THE BIG MONEY

Unanticipated Result of 1993 Campaign Finance Reform Law Is That Political Parties Are More Powerful Than Ever

BY JEFF BRINDLE

When the Legislature amended New Jersey's campaign finance laws in 1993, few predicted how these changes would drastically alter the State's political landscape ten years later.

In October 1990, the findings and recommendations of the Rosenthal Commission set up to study legislative ethics and campaign finance were released. Three years later, in early 1993, encouraged by reform-minded individuals and legislators, then-Governor James J. Florio and the Legislature enacted legislation largely modeled on those recommendations.

For the first time, limits were imposed on contributions made to non-gubernatorial candidates To prevent these limits from being circumvented, the new law limited candidates to a single candidate committee and/or joint candidates committee. Gone were the days of multiple campaign committees, unlimited officeholder PACs, and unbounded contributions.

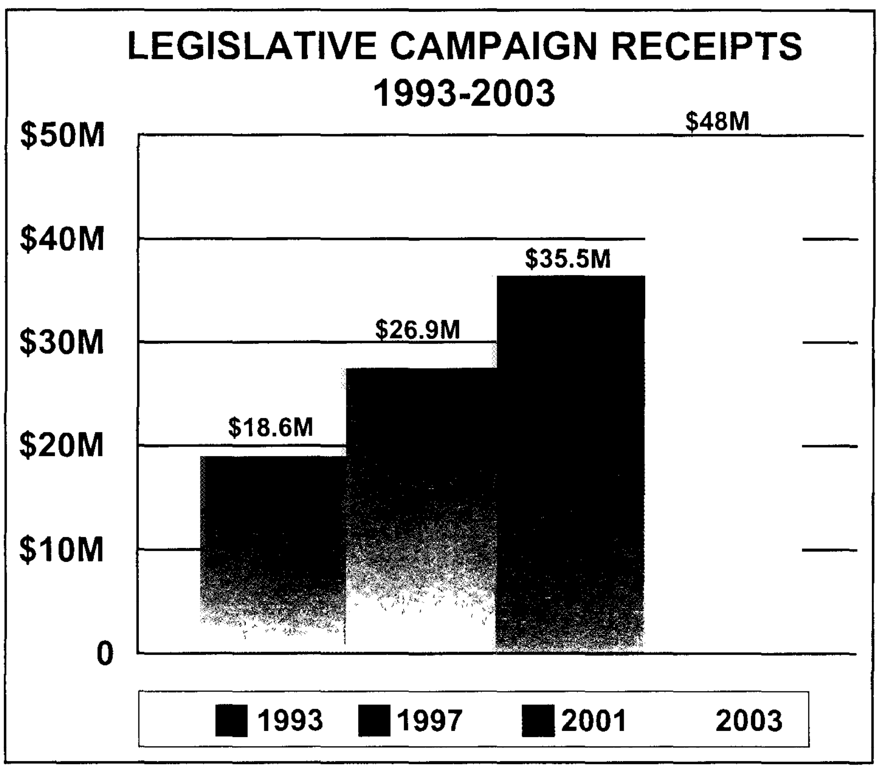
One goal of the reforms was to limit the growing influence of special interest PACs and strengthen an enfeebled political party system. The law did this by establishing a $25,000 per year limit on contributions made to political parties, compared with a much lower per election limit of $1,800 on contributions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

It further sought to accomplish these goals by incorporating into the statute a provision that formalized an evolving statewide party entity termed a legislative leadership committee. These leadership committees, to be run by each of the four legislative leaders, also enjoyed a $25,000 per year limit on contributions received

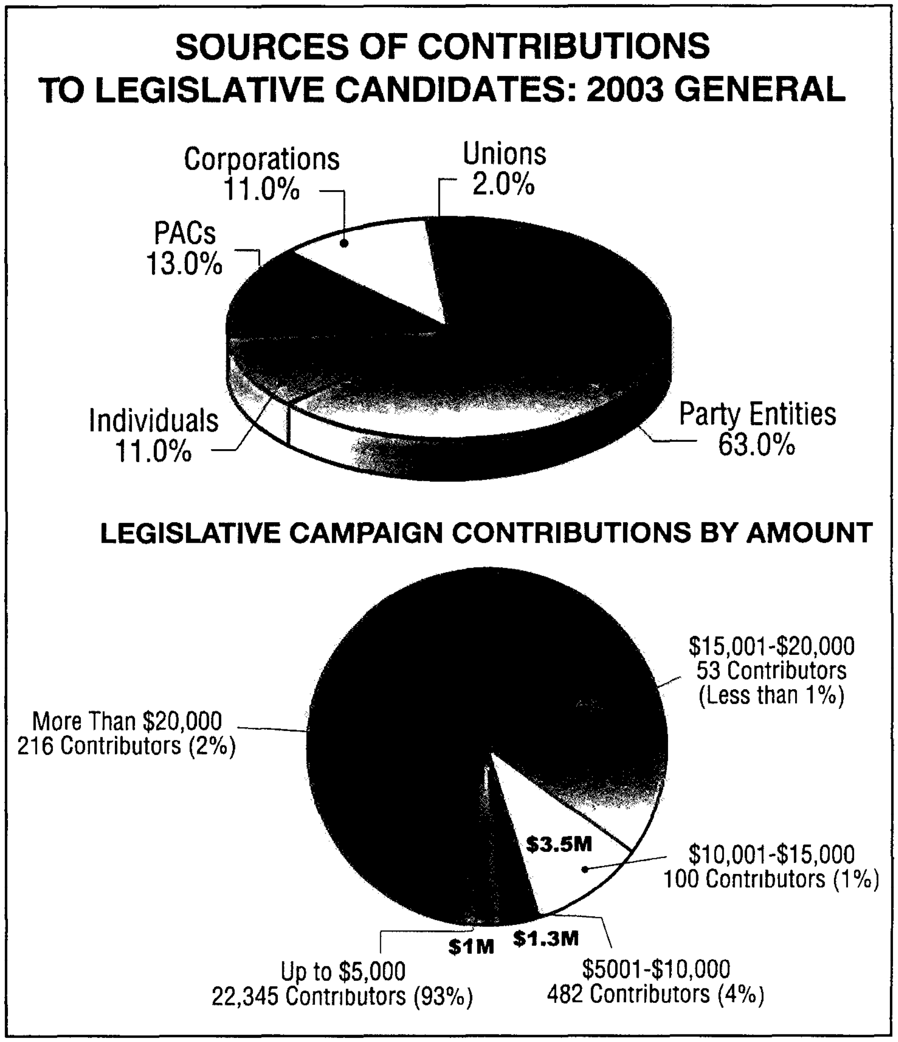
Finally, in one more blow struck to revive the political parties and offset the increasing influence of the special interests, the law allowed these party entities to spend unlimited amounts of money on their candidates, but limited special interest PACs to contributing $5,000 per election to those seeking public office.

At the time, there was ample reason for the Governor and the Legislature to take this approach. Many political scientists, for instance, bemoaned the weakening of broad-based political parties at the expense of narrow-interest PACs To be sure, there was sufficient evidence to prove that this situation was the case in New Jersey.

By 1987, for example, PAC donations amounted to 20 percent of total contributions to legislative candidates This percentage was just slightly less than the 22 percent of contributions to these candidates attributed to the political parties. By the time the 1993 reform measure was enacted, the PACs had surpassed the political parties in terms of the percentage of contributions made to candidates for the Legislature. PAC contributions



THE INFLATION IN CAMPAIGN SPENDING. Spending on legislative races has jumped 158 percent in the 10 years since the last campaign fiannce reform package was enacted



INTENDED -- AND UNINTENDED -- CONSEQUENCES OF CAMPAIGN FINANCE REFORM

The 1993 campaign finance reform was intended to increase the importance of party funding of legislative campaigns, and it succeeded. Party entities contributed five times as much as PACs in the 2003 campaign (top chart). But what was not anticipated was the sheer amounts of money that the parties would raise, and that the average contribution to campaigns in the over-$20,000 category (which is effectively limited to party entities) would be almost $76,000.

constituted 15 percent of these contributions, compared with 9 percent made by political party organizations.

By the early 1990's, New Jersey's electoral system had truly become candidate-centered, with each candidate engaged in a pitched battle 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. This unraveling of a strong party system, however, had not taken place overnight. While the importance of political parties plunged to an historic low in the 1980s and early 1990s, the trend had been years in the making. Among the factors leading to the decline in party influence were suburbanization, reapportionment decisions in the 1960's and early 1970's, the establishment of the Gubernatorial Public Financing Program, the State's open primary law of 1981, decreased voter turnout, and the professionalization of political campaigns.

It didn't take quite as long, however, to reverse this trend. Within a mere 10 years of passage of the 1993 Act, the political parties became as influential, if not more so, than ever before.

Aside from the landmark changes to New Jersey's campaign finance laws in 1993, it must be noted, however, that the first step toward party revival occurred in 1989. It was then that the U.S. Supreme Court, in *Eu vs. San Francisco Democratic Central Committee*, invalidated California's open primary law that prohibited political parties from participating in primary elections. As the result of this decision, the New Jersey Superior Court determined that *Eu* applied to New Jersey's open primary law, ending a decade of banning political parties from endorsing and funding candidates.

The *Eu* decision opened the door a crack, allowing the political parties to at least get their feet into a room that was becoming increasingly crowded by special interests. It was the campaign finance reforms of 1993, however, that opened the door all the way and completely altered the mix of guests at the fundraising party. The electoral process would now become dominated by the political parties.

This trend was first identified in *Repartyization: The Rebirth of County Organizations*, a New Jersey Election Law Enforcement Commission (ELEC) report published in 1997. The 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. The report stated:

> *It is the contention of this work that county party organizations, once power brokers, only to become poor relations in the mid-1980's, are again 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.*

But it wasn't only the county parties that were empowered by the new law. The state political party committees and legislative leadership committees experienced an exponential growth in financial activity. A second ELEC report, published recently in 2003, *A Resurgent Party System: Repartyization Takes Hold*, documented this fact and statistically demonstrated that the trend identified in the earlier publication continued unabated. It noted that between 1997 and 2001, contributions to the two-state party committees rose from $10 7 to $24.6 million. 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. In fact, financial activity recorded during this most recent legislative election in 2003 makes this development crystal clear. An analysis of contributions in amounts over $400 made to candidates for the Legislature last November shows that political parties made 25 percent of all contributions, legislative leadership committees another 25 percent, and candidates themselves an additional 12 percent. Party-related entities, therefore, accounted for almost two-thirds of the funds raised by legislative candidates.

This extremely 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 this last election. Though 93 percent of all contributions landed in the $5,000 or less category, in real dollars these contributions accounted for just 35 percent of funds received. Conversely, while contributions over $20,000 constituted just 2 percent of total contributions made, in terms of money received, these donations accounted for 48 percent of all funds. Contributions in ranges between $5,000 and $20,000 accounted for the remaining 17 percent of legislative dollars.

Because political parties and legislative leadership committees are unlimited in how much they can contribute directly or indirectly to their candidates, and because total fundraising for 2003 legislative general election candidates reached a record $40 million, this data indicates the true measure of influence of political party entities. All contributions over $20,000 must derive from party entities. Moreover, it must be assumed that a majority of contributions amounting to more than $5,000 derives from the same source. Thus, the big money comes from the parties and the smaller amounts from individuals, corporations, and unions. PAC contributions would come in denominations of less than $7,200 A truly startling statistic is that the average contribution in the over $20,000 category is $76,000.

For sure, the objectives of the 1993 campaign finance reform law have been met, but perhaps to a degree never anticipated nor intended by the architects of that landmark legislation In truth, those reforms not only restored health to the political party system, but placed the parties and their leaders on a perch never before reached in the annals of New Jersey's rich and colorful political history.

Healthy political parties are necessary to a strong democracy. The intent of the 1993 statute to reduce the impact of special interest PACs over candidate-centered campaigns and to create a more party-oriented system was laudable. It now is up to opinion-makers, political scientists, and elected officials to evaluate how the law evolved, examine recent developments, and determine whether the current system, so overwhelmingly dominated by political parties, suits New Jersey's needs.

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