

GETTING ELECTED IN NEBRASKA

WHAT IT TOOK TO WIN IN 2014

It's impossible to question whether money plays a part in winning political campaigns.

At this point it has become abundantly clear that the amount of money a candidate can raise and spend has a substantial impact on their ability to win an election. While some may argue that more spending is healthy, they can't deny that it has an impact on winning.

Nebraska is no exception to this rule.

In this report, Common Cause Nebraska aims to show just how much money was spent in the 2014 election and what kind of impact that had on election results. Despite the loss of Nebraska's campaign finance limitations, we retain a robust reporting system through the Nebraska Accountability and Disclosure Commission (NADC).

In this report, Common Cause addresses the following questions:

1. Was there more money spent in 2014 than in 2010?
2. Did Nebraska's former public financing option have any effect on spending?
3. How often did winners spend more money than losers (and vice versa)?
4. Were there any differences in the funding sources between winners and losers?
5. Do incumbents have any fundraising advantages?

Our findings, drawn from candidate NADC filings, are contained in this report.

I. WHAT BECAME OF PUBLIC FINANCING

In 1992, Nebraska implemented the Campaign Finance Limitations Act (CFLA), with the intention of both helping fund public elections and limiting the amount of money spent. This was done via a voluntary system, where candidates declared whether they would “abide” by the restrictions or not.

While abiding candidates had to stay within a spending limit, non-abiding candidates could spend as much as they wanted. But once the non-abiding candidate spent more than the limits, the abiding candidate was entitled to public financing.

In the CFLA’s history, funding was only triggered 11 times, accounting for \$530,779 distributed in public financing. And while the fund was initially seeded by the legislature, additional funding came from fines assessed by the NADC.

RACE	2008	2012
Governor	\$2,363,000	\$2,439,000
Treasurer, Secretary of State, Auditor, Attorney General	\$215,000	\$222,000
Board of Regents	\$103,000	\$107,000
Public Service Commission and State Board of Ed	\$72,000	\$75,000
Legislature	\$92,000	\$95,000

Figure (A1) : Previous and adjusted CFLA limits

The CFLA came to an end in 2012, after the US Supreme Court decided Arizona Free Enterprise v. FEC. The court found restrictions on campaign spending to violate the freedom of speech. While the CFLA imposed voluntary restrictions, payment of public finances came when the funds were triggered by the spending of another candidate.

This, the court claimed, discouraged the non-abiding candidates from spending money, since their spending could give their opponents additional funding.

Since that time, both Nebraska’s public financing and limitations on spending have been repealed. While disclosure requirements remain in place, repealing the CFLA all but gutted the campaign finance system.

At its end, public financing included legislative races and races for most constitutional offices, as well as board of regents. The only office that was left to include in the system was governor, who would have been covered had the fund continued to grow in value. Instead, the fund was disbanded, with the NADC retaining a large chunk of the cash to upgrade its online systems.

Funding for the CFLA was a tiered system, with certain races receiving greater amounts of funding. Beginning in 2008, the NADC was charged with updating the spending limits to coincide with growth in inflation through the Consumer Price Index. While the figures were adjusted in 2008, the CFLA was already overturned when they were set to be reviewed in 2012.

For this report, the NADC limits passed in 2008 were adjusted according to the 2012 CPI value, as seen in Figure (A1).

II. SPENDING IN 2014

Overall, \$20,092,414 was spent in the 2014 election. This figure includes legislative seats, the governor's race and other constitutional races, as well as utility districts and school board races.

Given that there was such a tremendous number of races in 2014, our review of campaign spending focused solely on the races for Governor and Legislature.

Additionally, we pulled campaign finance numbers from 2010 to use as a comparison to current spending. While there are difficulties in comparing the 2010 and 2014 figures (the 2010 Governor's race contained an incumbent, as did most of the 2010 Legislative races), there are still informative parallels to be made.

It is also important to note that 2010 was the final year that the CFLA was in effect for a Governor's race and that it was not applied in 2012 for legislative races.

A. UNDERSTANDING ELECTION NUMBERS

Election figures often include every candidate for that office (Legislature or Governor) and are broken down into four time periods:

- **Annuals**, the reported spending and receipts for the year proceeding the election;
- **Primary**, the spending and receipts from the beginning of 2014 until the Primary election;
- **General**, the spending and receipts from the end of the Primary to the end of General; and
- **Total**, all spending and receipts, including the election year and the year prior.

Additionally, each calendar period is broken down into four categories:

- **Individual Receipts**, money received from individual persons;
- **Other Receipts**, money received from corporate entities, PACs, and other non-individual entities;
- **Total Receipts**, all money received, including the prior categories, as well as loans and contributions from the candidates themselves; and
- **Expenditures**, which is everything the candidates spend.

B. GOVERNOR'S RACE

First, we will examine the overall spending for the Governor's race in 2014 and 2010.

2014

<u>Annals</u>		<u>General</u>	
Receipts Individuals	\$2,615,234.27	Receipts Individuals	\$3,924,439.82
Receipts Others	\$1,853,456.70	Receipts Others	\$1,152,592.51
Receipts All Sources	\$4,490,236.09	Receipts All Sources	\$5,077,032.33
Expenditures	\$1,669,855.25	Expenditures	\$6,036,264.45
<u>Primary</u>		<u>Total</u>	
Receipts Individuals	\$5,823,462.62	Receipts Individuals	\$12,366,328.49
Receipts Others	\$1,176,623.22	Receipts Others	\$4,187,672.43
Receipts All Sources	\$7,992,619.12	Receipts All Sources	\$17,526,932.19
Expenditures	\$10,123,106.59	Expenditures	\$17,907,115.00

Figure (B1) : 2014 Governor's race figures for all candidates

2010

<u>Annals</u>		<u>General</u>	
Receipts Individuals	\$990,454.57	Receipts Individuals	\$316,552.52
Receipts Others	\$743,277.93	Receipts Others	\$44,363.73
Receipts All Sources	\$1,361,415.87	Receipts All Sources	\$362,479.29
Expenditures	\$1,028,289.28	Expenditures	\$992,272.74
<u>Primary</u>		<u>Total</u>	
Receipts Individuals	\$557,529.82	Receipts Individuals	\$1,864,536.91
Receipts Others	\$535,921.79	Receipts Others	\$1,323,563.45
Receipts All Sources	\$1,109,266.30	Receipts All Sources	\$2,833,161.46
Expenditures	\$426,997.43	Expenditures	\$2,447,559.45

Figure (B2) : 2010 Governor's race figures for all candidates

The Governor’s race was much more expensive in 2014 than in 2010, with Total Expenses 700% of those in the previous election. Several factors likely played into that increased spending. First, 2014 was host to a hotly contested Republican primary, unlike in 2010 when incumbent Governor Dave Heineman was all but guaranteed the nomination.

Additionally, the fact that candidates were running for an open seat in 2014 played a large role. As will be seen in the legislative races, incumbents are a significant hurdle for a challenger, both in terms of fundraising, as well as win percentage. Thus, it is difficult to make an “apples-to-apples” comparison between the Totals for 2010 and 2014.

2010 VS. 2014 GOVERNOR'S RACE

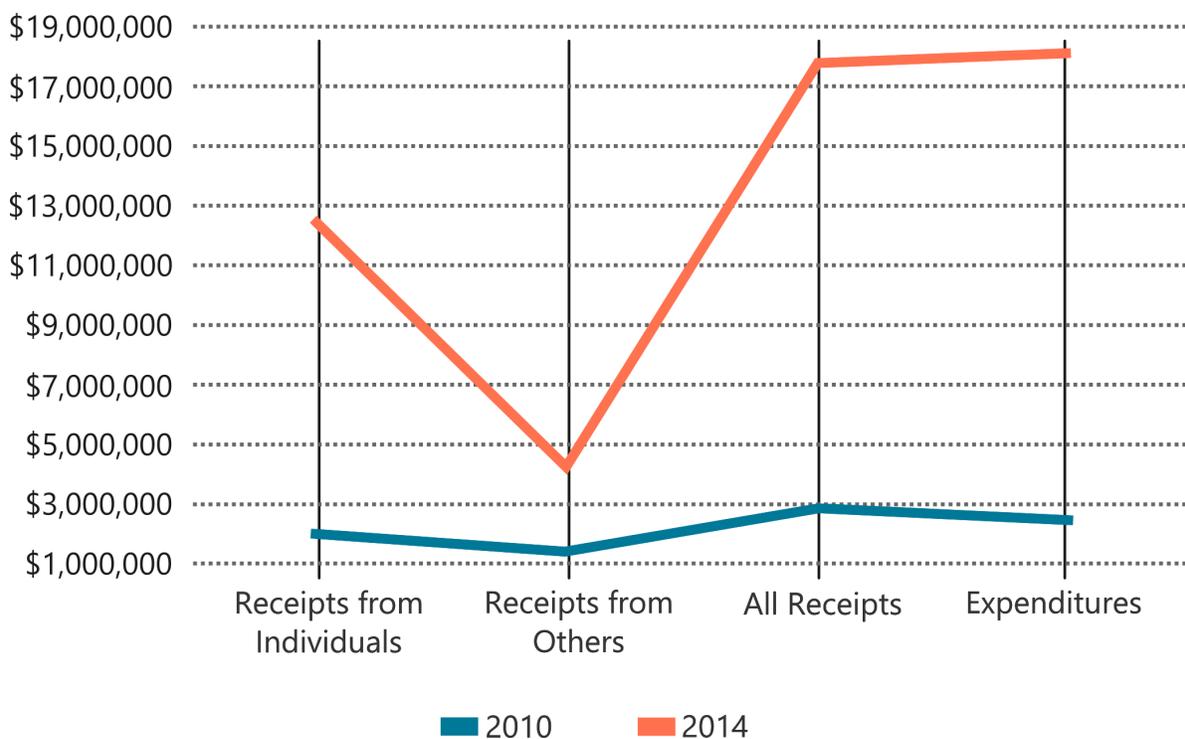


Figure (B3) : Comparison of 2010 and 2014 Governor’s race totals, charted

We can take a step backward and look at the 2006 election Totals to expand the picture. That year, \$6,535,111.71 was spent in Total for the governor’s race, including Annuals, Primary, and General. There was also a hotly contested Primary election that year between Dave Heineman (Total Expenses \$3,190,223.02) and Tom Osborne (Total Expenses \$2,557,508.10). It could be argued that Heineman provided at least some of the hurdle effects of a traditional incumbent, as he had held the position since Governor Mike Johanns’ resignation in 2005.

TOTAL SPENDING IN GOVERNOR'S RACES

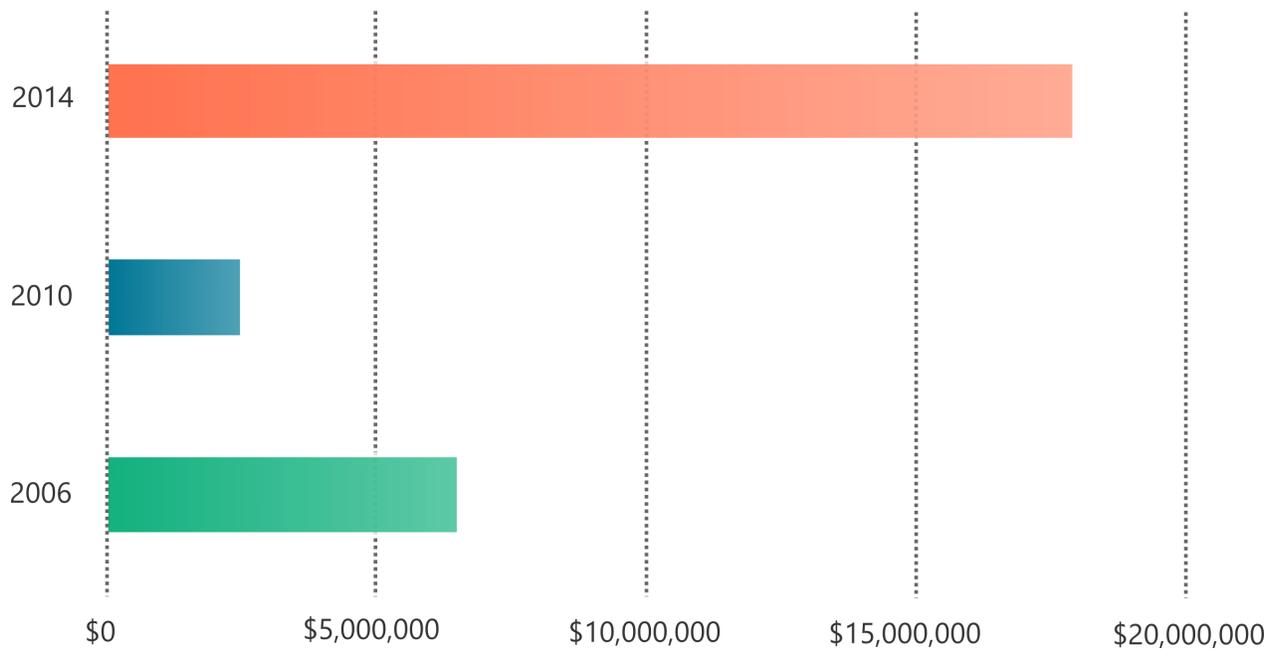


Figure (B4): Total Spending in 2006, 2010, & 2014 Governor's races, charted

Even if we take the 2006 and 2010 election Total expenses together (\$8,982,671.16), the 2014 Governor's race spent an additional \$8,924,443.84 or roughly twice as much more than the two previous elections.

While 2010 alone may not provide an accurate comparison, the fact that taking 2006 and 2010 together still does not come close to 2014 spending points out a true increase in spending. Alone, Pete Ricketts' Total Expenses in 2014 were more than the Totals from 2006 or 2010, and were only \$1,467,238.84 away from matching the two-year total.

Finally, it is worth comparing the spending and receipts of the General election candidates, Chuck Hassebrook and Pete Ricketts.

	<u>Chuck Hassebrook</u>	<u>Pete Ricketts</u>
Receipts from Individuals	\$2,893,371.79	\$5,183,202.44
Receipts from Others	\$354,660.14	\$1,434,509.46
All Receipts	\$3,248,031.93	\$7,547,711.90
Expenditures	\$3,205,039.93	\$7,515,432.32

Figure (B5) : 2014 General Election Governor candidate spending

RICKETTS VS. HASSEBROOK TOTALS

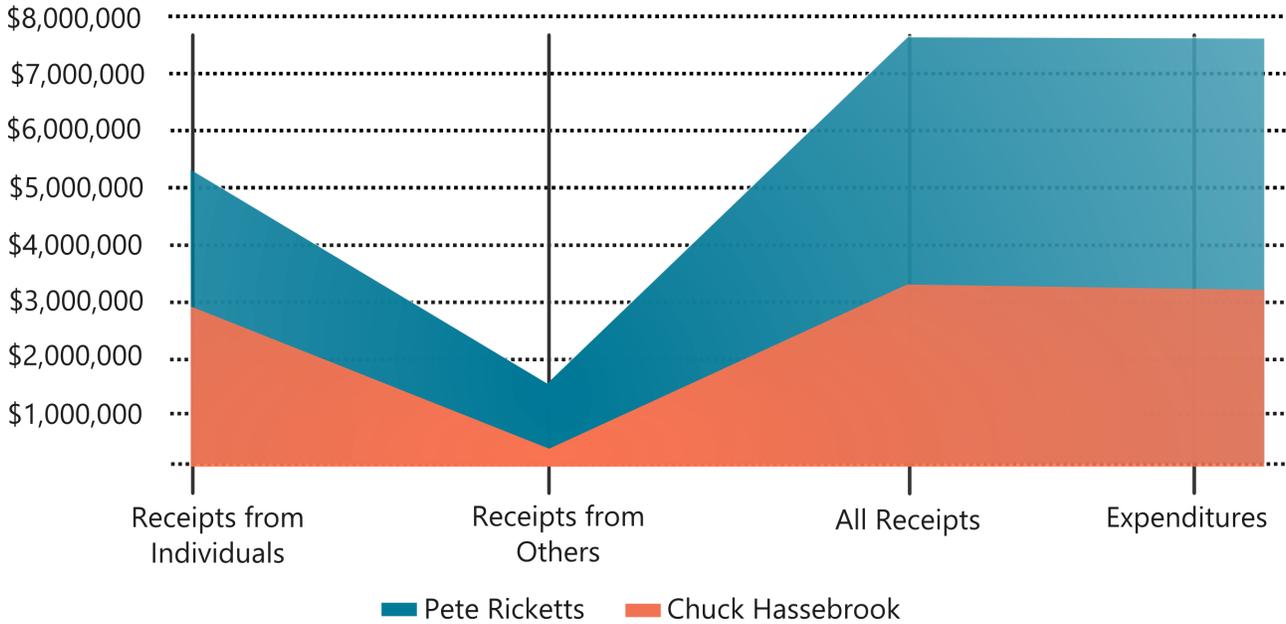


Figure (B6) : 2014 General Election Governor candidate spending, charted

While it is clear that Ricketts both outraised and outspent Hassebrook by a wide margin, the actual percentages paint an even starker picture. The chart below shows, as a percentage, how much more Ricketts raised and spent during the election than Hassebrook.

Receipts from Individuals	179%
Receipts from Others	404%
All Receipts	232%
Expenditures	234%

Figure (B7) : Percentage spent/raised by Pete Ricketts over Chuck Hassebrook in 2014

C. LEGISLATURE

The Legislature was host to 25 elections in 2014, with 17 seats open due to term limits and 8 seats contested by incumbents. Comparatively, 2010 had 24 elections, with 18 incumbents involved in races.

2014

<u>Annuals</u>		<u>General</u>	
Receipts Individuals	\$610,922.22	Receipts Individuals	\$764,914.74
Receipts Others	\$537,199.54	Receipts Others	\$1,454,657.87
Receipts All Sources	\$1,234,845.36	Receipts All Sources	\$2,261,574.16
Expenditures	\$561,577.05	Expenditures	\$2,412,542.07
<u>Primary</u>		<u>Total</u>	
Receipts Individuals	\$634,688.75	Receipts Individuals	\$2,010,525.71
Receipts Others	\$669,416.35	Receipts Others	\$2,661,273.76
Receipts All Sources	\$1,343,227.58	Receipts All Sources	\$4,839,647.10
Expenditures	\$1,414,593.64	Expenditures	\$4,388,712.76

Figure (B8): Total spending and receipts for 2014 Legislative candidates

2010

<u>Annuals</u>		<u>General</u>	
Receipts Individuals	\$174,609.22	Receipts Individuals	\$290,236.26
Receipts Others	\$766,184.47	Receipts Others	\$402,408.05
Receipts All Sources	\$895,015.67	Receipts All Sources	\$708,426.93
Expenditures	\$359,225.34	Expenditures	\$960,544.29
<u>Primary</u>		<u>Total</u>	
Receipts Individuals	\$248,486.36	Receipts Individuals	\$713,331.84
Receipts Others	\$417,121.71	Receipts Others	\$1,585,714.23
Receipts All Sources	\$680,298.70	All Receipts	\$2,283,741.30
Expenditures	\$546,323.65	Expenditures	\$1,866,093.28

Figure (B9): Total spending and receipts for 2010 Legislative candidates

First, it is clear that substantially more was spent and raised in 2014 than in 2010. In fact, 2014 legislative races spent 135% more and raised 111% more than their 2010 counterparts. While the greater presence of incumbents in 2010 undoubtedly decreased the number of viable challengers that year, and thus decreased spending, it likely does not account for the increase in full.

2010 VS. 2014 TOTALS

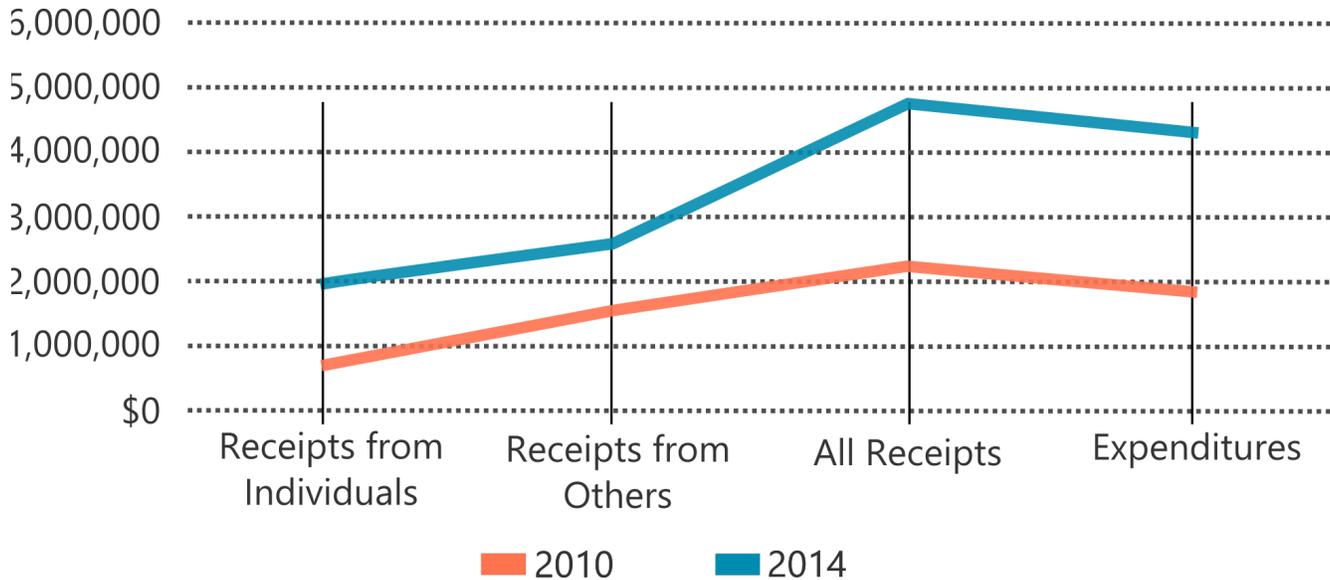


Figure (B10): 2010 and 2014 Legislative candidate total spending and receipts, charted

Another factor to note is the difference in All Receipts between 2010 and 2014. In 2014, totaling the Receipts from Individuals and Others does not produce the final Total shown here. This is made up for by loans and candidate contributions to their own campaigns. On the other hand, 2010 has lower Total Receipts than the sum of Receipts from Individuals and Others, likely as a result of fundraising returned to donors.

With the large amount of spending across the board in 2014, an examination of the largest and smallest races is worthwhile. The District 8 race alone accounted for \$431,337.56 in spending between two candidates. Overall, the top three races made up roughly 26% of the overall legislative race spending, despite being only 12% of the total number of races.

For an examination of the lowest races, it was important to find districts with financial competition of some variety. Thus, races without an opponent or without any recorded spending by the opposition were excluded from consideration.

Largest Races

<u>District</u>	<u>Receipts from Individuals</u>	<u>Receipts from Others</u>	<u>Receipts from All Sources</u>	<u>Expenditures</u>
8	\$166,376.54	\$265,623.11	\$431,999.65	\$431,337.56
28	\$255,256.57	\$142,501.93	\$401,558.50	\$372,186.92
20	\$165,058.15	\$147,063.26	\$324,541.28	\$347,085.96

Figure (B12): 2014 highest spending Legislative races by District

Smallest Races

<u>District</u>	<u>Receipts from Individuals</u>	<u>Receipts from Others</u>	<u>Receipts from All Sources</u>	<u>Expenditures</u>
3	\$45,963.99	\$101,437.72	\$141,651.71	\$129,613.09
46	\$55,838.00	\$76,232.05	\$132,070.23	\$114,951.78
30	\$26,448.76	\$70,580.39	\$102,522.35	\$102,406.59

Figure (B13): 2014 lowest spending Legislative races by District

While there is a 3-to-1 spending difference between the largest and smallest races, perhaps the most striking fact is that a candidate seems to need at least \$50,000 to run even the most affordable race.

HIGHEST AND LOWEST SPENDING RACES

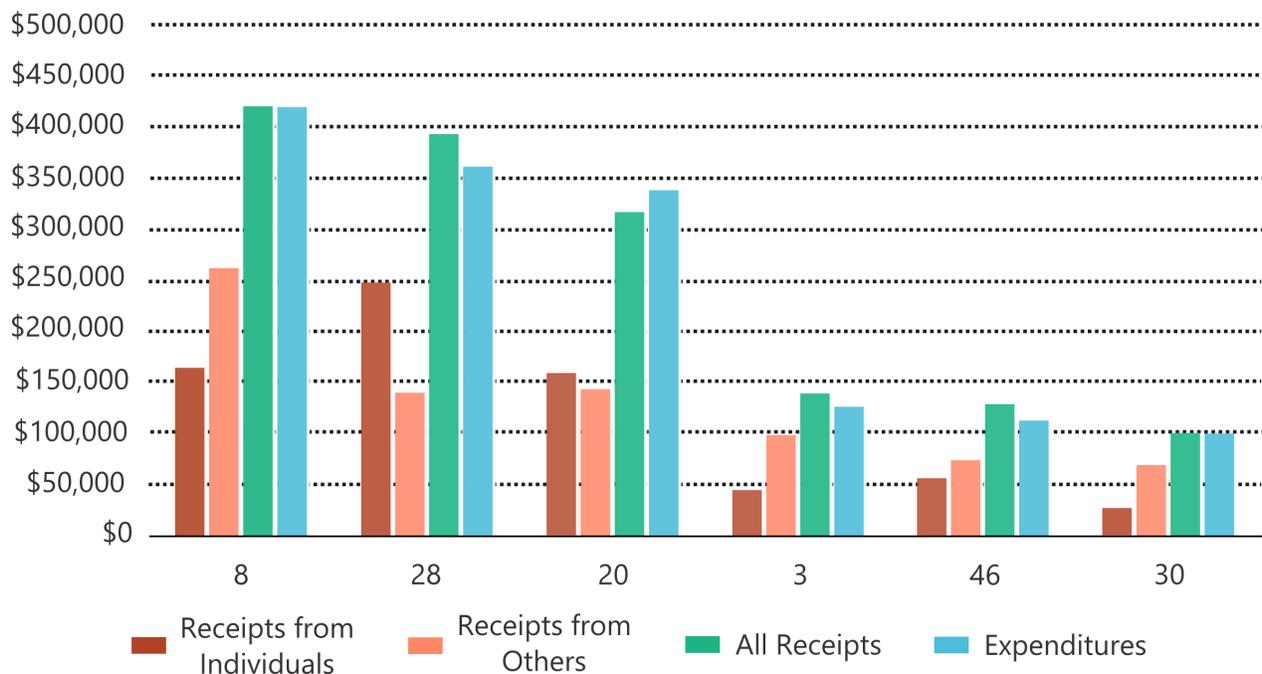


Figure (B14): 2014 highest and lowest spending Legislative races by District, charted

III. CFLA VIOLATIONS

For the roughly 20 years that the CFLA was in effect, money was awarded to candidates only 11 times. Of those races, 6 were for Board of Regents and 4 were for Legislature. Money was awarded to a candidate when (1) they abided by the spending limit and (2) the opposing candidate spent beyond the limit. In such a case, the NADC would award public financing to the abiding candidate to account for the difference.

In all of the years of the CFLA, \$876,579 was awarded to candidates and \$530,779 was distributed. Of that total, \$653,800 (75% of all awards) went to Board of Regents races.

<u>Year</u>	<u>Candidate</u>	<u>Race</u>	<u>Awarded</u>	<u>Distributed</u>
2000	Skrupa	Board of Regents	\$275,000.00	\$29,200.00
2002	Byrd	Treasurer	\$125,000.00	\$125,000.00
2004	Blank	Board of Regents	\$40,000.00	\$40,000.00
2006	Bradley	Board of Regents	\$105,000.00	\$105,000.00
2006	Ferlic	Board of Regents	\$63,800.00	\$63,800.00
2006	Pirsch	Legislature	\$16,349.00	\$16,349.00
2006	Prokop	Board of Regents	\$100,000.00	\$0.00
2006	Anderson	Legislature	\$13,500.00	\$13,500.00
2006	Whitehouse	Board of Regents	\$70,000.00	\$70,000.00
2008	Haar	Legislature	\$37,430.00	\$37,430.00
2008	Scott	Legislature	\$30,500.00	\$30,500.00

Figured (C1): All awards and distributions of public financing under the CFLA

The CFLA was overturned in 2012, and was not applied during that election year by the NADC. Yet the statute and its limitations were in effect during the 2010 election. During that year, only three campaigns spent more than the statutory limitation of \$92,000. In none of these instances did the opposing candidate make a claim for payment from the state, as neither candidate registered to abide by the limits.

2010

Candidate	District	Expenditures
Kent Rogert	16	\$132,057.24
Mark Christensen	44	\$109,191.97
Burke Harr	8	\$101,340.33

Figure (C2):
2010
Legislative
races that
spent above
the CFLA cap

Contrast those figures with 2014 and we see a tremendous growth in the number campaigns that spent above the limit.

2014

Candidate	District	Expenditures
Burke Harr	8	\$299,887.02
Roric Paulman	42	\$215,063.36
Patty Pansing Brooks	28	\$205,406.04
John McCollister	20	\$192,811.28
Dallas Jones	28	\$166,780.88
Matt Lathrop	20	\$154,274.68
Joni Craighead	6	\$150,115.85
Robert Hilkemann	4	\$140,742.85
John Stalnaker	6	\$132,949.91
Tyson Larson	40	\$131,886.29
Gwenn Aspen	8	\$131,450.54
Dan Hughes	44	\$122,203.93
Bill Kintner	2	\$119,061.91
Stacy Ryan	4	\$106,167.21
John Stinner	48	\$101,235.54
Matt Williams	36	\$100,012.26
Bob Krist	10	\$98,645.55
Brett Lindstrom	18	\$97,715.92

Figure (C3):
2014
Legislative
races that
spent above
the CFLA cap

It is impossible to know how many candidates would have chosen to abide by the limits had they remained in place, yet it is likely those limits had an effect on overall campaign spending. Where in 2010 only three candidates outspent the voluntary limits (and only four in 2006), in 2014 eighteen candidates exceeded those limits.

While it may be tempting to write this change off as a matter of circumstance, it is impossible to deny that from 2010 to 2014 there was a six-fold increase in the number of campaigns spending above the CFLA limitations.

IV. WINNERS

It is unquestionable that winning an election takes a great deal of work, and part of that effort is a well-funded campaign. But how important is that funding? Is it possible to claim that funding determines winning?

In that vein, we looked at the difference between what winners and losers in Legislative races spent and raised during the course of their campaigns. The Governor's race, with only two General Election candidates, is considered above in the "Spending" discussion.

LEGISLATIVE RACES

The chart below breaks down how much more winners spent and received than losers. For example, winners received 55% more funding during the General Election period than losers did in that same period.

These numbers are only for races where there was a financial competition, which excluded uncontested seats and races between a funded candidate and one who never reported more than \$5000 in receipts to the NADC.

2014 Winners Spending/Receipts Over Losers in General Election

Expenditures	Receipts	Receipts from Individuals	Receipts from Others
74%	55%	20%	108%

Figure (D1): Percentage more that winners spent and received over losers in the 2014 General Election

Total 2014 Winners Spending/Receipts Over Losers

Expenditures	Receipts	Receipts from Individuals	Receipts from Others
78%	100%	64%	161%

Figure (D2): Percentage more that winners spent and received over losers in the entire 2014 Election

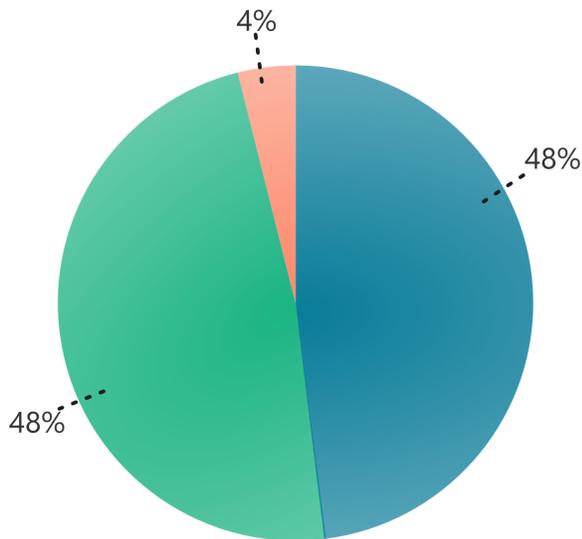
In both sections, it is clear that winners raise and spend more than losers. This is almost universally true and was only contradicted by two races in 2014:

- Matt Hansen's win in the 26th District with \$59,098.45 in Total Expenditures, versus his opponent Brent Smoyer's spending of \$95,113.30.
- Michael Groene's win in the 42nd District with \$35,441.97 in Total Expenditures, versus his opponent Roric Paulman's spending of \$215,063.36.

There is also a more pronounced difference in Total Receipts than in only the General Election, meaning that winners generate greater receipts during the Primary Period and Previous Year than losers do.

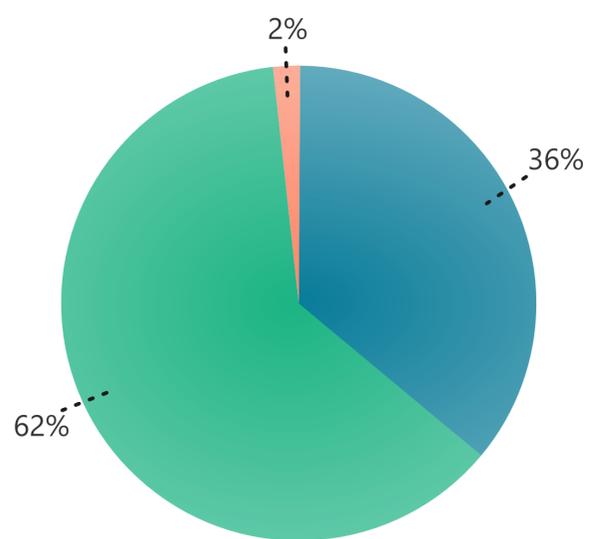
Another difference worth noting is Receipts from Others versus Receipts from Individuals. During the General Election period, Receipts from Individuals are relatively similar, with winners raising only 20% more than losers. But the numbers for Receipts from Others differ by 108% in the General Election, meaning that winners receive more funding from businesses and PACs than losers do.

CONTRIBUTIONS FOR LOSERS



Others
Individuals
Candidate Contributions, Loans, ETC.

CONTRIBUTIONS FOR WINNERS



Others
Individuals
Candidate Contributions, Loans, ETC.

Figure (D3): Sources of contributions for winners and losers in the 2014 Election, charted

As these charts show, winners draw 62% of their total funding from Other sources, while losers draw only 48% from Others. What that likely means is that winners have greater backing from business and political entities than losers do overall.

While winners and losers may be relatively similar in their individual contributions, winners receive a boost in total giving from Other sources that losers can rarely match.

V. INCUMBENCY

To put it simply, incumbents rarely lose races. In 2014, eight legislative races included an incumbent, of which four could be considered competitive. And in all eight races the incumbent won.

This is not surprising when we look at how much more money is raised by incumbents. Over their opponents, incumbents raised on average 161% more in Total Receipts and 371% more from Other sources.

Looking at the funding balance between incumbent and non-incumbent winners, it is easy to see how much incumbents rely on Receipts from Others.

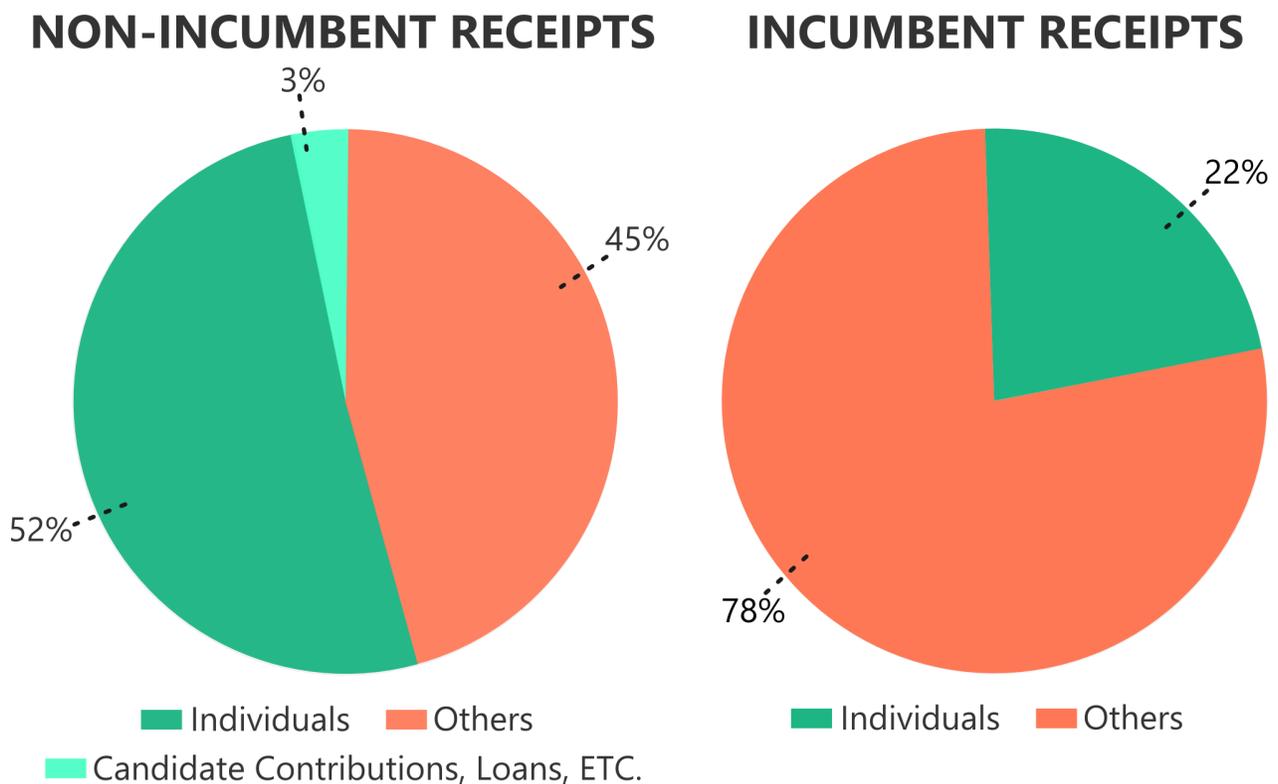


Figure (E1): Sources of contributions for incumbents and non-incumbents in the 2014 election, charted

Compared to non-incumbent winners, who have more balanced split between Receipts from Individuals and Receipts from Others, incumbents heavily rely on funding from Other sources.

There are many reasons why incumbents receive more donations from Other sources, including greater notoriety, increased perceived value as an incumbent, and possible access to the office through campaign donations. Whatever the reasons, it is clear that incumbents have increased access to fundraising sources.

VI. CONCLUSIONS

The data from 2014 demonstrates several important points about campaign spending in Nebraska:

- Candidates who out-spent their opponents typically won their race. Of the 25 legislative races, 23 were won by the candidate who spent the most.
- Campaign spending has increased since 2010: 600% higher in the governor's race and 135% in legislative races.
- Incumbents have a substantial advantage when it comes to fundraising (261% more in legislative races) and winning (no incumbent lost).
- Winners raise and spend more money than losers, and more of their funding comes from corporations and PACS (classified by the Nebraska Accountability and Disclosure Commission as Other Sources).
- Without Nebraska's Campaign Finance Limitations Act, candidates are spending considerably more. Eighteen campaigns would have bypassed those limits in 2014, while only three campaigns did when the law was in effect in 2010.
- Higher spending does not affect voter turnout. Counties with high-spending legislative races and counties without any legislative race showed no significant difference in voter turnout (roughly 48% in both cases).

Taken together, these findings paint a stark picture of the role of money in Nebraska elections. Candidates who raise more usually win, and with each year the amount that it takes to compete at any level increases. The minimum cost to run for office in even the least competitive district is at least \$50,000.

And in the vast majority of cases, that is just the starting point. Where the CFLA once set \$92,000 as a logical cap on spending, 2014's unicameral elections required even more for a candidate to compete. Across legislative races, 20 candidates spent more than \$92,000, with a handful spending twice as much.

Despite all of the difficulties in comparing 2010 to 2014, the vast difference in spending between the two years is enough to conclude that elections in Nebraska have gotten more expensive.

The data shows that the average Nebraskan stands little to no chance of winning a seat in the unicameral without substantial personal wealth or connections to wealth. Winners spend roughly 78% more than losers and they raise 161% more money from sources like

PACs and corporate donors. It is high time to ask whether it is a candidate's policy views or their ability to fundraise that is at the heart of a successful campaign.

Equally concerning is the sheer strength of incumbency. With the ability to tap into a vast amount of funding that challengers cannot match, they are nearly undefeatable. Part of that is due to the fact that they no longer have to rely on the generosity of individuals, but can lean on their notoriety to leverage funds from corporations and PACs.

There is no doubt that it takes work to win an election, and a large part of that effort is fundraising. Yet the 2014 election data points toward the notion that money is closer to the heart of political success than we want to admit. We have to question whether Nebraska is moving from a system that elects the most capable and qualified candidate, to a system that elects the most capable fundraiser.

While we can only speculate on whether 2014's candidates would have chosen to abide by the CFLA's voluntary limits, the fact that 18 legislative campaigns spent more than those limits (as opposed to 3 in 2010) suggests that the system successfully limited the importance of fundraising in elections. The repeal of the CFLA has not given us greater turnout or more informed voters, nor has it increased the ability of average Nebraskans to run for office. But it has unquestionably led to a spike in political spending in Nebraska.

While the Supreme Court may take issue with regulating political spending, the reality is that more money is being spent to elect a shrinking group of individuals. Common Cause stood beside the CFLA when it was challenged because we saw it as a necessary limit on unchecked spending. Now that the system has been thrown out, we fear that Nebraskans are unaware of how much the landscape has changed since the floodgates were opened.

Votes and voters should not be commodities to be bought by the highest spender. But without any restrictions, that is quickly becoming the reality.

Gavin Geis

Common Cause Nebraska, Executive Director

ggeis@commoncause.org