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Breaking the Banks: The Effect of State Campaign Finance Regulatory Environments and Regulatory Regimes on State Campaign Contributions and Spending

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While the literature on campaign finance at the federal level is well-developed, increasingly scholars have turned to the natural laboratory of state-level campaign finance to study the effectiveness and influence of campaign finance laws on campaign spending. We develop unique measures of campaign finance regulatory environments and regimes that classify campaign finance laws by type and restrictiveness in order to assess the impact of campaign finance laws on levels of spending and industry influence. We find that variance in regulatory environments is significantly correlated with lower levels of total campaign contributions in the states. However, regulatory regimes in campaign finance are a mixed bag – with more stringent regimes associated with lower levels of campaign contributions in some cases and higher levels in others. We find a marginal negative relationship between campaign finance regulatory environments and the corporate/union regulatory regime and top industry spending, but the relationship is statistically insignificant.

Introduction

Campaign finance regulation, as law, is a curiosity. Law-making in democratic regimes is ubiquitously subject to a plethora of general and particularized interests seeking influence and the concomitant favors influence can yield. Lobbyists seek to favorably shape the laws that govern the livelihoods of those they represent and adversely impact those of their competitors. Yet, in the case of campaign finance regulation, those specifically subject to the laws—those most personally interested in the outcomes that the law, in part, determines—are precisely the individuals tasked with writing them. The regulated are, in fact, the regulators. Much like the plight hens endure when foxes serve as guardians, so too have campaign finance regulations historically failed to secure reduced spending in campaigns. The history of campaign finance regulation is characterized by loopholes, lax enforcement, and self-interested incumbency protection. That said, a more comprehensive and potentially more effective system of laws governing campaigns has emerged in federal campaigning. Many of these innovations have been emulated at the state level. These more recent

regulations are intended to limit the amount of spending in campaigns, insulate law-makers from *quid pro quo* transactions with special interests, and mitigate the power moneyed interests exert in law-making. Today, we have fifty distinct, complicated, and often convoluted sets of rules and regulations at the state level which, *in toto*, form unique campaign finance regulatory environments that govern campaign contributions and spending in state elections.

Campaign Finance Regulatory Environments and Regimes in the States

The study of campaigns financed through voluntary contributions by citizens, parties, and organized interests and the laws which regulate those campaigns has long been a subject of interest for students of democratic elections (Corrado, Mann, and Potter 2003). Considerable attention has focused on the effect the campaign finance laws have had on campaigns for federal office, the differential impact of regulation on incumbents vs. challengers in federal elections, and how interests and other organized participants attempt to influence federal elections through campaign finance. At the federal level, the endogeneity of campaign finance regulations stymies efforts to assess their impact on contributions and spending except through time-series analysis of changes in campaign finance law. Such analysis is dependent upon the vagaries of congressional initiatives, with significant changes in campaign finance regulation measured in decades. Furthermore, federal studies only examine the variation between the current regime and the past status quo. This confounds attempts to determine the exact effects of specific regulations. Only those changed can be assessed, and multiple simultaneous changes complicate determining which are responsible for the observed variation.

State-level analysis suffers from none of these problems, and that is why scholars have increasingly turned their attention to the natural laboratory of the states to assess the effect that variation in legal regimes has on campaign spending. States pass campaign finance laws that affect their own politics in the same way that the national government's campaign finance laws have altered the character of and competition found in federal campaigns. State-level analysis permits the cross-sectional study of different campaign finance laws and the full set of laws that govern the financing of campaigns and campaign spending – different campaign finance regulatory regimes and the overall campaign finance regulatory environment in a state. As more and more students of campaign finance have come to recognize, the puzzle of increasingly restrictive campaign finance regulations coupled with the

explosion of money in politics over the past few decades is best assessed through comparative study at the state-level of analysis.[1]

Building on the literature on campaign finance, particularly at the state level, we address three discrete questions about the effect campaign finance laws have on campaign contributions and spending: 1) Do campaign contribution limits reduce total campaign spending? 2) Are differing campaign finance regulatory environments and different campaign finance regulatory regimes more or less effective in reducing campaign spending? 3) Do campaign finance laws affect the degree to which business interest groups account for the percentage of campaign contributions?

In order to answer these questions, we define campaign finance regulatory regime (CFRR) as the set of laws any political subdivision utilizes to limit campaign donations, require disclosure of campaign spending and donations, and restrict the time, manner or place of campaign contributions for a particular subset of regulated subjects. For example, the individual limit campaign finance regulatory regime in a state consists of all laws in the state that restricts or permits the contributions by individuals. The campaign finance regulatory environment (CFRE) then consists of the sum of the campaign finance legal regimes in place in a particular state. We develop unique measures of campaign finance regulatory regimes that classify campaign finance laws by type and restrictiveness. We specify the typology of campaign finance laws based on the subjects regulated (type) and the monetary limitations imposed (restrictiveness) in order to assess the impact of campaign finance laws on levels of overall campaign spending and industry influence. By tracing state level campaign finance laws within a time-period uncontaminated by changes in national rules and rulings that apply at the state level, we are able to isolate the effects of state campaign finance laws independent of external factors.

We estimate three different multivariate models of the effects campaign finance regulatory regimes have on campaign spending: a total limits model, a regime type model, and an industry influence model. The total limits model assesses the extent to which variation in the overall restrictiveness of limits in campaign finance regulatory regimes affects overall state campaign spending. The regime type model tests the effect different kinds of regulatory regimes, such as limits on individual contributions versus limits

[1] The data and accompanying programs for this study are archived and accessible for replication at the following web address: http://www.donaldgooch.com.

on political action committees (PACs), has on overall state campaign spending. Some campaign finance regulatory regimes may be more effective than others. Last, we assess the effect the restrictiveness of campaign finance regulatory regimes has on the level of spending of top industries in each state in the industry influence model. If campaign finance laws are having the theoretically intended effect, then the more effective laws should have a more significant impact on the level of top industry participation in campaigns.

A comparison of two different state campaign finance regimes is helpful here. In Colorado, limits are relatively low for private citizens who wish to contribute to candidates. Individual contributions to candidates for the state legislature are capped at $200 per election, while statewide races are limited to $550 contributions per election. Political party organizations are given much more generous ranges in which to contribute. The lowest contribution limit for parties is to state legislative candidates, at $14, 805. Candidates for governor can receive as much as $569,530 in contributions from political party organizations, or almost 3,000 times the individual contribution limit for a given campaign. Interest and political action committee limits are more generous than individual ones, but not as high as those for parties. Legislative candidates can receive $2,250 maximum contributions from PACs, while statewide candidates can accept $5,675 from groups. Corporations and unions are expressly prohibited from contributing directly to campaigns. Colorado's regime is thus party-focused and benefits political party organizations. Political parties have the most incentive to raise money and can influence candidates the most because of their high limits and bans on non-PAC direct contributions to campaigns.

Maine, by contrast, is much different from Colorado. Corporations and unions can make direct contributions to campaigns, allowing them to bypass PACs and party systems. However, their contribution limits are the same for individuals, parties, PACs, unions, and corporations. Their contribution limits are also very low. State legislative candidates can be given a maximum $375 contribution from any of the donor categories, with statewide candidates except for the governor eligible to receive $750 donations. Gubernatorial candidates are limited to $1,500 total contributions from any source. Individuals, parties, PACs, and corporations are all treated as a co-equal donor, which should suppress organization power, at least relative to what we see in states like Colorado.

We can see three general models emerge from the examples of Colorado and Maine. One model places a particular political entity in a privileged position over others. Colorado's limits certainly favor political parties, while Maine treats parties the same as an individual donor. Second, the amount of donation limits is significant. While at the federal level all candidates (for Congress and the Presidency) are subject to the same limit levels, states subdivide even within the same geographic area. The logic of state legislative limits differing from statewide ones makes sense with smaller district sizes, but Maine and Colorado both differentiate between gubernatorial races and other statewide offices. If the logic of lower limits for smaller geographic districts holds, gubernatorial candidates should have the same limits as secretary of state or attorney general candidates, since they are also statewide races. Thirdly, the law may treat some groups differently. In federal elections, any interested group must register as a PAC or party, but at the state level direct donations from corporate and/or union organizations are allowed in some instances.

We control for alternative explanations of variation in interstate campaign finance spending and for differences between the states that may frustrate comparisons in overall campaign spending. We find that variance in the restrictiveness of campaign finance regulatory environments is correlated with lower levels of campaign spending, controlling for alternative explanatory variables. However, regulatory regimes in campaign finance are a mixed bag – with more stringent regimes associated with lower levels of campaign contributions in some cases and higher levels in others. We further show a marginal negative relationship between campaign finance regulatory environments and the corporate/union regulatory regime and top industry spending, but the relationship is statistically insignificant. We seek to add to the growing body of studies on state-level campaign finance regulatory regimes. On the whole, we find that, while some types of laws are more effective than others and campaign finance laws are a statistically significant factor in limiting spending in state contests, the type of law passed and restrictiveness of the campaign finance regulatory environment from state-to-state has little substantive effect on overall campaign giving.

Campaign Finance Laws: Spending Limit Effectiveness

There is a substantial body of evidence, both theoretical and empirical, which suggests that campaign finance laws are effective in limiting campaign spending, and as a consequence tend to benefit incumbents over challengers in federal and state elections (Aranson and Hinich 1979;

Ashworth 2006; Bardwell 2002; Bonneau and Cann 2011; Box-Steffensmeier and Dow 1992; Coate 2004; Coleman 2001; Eom and Gross 2006; Gierzynski and Breaux 1991). These studies of campaign finance tend to focus on the impact spending has on electoral outcomes and the differential effects that campaign finance laws have on groups seeking to influence elections, the electoral outcomes, and whether there is a differential partisan or incumbent advantage inherent to campaign finance laws (Ansolabehere and Gerber 1994; Barrilleaux 1986; Bonneau and Cann 2011; Caldeira and Patterson 1982; Cassie and Thompson 1998; Coleman 2001; Coleman and Manna 2000; Eagles 2004; Eom and Gross 2006; Glantz, Abramowitz, and Burkart 1976; Goidel, Gross, and Shields 1999; Herrnson 1992; Jones and Miller 1985; McElwain 2008; Meirowitz 2008; Moscardelli, Haspel, and Wike 1998; Nahra 1987; Stonecash 1988).

John Gardner, founder of the interest group Common Cause, noted that "there is nothing in our political system today that creates more mischief, more corruption, and more alienation and distrust on the part of the public than does our system of financing elections" (Smith 2001, 28). Gardner's observation about campaigns is apropos of the reformers who have sought to regulate campaign spending. Organizations such as Democracy Matters and Public Campaign argue that any private money is corrupting by its very nature, and have proposed a system of public financing for all American elections. Five states had publicly financed campaigns in 2014, mostly passed since 2000. The number of states with public financing has been reduced by Supreme Court decisions like *Randall v. Sorrell* (548 U.S. 202) which declared substantial portions of Vermont's public financing system unconstitutional. The important policy implications of assessing the effectiveness of campaign finance laws in reducing the money in politics is thus apparent. If spending is significantly and substantively reduced through contribution and spending limitations, then the framework of campaign finance laws currently in place would be largely validated. However, should they prove ineffective, more radical policy options may be necessary if lawmakers wish to achieve the stated end of reducing money in elections.

Campaign Finance Reform and the "Natural Laboratory" of the States

Concurrent with federal changes in law, states imposed their own limitations on the amount interested parties could donate to campaigns and the amounts campaigns could spend. Oregon enacted the nation's first state-level campaign finance reform law in 1908. Since then, state-level laws have changed either as a response to changes in state political culture or as an

echo of federal regulations (Elazar 1972; Smith 2001). Parties, interest groups, unions, corporate entities, and candidates themselves had varying limits imposed upon them. The political culture of the state generally dictated the type of reform, from very liberal limitations in states such as Kansas to draconian measures in Oregon and Wisconsin. States can mimic federal laws in separating limits for interests and parties, but they can also vary in how they treat political action committees – in some states the regime mirrors federal law requirements of banks and unions to register as PACs like any other interest, while some states have separate tiers of limits imposed on unions and banks that separate them from other interests. Additionally, states are free to vary the limits on all players in a campaign from the federal limits. In some cases limits can be much lower while in others even higher than those allowed by the federal government. Finally, states differentiate between campaign types. State house and senate candidates have different limits, deviating strongly from identical U.S. House and Senate limits. States also have statewide and in some cases multi-county district (such as judicial) and county elections that can see different rules and limits placed upon them. State boundaries are important because state location, industry, and trends are significant (Gimpel, Lee, and Kaminski 2006).

Increasingly, scholars have taken advantage of the "natural laboratory" of the states to assess the comparative impact of campaign finance laws on a variety of electoral and political mechanisms (Alexander 1991; Bonneau and Cann 2011; Box-Steffensmeier and Dow 1992; Breaux and Gierzynski 1991; Caldeira and Patterson 1982; Cassie and Thompson 1998; Eom and Gross 2006; Gierzynski and Breaux 1991; Hamm and Hogan 2008; Hogan 2005; Huckshorn 1985; Gross and Goidel 2003; Gross, Goidel, and Shields 2002; Jensen and Beyle 2003; Jones 1981; Malbin and Gais 1998; Milyo, Primo, and Groseclose 2000; Ramsden 2002; Rosenthal 1995; Stonecash 1990). The states, with their variety of different regulatory environments and kinds of regulatory regimes, permit a comparative examination in a natural laboratory setting that can tease out the effects of not only the overall effect of campaign finance regulation but also the effects of specific reforms within the same setting (Milyo, Primo, and Groseclose 2000; Ramsden 2002).

Research on state campaign finance laws has found that, while campaign finance laws in the states impact electoral outcomes, there is little evidence that campaign finance laws accomplish what they are ostensibly intended to accomplish. An early study of state public financing laws showed that such laws were easily manipulated and tended to favor a particular political party and, consequently, many of the seventeen states studied abandoned their

public systems within the decade (Jones 1981). Similar pessimism about campaign finance law effectiveness in the states has been expressed in subsequent studies. Huckshorn (1985) faulted the states for extant enforcement mechanisms. Other work tacitly criticized public financing by pointing out the anti-competitive effects of campaign finance reforms (Glantz, Abramowitz, and Burkart 1976). Subsequent research has echoed those original findings at both the federal and state levels (Ansolabehere and Gerber 1994; Herrnson 1992; Malbin 1984).

Research on the impact campaign finance laws have on campaign spending has been mixed. While the bulk of the literature shows an inherent incumbency advantage in higher limits, this finding has been called into question recently (Bardwell 2002; Bonneau and Cann 2011; Cassie and Thompson 1998; Coleman 2001; Eom and Gross 2006; Hamm and Hogan 2008; Hogan 2000; Hogan 2005; Meirowitz 2008; Ramsden 2002; Rosenthal 1995). For example, consistent with the consensus in the literature, Hamm and Hogan (2008) show that challenger emergence increases with lower contribution limits. Stratmann and Aparicio-Castillo (2006) show that stricter campaign finance regulations in one state's legislative elections lead to closer margins of victory for incumbents as a secondary effect and that stricter contribution limits were associated with an increase in the number of candidates per race. Eom and Gross (2006), however, argue that contribution limits do not provide incumbents with an advantage. The evidence on the effect contribution limits have on campaign spending is mixed as well. The question as to how much or to what effect campaign finance laws affect campaign spending, and the degree to which contribution-induced levels of campaign spending matter in electoral outcomes is largely unresolved. A number of studies suggest that campaign contribution limits reduce candidate and campaign spending (Eom and Gross 2006; Goidel, Gross, and Shields 1999; Hogan 2000). However, in a more recent piece, Hogan (2005) found that strict campaign finance limits led groups to use alternative methods in influencing elections. Both Huckshorn (1985) and Sorauf (1992) argue that campaign finance laws are weakly enforced when they are enforced at all. Additionally, Box-Steffensmeier and Dow (1992) found evidence that limitations lead to an increase in the total number of contributions.

Research Questions and Hypotheses: Campaign Finance Regulation Effectiveness

Are campaign finance laws effective instruments for reducing campaign spending? To the extent that spending limits actually reduce campaign spending they could be said to be effective. But if campaign finance laws are effective at reducing spending, is this reduction significant? We seek to contribute to the literature on the effect of campaign finance regulations on campaign spending by assessing the effectiveness of campaign finance laws in reducing spending in state political campaigns across the gamut of state political offices. As we noted earlier, our analysis will provide evidence that addresses the following three questions: Do campaign contribution limits reduce total campaign spending? Are differing campaign finance regulatory environments and different campaign finance regulatory regimes more or less effective in reducing campaign spending? Do campaign finance laws affect the degree to which business interest groups account for the percentage of campaign contributions?

Hypotheses

We propose to address the following hypotheses:

Campaign Finance Regulatory Environment. Spending ceilings are effective tools in limiting campaign spending in elections. As such, they should reduce the overall election spending irrespective of office sought. The more restrictive the campaign finance regulatory environments (henceforth, CFRE), the greater the overall spending reduction.

H_{CFRE}: As CFREs become more restrictive, campaign spending is reduced.

Campaign Finance Regulatory Regimes. One empirical question evident from the diversity in the levels of restrictive across the types of campaign finance regulatory regimes (henceforth CFRR) is whether different types of regimes impact campaign spending more than others. We examine four different CFRRs in place across the state campaign finance regulatory environments in this analysis:

$H_{CFRR(I)}$: As individual CFRRs becomes more restrictive, campaign spending or contributions is/are reduced.
$H_{CFRR(PAC)}$: As PAC CFRRs become more restrictive, campaign spending or contributions is/are reduced.

$H_{CFRR(CU)}$: As the corporate/union CFRR becomes restrictive, campaign spending or contributions is/are reduced.
$H_{CFRR(PARTY)}$: As partisan CFRRs become more restrictive, campaign spending or contributions is/are reduced.

Industry Spending in Campaigns. As we have noted, one of the goals of campaign finance laws and campaign finance reform is to reduce the power that large donors with special interests have in the electoral process. We test the effectiveness of CFRE's and the corporate/union CFRR in reducing the percentage of campaign finance attributable to industry sources.

$H_{CFRE(T\%)}$: As CFREs become more restrictive, the percentage of campaign contributions attributable to industry is reduced.
$H_{CFRR(T\%)}$: As the corporate/union CFRR becomes more restrictive, the percentage of campaign contributions attributable to industry is reduced.

Data Sources and Period Selection

To test these questions, we accumulated data from the National Institute on Money in State Politics' (NIMPS) "Follow the Money" dataset with their permission.[2] NIMPS collects campaign finance data for every state legislative, constitutional, and judicial office race since 1994. To identify campaign finance regulations in the states we used the National Conference of State Legislatures (NCSL) database of campaign finance laws.[3] This was augmented with an original data collection on campaign finance legislation passed in all fifty states, including limits on organizational and individual donations, developed from the Book of the States[4] and the Federal Election Commission.[5] We used this data to create an updated set of CFRE and CFRR variables for use here. Demographic and election data for the states was

[2] The National Institute on Money in State Politics. The NIMSP is a nonpartisan, nonprofit program dedicated to "accurate, comprehensive and unbiased documentation and research on campaign finance at the state level." The Follow the money' dataset was compiled by the NIMSP through the use of public disclosure records from state government agencies and other public information sources. Each contributor is assigned a business category code, closely modeled on the Federal Securities & Exchange Commission system. A listing of the organizations from which the information was compiled for the dataset can be obtained at www.followthemoney.org/database/about/statedir.phtml. The main cite for NIMSP is www.followthemoney.org.
[3] National Conference on State Legislatures Campaign Finance Legislation Database. http://www.ncsl.org/research/elections-and-campaigns/database-of-campaign-finance-legislation.aspx
[4] Book of the States. 1996-2003. Lexington, KY: The Council of State Governments. Vol. 31-34.
[5] http://www.fec.gov/pubrec/cfl/cfl02/cfl02chart2a.htm

obtained from the U.S. Census Bureau and the Bureau of Economic Analysis.[6] The result is a dynamic dataset that reflects the variety of state political fundraising, including spending, contribution, and regulatory data aspects.

Data utilized for the purposes of this analysis was compiled for total contributions to campaigns filed for the election years of 1996 – 2003, constituting four election cycles. This time period was chosen specifically because no major U.S. Supreme Court decisions on campaign finance laws were issued and no federal campaign finance legislation was implemented in these four cycles which could have potentially confounded an assessment of campaign spending and contributions in state elections and the impact individual CFREs and CFRRs have on campaigns. National legislation and national court decisions may have uniform application but uneven implementation and uneven impacts on states depending on their unique circumstances and thus frustrate attempts to isolate the effects of CFREs and CFRRs. In order to ensure, to the best extent possible, that observed changes in campaign contributions and spending are a consequence of state factors only, we restrict our analysis to the most recent 'pure' cycles prior to the 2002 Bipartisan Campaign Finance Reform Act (BCFRA, a.k.a. McCain-Feingold). The BCFRA's full impact was not felt until the 2004 election cycle. Recall that our data period precedes the implementation of the 2002 BCFRA and U.S. Supreme Court decisions in *McConnell vs. Federal Election Commission* (2003) and *Citizens United v. Federal Election Commission* (2010). While contribution limits were not directly affected (the cases centered on independent expenditures), the national legislation and court decisions were significant exogenous shocks to campaign finance legal regimes in the United States at the state and federal levels. Our data is unaffected by any

[6] Data on state populations was obtained from Table 1. Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2009 (NST-EST2009-01) Source: U.S. Census Bureau, Population Division. Release Date: December 2009. https://www.census.gov/popest/data/historical/2000s/vintage_2009/state.html. Data on educational attainment in the states was obtained from Table 225: Educational Attainment by State: 1990 to 2006, it represents annual averages for calendar year for persons 25 years old and over. Based on the 1990 and 2000 Census of Population and the American Community Survey, see Section 1 and Appendix III. Source: U.S. Census Bureau. Release Date: December 2006. http://www.census.gov/compendia/statab/2009/tables/09s0225.pdf. Data on Gross State Product was obtained from the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). http://www.bea.gov/itable/iTable.cfm?ReqID=70&step=1. Data on Voting Age Population (VAP) and voting rates in the states was obtained from the U.S. Census Bureau's 2012 Statistical Abstract. http://www.census.gov/compendia/statab/cats/elections/voting-age_population_and_voter_participation.html

trickle-down changes to state campaign finance laws in the wake of either of these decisions. We begin with 1996 as that is the first election cycle in which data is available on a sufficient number of states' campaign finance spending and contributions in order to permit analysis. The data consists of all state-level campaign spending and contributions in all state-level races and ballot initiatives for the four cycles for all states where data was available except for Nebraska.[7] The data on control of the state legislatures (Senate and House) was obtained from the National Conference of State Legislatures legislative party composition dataset.[8] This data included the partisan breakdowns for the Senate and House in each state legislature except Nebraska for the 1996-2003 time period, including any changes in the number of seats in each house of each state.

Dependent Variables – Total State Contributions and Industry Impact on State Campaigns

The analysis focuses on the impact contribution limits have on total state spending across the fifty states for the four included election cycles. We employ four different dependent variables in our models of state campaign finance. Three of the variables consist of total campaign contributions in a state's election cycle. The first of these is the total amount of total campaign contributions in a state's election cycle.[9] The second variable expresses total real dollar campaign contributions as a function of the state's VAP (Voting Age population). This variable represents the total campaign contributions in a state per voter. The third is total contributions as a function of the state's GDP in real dollars. This variable expresses total contributions in a state's election cycle as a percentage of state GDP. For the fourth dependent variable employed in the analysis, we use the percentage of spending

[7] Nebraska is excluded from the analysis due to the unavailability of partisanship data for the state legislature, the unicameral legislature in Nebraska confounding partisan dominance calculations, and the time series modeling problems which stem from lack of variation in the independent characteristics assessed as determinants of campaign contributions and spending in the analysis for Nebraska. Excluding Nebraska was necessary in order to estimate the time series models reported here, however, the deletion of one state is unlikely to generate a selection effect significant enough to bias the results.

[8] Data on the partisan composition of state legislatures was obtained from Table 419: Composition of State Legislatures, by Political Party Affiliation. Source: The Council of State Governments, Lexington, KY, State Elective Officials and the Legislatures, annual (copyright); thereafter, National Conference of State Legislatures, Denver, CO.

[9] All nominal contribution dollar amounts are adjusted for inflation using the Consumer Price Index, i.e. expressed in real dollars.
http://www.eia.gov/state/seds/sep_use/notes/use_gdp.pdf

associated with the top 10 industries in the state (a ratio variable with a theoretical range from 0% to 100%) to test the effect campaign finance laws had on reducing the influence of corporate donors in elections.

Independent Variables – CFREs and CFRRs

As has become increasingly clear from recent research, campaign finance laws affect elections in different and nuanced ways. As we have noted previously, the states are a medium through which comparative data on the relative effectiveness of campaign finance reforms may be examined. As Jensen and Beyle (2003) have admonished, state-level analysis requires special care in accounting for the intrastate differences that may confound such comparative analysis. If we are to construct empirically valid models of campaign finance limits' effects, our models must incorporate as many of the contextual aspects of limits as possible, and account for the confounding differences between the states as well as possible.

In some previous research, campaign finance laws have been treated as a monolith: few distinctions have been made between kinds of campaign finance laws used in a jurisdiction (i.e. federal) or across jurisdictions (i.e. the states). A universe of possibilities exists regarding creation of campaign finance regulations. Limits can be set anywhere within the range of conceivable donations. Limits can be imposed on the kinds of contributions to candidates, on some groups while not others, and in the aggregate or individual level. Limits can be voluntary or compulsory. Limits can leave some types of contributors unfettered while shackling others. Out of this set, policy makers decide whether, what, who, and how much they should limit. These choices matter. Not all campaign finance regulations are created equally. Yet the impact of these choices on the level of spending and the differential impact on groups remain relatively unexplored.

Witko's (2005) article on state campaign finance laws is the most significant contribution to date in constructing a valid and reliable measure of campaign finance law restrictiveness. Witko describes a simple measure of state campaign finance regulation stringency that uses a composite index of dichotomous indicators for different kinds of campaign finance laws that include requirements for expenditure and contribution itemization, aggregate reporting of contributions and expenditures, a final report requirement within a month of an election and a requirement of at least quarterly reporting. His measure of campaign finance limits includes dichotomous measures for contribution limits, prohibitions on direct

corporate/union contributions, corporate/union contribution limits, limits on candidate self-financing, and limits on candidate family contributions. Given the nature of this index, all of these factors are equally weighted within the index, and all variations on each of those types of laws are treated equally. If a state employs individual contribution limits, Witko's composite index of campaign finance law stringency codes it as a "1" no matter the particular characteristics or dollar amounts of that individual contribution limit ensconced in the law for that state. Witko (2005) index is similar in structure to that of the one employed by Gross and Goidel (2003), except that it includes bans on corporate/union giving. While both measures are important methodological contributions to the study of campaign finance, there are significant drawbacks to using dichotomous measures of campaign finance laws in analyses of campaign finance contributions and spending. A number of studies have found that the level of campaign finance contribution limits is important (Bonneau and Cann 2011; Eom and Gross 2006; Gross, Goidel, and Shields 2002; Hamm and Hogan 2008; Milyo, Primo, and Groseclose 2000; Schultz 2002). Gross, Goidel, and Shields (2002) find that spending limits reduce campaign spending, but that the negative effects of spending are "heavily contingent" on the level of the contribution limit.

Witko (2005) acknowledges the drawback of using a dichotomous measure-based index, but argues that accounting for the continuous nature of contribution limits requires setting arbitrary dollar amounts or excluding states with no limits or absolute prohibitions. However, there is an alternative measure of campaign finance laws which does not require setting arbitrary dollar amounts or excluding states – assigning ordinal ranks to campaign finance limits using laws that set absolute prohibition or no limits as the bookend ordinal values. This middle way has the advantage of including more information on the level of limits in the campaign finance law measure while not assigning arbitrary dollar values or excluding states. Thus we develop an ordinal-based index of campaign finance contribution limits for our analysis.

A valid operationalization of limits must account for actual levels of contributions set in the law as well as the varying impact the limits have on relevant organizations. Furthermore, it is essential to use the correct limit attributes with the appropriate kind of campaign spending analyzed. Contribution limits fall in two broad categories: contest-specific limits and contributor-specific limits. Within these broad categories permissible campaign spending ranges significantly across the states and can extend from unlimited to absolute prohibition (e.g. corporate donations are

forbidden in Texas while unlimited in Missouri). We have incorporated both aspects of contribution limits in our CFRE and CFRR independent variables.

While using the exact dollar amounts may be the most direct and intuitive method of operationalizing contribution limits, there are three substantial roadblocks to using them as such in an analysis. First, there is the difficulty of quantifying 'unlimited' campaign finance regulation. Witko (2005) made note of this problem—while one can select an arbitrary high 'limit' to represent the absence of regulation, the choice of that level and its distance from the other limits could substantially effect, and thus substantially bias, the results. Second, campaign finance regulations do not exist in a vacuum. When addressing the question of how campaign finance laws influence overall campaign spending in the state, all relevant limits must be incorporated into the analysis. Using dollar amounts may unduly bias the analysis in favor of one kind of limitation over another (such as PAC limits vs. individual limits). Just because the dollar limits for one kind of contribution are higher than another kind of contribution does not automatically mean it is more permissive and thus likely to lead to more spending or contributions. We have constructed the contribution limit variables so that limit levels are directly comparable from limit to limit based on the overall distribution in each limit category. Third, using dollar amounts would bias the analysis in that campaigns are not equally expensive across states. We attempt to mitigate this problem by using state VAP and GDP in the dependent variables, but doing so does not eliminate this issue. States have developed campaign finance regulatory frameworks particular to their individual political and economic circumstances, and any empirical analysis of their comparative effects must capture the relevant aspects of the limit structure while avoiding misrepresentation and bias.

Given these issues, we chose to develop composite categorical variables to represent the levels of limits states can impose on contributions. While setting cut points for categorical variables is somewhat arbitrary, we endeavored to create categorical variables for both race-specific and contributor-specific limits with sufficient observations in each category and that capture relevant distinctions between the limits in monetary and qualitative terms within a particular state. Where multiple limits were relevant for a particular model, a corresponding summary variable representing the applicable campaign finance limits was used. Our ordinal categorical measure of limits avoids the inherent problems in using dollar amount limits. Further, it permits a valid comparative assessment of CFREs and CFRRs at the state level.

The contribution limit variables are additive composite variables of the ordinal rankings of contribution limits in the state. For example, the individual contribution limits were rank ordered "0" (very permissive) to "5" (very restrictive). A state with no individual contribution limits would receive a "0" while a state with an absolute prohibition on individual contribution limits would receive a "5." Ranks within the range were based on two criteria – the dollar amount of the limit and the GDP of the state. In the case of two states with identical dollar limits, but where one state has more expensive campaigns (as measured through the proxy of state GDP), the one state would receive a higher, more restrictive, rank. The composite individual contribution limit variable adds the ranks for the individual contribution limits in all state races for a total score for individual contribution limits. Our total contribution limit summary variable, which incorporates all race-and-contributor-specific contribution limits to candidates, is used in our analytical models and ranges from a low of zero (highly permissive - unlimited campaign contributions across all candidate types) to a high of 81.5 (highly restrictive campaign finance regulatory environment). Composite categorical variables appropriate to each distinctive classification of limits were created in the same manner for the campaign finance regulatory regime variables.

Campaign contribution limits have remained fairly stable across the four election cycles, however, there are a number of states which have seen significant changes in their campaign finance laws over the selected time period. For example, Oregon imposed contribution limits in Measure 9, a ballot initiative passed and in force for the 1996 election cycle. However, in the 1997 case, *VanNatta v. Keisling*, the Oregon Supreme court ruled that contribution limits restrict Oregonian free speech rights. As a result, Oregon had no contribution limits of any kind in place through the latter three election cycles included in the analysis. On the flipside, Missouri's campaign contribution limits went unenforced for the first three election cycles in the analysis due to a court challenge that was resolved in the 2000 U.S. Supreme Court case, *Nixon v. Shrink Missouri Government PAC,* ruling Missouri's contribution limits on state offices constitutional. As a consequence, Missouri had in place contribution limits in the last election cycle, 2002, included in the analysis. Some states imposed more restrictive campaign finance laws over the time period, as West Virginia did in expanding the scope of their contribution limits in 2001, and some states adopted more permissive campaign finance laws between 1996 and 2003, as Arkansas did in raising its contribution limits for all types of candidates in 2001 (Michaelson 2003). Most states, however, outside of CPI-adjustments of the dollar amounts of

their contribution limits to account for inflation, had stable campaign finance laws across the four election cycles.

Figures 1-5 illustrate the breakdown of the levels of CFRE (all contribution types) and CFRRs for each type of contribution mapped across the 50 states and averaged across all four election cycles included in the data. The maps are grayscale-coded to differentiate between permissive CFREs / CFRRs and restrictive CFREs / CFRRs using the Jenks natural breaks algorithm to classify the data presented in the choropleth maps (Jenks 1977). This algorithm creates a series of break values that best represent the actual breaks observed in the data in order to preserve the natural clustering of data values.

Figure 1: Average Individual Total Contribution Limit Score, 1996-2003

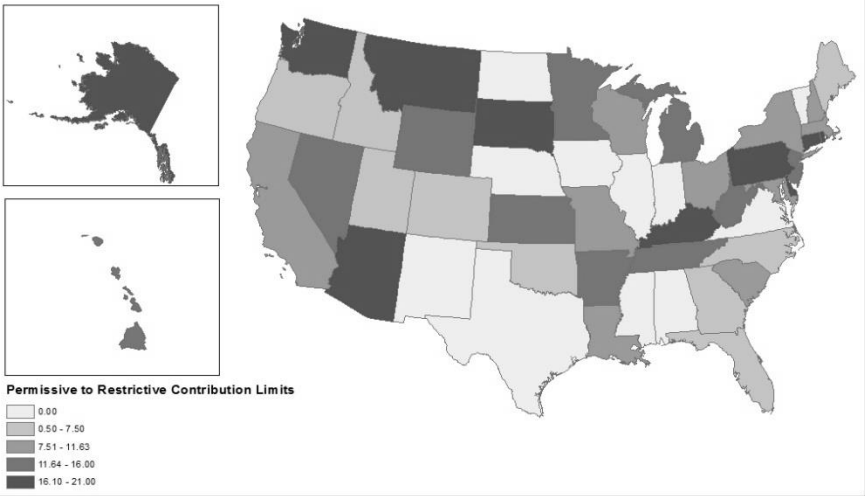


Figure 1 illustrates the average levels of CFRR for individual contributions from 1996 to 2003. Overall, states have a mix of restrictive and permissive individual contribution limit regimes, with the majority of states located between the poles of absolute prohibition and no limitations. There are a number of states that are quite restrictive in their individual contribution CFRR (e.g. Alaska, Montana, South Dakota, and Pennsylvania). There is no strong geographic pattern in the distribution of restrictive versus permissive regimes. Restrictive and permissive regimes are peppered all across the country, though the majority of permissive regimes are generally

located in the central part of the United States. Still, a number of the most restrictive regime states border the most permissive regime states, as is the case with Arizona (restrictive) and New Mexico (permissive) as well as Nebraska (permissive) and South Dakota (restrictive). Montana, a state with a very restrictive individual limit, is adjacent to North Dakota, a state that falls in the most permissive category. Thus there is a great deal of regional diversity in the distribution of individual limit CFRRs. There are restrictive and permissive regimes in the South, the West, the Northeast, and the Northwest.

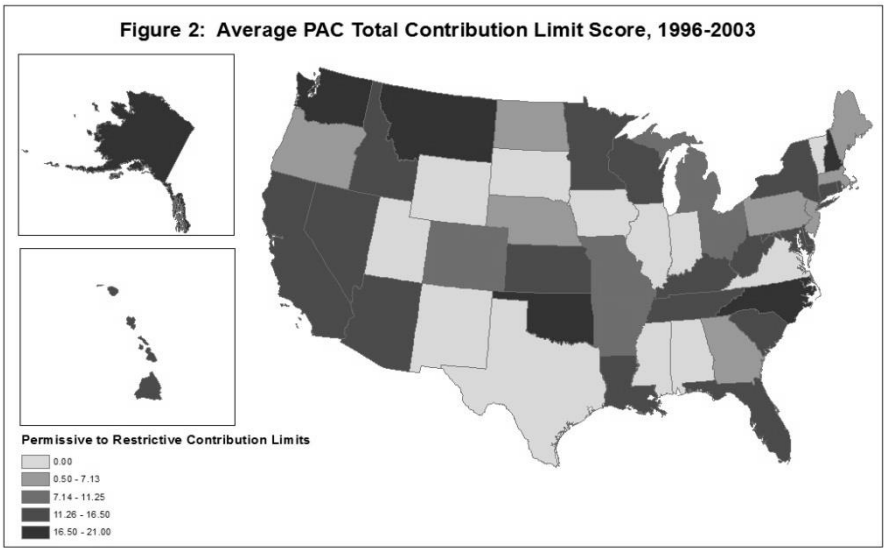


Figure 2 shows a map that reflects the CFRR on PAC contributions. States are, on average, more restrictive with PAC contributions than with individual ones, though the means differ by less than a point (see Table 1). Figures 3 and 4, on the other hand, illustrate an extreme contrast in CFRRs across the states. More states have restrictive CFRRs for corporate and union contributions, and there are strong regional patterns apparent in the degree to which those states limit corporate and union contributions (Figure 3). Restrictive regimes are mostly located in the Northeast and Northwest, while more permissive regimes are located in the South and the West (Figure 3). On the other hand, most states have implemented relatively permissive CFRRs for party contributions (Figure 4). While some states, like Oklahoma, Kentucky, and New York have restrictive regimes for party contributions,

most states across the Union fall into the more permissive contribution limit categories (Figure 4).

Figure 3: Average Corp | Union Total Contribution Limit Score, 1996-2003

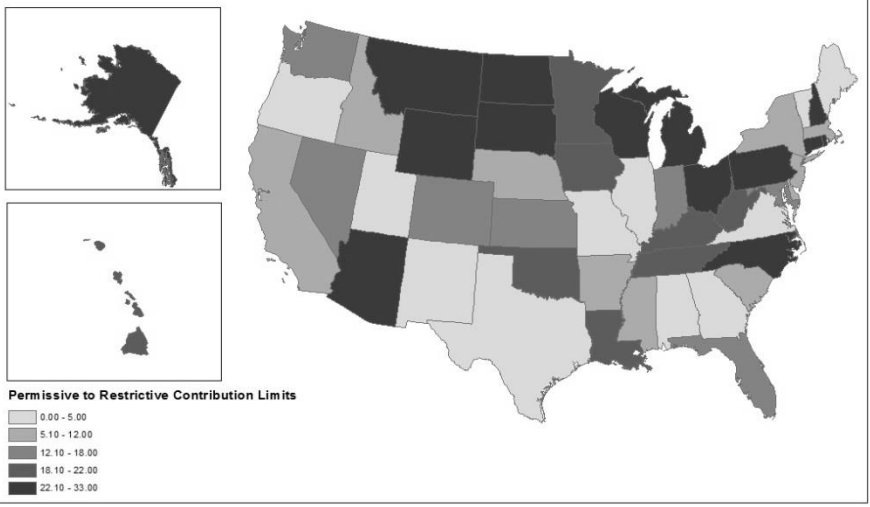


Figure 4: Average Party Total Contribution Limit Score, 1996-2003

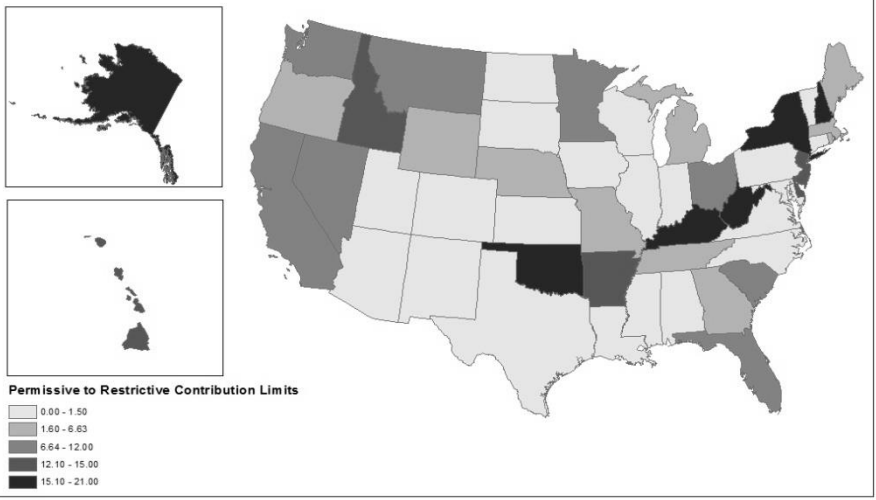
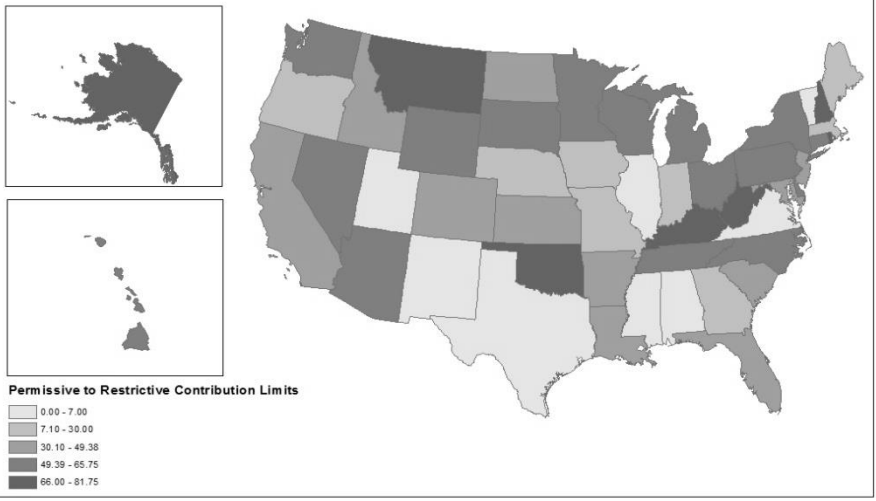


Figure 5 illustrates the CFREs for all fifty states using the composite measure of total contribution limits across all types of races and limits.

Substantial variation emerges between CFREs, with states ranging from highly permissive in their total contribution limits (Texas, New Mexico, Tennessee, Vermont, etc.) to states with highly restrictive contribution limits (Montana, Oklahoma, Kentucky, West Virginia etc.). It is apparent from a comparison of the contribution limit maps that just because a state is restrictive on one type of contribution limit does not mean they will be just as restrictive—or restrictive at all—with other limits. For example, North Dakota falls in the most restrictive category for corporate / union contribution limits, but is in the most permissive category for individual contribution limits (Figures 1 and 3). Furthermore, CFREs and CFRRs do not map onto the Red vs. Blue state dichotomy. Illinois, a consistently "Blue" state for decades, falls in the most permissive CFRE category across the four included election cycles. Connecticut, just as solidly a "Blue" state as Illinois, falls in the most restrictive CFRE category (Figure 5). Texas, which produced George W. Bush and has been "Red" for the past six presidential contests, falls in the most permissive category of CFRE. While Oklahoma, which has also been "Red" over the same six contests, falls in the top restrictive CFRE category (Figure 5). These maps demonstrate the significant diversity in CFREs and CFRRs from state to state and between CFRRs across the fifty states.

Figure 5: Average Total Contribution Limit Score, 1996-2003



To demonstrate the validity of our measure of CFREs as a measure of campaign finance law stringency, we assessed the correlation between the Witko campaign contribution limit composite index and our index in a cross-section of the four cycles.[10] The Spearman coefficient for the comparison was 0.810, Kendall's Tau b coefficient was 0.655 and the Cronbach's Alpha was 0.902, indicating a strong correlation and high reliability between the two measures (Nunnally 1967). Conducting the same comparison between the two indexes on a per-cycle basis, the Spearman coefficient ranges from 0.765 (1998) to 0.850 (2002), while the Tau b coefficient ranges from 0.623 to 0.692 and the Cronbach's Alpha ranges from 0.886 and 0.927 in the same cycles. Though the correlation between the two measures is strong, the measures are both theoretically and empirically distinct. These differences stem from the different methodology employed in developing the two measures of campaign finance contribution limit stringency and thus makes both measures distinct yet strongly related measures of CFREs in the states.

Independent Variables – Controls

The control variables included in our models are divided into political and demographic state characteristics and legislative body characteristics. There are many possible factors that can influence campaign spending in an election cycle at the state level. The analysis here controls for the most significant factors that could confound assessment of the effect of contribution limits according to theory and previous research. One potential confounding factor is the competitiveness of state elections. Contributors are strategic and can be expected to avoid wasting their campaign dollars on hopeless candidates. Parties vary in terms of organizational strength from state to state, which affects their capacity to fund candidates. Since our data is aggregated at the state level, we use a measure of the relative party competitiveness of the state. We include two variables related to party competitiveness. The "South" variable is a dichotomous (dummy) variable with "1" indicating a state that was a member of the Confederate States of America and a "0" indicating not. Intraparty competitiveness is often as important, if not more, than interparty competition, particularly in the South. We attempt to control for the distinctiveness of campaigns in the South with this independent variable. The second competitiveness variable we use is legislative party dominance. To calculate a measure for the seats in state legislatures controlled by one party, one need merely take the proportion of

[10] We wish to thank Dr. Christopher Witko for providing his campaign finance law and campaign contribution limit data for 1996 – 2003 for the purposes of this analysis.

each chamber controlled by one of the parties. In this case, we use the Republican Party. A high proportion would indicate Republican dominance in the legislature, while a low proportion would indicate Democratic dominance. Using the percentage for each chamber, a single measure of party dominance can be calculated using the following formula:

Equation 1: Legislative Party Dominance

$$\left|\left(\frac{RS_{House}}{TS_{House}}\right)+\left(\frac{RS_{Senate}}{TS_{Senate}}\right)-1\right|$$

Where "RS" indicates the Republican seats and "T" indicates total seats in the legislature, take the absolute value of the additive sum of the proportion of Republican state house seats to the total state house seats and the proportion of Republican state senate seats to the total state senate seats minus one. Subtracting one and taking the absolute value puts the measure of legislative party dominance on a scale of zero to one, with higher values indicating greater legislative party dominance.[11]

Another confounding factor is the diversity in the size, wealth, and education of the individual states. These factors affect the expense of campaigns and the resources available in the state to fund candidates. However, a number of these factors are correlated with one another – population size, gross state product, and voter bases are all factors which can influence campaign spending and yet are also collinear. Rather than deploy them as independent predictors, we incorporate these factors in our dependent variables and report them as separate models. To account for the varying number of voters that contributors seek to influence in a given election from state-to-state, we used the voter base of a state for each election cycle, or the Voting Age Population (VAP). This variable should theoretically co-vary with the number and resources of contributors acting in these state elections. To control for the relative wealth of the states, we use the gross state product for an election cycle. We include the percentage of the state's population with a college education as an independent predictor in order to control for the effects of educational attainment in the state. A more educated populace may be associated with the gamut of campaign related spending and contributions and competitiveness in elections. We account for the differing number of seats up for election in each state by including the number of legislative seats as an independent predictor – states with larger legislatures have more campaigns and thus may have more total campaign contributions on average.

[11] http://ballotpedia.org/Party_dominance_in_state_legislatures

Methods and Models

The effect of contribution limits on campaign finance can be expressed as a linear regression model. Each observation in the model constitutes the value for that variable for a state in a given election cycle. However, given that the data on state campaign finance exist both cross-sectionally, across the states, and temporally, across the election cycles, a more sophisticated statistical model is necessary to model the effects of state campaign finance laws on campaign contributions. We pool the data such that the arrays of data combine cross-sectional data on N spatial units (states) and T time periods (election cycles) to produce a data set of N × T observations. In this case, with 49 included states and four election cycles, the total *n* for the pooled data set is 196.[12] Given the limited number of election cycles, this is a cross-sectional dominant time series, or panel study. Thus to assess the effect of campaign finance laws on campaign contributions, we use pooled time-series cross-sectional regression analysis with panel-corrected standard errors to control for contemporaneous and serial correlation as well as panel heteroskedasticity (Beck and Katz 1995; Dielman 1983).

The first set of models assesses the effects that CFREs have on total campaign contributions in the states across the four election models. Equation 2 reports the time-series cross-sectional (pooled) regression full model for the first set of analyses.

Equation 2: Campaign Finance Regulatory Environment Model (Full)

$$y_{it} = \beta_0 + \beta_1 CFRE_{it} + \sum_{k=1}^{5} \beta_k x_{k,it} + e_{it}$$

Where:
y_{it} = total campaign contributions for the i^{th} state during *t* election cycle
β_0 = the intercept
$CFRE_{it}$ = the campaign finance regulatory environment composite index for the i^{th} state during *t* election cycle
$x_{k,it}$ = the vector of *k* independent controls for the i^{th} state during *t* election cycle: legislative party dominance, number of legislative seats, South dummy variable, percent bachelor's degree, percent voted

The second analysis tests the effectiveness of CFRRs in reducing total campaign spending in a state election cycle using the same controls. Given that CFRRs may be colinear, we include interaction terms for the significant

[12] Nebraska is excluded in all statistical models.

interrelationships between CFRRs.[13] The full time-series cross-sectional (pooled) regression model is set out in Equation 3:

Equation 3: Campaign Finance Regulatory Regimes Model (Full)

$$y_{it} = \beta_0 + \beta_1 CFRR_{TIL,it} + \beta_2 CFRR_{TPCL,it} + \beta_3 CFRR_{TCUL,it} + \beta_4 CFRR_{TPYL,it} + \sum_{k=1}^{5} \beta_k x_{k,it} + \sum_{j=1}^{3} \beta_j x_{j,it} + e_{it}$$

Where:
y_{it} = total campaign contributions for the i^{th} state during t election cycle
β_0 = the intercept
$CFRR_{TIL,it}$ = the individual contribution limit campaign finance regulatory regime composite index for the i^{th} state during t election cycle
$CFRR_{TPCL,it}$ = the PAC contribution limit campaign finance regulatory regime composite index for the i^{th} state during t election cycle
$CFRR_{TCUL,it}$ = the corporate / union contribution limit campaign finance regulatory regime composite index for the i^{th} state during t election cycle
$CFRR_{TPYL,it}$ = the party contribution limit campaign finance regulatory regime composite index for the i^{th} state during t election cycle
$x_{k,it}$ = the vector of k independent controls for the i^{th} state during t election cycle: legislative party dominance, number of legislative seats, South dummy variable, percent bachelor's degree, percent voted
$x_{j,it}$ = the vector of j significant interactions for the i^{th} state during t election cycle: TIL*TCUL, TPCL*TCUL, TPCL*TPYL

The third analysis includes two separate models examining whether limits can affect corporation influence in state elections by limiting the percentage of campaign contributions attributable to the top industries in the state. The first of these examines the effectiveness of the CFRE in reducing the percentage of total campaign spending attributable to the state's top industries[14]. The second tests the effect of the corporate/union contribution limit CFRR, as these are specifically targeted at business contributions. The full time-series cross-sectional (pooled) regression model is set out in Equation 4 and Equation 5.

[13] A full set of CFRR interactions was estimated initially, the reported model is a reduced model with only the statistically significant interactions.
[14] We use pooled time series cross-sectional OLS to estimate these models. While it is true that the data is theoretically censored at the 0.0 and 1.0 endpoints, an examination of the histogram for the data indicated no abnormal bunching of the data points at either end. We estimated censored regression models (TOBIT) for each of the included specifications and obtained no differences between the estimation procedures in terms of fit, significant variables, or direction of the signs for coefficients.

Equation 4: Top Industries Percent Contribution CFRE Model (Full)

$$ZP_{it} = \beta_0 + \beta_1 CFRE_{it} + \sum_{k=1}^{5} \beta_k x_{k,it} + e_{it}$$

Where:
ZP_{it} = the top industry percent of campaign contributions for the i^{th} state during t election cycle
β_0 = the intercept
$CFRE_{it}$ = the campaign finance regulatory environment composite index for the i^{th} state during t election cycle
$x_{k,it}$ = the vector of k independent controls for the i^{th} state during t election cycle: legislative party dominance, number of legislative seats, South dummy variable, percent bachelor's degree, percent voted

Equation 5: Top Industries Percent Contribution CFRR Model (Full)

$$ZP_{it} = \beta_0 + \beta_1 CFRR_{TCUL,it} + \sum_{k=1}^{5} \beta_k x_{k,it} + e_{it}$$

Where:
ZP_{it} = the top industry percent of campaign contributions for the i^{th} state during t election cycle
β_0 = the intercept
$CFRR_{TCUL,it}$ = the corporate / union contribution limit campaign finance regulatory regime composite index for the i^{th} state during t election cycle
$x_{k,it}$ = the vector of k independent controls for the i^{th} state during t election cycle: legislative party dominance, number of legislative seats, South dummy variable, percent bachelor's degree, percent voted

Findings

Descriptive statistics for each cycle are reported for the state contribution limit composite indexes, the state demographic characteristics, and the state legislative characteristics. We report the mean and *n* for each cycle for each of the included variables. Data on campaign contributions was available for only 36 of the 49 states – 73.5% of the states in the 1996-1997. We have 91.8% of the states (45) in the 1998-1999 election cycle, and we have 100% of the states in the dataset for the later two cycles. While this does raise selection concerns, particularly with the early cycle, this concern is somewhat ameliorated by the fact this analysis is cross-section dominant. The analysis controls for temporality, but the time series component is not the focus of the inquiry. While this fact does not eliminate the possibility of selection effects, we believe that the analysis is robust for selection and that the results are reliable.

As is apparent from Table 1, total contributions, total contributions per voter, and total contributions as a percentage of state GDP increased over the

Table 1: Descriptive Statistics per Election Cycle, 1996-2003*¥₸

	1996-97		1998-99		2000-01		2002-03	
Variables	N	Y	N	Y	N	Y	N	Y
State Campaign Contributions								
T. Cont.	36	$11,477.09	45	$20,490.71	49	$21,836.08	49	$30,310.31
T. Cont. per VAP	36	$3.18	45	$9.14	49	$12.23	49	$16.41
T. Cont. as % State GDP	36	3.18	45	11.55	49	14.52	49	18.28
% Top 10 Industry	36	48.62	45	43.07	49	32.77	49	33.76
State Contribution Limits Score								
T. Cont.	49	42.90	49	43.40	49	42.49	49	43.77
T. Individual	49	9.83	49	9.59	49	9.66	49	10.07
Total PAC	49	10.37	49	10.02	49	9.65	49	10.27
Total Corp Union	49	16.41	49	17.40	49	16.99	49	16.93
Total Party	49	6.30	49	6.38	49	7.01	49	6.49
State Demographic Characteristics								
South	49	0.29	49	0.29	49	0.29	49	0.29
Real GDP	49	$19,374.14	49	$21,225.37	49	$22,768.46	49	$23,548.56
Population	49	5394.30	49	5495.63	49	5741.56	49	5852.19
VAP	49	5449.5	49	4013.18	49	4101.98	49	4259.82
% Voting	49	56.70	49	44.25	49	57.42	49	45.71
% Bachelor's	49	19.77	49	19.77	49	23.78	49	23.78
State Legislative Characteristics								
State House	49	111.33	49	110.49	49	110.88	49	110.42
State Senate	49	39.57	49	39.39	49	39.52	49	39.22
Total Seats	49	150.89	49	149.88	49	150.34	49	149.65
GOP St House	49	51.79	49	52.04	49	53.10	49	55.04
GOP St Senate	49	19	49	19.08	49	20.27	49	19.18
Leg. Party Dominance	49	0.24	49	0.24	49	0.23	49	0.23

*Total Contributions & VAP expressed in 1,000s; State GDP in 10,000,000s; Total Contributions (1,000s) as percent State GDP (1,000,000's)

¥ Contributions reported in real (constant) dollars; State GDP in current (2012) dollars

₸ Nebraska excluded due to missing cycle contribution data

course of the time series. In fact, total contributions to state candidates nearly tripled from the 1996-97 cycle to the 2002-03 cycle. Even taking into account the fact that the 1996-97 cycle has a number of missing states, which may bias that average downwards, the increase in the average total contribution from the 2000-01 cycle to the 2002-03 cycle is substantial – the average total contribution increased by a third in just one cycle. The total contributions per voter and total contributions as a percentage of state GDP figures evidence a similar trend (Table 1). These trends demonstrate the importance of accounting for temporality in a multi-cycle analysis of campaign finance in

the fifty states and why we adopt a pooled cross-sectional time series methodology in this study.

In contrast to the trend in average state campaign contributions, the campaign contribution composite indexes are relatively stable over the time series in the aggregate. Average total contribution limits tick up less than a point from the 1996-97 cycle to the 2002-03 cycle. The other limit indexes also become slightly more stringent over the time series, except for the PAC limits, which become slightly less stringent over the course of the time series. State GDP in real dollars ticks up over the course of the time series, increasing by 18% from 1996-97 to 2002-03. The average percentage of state populations with bachelor's degrees evinces a similar trend—the average increases by 17% over the time series. Voting percentage oscillates from cycle to cycle, with a little over 55% of the voting age population voting in regular election cycles and about 45% voting in off-year elections. All other characteristics are relatively stable over the included election cycles in the time series.

Table 2: Impact of Campaign Finance Regulatory Environments on Statewide Campaign Contributions Φ †

Variables	Total Contributions		Total Contribution per Voter		Total Contributions as % State GDP	
	Basic	Full	Basic	Full	Basic	Full
CFRE	-163.615**	-86.954	-70.153*	-66.62*	-0.183**	-0.181**
	(75.675)	(67.790)	(41.236)	(37.955)	(0.094)	(0.088)
Leg. Party Dominance		-393.322***		-63.3824*		-11.093
		(72.132)		(37.301)		(8.148)
Legislative Seats		47.668		5.070		0.023
		(34.758)		(8.590)		(0.017)
South		-14.703		-141.754		-2.766
		(51.229)		(113.600)		(2.573)
%Bachelor's Degree		109.546**		27.761		0.388
		(48.880)		(20.59)		(0.465)
% Voted		-92.803***		75.92		0.202
		(24.900)		(91.89)		(0.207)
Intercept	287.463***	504.843***	931.698***	23.914	20.527***	1.341
	(43.604)	(145.984)	(236.110)	(65.810)	(5.434)	(14.883)
DFE	177	172	177	172	177	172
R^2	0.020	0.174	0.037	0.090	0.048	0.087
Est. Method	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled

Φ Table reports estimated coefficients and their robust, panel-corrected standard errors in parentheses
† * Significant at the .10 level. ** Significant at the .05 level. *** Significant at the .01 level.

Analysis results are reported in Tables 2-4. We examine the effect campaign finance regulatory environments have on state campaign contributions in Table 2. All models analyze campaign contributions across

the four election cycles in real dollars. The analysis includes three sets of models with a basic and full model for each set. The basic models examine the zero-order relationship between state CFREs and total campaign contributions in the states. The full models include the aforementioned controls for state demographic and political characteristics. The three sets are distinguished by the dependent variable in the model: 1) total contributions, 2) total contributions per voter, and 3) total contributions as a percentage of state GDP.

The goodness-of-fit indicators are fairly low, ranging from 2.0% – 17.4% of the variation in the model explained by the predictors. However, we do see statistically significant predictors for the substantive and control variables across the three sets of models. CFREs are significant and negative predictors in both the zero-order and full models across all three model sets, except for the full model for total contributions. The coefficient, however, is in the correct direction. Legislative party dominance is negative in all three models and statistically significant in the total contribution and per-voter models. We would expect there to be an inverse relationship between party dominance and campaign spending, and we find just that in the CFRE analysis (Table 2). The number of legislative seats in a state is positively related to higher campaign contributions and thus in the expected direction. However, the variable is statistically insignificant in the three sets of models. The coefficient for the South dummy variable is negative but insignificant in all CFRE models. The percentage of bachelor's degrees in a state is positive in all models, but significant in only the total contribution model. Percent voted is significant and negative in the total contribution model, but flips signs and is insignificant for the per-voter and percent GDP models. In other words, once we account for size of the voter base or the economic output of the state, this variable drops out as a factor in campaign spending. As noted earlier, the CFRE estimates are statistically significant in all three sets of estimated models, with the only exception being the total contributions full model. Even in that model, the coefficient for the CFRE is in the expected direction (-86.954). We thus find a significant negative effect on campaign spending across all three specifications of the total contribution limit model, and for all but the full total contributions model we are able to reject the null hypothesis and accept the prediction of reduced campaign contributions as a consequence of more stringent campaign finance regulatory environments.

Our second analysis employs the same model typology as the first: three sets of models with three same types of dependent variables - total contributions, total contributions per voter, and total contributions as a

percentage of state GDP. In this analysis, we examine the effect that CFRRs have on total statewide campaign contributions in a multivariate analysis that includes each campaign finance regulatory regime as an independent predictor (Table 3). This allows us to assess the individual and independent effect each CFRR has on total campaign contributions, still controlling for the demographic and political characteristics of the state. Incorporating the CFRRs into a statistical model as independent predictors introduces multicollinearity into the analysis and potentially biases the estimates. We account for this by estimating a full CFRR interaction model, with

Table 3: Impact of Campaign Finance Regulatory Regimes on Total Campaign Contributions Φ † Ɵ

Variables	Total Contributions		Total Contribution per Voter		Total Contributions as % State GDP	
	Basic	Full	Basic	Full	Basic	Full
$CFRR_{TIL}$	-589.056*	-544.478***	-55.889	-112.041**	-0.250	-2.532**
	(329.900)	(146.000)	(86.209)	(53.270)	(0.175)	(1.207)
$CFRR_{TPCL}$	68.309	501.6***	-106.123	93.473***	-0.234	1.729**
	(330.500)	(142.470)	(79.928)	(37.620)	(0.159)	(0.816)
$CFRR_{TCUL}$	-352.965*	-84.080	-91.314	-32.453**	-0.204	-0.775***
	(186.5)	(255.50)	(62.106)	(147.400)	(0.137)	(0.343)
$CFRR_{TPYL}$	539.373	309.290**	15.189	-32.681	0.042	-0.301
	(357.6)	(151.930)	(63.361)	(40.770)	(0.127)	(0.901)
Leg. Party Dominance		-443.373***		-664.478**		-11.605
		(82.054)		(668.270)		(7.768)
Legislative Seats		81.613***		7.965		0.030
		(27.970)		(9.351)		(0.020)
South		-405.245		-300.825*		-6.127*
		(615.790)		(161.200)		(3.704)
%Bachelor's Degree		164.616***		31.325		0.439
		(57.860)		(22.780)		(0.515)
% Voted		-88.535***		71.686		0.210
		(23.970)		(94.028)		(0.213)
TIL × TCUL		170.531***		-26.061**		0.088**
		(43.053)		(14.751)		(0.037)
TPCL × TCUL		-148.150***		-18.754**		-0.033*
		(39.712)		(8.342)		(0.018)
TPCL × TPYL		-180.162***				
		(59.814)				
Intercept	296.516***	319.433***	938.864***	210.001	20.686***	5.331
	(44.906)	(142.026)	(240.590)	(632.450)	(3.077)	(14.352)
DFE	169	163	169	163	169	163
R^2	0.050	0.307	0.040	0.144	0.053	0.138
Est. Method	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled

Φ Table reports estimated coefficients and their robust, panel-corrected standard errors in parentheses for pooled cross-sectional time series regression analysis

† * Significant at the .10 level. ** Significant at the .05 level. *** Significant at the .01 level.

Ŧ Full interaction models estimated – only significant interaction terms reported

interactions included for each of the bivariate CFRR pairs. We then reduced our model to include only the statistically significant CFRR interactions. The results are reported in Table 3.

The model fits for the CFRR models range from 4.0% – 30% improvements over the mean in explaining the variance in total statewide campaign contributions. We see similar patterns in the coefficients for the control variables in the CFRR analysis as we did in the CFRE analysis. Legislative party dominance is inversely related to total campaign contributions in a state, and it is significant in the total contribution and per-voter models. Percent bachelor's degree is positively related to total campaign contributions, but is statistically significant in only the total contribution model. Higher numbers of legislative seats in a state is associated with higher levels of total campaign contributions, but it is significant only in the total contributions model. The individual and corporation/union CFRRs are statistically significant and negative in the total contribution zero-order model, indicating that higher stringency in those indexes are associated with lower levels of total contributions. While the coefficients for these CFRRs remain negative in the per-voter and GDP models, they are not statistically significant. The opposite is true for the PAC and party contribution limits, with these CFRR's associated with higher levels of total contributions. This may be a function of the effectiveness (or lack thereof) of these types of limits, however, we should be cautious in drawing strong conclusions about apparent relationships in zero-order models. Factors unrelated to variance in the CFRR's need to be accounted for prior to assessing the CFRR effects on total contributions.

In the full interactive models, we see varying affects for the demographic and political controls depending on the structure of the dependent contribution variable. In the total contribution and per-voter models, legislative party dominance is statistically significant with a negative coefficient, indicating that overall contributions are lower in states with one-party dominance. As was the case with the previous set of models, the number of legislative seats is only a factor in the total contribution model. However, unlike the CFRE models, the South dummy variable in the CFRR per-voter and GDP models is negative and statistically significant. Southern states have lower overall contributions per voter and as a function of state GDP.

Interpretation of the coefficients for the CFRR main effects is complicated by the inclusion of interaction terms. A CFRR's main effects

coefficient in an interaction model is the effect the main CFRR has on total campaign contributions when the value of the interacted CFRR equals zero – which may or may not actually exist in the data. Hence we will confine our discussion to the broad strokes of the model results for CFRRs in Table 3. In the total contributions model, we find a positive relationship between the PAC contribution limit index and total contributions when the party and corporate/union indexes are zero, however, the coefficient for the interactions between the PAC index and the party and corporate/union indexes is negative and statistically significant. This indicates that the PAC CFRR reduces total contributions in a state when it coexists with party and corporate/union campaign contribution limits. When corporate limits are zero, the individual contribution limit is negative and statistically significant and is substantively significant as well. Paradoxically, when it coexists with corporate/union limitations, more stringent individual limits are associated with higher levels of total contributions. The coefficient for this interaction is smaller and when taken into account with the main effects for the individual contribution limits, the overall effect of individual limits is negative. However, the results do show a significant and positive effect on total contributions for more stringent individual and corporate/union limits when they interact. We see the opposite relationship between party and PAC limits, with more stringent party limits associated with higher total contributions when PAC limits are at zero, but in the interaction they have a negative effect on total contributions. The same is true for the statistically significant interaction between PAC contribution limits and party contribution limits in the total contribution model. This is the only model where that interaction is significant.

The findings for the full model for total contributions per voter is more theoretically straightforward: for all but the primitive term for the PAC CFRR, the coefficients for the CFRRs are negative. And for all but the primitive term for the party CFRR, the coefficients for the CFRRs are statistically significant. We would again note that the main effects are substantively larger for the individual limits, suggesting the individual limit CFRR has a net overall effect of reducing total contributions per voter and as a percentage of state GDP. While this is not the case for more stringent PAC limitations in the primitive term, the PAC CFRR interaction is significant and negative. This suggests PAC contribution limits are effective only when paired with other CFRRs, such as a strong limitation on corporate and union contributions. Huckshorn (1985) finding that groups find ways around strong limitations to influence elections in other ways is instructive here – states which do not adopt strong limits in a comprehensive fashion may find

their efforts to limit a particular type of contribution rendered pointless. In the GDP full model we see a similar pattern in the coefficients for both the interaction terms and the primitive terms for CFRRs, with the exception that the interaction term for individual and corporate/union CFRRs is positive, as it was in the total contributions model.

Overall, the picture of individual CFRRs and their influence on total contributions is a mixed bag. In some combinations, our hypotheses are confirmed and the higher levels of CFRR stringency are significantly associated with lower levels of total contributions in a state. For other combinations, and in particular with respect to PAC limitations, we fail to reject the null hypotheses and, indeed, find significant positive relationships between more stringent limits and higher total contributions. This could be a case of the horse leading the cart, as states with a great deal of influence from these groups in their states may have adopted more stringent limitations on their activities. However, even if that is the case, that would mean that the more stringent limitations have been ineffective in limiting total contribution levels in the states.

Table 4: Impact of Limits on Percent Campaign Spending by Top Industries Φ †

Variables	**CFRE Model**		**CFRR Corporate/Union**	
	Basic	Full	Basic	Full
Contribution Limit	-0.005 (0.004)	-0.004 (0.003)	0.001 (0.001)	-0.002 (0.001)
Leg. Party Dominance		0.158*** (0.058)		0.151*** (0.057)
Legislative Seats		0.004*** (0.001)		0.004*** (0.001)
South		-0.023 (0.027)		-0.021 (0.027)
%Bachelor's Degree		-0.010*** (0.002)		-0.010*** (0.002)
% Voted		-0.001 (0.001)		-0.001 (0.001)
Intercept	0.387*** (0.018)	0.581*** (0.076)	0.375*** (0.020)	0.568*** (0.076)
DFE	169	164	169	164
R^2	0.001	0.122	0.002	0.119
Est. Method	Pooled	Pooled	Pooled	Pooled

Φ Table reports [estimated coefficients (robust, panel-corrected standard errors)] for pooled cross-sectional time series OLS

† * Significant at the .10 level. ** Significant at the .05 level. *** Significant at the .01 level

Finally, in Table 4, we assess the extent to which campaign finance limits influence the percentage of campaign spending attributable to the top industries in each respective state. We estimate two sets of models: 1) a CFRE

model, and 2) a corporate/union CFRR model. We examine in the first set of models the effect that the campaign finance regulatory environment has on the percentage of campaign spending attributable to top industries, and in the second set of models we assess exclusively the corporate/union CFRR effect on the percentage of spending attributable to the top industries in the state. We hypothesized that more restrictive CFREs and a more restrictive corporate/union CFRR would lead to a reduction in the percentage of top industry campaign spending. And indeed, we do see a negative coefficient for the CFREs in both the zero-order and full models. We also see a negative coefficient for the corporate/union CFRR in the full model. However, none of the coefficients for the CFREs and CFRRs across both sets of models are statistically significant. Here the results are unambiguous – we fail to reject the null hypothesis for the effects that CFREs and the corporate/union CFRR have on the percentage of campaign spending attributable to the top industries in the state. However, we do find some significant effects on the percentage of top industry campaign spending among the demographic and political state variables. Legislative party dominance and the number of legislative seats are highly statistically significant (.01 level) and has a positive coefficient in both full models – one-party dominance is positively associated with a higher percentage of the states' campaign spending attributable to top industries. The implications of this finding for the investment model of campaign contributions are fairly clear – industry contributions are larger in one-party states because contributions likely serve to purchase influence with the ruling party. The relationship between the number of legislative seats and the percentage of top industry campaign spending is likely related to the fact that larger states have larger legislatures and larger industries and hence see more industry spending in their campaigns. The inverse is true of percent bachelor's degree, with the smaller and less prosperous states having both lower percentages of bachelor's degrees earned by their populace and a lower percentage of their campaign spending attributable to their top industries.

Discussion: Are Campaign Contribution Limits Effective?

Debate continues over the effectiveness of campaign finance regulation, with some critics arguing that they are ineffective at limiting spending. As Nahra (1987) laments, "this cycle, of lofty goals of minimizing the influence of money in campaigns combined with statutes ineffective in implementing these goals, repeats itself through the history of campaign finance regulation"(61). Cynics have even gone so far as to suggest that this is a feature, not a bug, from the perspective of the incumbent legislators writing

the statutes. As to the effectiveness of state campaign finance laws, our findings are mixed. Certainly CFREs and CFRRs have not reversed the growth in total campaign spending from election cycle to election cycle. Nor do we find substantively large reductions in total contributions in states that adopt more stringent CFREs and CFRRs. However, we do find robust evidence that CFREs are effective in reducing campaign spending—at least at the margins. We find a statistically significant negative relationship between more restrictive state CFREs and total statewide campaign contributions, even controlling for the demographic and political characteristics of the state. And this finding is robust across three different specifications of total contributions in the state (Table 2).

We find evidence that some types of contribution limit regulatory regimes are effective in reducing total contributions, while others are ineffective and perhaps counterproductive. No consistent picture emerged from the interactive model of CFRRs, however it is apparent that some combinations of CFRRs are associated with lower levels of campaign contributions, such as the PAC CFRR and the corporate/union and party CFRRs. The individual limit CFRR had the most substantively large negative impact on total campaign contributions in a state in the main effects, though in concert with other CFRRs we did observe the opposite result. In the most pure test of the CFRRs, the percent state GDP model, we see a significant and substantively large negative effect for individual contribution limits and corporate/union limits in the main effects, but in combination with a statistically significant positive interaction with individual limits and corporate/union limits. Higher stringency in the party CFRR composite index was associated with lower levels of total contributions in the per-voter and percent GDP models, but it was not statistically significant. And PAC composite index stringency was positively associated with higher levels of total contributions in all of the full models (negative in some zero-order models).

Efforts to minimize the influence of large corporate contributors in campaigns date back to Theodore Roosevelt's progressive programs and the Tillman Act of 1907, and this rationale underlies many of the efforts at campaign finance reform that post-date the Tillman Act (Zardkoohi 1985).[15]

[15] The Tillman Act of 1907, named after its' sponsor, Benjamin Tillman, was passed in the wake of charges that Theodore Roosevelt had accepted corporate contributions. The act forbade corporate contributions to political campaigns. It provided for penalties but no enforcement mechanism.

However, we find that, while there is a marginal negative association with state CFREs and the corporate/union CFRR and a higher percentage of top industry spending in campaigns, that relationship is statistically insignificant. On the whole, while more restrictive campaign finance regulatory environments and regimes can reduce total statewide contributions at the margins, there is little substantive reduction in campaign contributions that can be attributed to a state adopting a more restrictive CFRE or CFRRs. That said, the study of campaign finance regulatory regimes at the state level provides a wealth of insights into the impact of different levels of and types of regulations aimed at influencing the funding of campaigns. Avenues for future research include examining the effects recent US Supreme Court cases have had on how states regulate campaign finance, the differential impact of campaign finance regulatory regimes on partisan fortunes, the effects limits have in different kinds of state elections and campaigns, the differential effects on incumbents and challengers, and the degree to which limits force interested parties into new avenues of electoral support for candidates to office. Further refinements in the measures of campaign finance regulatory regimes and the extension of the data series to a larger time scale are also necessary to demonstrate the robustness of our findings. All are endeavors worthy of future scholarly consideration.

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