Timing of Contributions in State Legislatures

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Introduction

Campaign finance is a topic of contemporary importance in the American political system. Many citizens feel they have no voice in a political system controlled by special interests with deep pockets. Senator John McCain in the 2000 presidential primary season placed campaign finance reform as the centerpiece of his campaign. In his speech on September 27, 1999 in Nashua New Hampshire to announce his candidacy for president McCain stated: "If we are to meet the challenges of our time, we must take the corrupting influence of special interest out of politics." McCain has continued to serve as the primary spokesperson for campaign finance reform and has been the key actor in the recent passage of campaign finance reform with its centerpiece of banning soft money.

Campaign finance is a topic of interest to many political researchers. The literature covers a wide spectrum of issues. However, the majority of this research has focused on the national level with little attention paid to the states. This research serves to address campaign finance at the state level, which has been neglected within the literature. There are several compelling reasons why there is a need to address campaign finance at the state level. First, a state level examination will help provide a greater understanding of how legislative structure affects campaign contributions. For example, the United States Congress is a professional legislative body occupied by career politicians. On the other hand, many states have amateur legislatures that have little in common with the national government. A state level examination will allow us to gain some purchase on how these structural differences impact contribution decisions. Additionally, the variety of policy and political context within the states allows us to gain more empirical leverage on questions of campaign finance than possible at the congressional level (Mooney 2001) and more weight can be given to theories at the national level when they are replicated in the states (Hamm and Squire 2001).

State legislative elections have a much lower profile than national elections, therefore, it is reasonable to assume that given this low profile among the public, money could play a greater role influencing voting behavior since legislators do not have to be as concerned with public opinion. Additionally, the states operate under a variety of different campaign finance laws; thus, a state level analysis will allow a better understanding of the impact of various campaign laws.

Within the discipline, it has been suggested that there are two main motivations for campaign contributions, so-called particularistic contributors give in the hope of influencing legislation (Austen-Smith 1995, 1998; Ben-Zion and Eytan 1974; Box-Steffensmeier and Dow 1992; Cox and Munger 1999; Chappell 1982; Jones and Hopkins 1985; Hendrie, Salant and Makinson 2000; McAdams and Green 2000; Morton and Cameron 1992; Snyder 1990; Strattmann 1998; Welch 1977 and 1980). Universalistic contributors, on the other hand give in the hope of affecting electoral outcomes (Fuchs, Adler and Mitchell 2000; Magee, Brock and Young 1989; Morton and Cameron 1992; Mueller 1989; Mutz 1995; McAdams and Green 2000; Poole and Romer 1985; Sabato 1985; Snyder 1990; Welch 1974 and 1980). This research will hopefully provide a greater insight into the motivations of contributors and the relevance of each of these two approaches through an analysis of contributions in twenty-one states.

The History of Campaign Finance in Federal Elections

Campaign finance has received a great deal of attention in the media recently; however, the issue has been a permanent part of the political landscape for several centuries. The first effort to regulate campaign finance came in 1867 with passage of the Naval Appropriations Bill. This legislation attempted to prohibit officers and employees of the government from soliciting money from naval yard workers. This legislation was furthered extended in 1883 in the Civil Service Reform Act when the provisions of the Naval Bill were applied to all federal civil service workers. These bills were a big step forward in the regulation of campaign finance because prior to the legislation workers often had to give to campaigns in order to keep their jobs.

The next major step in advancing campaign finance reform came in 1907 with passage of the Tillman Act. The act attempted to prohibit corporations and national charted banks from making contributions directly to federal candidates, however, the legislation proved to be largely ineffective due to weak enforcement methods set forth in the legislation. The Federal Corrupt Practices Act of 1910 was another in a series of largely ineffective attempts to regulate campaign finance. The act attempted to establish disclosure requirements for U.S. House candidates and in 1911 this act was extended to included Senate candidates and expanded to include expenditure limits for congressional candidates. This legislation once again proved largely ineffective due to the lack of mechanisms for verification and enforcement.

In 1925 the Federal Corrupt Practices Act was revised; but once again legislation would be routinely ignored. The act attempted to revise previous campaign reform legislation concerning spending limits and disclosure. Since the power of enforcement resided in Congress, the Act was often ignored. It was not until 1967 that Clerk of the House former Congressman W. Pat Jennings collected campaign finance reports for the first time. However, his list of violators was ignored by the Justice Department.

In 1940 the Hatch Amendments were passed to extend previous legislation. The amendments established a limit of $5000 per year on individual contributions to a federal candidate or political committee. An individual could, however, give $5000 to multiple committees working for the same candidate. Additionally, the Hatch amendments extended campaign finance law to cover primary as well as general elections and prohibited contributions to federal candidates from individuals and businesses working for the federal government. In 1943 the Smith-Connally Act extended to unions the prohibition on contributions to federal candidates that already existed for corporations and interstate banks.

In 1944 the first political action committee was formed by the Congress of Industrial Organizations to raise money for the re-election of President Roosevelt. The PAC money came from voluntary contributions from union members and therefore was not illegal under the Smith-Connally Act that prohibited money going to candidates from union dues. The Taft-Hartley Act of 1947 made the ban on contributions to federal candidates from unions, corporations and interstate banks permanent and extended the prohibitions to include primary elections.

Until 1971, the Corrupt Practices Act served as the basis for campaign finance law; however, with passage of the Federal Election Campaign Act in 1971 a new framework for the regulation of campaign financing was established. This act required full and timely disclosure of contributions, set limits on media advertising, established limits on contributions from candidates and their families, allowed unions and corporations to solicit voluntary contributions, and allowed union and corporate treasury money to be used for overhead in operating political action committees.

The 1971 Revenue Act created a public campaign fund for eligible presidential candidates through a voluntary one-dollar check off on federal income tax. Additionally, the act provided for a $50 tax deduction or a $12.50 credit (later raised to $50) for contributions to state, local or federal candidates. These provisions, however, have since been eliminated.

The most significant campaign reforms came in the aftermath of the Watergate scandal. This legislation serves as the basis for most of our federal campaign finance law today. The Federal Campaign Act Amendment of 1974 provided matching funds for presidential primaries, public funds for presidential nominating conventions, set spending limits for presidential and congressional primaries and elections, created a $1000 individual per election contribution limit and a $5000 PAC limit. Additionally, the legislation abolished limits of media advertising and created the Federal Election Commission.

Provisions of the1974 federal Campaign Act of 1974 were challenged in the courts as being an unconstitutional violation of free speech. The 1976 decision Buckley v. Valeo upheld disclosure requirements, limits on individual contributions, voluntary public financing, and the President’s authority to appoint commissioners to the Federal Election Commission as constitutional. However, the court ruled that limits on candidate expenditures were unconstitutional unless the candidate accepts public financing and that it was unconstitutional to place limits on personal and “independent” expenditures.

In 1976, in the wake of the Buckley decision, Congress reconsidered the 1974 Federal Campaign Act and sought to bring the law in line with the Supreme Court decision. Amendments to the 1974 act limited individual contributions to national parties to $20,000 per year, and individual contributions to PAC’s to $5000 per year. In 1979 additional amendments increased the in-kind contributions from $500 to $1000, raised the threshold for reporting contributions from $100 to $200, prohibited the FEC from performing random audits, and allowed state and local parties to spend unlimited amounts on campaign materials used by volunteers and on voter registration and get-out-the-vote campaigns.

State Campaign Finance Reform

Campaign reform has not been restricted to the national level. By 1980 most states required some sort of candidate disclosure, half of the states placed limits on contributions and 16 states had some type of public financing.[1] Since 1990 the majority of states have reformed their campaign finance laws in response to rising campaign cost, underfunded challengers, the increased influence of large donors, and the growing influence of independent expenditures. The innovative approaches taken by the states such as strict contribution limits, spending ceilings and public financing of campaigns serve as models for national reform. However, like in the case of federal law many of the

[1] For an overview of campaign finance reform in the states see Alexander (1976); Jones (1981, 1986, 1991); Neal (1992); Herrmann and Michaelson (1994); Malbin and Gais (1998).

laws enacted by the states have undergone scrutiny by the courts and have in many cases been declared to be unconstitutional. The response by the courts has often led to more unique innovations such as providing free broadcast time to candidates. These new innovations have broadened the campaign finance debate to include a whole new way of thinking about campaign financing.

In 1991 ten states passed laws establishing or reducing contribution limits. Additionally, from 1992 to 1996 twenty-three states and the District of Columbia revised their campaign finance laws including some states that made major changes in their existing systems.[2] In 1980 twenty-three states had limits on individual contributions while sixteen states had limits on PAC contributions. The number of states with individual contributions increased to thirty-four states by 1996. Additionally, by 1996 thirty-two states imposed limits on PAC contributions. The increase attention to campaign reform legislation by legislators has been accompanied by an interest of scholars to determine the impact of enacted legislation. The elapse of time since the passage of many reform laws has allowed scholars to begin to access the impact of campaign reform. In the next section I will examine some of the findings that have attempted to understand the consequences of reform efforts as well as the foundation of which this research was based.

Literature Review

The literature on campaign finance can be divided into three basic areas of inquiry-- studies that examine the behaviors of contributors (for example see Brown, Hedges, and Powell 1980; Heard 1960; Jacobson and Kernell 1993; Pomper 1989), those that look at the actions of recipients (for example see Grenzke 1989; Jackson 1988; Schlozman and Tierney 1986; Sorauf, 1992) and studies that examine the impact of contribution limits and campaign reforms such as public financing of campaigns (for example see Breaux and Gierzynski 1998; Moncrief and Patton 1993; Goidel and Gross 1994; and Stonecash 1990). This body of literature addresses major questions of why money is given, to whom is money given, the impact of money received and the impact of changes to the current campaign finance system.

First, I plan to examine the literature on questions surrounding campaign finance laws and spending. This section will examine the questions of who spends money in campaigns and the impact of attempts to control spending. Second, I will examine literature addressing the actions of recipients. This section will address the question of what is the impact of money given to candidates and legislatures: Are contributors successful in changing legislative votes? Finally, I will review the literature surrounding the actions of contributors. This literature addresses the questions of whom money is given to and the expectations of contributors that form the basis for their donations.

Campaign Finance Laws and Spending

[2] Between 1992 and 1996 California, Colorado and Kentucky passed comprehensive reform packages. Maine and Nebraska established public financing for state elections and Minnesota and Hawaii revised their public financing programs.

The impact of campaign finance laws and spending has received a great deal of attention by scholars. Campaign spending is an issue of importance as it impacts the quality of democracy of the United States. Coleman and Manna (2000) examine U.S. House elections from 1994 to 1996 and conclude that spending results in better-informed citizens and does not damage public trust or involvement. They conclude that spending has positive affects on democracy through increased public understanding of the candidates and the issues. These findings are in contrast, however, to other scholars that find that spending does not necessarily result in a better-informed electorate (Goidel, Gross, Shields 1999). Additionally, Franklin (1991) concludes that it may be more in the interest of the challenger than the incumbent to confuse voters about the incumbent. This finding reveals that greater spending results in a less accurate portrayal of the incumbent and therefore this is not good for democracy.

Adamany (1969) was among the first to address the question of spending levels in state elections through his examination of elections in Wisconsin. While, he found that spending levels in dollar terms is not very high his primary concern was spending inequality among candidates. Adamany (1969) found that many potential candidates could not raise the money to be able to compete effectively. Other scholars such as Neal (1992), Hogan (1999), and Breaux and Gierzynski (1998) also suggest these concerns. The difference between incumbent and challenger spending has been the catalyst for many calls for campaign finance reform to level the playing field between incumbents and challengers.

Jacobson has conducted the seminal works in campaign finance on the effects of spending on election outcomes. Campaign finance laws have a great impact on interest group contributions. Jacobson (1978, 1980, 1985, 1990) and Abramowitz (1988, 1991) argue that incumbents receive little benefit from campaign expenditures since they are already well known by the voters. This evidence has been used to suggest that campaign contribution limits would hurt challengers with little name recognition. Glantz, Abramowitz, and Burkart (1976) found similar findings for the California State Assembly and, the differences in the effects of incumbent and challenger spending was confirmed by Olson (1983) in Texas state legislative elections and Giles and Pritchard (1985) in Florida as well as other scholars such as Caldeira and Patterson (1982); Tucker and Weber (1987) and multiple state studies by Gierzynski and Breaux (1991) and Cassie and Breaux (1998). These findings are generally explained in terms of the arguments that incumbents are most likely to spend money when they are most threatened thus providing an explanation for the difference in the impact of incumbent and challenger spending.

However, other scholars argue that incumbent expenditures are important when the quality of the challenger is considered in the equation (Green and Kranso 1988, 1990: Goidel, Gross and Shield 1999; Goidel and Gross 1994; Thomas 1989; Erikson and Palfrey 1998, 2000; Gerber 1998). As such, these scholars argue that contribution limits may actually increase competition and that equal spending levels may increase challenger success. Campaign spending by challengers has a positive effect on challenger vote share, they find that incumbent spending also has a positive, although smaller, impact on incumbent vote shares (Grier 1989; Green and Krasno 1988; Levitt 1984).

Evidence of the importance of spending to the vote share in federal elections clearly is mixed. Much the same can be said of research on state level elections. Jacobson (1978) argument was supported at the state level by Welch (1976). Additionally, Tucker and Weber (1987) conclude that party strength is more important than candidate spending in determining vote share. However, Owens and Olson (1977), in their study of California legislative elections, conclude that spending is the best predictor of the vote and that incumbency and party strength were only of secondary importance. Caldeira and Patterson (1982) confirmed these findings in California and Iowa thus providing some evidence that the previous findings were not exclusive to California. However, these studies suffered from the lack of generalizability. Gierzynski and Breaux (1993) helped to address this problem through an examination of twelve states. They concluded that partisan influences on a candidate's vote share were stronger in some states than in others and that contributions were more important in those states with weak partisan influences.

In addition to examining the direct effects of spending on vote shares, a few studies have addressed the question of how laws affect a candidate's ability to raise money. For the most part these studies have been confined to the effects of spending (Abramowitz 1991; Goidel and Gross 1994, 1996; Goidel, Gross and Shield 1999; Green and Krasno 1988; Gross, Goidel, and Shields 1997; Jacobson 1980) and the sources of fundraising (Sorauf 1988, 1992) at the national level. Sorauf (1992) finds that incumbents learn to exploit the PAC system to raise large sums of money that far exceed challengers. Incumbents, therefore are able to build "war chests" to deter challengers from running against them (Box-Steffensmeier 1996). Additionally, Abramowitz (1991) concludes that the decrease in electoral competition can be contributed to a decrease in a challenger's ability to raise money. The enactment of campaign finance laws to reduce spending in elections has resulted in the unintended consequence of inhibiting challenger's ability to raise money and, thereby, decreasing their success since challengers have a greater need for money than incumbents to get their message out to the public.

The impact of contribution limits on spending is not completely understood in the literature. Campaign contribution limits are often enacted with the hope of decreasing spending in elections. However, limits often do not have their intended effect. A decrease in contribution limits may be offset by an increase in the number of contributors giving to the campaign. Changes in contribution limits do not necessarily resort in less spending, but in the acquisition of donations from a broader spectrum of sources.

Additionally, even if a contribution limits exist, spending in campaigns will increase if a highly qualified challenger enters the race thus making the election more competitive (Box-Steffensmeier and Dow 1992; Dow 1994; Hogan 2000; Gross, Shields, and Goidel 2002). Hogan (2000), through an examination of a variety of context for various candidate and state-level factors, concludes that campaign contribution limits have been effective in reducing spending. However, Hogan (2000) also notes that limits would have been more successful if interest groups had not found alternative ways of funneling money to candidates. These findings are in contrast to other scholars that have noted that contribution limits do not necessarily reduce overall spending. Gross, Shield and Goidel (2002) find that contributions limits do not limit total spending and actually increase spending among incumbents and Democrats in states with more restrictive limits. The research on the impact of contribution limits reveals that laws do not always have their intended consequences and, therefore, caution must be exercise before passing any legislation since unintended results often occur. Contribution limits may restructure how donations are collected, but, do not necessarily result in less spending.

Studies of campaign reforms have not been contained just to the federal level. The states provide a wide variety of different campaign finance laws to examine; however, due to data considerations only a few studies have examined contributions at the state level. Hogan and Hamm (1998) found that the population size of a district was the most important factor in predicting a candidate's spending level. Additionally, they found that spending was higher in states with restrictive campaign finance laws, more professional legislatures and where party control of the legislature was in doubt. Moncrief and Patton (1993) and Stonecash (1990) also found that spending was higher when partisan control of the legislature was up for grabs. Additionally, Moncrief and Thompson (1998) found that spending was higher in Idaho and Stonecash (1990) found that it was higher in New York when control of the legislature is uncertain indicating that higher spending was consistent across legislatures of different professional levels.

State legislative research has not been confined to just general elections but has also examined spending in primary elections. Breaux and Gierzynski (1998) found that incumbents spend more than challengers and open-seat candidates in primary elections. Additionally, primary expenditures were found to be higher in professional states. Hogan (1999) extended the previous research and found that the district population size and the number of primary opponents also affect spending. Hogan's results were in conflict with previous findings that indicate greater spending levels occur in more professional states. He found that in more professional states the majority of the money from interest groups and political parties was saved for the general election and not used during the primaries.

Studies of state level campaign contributions provide an opportunity to study a broader array of regulatory context. Many studies have been limited to one or only a few states (Donnay and Ramsden 1995; Mayer and Wood 1995; Redfield 1996) or even single state studies (Kettl et al, 1997; Redfield 1995, 2000). However, some scholars have attempted comprehensive studies of campaign finance systems (Malbin and Gais 1998; Mayer 1997; Thompson and Moncrief 1998). The few studies conducted at the state level have found that PAC money goes mostly to incumbents (Malbin and Gais 1998; Cassie and Thompson 1998) and parties give more to challengers than other types of contributors (Malbin and Gais 1998; Gierynski and Breaux 1998).

Malbin and Gais (1998) examine the question of why campaign finance laws are so weakly enforced and they conclude that lawmakers do not consider implementation of laws they past and that regulatory agencies are not given enough resources to conduct their jobs as required by the regulations. These results were consistent with the findings of other scholars that found public financing of campaign seldom had the intended effects hoped for (Mayer and Wood 1995; Mayer 1998; and Donnay and Ramsden 1995).

Campaign contributions limits have been enacted to increase electoral competitiveness (Box-Steffensmeier and Dow 1992; Dow 1994; Hogan 2000; Gross, Shields and Goidel 2002; Stratmann and Aparicio-Castilli 2001). However, they have not always achieved their desired goals. Some scholars have found a positive relationship between limits and competition (Krasno and Green 1993; Green and Krasno 1988, 1990) while others have found a negative relationship (Jacobson 1980; Sorauf 1992; Alexander 1992; Teixeira 1996).

The impact of contribution limits is varied and the affects are not always completely understood. First, contribution limits negatively impacts future incumbents share of the vote. However, incumbents responsible for passage of contribution limits do not suffer at the polls (Stratmann). Second, campaign contribution limits lessens the difference in candidate spending (Hogan 2000). Third, the distribution of contributions among candidates and the frequency of contributions are affected by limits; however, this relationship is not completely understood (Aranson and Hinich 1979; Box-Steffensmeier and Dow 1992; Dow 1994; Hinich 1977; Welch 1974). Finally, The consequences of contribution limits are not limited just to electoral competition but in terms of voter turnout, the number of candidates and partisan competition (Box-Steffensmeier and Dow 1992; Dow 1994; Hogan 2000; Gross, Shields and Goidel 2002; Stratmann and Aparicio-Castilli 2001).

Actions of Recipients

When Are Campaign Contributions Given?

The timing of campaign contributions is an important question within the campaign finance literature as this research provides not only insight into the motivation of contributors, as will be discussed later, but the action of recipients in response to receiving a donation. An important question debated in this literature is the impact of campaign contributions on legislators' issue position. The key question addressed in this literature is how often a contribution results in a change in the vote that would have been cast if the contribution had not been received. Many scholars have found a strong correlation between contributions and votes on legislation (Silberman and Durden 1976; Chappell 1981, 1982; Kau Keenan and Rubin 1982; Welch 1982, Fendreis and Waterman 1985; Grier and Munger 1986; Hall and Wayman 1990; Endersby and Munger 1992; Stratmann 1991, 1995; Kroszner and Strahan 2000). However, many of these studies suffer from a simultaneous equation bias in that if interest groups contribute to legislators that support them anyway the impact of contributions on vote decisions would be overestimated. It is extremely difficult to isolate the impact of campaign contributions on legislative votes since often a legislator would have voted the same without the contribution.

Stratmann (2000) attempts to overcome the simultaneous equation bias problem that exists in examining the relationship between contributions and legislative votes by examining the behavior of legislators at different points in time. Stratmann (1992, 2000) provides only a couple of studies that quantitatively examine the behavior of recipients of campaign contributions. He examines roll call votes on price supports and quotas for various farm commodities in 1981 and 1985 (Stratmann 1992). The results show that without campaign contributions farm interests would have lost seven out of ten votes. Additionally, campaign contributions given at the time of a vote had a greater impact on voting behavior than those given one or two years prior to a vote. Stratmann (2000) examines Financial Services legislation and finds results similar to his previous work. Changes in contribution levels determine changes in roll call voting behavior. Additionally, contributions from competing groups are partially offsetting and senior members are less responsive to changes in contribution levels than junior legislators.

Behavior and Motives of Contributors

Who Receives Money?

The most basic question addressed within the sector of the literature on interest group behavior is who receives contributions. Jones and Borris (1985) were the first to conclude that in state legislative elections PAC's tend to give money to gain influence with legislators instead of attempting to target close legislative races. The literature discusses six factors in explaining who receives interest group contributions- incumbent status (Malbin and Gais 1998; Cassie and Thompson 1998), constituency interest (Kau, Keenan, and Rubin 1982; Denzau and Munger 1985; Stratmann 1992), committee membership (Denzau and Munger 1986; Grier and Munger 1991; Welch 1974), leadership position (Thielemann and Dixon 1994), candidate gender (Thompson, Moncrief, and Hamm (1998) and closeness of the election (Kau, Keenan, and Rubin 1982).

The literature on campaign contributions has found that contributors tend to give more money to incumbent candidates (Malbin and Gais 1998; Cassie and Thompson 1998). Interest groups desiring to influence policy outcomes target their contributions to those most likely to hold office and be in a position to impact legislative outputs, therefore, with high incumbent re-election rates it reasons that incumbents would receive the majority of contributions in a system driven by particularistic contributors. On the other hand, universalistic contributors would target their resources to vulnerable incumbents and challengers in competitive races. What may seem like a contribution to impact an election outcome may in fact be an attempt to gain favor of the elective official in office.

In contrast to interest groups, parties give more money to challengers (Jones and Borris 1985; Stonecash 1998, 1990; Thompson and Cassie 1992; Gierzynski and Breaux 1994, 1998; Malbin and Gais 1998; Thompson, Cassie, and Jewell 1994; Cassie and Thompson 1998). Schecter and Hedge (2001) found that in Florida political parties are especially more likely to give money to challengers in competitive races. The difference in the targeting of contributions by interest groups and parties indicates that political parties are more interested in maximizing the number of seats in the legislature while interest groups are interested in gaining favor with office holders.

The interests of the constituency (Kau, Keenan, and Rubin 1982; Denzau and Munger 1985; Stratmann 1992) play a role in campaign donations. Denzau and Munger (1985) use a constrained maximization model in which three agents have preferences over policy outcomes. Interest groups contribute in order to improve their own wealth, voters provide votes to obtain outcomes closer to their desired position and legislators seek both campaign contributions and votes in order to obtain re-election. In this model legislators are constantly weighing their options between the concerns of the constituents and the money provided by interest group contributions. The difficult decision on casting a legislative vote arises when the preferences of the contributor are not in agreement with the preferences of the constituents.

Additionally, money is most likely to be contributed to candidates in close races (Kau, Keenan, and Rubin 1982) and those that serve on committees of importance to the concerns of the contributor (Denzau and Munger 1986; Grier and Munger 1991; Welch 1974). When the outcome of an election is close contributors often sense the opportunity to positively affect their position in the legislature by defeating an unfavorable incumbent or they fear the defeat of a member supportive of their position. Additionally, in a close election the winner may feel an increased sense of obligation to contributors that may help pull him or her over the top to win the election. Campaign contributions are a limited resource; therefore; contributors have to exercise care in maximizing the benefits received from their donations. It is very difficult for challengers to overcome the advantages of incumbents, therefore, it is often not the best use of resources to pour money into a challenger's campaign who is likely to be defeated. Additionally, in states with strong committee systems committees often are able to kill legislation independent of the desires of the full floor, therefore, an interest group has the possibility of killing legislation prior to consideration by the committee of the whole. Other members of the legislature that are not as knowledgeable in an area often defer to committees, therefore the committees in the best position to shape legislation in favor of the interest groups position.

Thielemann and Dixon (1994) found that contributors are motivated by a candidate's place in the legislative leadership. Those in position of leadership receive more contributions than rank and file members. Additionally, women have been found to receive fewer contributions in highly professional legislatures than men (Thompson, Moncrief, and Hamm 1998). This may be the product of the dominance of parties, PAC's and interest groups in these states resulting in women still be seen as outsiders and not as viable candidates. Hogan and Thompson (1998) found that minority candidates did not receive as much money as white candidates, but differences in the gender and racial gaps in fundraising were not that great and the gaps may further diminish as more minorities and women gain leadership status.

Why Are Campaign Contributions Given?

One of the most important questions addressed in the literature is why campaign contributions are given to certain candidates. Some interest groups employ an electoral strategy while others given contribution in order to gain access to elective officials (Jacobson and Kernell 1982; Eismeier and Pollock 1985; Langbein 1986; Wright 1989). Additionally, research reveals two major reasons for campaign donations: influencing policy and affecting electoral outcomes. The literature predicts that contributions are given with the hope of influencing public policy (Ben-Zion and Eyton 1974; Bental and Ben-Zion 1975; Kau, Keenan, and Rubin 1982; Kau and Rubin 1982). Additional research has progressed beyond prediction toward a quantitative assessment of the relationship between contributions and votes.

Particularistic contributors attempt to influence policy for their personal benefit (Austen-Smith 1995, 1998; Ben-Zion and Eytan 1974; Box-Steffensmeier and Dow 1992; Cox and Munger 1999; Chappell 1982; Jones and Hopkins 1985; Hendrie, Salant and Makinson 2000; McAdams and Green 2000; Morton and Cameron 1992; Snyder 1990; Strattmann 1998; Welch 1977 and 1980). On the other hand, universalistic contributors donate money with the hope of affecting election outcomes (Fuchs, Adler and Mitchell 2000; Magee, Brock and Young 1989; Morton and Cameron 1992; Mueller 1989; Mutz 1995; McAdams and Green 2000; Poole and Romer 1985; Sabato 1985; Snyder 1990; Welch 1974 and 1980). Universalistic contributors efforts benefit a much broader segment of the population since all supporters of the candidate benefit through their efforts to elect them to office.

Additional research has argued that contributors are not trying to “buy votes” but instead want to increase the probability that unfavorable legislation will not be enacted by giving to those that are already likely to support their position (Aranson and Hinich 1979; Hinich 1977). Conversely, other studies have found that contributions are an attempt to influence legislation outcomes (Austen-Smith 1995, 1998; Ben-Zion and Eytan 1974; Box-Steffensmeier and Dow 1992; Cox and Munger 1999; Jones and Hopkins 1985; Hendrie, Salant and Makinson 2000; McAdams and Green 2000; Morton and Cameron 1992; Snyder 1990; Strattmann 1998; Welch 1977 and 1980). As discussed previously the bulk of campaign contributions are given to incumbent candidates that have high re-election rates; therefore it is reasonable to assume that contributors are hoping to achieve something beyond just the election of a particular candidate.

While a great deal of progress has been made in understanding the motivates of contributors most of this progress has been confined to the national level with the states receiving less attention. Hopefully, this research will help bridge the gap between federal and state campaign finance research by employing the use of theories that prior to this point have only been tested at the national level.

Theory and Hypotheses

As previously discussed two main motivations exists for campaign contributors. First, contributions are given with the hope of influencing election outcomes. Second, contributions are given with the desire to influence legislative votes. Interest groups desiring to affect the outcome of an election have a simple decision to make prior to the election of whether to contribute or not contribute to the candidate’s campaign. The decision to contribute is based upon the probability of the candidate winning the election and the competitiveness of the election. Contributors are more likely to give to someone they expect to win, therefore, incumbents receive the majority of contributions (Malbin and Gais 1998; Cassie and Thompson 1998). Challengers are most likely to receive contributions when they are facing a vulnerable incumbent. Incumbents that are safe still receive a large number of campaign contributions. Contributions to incumbents in safe seats provides an indication that many contributions are given with motives outside of the electoral realm since there is little rational in giving money to affect an election outcome when that outcome is pre determined.

The second major motivation of contributors is influencing policy outcomes. Contributors have to make decisions at various stages in the legislative process. The decision to contribute is motivated by various factors. In some legislatures the leadership has control over the legislative agenda, therefore, contributions to the leadership may provide interest groups with the biggest bang for the buck (Thielemann and Dixon 1994). This may especially be the case for groups desiring to keep legislation off the calendar since the leadership can kill legislation without consideration by other members. A contribution to the leadership for legislation that the contributor desires to be enacted may have the benefit of placing the issue on the agenda, however, it does not necessarily result in a positive outcome for the legislation.

The second stage of the legislative process in most chambers is consideration of legislation by relative committees. The power of committees varies from one state to another depending upon the rules of that state[3]. The role of the committee system in the legislative process will be a major determining factor in the decision to donate money to committee members and in particular to the committee chair (Denzau and Munger 1986; Grier and Munger 1991; Welch 1974). If the committee is in the position to kill legislation then contributors are more likely to give money to committee members in order to achieve the desired outcome. A strong committee system with the power to kill legislation will result in more contributions directed toward committee members prior to the consideration of legislation. Additionally, it is expected that in strong committee states contributors will reward members after committee votes.

The contribution process is a series of strategic decisions by interest groups that result in a variety of outcomes. A contributor makes a choice of whether to make a donation or not prior to the vote. The choice to contribute may be met with a positive or negative result. The legislator may choose to vote in favor of the group's position or against the group's position. The decision to vote for the contributor's position may be the product of the contribution or a predisposition to vote for the position regardless of the contribution. A vote against the position of the contributor indicates that the money was not effective in changing the vote, however, a positive vote may or may not indicate that the contribution was necessary to achieve the desired outcome.

An interest group can react to the member's vote by choosing to give a contribution or not giving an additional donation if they had contributed previously. If following a positive vote a contribution is given this indicates that the contributor is rewarding a favorable vote. However, if a contribution is not given following a positive vote then this indicates one of two possible strategies that are being employed. If the interest group did not give prior to or following a positive vote then this indicates that they are employing a free rider strategy in which they reap the benefits of the members vote without having to make a contribution. A free rider strategy may be employed when the group believes that the legislator will vote in a positive direction without the contributions. Additionally, some groups may not have the financial resources to contribute to a legislator and therefore has no choice but to free ride.

Following an unfavorable vote contributors have a decision of whether to give a contribution. If a contribution was given prior to an important vote and not after the vote and the legislator voted in an unfavorable manner then this indicates a possible punishment strategy being employed. If a contribution was neither given prior to or following an unfavorable vote then it is likely that the contributor perceives the legislator as a lost cause and a contribution as a waste of resources.

An interesting case arises when contributions are given after an unfavorable vote. A contributor may give prior to and following an unfavorable vote. While it would seem counter initiative to give following an unfavorable one can surmise possible instances when this would be plausible. The legislator may have signaled an interest to support the position of the contributor, but due to electoral or other circumstances could not vote in the desire direction. However, an indication for future support exists and as a token of good will in future votes a contribution is given.

[3] See Francis (1989) for a detailed discussion of committee power in state legislatures.

An even more unusual case would arise when a contribution was not given prior to an unfavorable vote but following a vote. The unfavorable vote may have taken the interest group by surprise who was attempting to free ride on what was perceived to be a positive vote and therefore a contribution is given with the hope of changing the opinion of the legislator in the future. Additionally, an unfavorable vote may have been expected, however future positive votes are likely and therefore a contribution is given to establish future good will.

In summary particularistic contributors following one of the eight following strategies: Different strategies will be employed with different legislators at different times; therefore these strategies are not mutually exclusive.

Influencing Strategy – contribution given prior to major vote
Influencing Reward Strategy – contribution given prior to and after a positive vote
Reward Strategy – contribution given following a positive vote
Free Rider Strategy – contributions given neither before nor after a positive vote
Influencing Punishment Strategy – contribution given prior to but not after a negative vote
Punishment Strategy – contribution withheld following a negative vote
Influencing/Future Influencing Strategy - contribution given before and after a negative vote
Future Influencing Strategy - contribution given following a negative vote

The literature in campaign finance has addressed a wide array of issues in the campaign finance system. However, little research has addressed many of the same important questions at the state level. This research will address the argument between particularistic and universalistic contributors by expanding previous research to the state level. Through this research, hopefully, a greater understanding will be provided as to the motivations behind campaign contributions. Stratmann (1992, 1998, 2000) finds through an examination of the timing of contributions at the federal level that major votes are better indicators of campaign contributions than the proximity to the election. Through an examination of states we gain a better understanding of how legislative structure and context impacts contribution decisions.

Particularistic contributions are theorized to be more effective at the state level than at the national level for several reasons. First, state legislation tends to be less salient with citizens than national legislation. Most news coverage is focused at the national level with less attention paid to state legislation, thereby limiting the information the public receives concerning state politics. This lack of attention to state issues by the media results in a less informed public. As a result of this lack of news coverage, the general public is less aware of what is going on in their state governments, therefore, allowing contribution recipients to change their position without fear of electoral consequences. Additionally, state legislatures tend to be less professional then the United States Congress, therefore, electoral concerns may not be as great in amateur legislators thus decreasing the risk for changing one's vote based on a contribution. Rhyme (2000) shows that state legislatures have a high rate of turnover with most legislative leaders staying in their positions for five years or less. Additionally, with eighteen states having term limits, thereby, forcing members to retire significant turnover will occur into the future (Rhyme 2000). The high turnover in state legislatures along with the increase enactment of term limits results in legislators less concerned with re-election, therefore, resulting in less need for campaign donations.

The primary hypothesis for this study is that proximity to a major vote will be a better predictor of interest group behavior than proximity to a general election. While the impact of contributions on votes is beyond the scope of this study the primary hypothesis is made with the assumption that contributors believe contributions affect vote outcomes, thus, this perception drives the decision to contribute campaign funds

Model of Legislative Contributions

Information on legislation action will be obtained from LexisNexis State Capital Universe.[4] LexisNexis provides a database on the progress of bills through the legislative process. Through this data base information can be obtained as to when legislation was introduced, committee action occurred, and floor action occurred. Universalistic contributors generally fall into two major groups. First, political parties give money to candidates with the hope of influencing. Political parties derive their power through gaining elective office and therefore give money to candidates with universalistic motives. Second, individuals tend to be universalistic contributors. Individuals tend to be more concerned with a general ideology of government than with a specific policy enactment. Additionally, individuals are less likely than corporations to have the resources necessary to expect to be able to influence legislative vote outcomes. Corporations and political action committees are more likely to be concerned with particular legislation and, therefore, are more likely to be particularistic contributors. Corporations are more likely to be attempting to achieve narrow policy goals than individuals and political parties which are more likely to be concerned with a general philosophy of government. Particularistic contributors are expected to give close to a major vote while universalistic contributors are expected to give closer to the election. Additionally, it is expected that larger contributions will be given with particularistic motives while smaller contributions will be given for universalistic reasons.

This study will examine campaign contributions in California, Illinois, and South Carolina during the 2001 and 2002 legislative session. Legislation included in this study are chosen from bills selected by the National Federation of Independent Businesses for inclusion in their rating scores of state legislators. While these scores do not include all significant legislation considered during the session they include a wide variety of issues including be not limited to health care, tax policy, environmental policy, education policy and so forth, thus, making the bills representative of the most important legislation considered by the legislature.

Contribution patterns will be examined for three bills from each state (please see Table 1 for more information on the legislation included in this analysis). The first series of bills examined for each state deal with the minimum wage laws and the second series of bills examined for each state address some aspect of the health care issue. Finally, the third series of bills deal with various different issues across the states. The selection of

[4] http://web.lexis-nexis.com/stcapuniv/

three different bills will provide an examination of contribution patterns across states for similar issues as well as within states across different issues.

The contribution data for this study will be obtained from the National Institute on Money in State Politics[5] web site www.followthemoney.org. The institute provides data on who contributes money, the amount of the contribution, and the date of the contribution. Additionally, contributors have been coded by their sector of the economy. [6] A contributor fixed effects model will be used to test for increased or decreased levels of contributions for each contributor. The dependent variable is the number and amount of contributions. The model will be estimated using a Negative Binomial regression in which the dependent variable indicates the number of contributions given by each contributor during each week included in the analysis.

Four prime explanatory variables are included in the model to determine the impact of the primary election, general election and legislative vote event on contribution patterns. The primary election variable is coded as 1 for each week during the two months prior to the primary and 0 for all other weeks. It is expected that contributions will increase during the two months leading up to the primary. Second, the model will include a general election variable coded as 1 for each week during the two months prior to the election and 0 during all other weeks. Third, the vote event variable is coded as 1 from three weeks prior to the legislation being reported out of committee to three weeks following the floor vote. This specification takes into account that some contributors will give contributions after a vote to reward the member for a positive vote. Forth, the model will include a variable indicating legislative activity for each week included in the analysis. The measure of legislative activity was taken from a Lexis-Nexis search for each week. The variable indicates the number of hits using the state name as the search term. If a bill under went multiple versions during the course of the week then it would be included multiple times in the legislative count. This measure is superior to a simple count of bills under consideration since it takes into account bills that are more actively under consideration. It is expected that the greater the activity on a piece of legislation the greater the interest group activity.

Results

The analysis reveals that general and primary elections are consistently significant and positive factors in explaining increases in campaign contributions across all three states. In California and Illinois the greatest percentage increase in the number of contributions occurred prior to the general election (please see tables 2 and 3). In South Carolina the greatest increase in contributions was found prior to the primary election (please see table 4). This is consistent with what would be excepted in a state traditionally dominated by a single party in the state legislature. Many elections are decided in the primary with many state legislators running unopposed in the general election, therefore

[5] The National Institute on Money in State Politics describes itself as "a nonpartisan, nonprofit program dedicated to accurate, comprehensive and unbiased documentation and research on campaign finance at the state level".

[6] For additional information of the coding scheme used by the National Institute on Money in State Politics please see their web site at http://www.followthemoney.org/database/coding.html.

it is reasonable to expect the contributors would target the primary instead of the general election.

Two of the nine bills examined in this study were found to result in a significant positive increase in the number of contributions given. Bill SB604 in California which creates the Health and Promotion Advisory Board in the Department of Managed Care was found to result in a 28% increase in the number of campaign contributions while the legislation was under consideration. Additionally, bill HB 4583 in South Carolina, which establishes a task force to conduct a review of health insurance mandates, resulted in a 124% increase in the number of contributions.

In Illinois all three bills were found to be significant in explaining the number of campaign contributions, however, in all cases the relationship was negative indicating a decrease in contributions surrounding the legislative event. Limitations on fundraising during legislative sessions may provide a possible explanation for this finding. Additionally, the overlap of the vote event with the primary election in the case of HB 4540 may provide an additional possible explanation for the negative coefficient. Future, research will hopefully allow greater insight into the findings in Illinois. However, an increase in legislative activity in Illinois resulted in a significant and positive impact on the number of contributions, thus indicating as legislative activity increases the number of contributions increases. This finding provides some evidence that contrary to the findings concerning specific pieces of legislation, interest groups are indeed trying to influence policy in the Illinois state house.

The measure of legislative activity included in the model was found to be significant in eight out of nine cases with the one exception being in South Carolina for the analysis of HB 4583. However, the legislative activity variable did not behave in the same manner across all states. In Illinois and California the greater the amount of legislative activity the greater the number of campaign contributions. This finding provides some evidence that political action committees become much more active when legislation is under consideration. However, in South Carolina lobbyist are not allowed to offer, solicit, facilitate or provide a contribution on behalf of legislators. Future research will hopefully provide more answers to how the legal restrictions on lobbyist effect contribution patterns.

Conclusions

The preliminary findings presented in this paper provide evidence that PACs consistently behave in a universalistic fashion in state legislatures, however they also attempt to influence vote outcomes in selective cases. Their contribution decisions, however, are mediated by legal restrictions that need to be more fully examined in future research. Additionally, the findings presented in this research provides some evidence that money may not have as big of an impact in influencing legislative outcomes in the states as often portrayed in the media. Interest groups often give to members that already agree with them and; therefore their primary goal is to keep that person in office by helping in their re-election bid. Future research needs to be undertaken which expands this study to more states that represent a greater variation in terms of legislative professionalism and legal restrictions. For example, some states limit contributions during a legislative session and expanding the sample to include such states will provide insight into the effectiveness of such restrictions.

Finally, an interesting finding in this study is the fact that both pieces of legislation found to be significant in explaining an increase in contributions were health care related. Hopefully, future research will shed light on contribution patterns across different policy areas. Additionally, future research will consist of model specifications that include dummy variables for each week included in the analysis. This will allow for an examination of whether interest groups are giving contributions prior to a legislative vote or after the vote as a reward. The alternative specification will also provide for a way to examine contribution patterns in states with session restrictions. Such legal restrictions may not result in less money being given to legislators, but shift contributions to immediately before or after a legislative session.

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TABLE 1: Legislative Bills Examined

State	Legislation	Senate Action	House Action
California	SB 71 – Workers Compensation	Passed 25 to 13	Passed 50 to 29
California	SB 604 – Health Care Mandate	Passed 24 to 13	Died In Committee
California	AB 2242 – Minimum Wage	Did Not Pass	Passed 47 to 30
Illinois	HB 2487 – Family and Medical Leave Expansion	Not Voted On	Passed 96 to 20
Illinois	SB 1342 – Mental Illness Mandate	Passed 51 to 0	Passed 103 to 10
Illinois	HB 4540 Minimum Wage Hike	Not Voted On	Passed 64 to 53
South Carolina	H 3142 – Right to Work	Passed 31 to 11	Passed 84 to 28
South Carolina	H 4583 – No New Health Care Mandates	Passed	Passed 98 to 4
South Carolina	H 3289 – Prohibit Higher Local Government Minimum Wages	Passed 29 to 12	Committee Amendment to Replace Original Bill Passed 84 to 24. Final Passage Passed 89 to 19

Notes: The bills examined in this study were considered in 2001 and 2002. The analysis in this paper examines PAC contribution in the lower chamber in Illinois and South Carolina and the upper chamber in California.

TABLE 2
Effects of Vote Events and Elections on Weekly Contributions in the Illinois House: Contributor Fixed-Effects Model

	HB 2487	SB 1342	HB 4540
Vote Event	-.2378* (.0649)	-.3022* (.0864)	-.1352* (.0582)
Primary Election	.44123* (.0519)	.4872* (.0636)	.5421* (.0521)
General Election	.9154* (.0524)	.9591* (.0597)	.9001* (.0522)
Legislative Activity	.0005* (.000059)	.0003* (.0001)	.0004* (.0001)
N	61305	66510	61305
Number of PACs	594	642	594
Log-likelihood	-13819.538	-10228.24	-13823.766

Notes: Statistical significance at the .05 level indicated by *
Standard errors are in parentheses

TABLE 3
Effects of Vote Events and Elections on Weekly Contributions in the California Senate: Contributor Fixed-Effects Model

	SB 71	SB 604	AB 2242
Vote Event	-.0358 (.05584)	.2770* (.0525)	.0009 (.00008)
Primary Election	.6665* (.0552)	.8432* (.0620)	.6385* (.0718)
General Election	.9328* (.0642)	.9563* (.0750)	1.016* (.0843)
Legislative Activity	.0089* (.0001)	.0008* (.00007)	.0009* (.00008)
N	98037	80075	56997
Number of PACs	943	770	549
Log-likelihood	-14585.07	-11035.355	-8802.4972

Notes: Statistical significance at the .05 level indicated by *
Standard errors are in parentheses

TABLE 4
Effects of Vote Events and Elections on Weekly Contributions in the South Carolina House: Contributor Fixed-Effects Model

	HB 4583	HB 3289	HB 3142
Vote Event	1.236* (.1449)	-.1988 (.2324)	-.2002 (.2424)
Primary Election	1.888* (.1144)	1.672* (.1083)	1.673* (.1081)
General Election	1.014* (.1599)	.9048* (.1488)	.9043* (.1488)
Legislative Activity	-.0022 (.0005)	-.0020* (.0004)	-.0020* (.0004)
N	18720	21944	21944
Number of PACs	180	211	211
Log-likelihood	-1826.807	-1939.4862	-1939.5112

Notes: Statistical significance at the .05 level indicated by *
Standard errors are in parentheses