three categories of race competitiveness. More formally, these models were also estimated treating the competitiveness variable as a single ordered categorical variable in each model and a chi square test of the coefficients for race competitiveness found that the slope

**Figure 7: Marginal Independent Spending by Groups in House Campaigns** At left are the marginal predicted levels of independent expenditures in Senate campaigns by parties at different levels of race competitiveness. At right are the marginal predicted levels of independent expenditures in Senate campaigns by independent groups at different levels of race competitiveness. Margins calculated with all other covariates held constant at their means.

Figure 7 illustrates the predicted spending by party groups (at left) and independent

constant other race features including incumbency, party, candidate receipts and opposing side spending, non-party independent groups spread their resources more thinly across a larger number of races, while parties more heavily concentrate their spending in the closest contests.

## **Nationalized Financing of Congressional Campaigns**

This is an important change to the compensatory dynamic between candidates and independent expenditure groups. It is fairly easy for fully mobile outside dollars to fill in for an under-resourced candidate, but outside groups cannot remove superfluous money from a candidate with resources beyond their needs. As a result, outside money cannot as easily compensate for the funding inefficiencies of a campaign finance system where ideological individual donors concentrate their contributions into a handful of high profile campaigns.

And what should these overfunded candidates do? Candidates benefitting from the attention of large numbers of national donors could in theory act in the best interests of the party overall. The candidates could redistribute some of this money out of their own co-ops and into the hands of the party or into the hands of candidates in more promising races, but there are several barriers to such a move: First, the candidates likely believe that they can win. Their race has attracted national attention, they have out-raised their incumbent challengers, and early polls in many cases offered rays of hope. Second, when one side attracts a deluge of donations the opposing candidate often attracts substantial money in response. Even if projections suggest that the race is not truly up for grabs, any candidate would be unlikely to move extra money out to party allies if the campaign has rough parity of funds with the opponent. Third, in the case of challengers, they are not yet fully integrated into the party finance ecosystems with leadership PACs and established relationships with party incumbents. Fourth, re-distributing some of these funds or holding for a better opportunity later risks angering the donors. Democratic Senate candidate Sara Gideon in Maine spent \$64 million in her effort against Susan Collins in Maine (an

Federal elections were party-centered in the early 20th Century, then became candidate-centered affairs in the 1960's and 1970's (Maisel and Brewer 2010; Wattenberg 1991). These recent high profile Senate campaigns awash in individual donor money signal a new variety of candidate-centered campaigns that exist in a mostly party-centered system. Parties have returned to prominence in campaigns by adjusting to a system that advantages independent expenditure groups that can receive unrestricted donations. But some candidates have been able to leverage donor antipathy towards opposing party incumbents to attract funds well beyond what other comparably competitive candidates bring in and these candidates

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## Appendix

Table A1: Summary Statistics of Model Variables

	Senate				House			
	Mean	Std. Dev.	Min.	Max.	Mean	Std. Dev.	Min.	Max.
Outside spending (millions)	11.014	20.325	0	104.589	0.686	1.899	0	11.893
Party spending (millions)	6.288	13.391	0	71.008	0.462	1.429	0	10.578
Independent spending (millions)	4.726	7.972	0	40.413	0.224	0.738	0	8.895
Candidate receipts (millions)	17.778	24.237	0.020	132.686	1.943	2.676	0	38.161
Opposing spending (millions)	28.450	38.491	0	156.985	2.315	3.596	0	25.149

Table A2: Outside Spending in House and Senate Campaigns, 2018 & 2020

	Senate OLS [1]	Senate Tobit [2]	House OLS [3]	House Tobit [4]
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Table A3: Party and Independent Spending in House and Senate Campaigns, 2018 & 2020

	Senate Party [1]	Senate Independent [2]	House Party [3]	House Independent [4]
Candidate receipts (millions)	-0.012** (0.002)	-0.003 (0.002)	0.049** (0.015)	0.086** (0.019)
Independent spending (millions)	0.003 (0.006)	—	-0.001 (0.026)	—
Party spending (millions)	—	-0.004 (0.004)	—	-0.092** (0.033)
Opposing spending (millions)	0.017** (.002)	0.022** (0.003)	0.101** (0.010)	0.085** (0.016)
Race competitiveness	0.747** (.042)	0.389** (0.043)	0.850** (0.040)	0.723** (0.059)
Incumbent	-0.359** (0.110)	-0.736** (0.111)	0.056 (0.080)	-0.232 (0.124)
Democrat	0.406** (0.091)	0.258** (0.100)	0.083 (0.091)	0.395** (0.126)
2020	0.568** (0.105)	-0.280* (0.124)	0.459** (0.078)	-0.086 (0.120)
Intercept	-1.679** (0.175)	-0.369* (0.154)	-4.136** (0.147)	-3.874** (0.194)
Pseudo R <sup>2</sup>	.76	.66	.65	.43
N	131	131	1,553	1,553
Chi Square test of equality of race competitiveness coefficients		<sup>2</sup> (1) = 9:96 p = :002		<sup>2</sup> (1) = 3:87 p = :049

Note: Dependent variable in columns [1] and [3] is the formal and informal party group spending in support of the candidate, in millions of dollars. The dependent variable in columns [2] and [4] is the non-party independent group spending in support of the candidate, in millions of dollars. Robust standard errors in parentheses below poisson regression coefficients.

\*pendentp