

## ***Campaign Finance Regulation Lessons from Washington State***

**by Michael J. New**

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Extensive regulations govern campaign finance at the state and national levels. Congress has recently passed the McCain-Feingold law that restricts contributions and electoral advertising. Many states, including Washington, have similar regulations. Washington's regulations limit contributions from individuals, political action committees, and political parties.

Overall, campaign finance regulation in Washington State has been able to reduce the sums spent on campaigns for the state legislature. Contrary to the claims of proponents, campaign

finance regulation has hindered electoral competition in the state. Incumbents were less likely to face either primary or general election challengers after the regulations went into effect. In addition, candidates who challenged incumbents during the general election were less likely to win.

Proponents of contribution limits hope to pass new regulations in additional states and expect McCain-Feingold to enhance electoral competition. The experience of Washington State suggests that both aspirations are unlikely to become reality.

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## **Spending on state legislative races in Washington State increased in every election year from 1978 to 1992.**

In recent years campaign finance regulation has been one of the most hotly debated issues in Congress. Congress recently passed and President Bush signed the most extensive new regulations on campaign finance in a generation. The new law bans contributions to political parties (so-called soft money) and heavily regulates broadcast ads close to an election.<sup>1</sup> Many supporters believe this legislation will both reduce corruption and promote electoral competition. They also aim to expand their drive for new regulations to the states, building on the government-financing legislation recently enacted in Arizona and Maine.

The experiences of the states provide data to use in assessing the likely consequences of new federal and state regulations. There is a great deal of variation in the state campaign finance laws that govern fundraising for seats in the state legislatures. In addition, in recent years many states have enacted comprehensive reforms of their laws governing campaign finance. This evidence can give us a clue about the likely effects of both McCain-Feingold and various campaign finance regulations proposed for the states.

### **The Washington Regulations**

During the past 20 years, most states have strengthened their restrictions on the amount of money that individuals and parties can donate to candidates running for the state legislature.<sup>2</sup> Among the most dramatic restrictions were those found in Proposition 134 passed by Washington voters in 1992. Before the adoption of Proposition 134, individuals, parties, and political action committees were all free to donate as much as they wanted to candidates running for the state legislature. The new regulations limited donations from individuals and PACs to \$500 per candidate per election. Party donations were limited by a formula that had as one of its terms the number of registered voters in a district. In practice, the sum worked out to \$22,500 from a party for a candidate

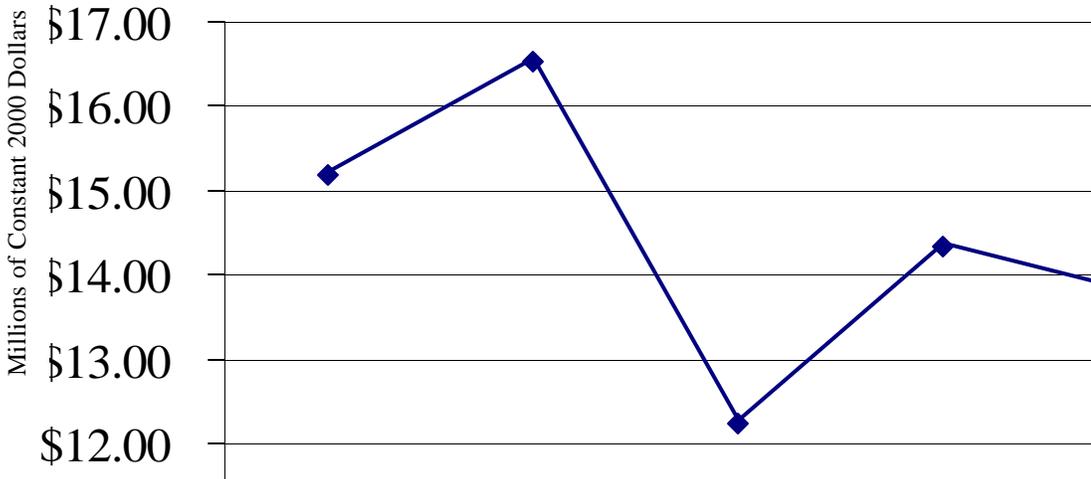
for the state legislature and \$45,000 for a candidate for the state senate.<sup>3</sup> Those new limits suddenly made it impossible for a party to bankroll an entire campaign for the state legislature. Individuals running for a seat in the Washington legislature had to obtain additional support from either PACs or individuals, both of which faced strict limits on how much they could donate. Washington's experience with campaign finance regulation over the last four election cycles thus provides evidence about how limits on donations affect both candidate fundraising and electoral competitiveness.

### **Candidate Fundraising**

Washington's campaign finance regulations reduced the sums spent on campaigns for the state legislature. Spending on state legislative races in Washington State increased in every election year from 1978 to 1992. However, after the new regulations took effect, the situation changed. In real terms, the sum spent on state legislative races dropped by more than 26 percent between 1992 and 1994. As Figure 1 indicates, spending did rebound somewhat in 1996, 1998, and 2000; however, the total spent in each of those years was less than the total sum spent in 1992 in the last election before the regulations took effect. The average sum spent before regulation was \$15.02 million; the average after was \$13.38. Washingtonians thus spent, on average, \$1.64 million less during each of the last four election cycles.

Figure 1 indicates that overall spending declined after regulation, but overall totals might not be the best way to gauge the effects of campaign finance regulation on fundraising. A series of candidates lacking fundraising skills might have biased the results downward. To deal with that, the most expensive campaigns both before and after regulation were analyzed. That should prove instructive because in the most expensive campaigns both candidates are actively seeking to gain a fundraising edge over their

**Figure 1**  
**Total Campaign Spending on State Legislative Races in Washington, 1990–2000**



Sources: *Election Financing Fact Book* (Olympia: Washington State Public Disclosure Commission, 1990–2000).

opponent. If spending in the most expensive races has declined since regulation, that would provide even better evidence that campaign finance regulation hampers candidates' fundraising.

As Figure 2 indicates, that appears to be the case and is especially evident in races for the state senate. Spending in the four most expensive races peaked in 1990 and never again exceeded that level after the regulations were enacted. Overall, the average for the four most expensive races in the years prior to regulation greatly exceeds the average cost of the four most expensive races in the years since regulation. In fact, we see a decline of almost half a million dollars in those races, on average.

For the Washington state house the evidence is more mixed. The total spent in the four most expensive races did decline in the two elections after Proposition 134 passed. However, the amount spent in the four most expensive house races increased in 1998 and sharply increased in 2000. However, it should be noted that races for the Washington house are less expensive than races for the Washington senate. As a result, the limits on donations were bound to have less of an impact on fundraising for house elections.

## Electoral Competition

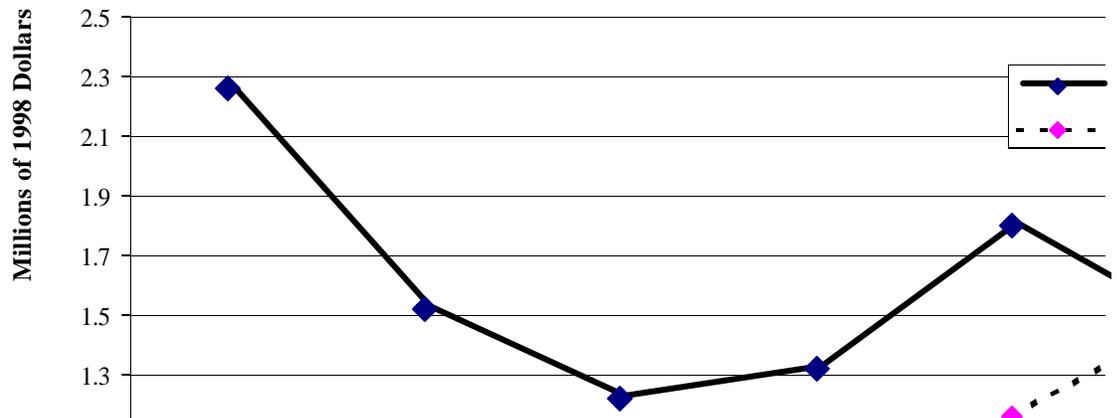
Proposition 134 clearly succeeded in reducing the total amount of money spent on races for the two Washington legislative houses. What have been its effects on political competition in Washington State? Many supporters of campaign finance regulation argue that restrictions on fundraising will increase competition. They maintain that most elections are uncompetitive because incumbents are able to raise more money than challengers. As a result, limits on fundraising are necessary to reduce that fundraising advantage. However, opponents of fundraising restrictions contend that limits will restrict competition. They argue that incumbents possess a number of inherent, nonmonetary advantages including high name recognition, franking privileges, and the ability to assist constituents. Given all that, challengers need to raise a lot of money to make up for the inherent advantages of incumbents. Fundraising restrictions make that uphill climb even steeper.<sup>4</sup>

Overall, the evidence from Washington State strongly indicates that campaign finance regulation has reduced political competition. That can be demonstrated in a variety of ways.

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**Campaign finance regulation likely played a large role in the reduction in competition.**

**Figure 2**  
**Total Spending for the Four Most Expensive Races for the Washington State Legislature, 1990–2000**



Sources: *Election Financing Fact Book* (Olympia: Washington State Public Disclosure Commission, 1990–2000).

First, the number of uncontested elections for the Washington legislature has sharply increased since the passage of Proposition 134. Table 1<sup>5</sup> shows that in 1990 and 1992, the two election years that immediately preceded regulation, 12 percent of the seats in the Washington house were uncontested. However, in the four elections that immediately followed regulation, 17 percent of seats in the state house were uncontested. In the state senate, where elections are more expensive and money plays an even larger role, the results are even more dramatic. The percentage of seats that were uncontested went from

6 percent to 21 percent over the same time span. This difference is statistically significant.

Campaign finance regulation likely played a large role in that reduction in competition. After regulation, fundraising for a race in the state legislature became significantly more time-consuming since individuals could no longer obtain most of their funds from a single source. It seems likely that the regulations discouraged many potential candidates from entering the fray.

In addition to being less likely to face a major party challenger after regulation, incumbent state legislators also became less

**Table 1**  
**Percentage of Races for the Washington State Legislature That Were Uncontested, 1990–2000**

	Before Regulation (90–92)	After Regulation (94–00)	Difference
State senate	6%	19%	13% <sup>a</sup>
State house	12%	17%	5%

Sources: *Election Financing Fact Book* (Olympia: Washington State Public Disclosure Commission, 1990–2000).

<sup>a</sup> A statistically significant difference.

**Table 2**  
**Percentage of Races for the Washington State Legislature in Which an Incumbent Faced an Active Challenger in a Party Primary, 1990–2000**

	Average		
	Before Regulation (90–92)	After Regulation (94–00)	Difference
State senate	18%	11%	7%
State house	11%	9%	2%

Sources: *Election Financing Fact Book* (Olympia: Washington State Public Disclosure Commission, 1990–2000).

Note: An active challenger is one who raised money for the campaign.

likely to face a primary challenger from their own party. Table 2<sup>6</sup> indicates that, during the two elections that preceded the passage of Proposition 134, 18 percent of all incumbent state senators faced a primary challenger. However, in the four elections that followed regulation, only 11 percent of those running for reelection to the state senate were challenged in their party’s primary. The percentage of incumbents facing a primary challenger dropped in the state house as well. Overall, the evidence indicates that restrictions placed on fundraising seem to have discouraged prospective candidates from mounting both primary and general election challenges to incumbent state legislators.

Campaign finance regulation has benefited incumbent state legislators in other ways as

well. State senators who did face a challenger were even more likely to emerge victorious. Table 3<sup>7</sup> indicates that, in state senate races, the percentage of major party challengers who defeated incumbents decreased from 18 percent in the two elections preceding regulation to 11 percent in the four elections immediately following regulation. We know from other states that, in order to be competitive, challengers need to be able to raise a substantial amount of money. Since Proposition 134 made fundraising more difficult, it is not surprising that fewer challengers in the state senate races were successful.

The results from the state house tell a slightly different story. After the passage of Proposition 134, the percentage of major party challengers who defeated incumbents

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**Table 3**  
**Victories by Challengers over Incumbents in General Election Races for the Washington State Legislature, 1990–2000**

	Before Regulation (90–92)	After Regulation (94–00)	Difference
State senate	18%	11%	7%
State house	9%	11%	2%

Sources: *Election Financing Fact Book* (Olympia: Washington State Public Disclosure Commission, 1990–2000).

**Contrary to the claims of proponents, campaign finance regulation has hindered electoral competition in Washington State.**

actually increased by two percentage points. However, that is largely because 21 challengers for the house, all Republicans, won in 1994, an excellent year for Republicans nationally. Those victories by Republican challengers in an unusual year are outliers that might distort our conclusions. If the 1994 election is excluded from the dataset, challengers were less likely to defeat incumbents after the regulations were passed.

### Conclusion

Overall, campaign finance regulation in Washington State has been able to reduce the sums spent on campaigns for the state legislature. That is evident in terms of both the overall totals spent and the totals spent in the most expensive races. However, contrary to the claims of proponents, campaign finance regulation has hindered electoral competition in Washington State. The decline in competition can be seen in a variety of ways. Incumbents were less likely to face either primary or general election challengers after the regulations took effect. In addition, candidates who challenged incumbents during the general election were less likely to win. Overall, campaign regulation had a greater overall effect on races for the state senate than on elections for the state house. That is unsurprising as races for the state senate are more costly than races for the state house.

This analysis holds implications for both McCain-Feingold and proposals to extend more campaign finance regulations to the states. Much of the emphasis in the new federal regulations is on placing limits on contributions to political parties. However, political parties are the only entities that consistently donate more money to challengers than to

incumbents.<sup>8</sup> Given McCain-Feingold's limits on party donations to campaigns for national office, a similar decline in competition may very well occur in elections for the U.S. House and Senate.

### Notes

1. Bipartisan Campaign Reform Act of 2002, Title I, *passim*, and Title II, sec. 203, [www.cfinst.org/eguide/shays\\_meehan\\_engrossed.doc](http://www.cfinst.org/eguide/shays_meehan_engrossed.doc).

2. Michael J. Malbin and Thomas L. Gais, *The Day after Reform: Sobering Campaign Finance Lessons from the American States* (Albany, N.Y.: Rockefeller Institute Press, 1998), pp. 15–23.

3. See Revised Code of Washington State, 63.17.540, [www.lni.wa.gov/home/disclosure.htm](http://www.lni.wa.gov/home/disclosure.htm). See also Malbin and Gais, pp. 117–18.

4. Thad Kousser and Ray LaRaja, “The Effects of Campaign Finance Laws on Electoral Competition: Evidence from the States,” Cato Institute Policy Analysis no. 426, February 14, 2002.

5. The raw data for Table 1:

Election year	'90	'92	'94*	'96*	'98*	'00*
State senate	2/25	1/26	2/24	5/25	7/24	5/26
State house	15/98	9/98	17/98	14/98	25/98	10/98

\*Election years after campaign finance regulation was enacted.

6. The raw data for Table 2:

Election year	'90	'92	'94*	'96*	'98*	'00*
State senate	5/23	1/11	2/16	3/23	1/22	3/21
State house	6/84	10/65	9/78	7/77	9/87	4/84

\*Election years after campaign finance regulation was enacted.

7. The raw data for Table 3:

Election year	'90	'92	'94*	'96*	'98*	'00*
State senate	5/23	1/11	2/16	3/23	3/22	1/20
State house	8/83	5/66	20/78	4/77	7/84	3/83

\*Election years after campaign finance regulation was enacted.

8. Malbin and Gais, p. 153.

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