

Dēmos

**Arizona PIRG**  
Standing Up  
To Powerful Interests

# The Money Chase

---

Moving from Big Money Dominance  
in the 2014 Midterms to a Small  
Donor Democracy

ADAM LIOZ

KAREN SHANTON

*candidate profiles by*

EMMA BOORBOOR,

MICHAEL RUSSO & DAN SMITH

### **About Demos**

Demos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy.

Our name means “the people.” It is the root word of democracy, and it reminds us that in America, the true source of our greatness is the diversity of our people. Our nation’s highest challenge is to create a democracy that truly empowers people of all backgrounds, so that we all have a say in setting the policies that shape opportunity and provide for our common future. To help America meet that challenge, Demos is working to reduce both political and economic inequality, deploying original research, advocacy, litigation, and strategic communications to create the America the people deserve.

### **About U.S. PIRG**

U.S. PIRG, the federation of state Public Interest Research Groups (PIRGs), stands up to powerful special interests on behalf of the American public, working to win concrete results for our health and our well-being. With a strong network of researchers, advocates, organizers and students in state capitals across the country, we take on the special interests on issues such as product safety, public health, political corruption, tax and budget reform and consumer protection, where these interests stand in the way of reform and progress.

### **demos.org**

220 Fifth Avenue, 2nd Fl.  
New York, NY 10001

### **Media Contact**

EGRAY@DEMOS.ORG  
212.633.1405 EXT. 551

## EXECUTIVE SUMMARY

**F**ive years after the Supreme Court's 2010 *Citizens United v. FEC* decision, what are the roles of large donors and average voters in selecting and supporting candidates for Congress?

This report examines the role of money in the 2014 congressional elections from both quantitative and qualitative perspectives, and demonstrates how matching small political contributions with limited public funds can change the campaign landscape for grassroots candidates.

### KEY FINDINGS

- Candidates for the U.S. Senate must raise an average of \$3,300 every day for six years to match the contributions collected by median 2014 winner; House candidates must raise \$1,800 every day of their two-year cycle.
- Relying exclusively on small donors, Senate candidates would have to secure at least 17 contributions every day and House candidates at least nine in order to keep up.
- In 25 targeted 2014 congressional races, successful candidates and their closest competitors received more than 86 percent of the funds they raised from individuals in contributions totaling \$200 or more.
- Only two of 50 candidates in these competitive races raised less than 70 percent of their individual funds from large donors, while seven relied on big donors for more than 95 percent of their individual contributions.
- This big money system filters out qualified, credible candidates who lack access to large donors. Four of these candidates are profiled in the pages below.
  - Kelly Westlund, lost WI-7 general election: “The current system makes sure that from start to finish our political process is dominated by the people with the most money...it’s no wonder that there is no voice for working class people in Congress.”

- Rev. Michael Walrond, lost NY-13 Democratic primary: “You find out very quickly this is not about who has the best ideas; this is about who has the most money.”
- David A. Smith, lost FL-7 Republican primary: “It’s very difficult for a first-time candidate, unless you’re personally prepared to write a big check to break into it.”
- Amanda Renteria, lost CA-21 general election: “Given my network, where I come from, where I’m running, I expected that I wasn’t going to have huge donors. You have to ask folks for help that have been in your network and that understand where you’re running and why it’s important. That for me ended up being a small donor base.”
- A federal program matching small contributions with limited public funds would have helped the profiled candidates compete more effectively against their big money-backed opponents by substantially narrowing the fundraising gap. One candidate would have raised significantly more money than her opponent if a matching fund program were available. The other three candidates would have narrowed the fundraising gap by an average of more than 40 percentage points. More importantly, they would have had significantly more resources to get their messages out and hit the minimum threshold for running a competitive campaign. And, they would have been able to do so raising two or three small contributions each day as opposed to the nine or more they currently need to keep up.

## INTRODUCTION

**F**ive years out from the Supreme Court's 2010 *Citizens United v. FEC* decision, this report examines the role of money in the 2014 congressional elections. We calculate how much money it took to run a competitive race and look at where candidates are getting the bulk of these funds—from a broad cross section of average voters or a narrow slice of wealthy donors. And, we profile a set of qualified, credible candidates from both major parties who are not serving in Washington today at least in part because they were significantly out-fundraised by their opponents in primary or general elections.

The stories of candidates who lost primary or general elections illustrate the magnitude of the fundraising challenges candidates face in a system dominated by big money, where depending upon small donors to run a competitive race almost always results in fewer resources and fewer votes. But, it doesn't have to be this way. As part of our examination of losing yet viable candidates, we model how each of the candidates' fundraising numbers could have changed under a federal campaign finance system that matches small contributions with limited public funds, using the proposed Government By the People Act for our estimates.

## BIG MONEY IN THE 2014 ELECTIONS

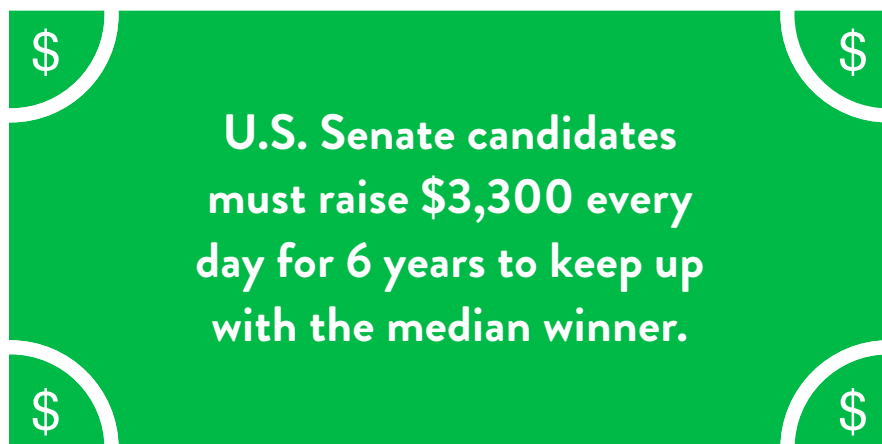
Many organizations and news outlets have reported that the 2014 midterm elections were the most expensive in U.S. history,<sup>1</sup> with a total cost of approximately \$3.7 billion.<sup>2</sup> Others have questioned whether the real, per-capita cost of campaigns has been rising as clearly and steadily as it first appears.<sup>3</sup> But, regardless of the shape of the long-term cost curve, one thing is clear: running a competitive campaign for Congress now routinely costs millions of dollars. The more interesting question is: Why does this matter?

### High Cost of Campaigns is a Barrier to Entry

First, the high cost of running is a formidable barrier to entry for anyone without an established network of donors. A House of Representatives candidate who started fundraising for 2014 immediately after the 2012 election would have had to raise close to \$1,800 a day—every day, including weekends, holidays, birthdays, anniversaries and high school graduations—to equal the total contributions collected by the median House seat winner.<sup>4</sup> A Senate candidate would have had to bring in more than \$3,300 per day over a full six-year cycle to match the median incoming senator's haul (*see Figure 1*).<sup>5</sup>

At the upper limit, the fundraising challenge gets even more onerous. The House winner reporting the largest contribution total in 2014 raised nearly \$8 million in contributions, while the Senate's leading fundraiser collected more than \$18 million. Those numbers average out to nearly \$11,000 and more than \$8,000 each day for their respective election cycles.

**Figure 1.**



Source: Demos & U.S. PIRG analysis of FEC data

This system makes fundraising prowess—rather than good policy ideas, a genuine desire for public service, or strong connections with a broad base of potential constituents—the primary qualification for holding elected office. The first question any aspiring candidate for Congress must ask him or herself is, “How much money can I raise?” Some otherwise promising congressional prospects filter themselves out of the process when they realize the answer is “not enough to compete.” And, as Kelly Westlund discovered when she ran against an incumbent representative in Wisconsin’s 7<sup>th</sup> Congressional District, others are actively discouraged from running. Westlund said, “When I went to the Democratic Party and told them I wanted to jump in, their representative asked me if I could raise a quarter of a million dollars in three weeks... When I said [no] his response was, ‘Then, you’re not viable.’”

David A. Smith challenged an incumbent for the Republican nomination in Florida’s 7<sup>th</sup> Congressional District, and concluded that money cements incumbents’ existing advantages, making it difficult for anyone who is not wealthy to mount a successful challenge. “The money that incumbents can bring in is virtually limitless,” Smith said. “It’s very difficult for a first-time candidate, unless you’re personally prepared to write a big check to break into it.”

This filtering process disproportionately affects members of groups that are already underrepresented politically.<sup>6</sup> Although people of color comprise 37 percent of the population, 90 percent of our elected leaders are white.<sup>7</sup> In a recent survey, two-thirds of people of color agreed that lack of access to donor networks is a significant barrier to political representation of communities of color.<sup>8</sup> A 2013 study of African American candidates concluded that “the underrepresentation of blacks is driven by constraints on their entry onto the ballot” and that the level of resources in the black community is “an important factor for shaping the size of the black candidate pool.”<sup>9</sup> And, a recent analysis of state legislative races found that candidates of color raised 47 percent less than their white counterparts.<sup>10</sup>

### **Large Donors Fuel the High Cost of Campaigns**

Even more important than the total amount of money in politics is the source of the funds. Though political action committees and parties play a role in funding candidate campaigns, most of the money flowing into campaign coffers comes from individuals. Of the almost \$1.5 billion in contribution dollars candidates reported

receiving in the 2014 cycle, more than two-thirds came from individual donors.

And, most of these individual contributions are coming from large donors. Overall, the winning candidates in the 2014 congressional elections and their closest competitors collected 83 percent of the funds they raised from individuals in itemized contributions, which generally come from donors who have given a candidate \$200 or more.<sup>i</sup>

These large contributions from well-off donors are driving the increasing nominal cost of campaigns, and it's nearly impossible for a grassroots candidate to keep up. Raising the \$1.3 million notched by the median successful House candidate from small donors would require a candidate to net at least nine contributions every day—even if all of those donors gave close to \$200. Senate candidates would need to raise 17 such contributions every day for six years to raise the more than \$7 million collected by the median Senate winner.

The candidates we profiled found that without access to a network of wealthy family, friends, colleagues or other associates who can afford to give \$1,000 or more to their campaigns the road to victory is narrow. Kelly Westlund said, “I am a young working class person and most of my network is waitresses and teachers and firefighters and police officers. I don’t have a network of millionaires and billionaires that I can call.” Amanda Renteria, the first Latina Chief of Staff in the history of the U.S. Senate, ran to represent California’s 21st Congressional District and noted that targeting small donors was not a particular strategy of hers from the start, “but given my network, where I come from, where I’m running, I expected that I wasn’t going to have huge donors.” Rev. Michael Walrond, who ran in a primary for New York’s 13<sup>th</sup> Congressional District, said that he focused his campaign on small donors because “that was who we knew. I was part of a community where a lot of people are working class...where the rate of poverty is rather high.” This helps explain why over the past two centuries only two percent of members of Congress have come from working class backgrounds.<sup>11</sup>

---

i. Comparing shares of itemized and unitemized contributions to candidates is useful for estimating the relative percentages of contributions from large and small donors; candidates are only required to itemize contributions from donors who give \$200 or more to their campaigns so most itemized contributions are also large contributions. However, some candidates choose to itemize even some of their smaller contributions.



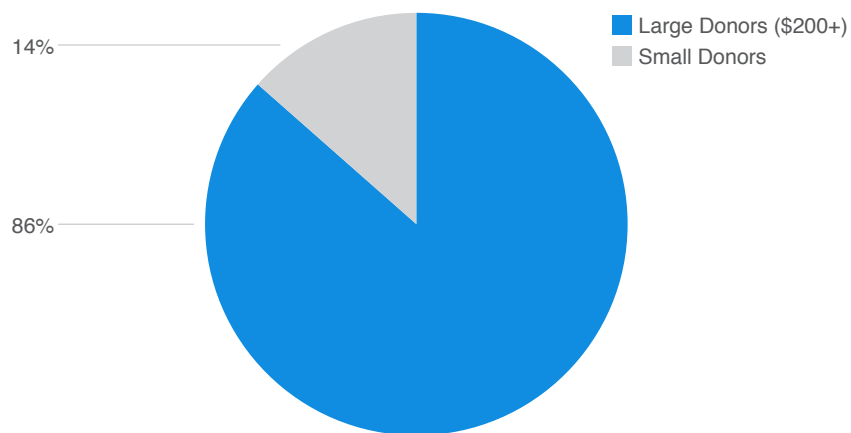
## Large Donors Dominate Competitive Races

To compare the role of large and small donors in the 2014 congressional elections, we broke out all large and small contributions reported by winning candidates and their closest competitors in a targeted sample of 25 races (featuring 50 candidates) where structural barriers were less likely to prevent a grassroots candidate from gaining a foothold.

Many congressional races favor one candidate over another before the first vote is cast or dollar is spent because of the partisan makeup of the district. To assess small and large donor participation in races that are more likely to be genuinely up-for-grabs and therefore where fundraising can make the largest marginal difference, we focused on contests where these district fundamentals are not a significant factor: House races in the most evenly-divided districts.

Just as suggested by the national estimate, candidates in these races raised the overwhelming majority of their contributions from large donors. Overall, top two candidates in general election contests in toss-up districts reported raising more than 86 percent of their individual contributions from donors who gave \$200 or more.<sup>ii</sup> (see Figure 2).

**Figure 2. Large Versus Small Donor Funds in Competitive 2014 House Races** *Contributions from individual donors*

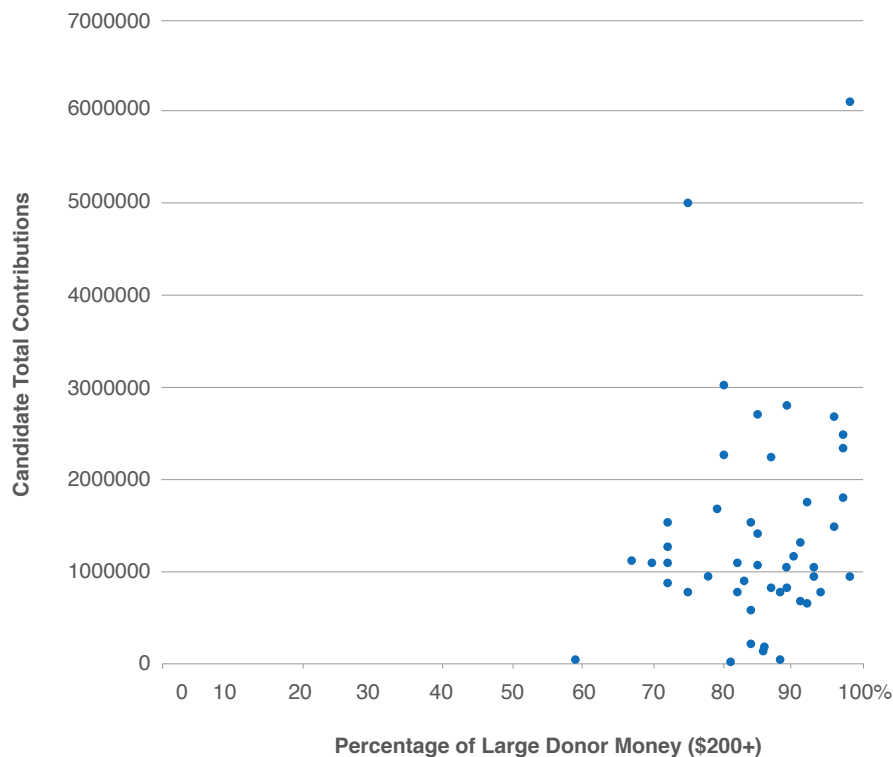


Source: Demos & U.S. PIRG analysis of FEC data

ii. For the calculations in this section we were able to account for itemized contributions less than \$200.

Figure 3 shows the percentage of individual contributions from large donors for all of the candidates in these closely-divided districts. This shows not just that most candidates raised most of their money from large donors, but also that only a few candidates raised much at all from average voters. Only two of 50 candidates in these competitive races raised less than 70 percent of their individual funds from large donors. The lesson is clear: it is very difficult to run a grassroots, small-donor based campaign for federal office in a competitive district. Those who seek to buck the big money trend with people-powered campaigns must hope to be the exception rather than the rule.

**Figure 3. Percentage of Large Donors in 2014 by Candidate**  
*Contributions from individual donors in competitive races*



Source: Demos and U.S. PIRG analysis of FEC data

## Large Donors Also Dominate Outside Spending

Although not the focus of this report, it is important to note that large donors also dominate spending by non-party, non-candidate groups on congressional campaigns. Much outside spending is by “dark money” groups that do not disclose their donors. But, a significant percentage is through Super PACs, which can raise unlimited funds but must disclose the source of these funds. According to Center for Responsive Politics data, the top 100 individual donors to Super PACs and their spouses contributed 37 percent of total Super PAC contributions during the 2014 election cycle.<sup>12</sup>

## The Result: Skewed Policy Outcomes

The core consequence of our big money campaign finance system is a set of skewed policy outcomes that serve the donor class at the expense of average voters. As Princeton political scientist Martin Gilens has written, “[t]he American government does respond to the public’s preferences, but that responsiveness is strongly tilted toward the most affluent citizens. Indeed, under most circumstances, the preferences of the vast majority of Americans appear to have essentially no impact on which policies the government does or doesn’t adopt.”<sup>13</sup> When the preferences of the wealthiest 10 percent of Americans conflict with those of the rest of the population, the 10 percent trumps the 90 percent.<sup>14</sup>

The role of money in politics drives these skewed outcomes in several ways. First, large donors help determine which candidates can run effectively, filtering out those with opposing views. Each of the candidates we profile below found themselves locked out at least in part because they lacked access to networks of wealthy donors.

Next, candidates who are forced to spend much of their time raising money from the donor class get a narrow and distorted view of the nation’s problems and priorities; the issues and positions most important to donors become most salient to candidates during campaigns. They also face subtle pressure to shift or shade their views to better align with those who can write them large checks. This is important because the wealthy donors who drive campaign spending have different priorities and policy preferences than average Americans, especially on core economic issues such as the role of government in creating good jobs and providing protections for low-wage workers (*see Figure 4*).<sup>15</sup>

Ms. Westlund concluded that given the role of money in elections, “it’s no wonder that there is no voice for working class people in Congress.” Ms. Renteria, running in California farm country, noted,

“three of the poorest cities [in the nation] happen to be here in Central Valley, yet we have the largest farm revenues. You look at it and say, ‘who’s representing these folks?’ and ‘how do you make sure the influence is fair, that everyone has a voice?’”

**Figure 4. Jobs & Income Policy Preferences of Affluent vs. General Public**

Policy	% Wealthy in Favor	% General Public in Favor
Government must see that no one is without food, clothing or shelter	43%	68%
Minimum wage high enough so that no family with a full-time worker falls below official poverty line	40%	78%
The government should provide a decent standard of living for the unemployed	23%	50%
The government in Washington ought to see to it that everyone who wants to work can find a job	19%	68%
The Earned Income Tax Credit (EITC) should be increased rather than decreased or kept the same	13%	49%
The federal government should provide jobs for everyone able and willing to work who cannot find a job in private employment	8%	53%

Source: Benjamin I. Page, Larry M. Bartels, and Jason Seawright, “Democracy and the Policy Preferences of Wealthy Americans,” *Perspectives on Politics* 11:1, pp. 51-73.

Finally, the constant focus on fundraising can overshadow discussion of substantive issues in a campaign. Rev. Walrond lamented that “before anybody asked me what I believe on immigration, what I believe about education, what I believe about criminal justice reform, the first question was how much money have you raised and how much money can you raise... You find out very quickly this is not about who has the best ideas this is about who has the most money.”

## BUILDING A SMALL DONOR DEMOCRACY

In our current system, the most efficient, and often only feasible, way to raise the million or multimillion dollar war chests election winners typically amass is for candidates to focus their time and attention on an elite donor class. A House candidate who needs to raise nearly \$2,000 a day has an incentive to raise that money from a single large donor hitting the \$2,600 per election individual limit rather than 9 or more small donors giving less than \$200 each. Relying exclusively on donors giving the maximum contribution allowed by law rather than sub-\$200 small donors cuts the number of contributors a Senate candidate needs to recruit from 17 per day to just one giving \$5,200 for the election cycle.

However, the current system is not the only available option. We could choose instead to build a small donor democracy, implementing policies that shift electoral influence from the current elite group of wealthy donors to a broader base of average voters.

### Strategies to Shift Power to Average Voters

One way to shift the balance of power in our system away from wealthy donors is to limit their influence directly, by lowering contribution limits and/or capping election spending. Given the multiple avenues currently available to those wishing to spend money on elections, these limits would have to be carefully constructed and calibrated to ensure they did not simply shift wealthy donor money from one path to another (potentially more problematic) one. Well-designed contribution and spending limits, however, could work in tandem to relieve some of the fundraising pressure on candidates and prevent the current “donor class,” who can afford to give \$1,000 or more, from determining who runs for office, who wins elections, and what issues candidates and elected leaders prioritize.

But, efforts to impose serious contribution and spending limits are hamstrung by the Supreme Court’s current approach to money in politics. Over the past five decades, the Court has narrowed the legally acceptable reasons for limiting campaign money to only fighting *quid pro quo* corruption (bribery) and its appearance. Clean governance, however, is only one of the important principles at stake. We must also prevent wealthy individuals and institutions from translating economic might directly into political power. To truly address the role of large donors, we’ll need to transform the

Court's approach, making room for core American values such as political equality and accountable government.

Just as the justices have reversed course on New Deal economic protections, racial segregation, LGBT rights and other issues in the past, we can push future justices to embrace a more democracy-friendly view of the Constitution. Alternatively, we can amend the Constitution directly to clarify that the People have the power to pass common-sense limits on big money in politics.

A second strategy, which Congress can implement immediately, is to amplify the voices of small donors in our system. Small donor matching programs and other public funding systems like the ones that have been enacted at the state and municipal levels in Connecticut and New York have been shown to increase participation, diversify the donor pool, help more candidates of color run for office, and lead to policy outcomes more responsive to the needs of the general public rather than the elite donor class.<sup>16</sup>

A similar proposal at the federal level would give millions more Americans the ability and incentive to make meaningful campaign contributions. As we will see below, this proposal would enable qualified, competent candidates with limited access to networks of large donors but a broad base of support to run more competitive campaigns.

### **The Government By the People Act**

The Government By the People Act is the leading federal effort to create a small donor matching program for candidates for the U.S. House of Representatives, with 160 cosponsors in the 113<sup>th</sup> Congress.<sup>17</sup> The Fair Elections Now Act is a similar bill covering U.S. Senate races.

The essential features of the Government By the People Act are as follows:<sup>iii</sup>

- Matches contributions of up to \$150 per election (\$300 per cycle) six-to-one with limited public funds for those candidates who agree to limit all contributions to \$1,000 or less per election;

---

iii. For a complete description of the legislation and how it works, see Adam Lioz, "The Government By the People Act: Legislation to Curb the Power of Wealthy Donors and Put Government Back in the Hands of Voters," Demos (2014), available at <http://www.demos.org/publication/government-people-act>

- Provides a 50 percent bonus on this match for candidates who agree to raise only contributions of \$150 per election or less;
- Provides a \$25 refundable tax credit for small political contributions;
- Provides enhanced matching funds in the final 60 days of a general election for candidates in high-cost races (because of an onslaught of outside spending, for example); and
- Creates People PACs, or small donor committees, that aggregate the voices and power of ordinary citizens rather than wealthy donors (as traditional PACs tend to do).

In the profiles below we have recalculated what the featured candidates' fundraising totals might have been had this law been in place for the 2014 cycle. We used conservative assumptions about the number of donors each candidate secured and other factors, explained in the Methodology section below.

Our findings show that these candidates would have been in a much better position to compete against better-funded opponents with a small donor matching system in place. One candidate would have raised significantly more money than her opponent if a matching fund program were available. The other three candidates would have narrowed the fundraising gap by an average of more than 40 percentage points. Their actual fundraising in the 2014 cycle averaged 20 percent of their opponents' totals; and with the matching program they would have raised 61 percent of their opponents' totals (even if the opponents also made use of the match). More important, they would have had significantly more resources to get their messages out and hit the minimum threshold for running a competitive campaign, and they would have been able to do so raising two or three small contributions each day as opposed to the nine or more they currently need to keep up.

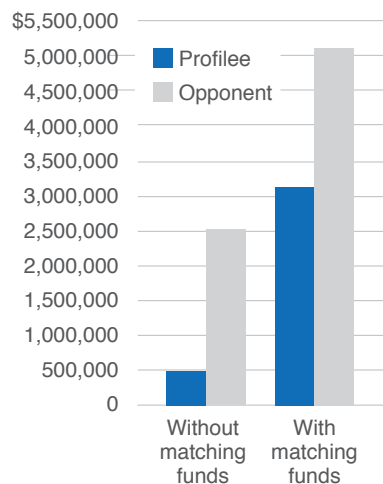
## QUALIFIED, CREDIBLE CANDIDATES LOCKED OUT BY BIG MONEY



### TOP LINE STATS

- Democrat running in general election for Wisconsin's 7<sup>th</sup> Congressional district
- 46% of individual contributions were from small donors giving less than \$200
- Outraised 5 to 1
- Won 39.4% of vote

### FUNDRAISING TOTALS



### KELLY WESTLUND

*"The current system makes sure that from start to finish our political process is dominated by the people with the most money...it's no wonder that there is no voice for working class people in Congress."*

2014 was Kelly Westlund's first run for Congress. She brought experience as an Ashland City Councilmember, executive director of the Alliance for Sustainability and as a small business owner building a local food system.

Westlund decided to run for Congress because as a local elected official, she saw how decisions made in other places affected her community, and when she looked at their current Representative, Sean Duffy, she thought she could do a better job and decided to run against him.

She knew money would be a big part of the race. Her district has 5 separate media markets and she was up against a well-funded incumbent.

Westlund says, "When I went to the Democratic party and told them I wanted to jump in, their representative asked me if I could raise a quarter of a million dollars in three weeks. I laughed at him and said, 'No have you met



Northern Wisconsin?’ I am a young working class person and most of my network is waitresses and teachers and firefighters and police officers. I don’t have a network of millionaires and billionaires that I can call.” In fact Westlund was running in a district where the median household income is around \$48,000. She adds, “When I said I couldn’t raise a quarter million in three weeks, his response was, ‘Then, you’re not viable.’ I knew the system was broken but it was so much worse than I could have imagined.”

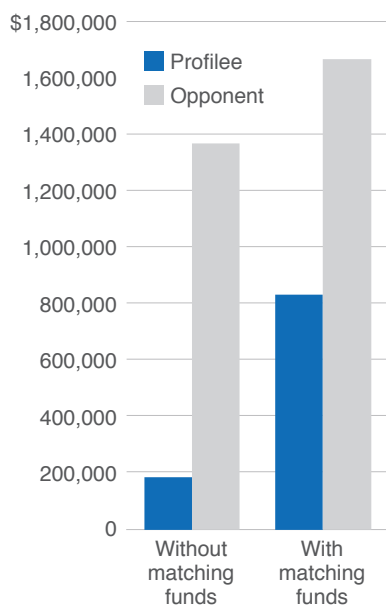
Westlund concludes, “The current system makes sure that from start to finish our political process is dominated by the people with the most money...it’s no wonder that there is no voice for working class people in Congress.” And, it’s a self-perpetuating system. “When you come to the table already having access to wealth as a candidate then you are taken a lot more seriously from early on and you’re able to leverage a lot more of those resources that you just can’t get if you’re running a grassroots campaign. It’s unfortunate and I don’t think it’s a good way to do politics.”

In the end Westlund lost the general election, but despite being outraised almost 5 to 1, she finished with 39.4% of the vote. ■

## TOP LINE STATS

- Democrat running in the primary election for New York's 13th Congressional district
- 33% of individual contributions were from small donors giving less than \$200
- Outraised 7 to 1
- Won 8% of the vote

## FUNDRAISING TOTALS



## REV. MICHAEL WALROND, JR.

*"You find out very quickly this is not about who has the best ideas this is about who has the most money"*

Rev. Michael Walrond Jr., locally known as Pastor Mike, is the Senior Pastor at the First Corinthian Baptist Church in Harlem, where he leads a congregation committed to social justice and has been active on campaigns such as the 'New York City Living Wage.' He ran in the 2014 Democratic primary for New York's 13<sup>th</sup> Congressional District against incumbent Charles Rangel.

From serving his community as a pastor for ten years, Walrond heard "a tremendous amount of frustration with elected officials" and he threw his hat in the ring to show you don't need to wait for permission from the political insiders if you have a passion to make a change. Yet he saw how big money shaped his ability to run an effective campaign and get his message out.

Walrond says, "When I would go to candidate endorsement interviews, before anybody asked me what I believe on immigration, what I believe about education, what I believe about criminal justice reform, the first question was how much money have you raised and how much money can you raise. At that point if you don't throw numbers out there that people are moved by then you're dismissed as a candidate... You find out very quickly this is not about who has the best ideas this is about who has the most money."

Walrond believes that the current campaign finance system "leaves much of politics in the

hand of big business and corporations, the people who can become big donors. And the people who give, those big donors, are going to have expectations on the other side. Politicians can't vote their conscience for fear of losing certain support... I think the whole system is dysfunctional. It undermines democracy."

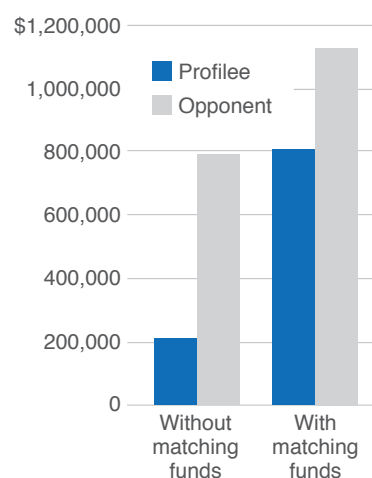
Walrond's fundraising focused on small donors, because "that was who we knew. I was part of a community where a lot of people are working class and I live in a community where the rate of poverty is rather high and I have people who were giving me \$10 here, \$25 here...that's what they have but it's because they believe." Yet by itself, this grassroots fundraising wasn't enough: "I was trained as a community organizer, part of my belief was that organized people always defeats organized money, but I realized it doesn't just take organized people. It takes organized people with organized money."

In the end, Walrond got 8% of the vote, winning the neighborhood where his church is, but he thinks a small donor matching program would have "emboldened" someone like him who had a lot of small donors. He concluded, "A lot of grassroots candidates would benefit, because it would make them competitive with regard to the finances." ■

## TOP LINE STATS

- Republican running in the primary election for Florida's 7th Congressional district
- 32% of individual contributions were from small donors giving less than \$200
- Outraised 4 to 1
- Won 19% of vote

## FUNDRAISING TOTALS



### DAVID A. SMITH

*"It's very difficult for a first-time candidate, unless you're personally prepared to write a big check to break into it."*

A decorated former Marine Colonel who spent time in Europe and Asia as a child, David A. Smith retired from the military in 2012. Florida's 7<sup>th</sup> district has one of the highest concentrations of veterans in the country, and feeling that veterans were underrepresented in Congress and the VA needed fixing, Smith decided to throw his hat into the ring, challenging incumbent Rep. John Mica in the Republican primary.

Fundraising had a learning curve for Smith: "If I knew a year ago what I know now about campaign fundraising, we would have done much better," he says. His campaign targeted small-dollar contributions by trying to win supporters as repeat donors: "our fundraising appeals were for low dollar amounts, \$20 or \$50... most donors give an average of 3 times. So get them giving with \$20, \$50, and once they see progress, you can go back."

Smith saw that incumbency provided a significant advantage in the money race: "The money that incumbents can bring in is virtually limitless," according to Smith. "If they wanted to campaign, any incumbent, by the sheer fact they're incumbent, they can raise as much as they want. I think it's literally a blank check. The money is out there. It's very difficult for a first-time candidate, unless you're personally prepared to write a big check to break into it." And that

money has a huge impact: “With a half-million,” Smith jokes, “I could get anybody elected to Congress, unless you’re really a bad guy.”

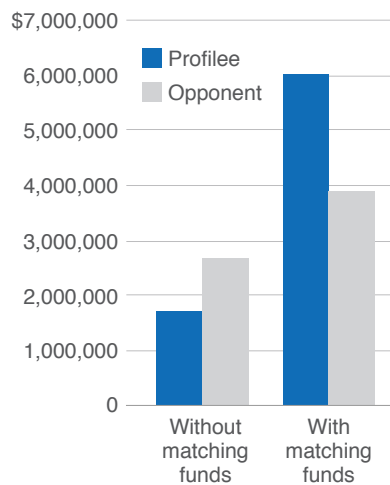
Reflecting on the campaign’s lessons, Smith says that “the one thing that I learned is how few people had ever given to a political campaign, even folks who will talk your ear off about politics. The other thing is how many people live paycheck to paycheck, and just don’t have the money.”

The election saw Mica win with 72% of the vote, with Smith supported by 19% of the electorate, finishing second and ahead of two other Republicans. ■

## TOP LINE STATS

- Democrat running in the general election for California's 21st Congressional district
- 26% of individual contributions were from small donors giving less than \$200
- Outraised 1.5 to 1
- Won 25.6% of vote

## FUNDRAISING TOTALS



## AMANDA RENTERIA

*"Where I come from, where I'm running, I expected that I wasn't going to have huge donors."*

Amanda Renteria grew up in Woodlake, California, where her father emigrated from Mexico in the 1960's. After college Renteria worked as a financial analyst for Goldman Sachs and attended Harvard Business School, but she ultimately decided to shift her career path to working in government to help others. She went on to work for Senator Debbie Stabenow and became the first Latina Chief of Staff in the history of the Senate.

This year, Renteria decided to throw her hat in the ring against incumbent David Valadao. The race was considered very competitive because it is a Democratic leaning district held by a Republican. She ran because it gave her "the opportunity to help the places and people that raised me. That was really motivating...to realize over the course of my life I have had the opportunities and have learned ways that I can be helpful to the community I grew up in."

She added, "What's tough is when you see powerful forces win and people aren't better for it...Three of the poorest cities [in the nation] happen to be here in Central Valley, yet we have the largest farm revenues. You look at it and say,

‘who’s representing these folks?’ and ‘how do you make sure the influence is fair, that everyone has a voice?’ If there is only a one sided debate in any political argument people really aren’t getting the full picture of potential leadership.”

Renteria explained in her race, as in any race, money made a huge difference in getting her message out. Yet, she elaborated as a challenger it felt like she started out behind and actually needed twice the money the incumbent had so she could defend herself against attacks. She said, “I think most people think about it as only getting your message out and that’s why it’s so important but the truth is, particularly when you’re a challenger, it’s the ability to answer back or to clarify. And, in some ways, if you don’t have [money] it plays a role in truly silencing a campaign.”

When asked if she specifically sought out small donations in the face of big money, she said, “I wouldn’t say I had a particular strategy but given my network, where I come from, where I’m running, I expected that I wasn’t going to have huge donors. You have to ask folks for help that have been in your network and that understand where you’re running and why it’s important. That for me ended up being a small donor base.”

To restore the fairness we need in our electoral process, she concluded, “It has to be a multipronged approach; there is no other way to address it.” ■

## CONCLUSION

In our current system, candidates rely overwhelmingly on a narrow set of elite donors to mount viable campaigns for Congress. This process gives large donors the power to act as gatekeepers, filtering out qualified, credible candidates who don't share their views. Ultimately our government is responsive to this narrow donor class, resulting in skewed policy outcomes that leave working families, communities of color, and other ordinary voters behind.

But, this is a choice. To put voters, not just big donors, at the center of our democracy, we need to restructure our system to make it feasible to run people-powered campaigns. The most immediate available strategy is to match small contributions with limited public funds. Research shows that similar programs have made a difference on the state and local levels.<sup>18</sup> And, the grassroots candidates profiled in this report demonstrate how such a program could work to open up the U.S. Congress to qualified, credible candidates without access to vast networks of wealthy donors.



## METHODOLOGY

### Overall Fundraising Numbers

Overall candidate fundraising and spending numbers are based upon candidate summary reports provided by the Federal Election Commission.

Election winners were identified from election results collected by the Associated Press and made available by Politico. Candidates were classified as election winners if they won a contested election (rather than running unopposed). If the election was decided in a runoff, only the candidate who prevailed in the runoff was classified as an election winner.

### Itemized Versus Unitemized Contributions in All Races

To produce the breakdown of itemized versus unitemized contributions in all races, we used the Federal Election Commission's candidate summary file. We included only the top two vote-getters (the winner and her closest competitor) in each race.

### Creating Our Competitive Elections Sample Set

To create our sample of competitive races we looked at the partisan breakdown of the district based on the Cook Political Report's Partisan Voter Index. We included districts with a Partisan Voter Index of +1 or less in either direction.

### Large and Small Donor Breakdowns in Competitive Races

Candidate fundraising data for these calculations was collected from individual candidate information available via the Federal Election Commission.

To account for the fact that some candidates itemize contributions from small donors, we divided itemized contributions reported by candidates into large donor (\$200 or more) and small donor (under \$200) groups. We identified large and small donors by aggregating each candidate's itemized contributions by contributor and subtracting itemized refunds, producing net itemized contributions per donor.

To calculate the total amount each candidate raised from small donors we combined the itemized small donor totals (above) with candidates' net unitemized contributions. We derived net unitemized contribution totals by a) subtracting itemized refunds from the

total amount of individual refunds issued by a candidate to produce the total of unitemized refunds; and then b) subtracting total unitemized refunds from total unitemized contributions.

We included candidates' contributions to their own campaigns in our totals, adding candidate self-funding totals to the large donor figure if they summed to \$200 or more and the small donor figure if they amounted to less than \$200.

### **Government By the People Act calculations**

To estimate the effect of the Government By the People Act, we first calculated whether candidates would be likely to qualify for the Act's matching program. To qualify for matching funds, a candidate must raise \$50,000 or more from at least 1000 in-state donors each giving \$150 or less.

Total number of qualifying contributors. We estimated the number of unitemized contributors by dividing the unitemized contribution total by an average contribution estimate of \$70 per small donor. We then reduced this number by 20 percent to account for out-of-state unitemized contributions. We calculated the number of in-state itemized contributors by selecting in-state contributors from candidates' itemized contribution reports. We added these two numbers together to get the total number of qualifying contributors. If this number was at least 700 (70% of the 1000 qualifying contributors required by the Act), we determined that the candidate would likely qualify for matching funds because using the matching program and the tax credit as selling points would help the candidate get the final 30% of donors he or she would need.

Total amount of qualifying contributions. We divided these contributors into large donors, who gave \$150 or more to primary candidates or \$300 or more to candidates in the general election, and small donors, who gave under \$150 or \$300. We estimated the total qualifying contributions candidates received from these donors by multiplying the number of large itemized donors by \$150 or \$300 and adding the total small itemized and unitemized contributions.

Calculating the match. Once a candidate has qualified for the matching program, he or she can receive either a 6-1 or a 9-1 match for his or her contributions. Under the 6-1 matching program contributions from individuals of up to \$150 per election are matched 6-1. Candidates are also permitted to accept non-matched contributions of up to \$1,000 from individuals and contributions from People PACs; and may contribute up to \$10,000 to their own campaigns. Under the 9-1 matching program, individual contribu-

tions of up to \$150 per election are matched 9-1 and candidates are permitted to give up to \$10,000 to their own campaigns but prohibited from accepting any political action committee money or any individual contributions above \$150 per election.

To estimate how much a candidate would raise under the 6-1 program, we multiplied their number of large itemized contributions by \$150 for primary election candidates and \$300 for general election candidates (assuming that all contributors would reduce their contributions to match-eligible contributions which would be worth more than the maximum \$1,000 per election contribution otherwise allowed) and their number of unitemized contributions by \$70, added this total to their small itemized contribution total (contributions below \$150 for primary candidates or \$300 for general election candidates) and multiplied the sum by 7. We divided their political action committee totals by four to reflect the fact that People PACs would give less overall than traditional PACs and capped their candidate contributions at \$10,000.

To estimate how much a candidate would raise under the 9-1 program, we followed essentially the same procedure but multiplied individual contributions by 10 and excluded any political action committee contributions. We then combined the totals with the candidates' other receipts and assessed which matching program would be more favorable for the candidate.

Public money in the Act is limited to approximately \$6.5 million per candidate who accepts the 9-1 match, but none of the profiled candidates approached that limit.

Primary election winners. Two of our profilees lost primary elections to candidates who continued to collect contributions for the general election after the primary. To estimate how much these candidates raised for the primary election—and how much they might have raised for the primary under the matching program—we narrowed their itemized contributions to contributions that were coded as intended for the primary or that were uncoded but had been made before the primary election. Unitemized contributions are only reported in bulk so information about the election for which they are intended or the date on which they were made is not available. To estimate how much candidates might have received in unitemized contributions for the primary, we summed all of the candidate's unitemized contributions through the end of the reporting period in which his primary occurred. This method was intended to err on the side of over- rather than underestimating the candidate's unitemized and total contributions.

## ENDNOTES

1. See e.g. Chris Cillizza, “2014 will be the most expensive midterm election ever,” *The Washington Post*, October 22, 2014, <http://www.washingtonpost.com/blogs/the-fix/wp/2014/10/22/2014-will-be-the-most-expensive-midterm-election-ever/>
2. OpenSecrets.org, <https://www.opensecrets.org/overview/cost.php>
3. Derek Willis, “Every Election is the Most Expensive Election. Or Not,” *The New York Times*, December 16, 2014, <http://www.nytimes.com/2014/12/17/upshot/every-election-is-the-most-expensive-election-or-not.html?abt=0002&abg=1>
4. Not including unopposed candidates, the median general election House winner raised \$1,284,804. Dividing this by the 730 days between elections equals \$1,760 per day.
5. The median Senate candidate raised approximately \$7.3 million, which would be more than \$3,300 per day over six years.
6. See generally, Adam Lioz, “Stacked Deck: How the Racial Bias in Our Big Money Political System Undermines Our Democracy and Our Economy,” Demos, December 2014.
7. The Women Donors Network, <http://wholeads.us/>
8. David Binder Research, “Reflective Democracy,” Women Donors Network, October 2014.
9. Paru Shah, “It Takes a Black Candidate: A Supply-Side Theory of Minority Representation,” *Political Research Quarterly*, August 2013.
10. Laura Merrifield Albright, “Not Simply Black and White: The Relationship Between Race/Ethnicity and Campaign Finance in State Legislative Elections,” August 4, 2014.
11. Nicholas Carnes, *White Collar Government: The Hidden Role of Class in Economic Policymaking*, 2013, 4-5.
12. Authors calculations from Center for Responsive Politics data accessed at <http://www.opensecrets.org/outsidespending/summ.php?cycle=2014&disp=D&type=V&superonly=S> and <http://www.opensecrets.org/outsidespending/summ.php?chrt=V&type=S>
13. Martin Gilens, *Affluence and Influence: Economic Inequality and Political Power in America* (2014), 81.
14. Gilens, *Affluence and Influence*, 84.
15. Benjamin Page et. al., “Democracy and the Policy Preferences of Wealthy Americans,” *Perspectives on Policy*, 2013.
16. Elisabeth Genn et. al., “Donor Diversity through Public Matching Funds,” *Brennan Center for Justice & Campaign Finance Institute*, 2012; J. Mijin Cha & Miles Rapoport, “Fresh Start: The Impact of Public Campaign Financing in Connecticut,” Demos, 2013; Lioz, “Stacked Deck.”
17. Government By the People Act of 2014, Cosponsors, HR 20, 113th Cong., <https://www.congress.gov/bill/113th-congress/house-bill/20/cosponsors>
18. J. Mijin Cha & Miles Rapoport, “Fresh Start: The Impact of Public Campaign Financing in Connecticut,” Demos, 2013; Elisabeth Genn et. al., “Donor Diversity through Public Matching Funds,” *Brennan Center for Justice & Campaign Finance Institute*, 2012.



**demos.org**  
**arizonapirg.org**