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Is there a connection between campaign contributions and legislative commitment? An empirical analysis on the cosponsorship activity of the 2007 Tree Act

Daowei Zhang[a,*,1], Shaun Tanger[b]

[a] School of Forestry and Wildlife Sciences, Auburn University, AL 36849-5418, United States
[b] Department of Agricultural Economics, Louisiana State University, LA 70803, United States

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ABSTRACT

In this paper, we study whether interest groups use campaign contributions to influence legislative voting behavior in terms of bill cosponsorship. In particular, we look into the signature on the TREE (Timber Revitalization and Economic Enhancement) Act of 2007, which is the only major forestry act in the 2007–2008 Congress. We find evidence that suggests interest groups are using campaign contribution to influence bill cosponsorship as well as election results. Further, forestry interest groups do pay key committee (the Ways and Means Committee) members up front.

1. Introduction

Political scientists and economists have long been interested in whether interest groups use campaign contributions to influence election outcomes and legislative voting behavior. The former means that interest groups use campaign contributions to help elect candidates who share their interests. The latter implies that, once legislators are in office, interest groups allocate money to influence legislative voting decisions of individual members of congress on key legislation. This study extends these two threads and provides evidence that interest groups use campaign contributions to influence another important legislative process—the cosponsorship of congressional bills.

Political campaigning and the legislative process are often thought to be closely linked. Earlier studies (Bronars and Lott, 1997; Mueller, 2003; Harward and Moffett, 2010) suggest that interest groups, often represented by Political Action Committees (PACs), utilize campaign contributions to influence the outcome of congressional elections. Stratmann (1995, 1998, 2005) suggests that, in addition to focusing on the outcomes of elections, contributors also attempt to influence individual congressional bills and corresponding votes through an explicit exchange of contributions. However, most empirical studies on this issue are related to actual voting decisions using roll call analyses. The exceptions are Zhang and Laband (2005), Highton and Rocca (2005), Gokcekus and Fishler (2009), Tanger and Laband (2009), Rocca and Gordon (2010), and Godwin and Zhang (2012) who investigate the linkage between campaign contributions and congressional letter-writing, speeches, news releases, and sponsorship and cosponsorship of congressional bills on specific issues. The logic for studying these lesser known areas of legislative production is that the supply-demand relationship for legislative production is perhaps far more complicated and extensive than final votes on roll calls on bills would indicate.[2] While lightly studied, cosponsorship is a commonplace and heavily practiced behavior in U.S. Congress. For example, in the 109th Congress (2005–2006) there were 6436 bills introduced in the U.S. Senate and House of Representatives, but only 316 or < 5% of the bills were passed by both chambers and eventually signed by the President into laws (Sullivan, 2007).

The literature has been couched into two main camps on the rationale for why legislators cosponsor. One strand has long posited that cosponsoring is linked to legislative members' incentives to take positions for constituents, interest groups, and donors, which is consistent with interest group theory even though these studies do not test for the influence of campaign contributions on cosponsoring behavior (Campbell, 1982; Krehbiel, 1995; Koger, 2003). Nonetheless, the number of cosponsorship signatures is correlated with the chance of a bill successfully reaching a floor vote (Browne, 1985; Wilson and

* Corresponding author.
E-mail address: zhangd1@auburn.edu (D. Zhang).

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[2] The term legislative production, simply refers to the political market for crafting, shepherding, and ultimately passing congressional legislation. The suppliers in this context are members of congress and the demanders are voters and special interest groups that petition congress for favorable legislation.

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Young, 1997). Likewise and not mutually exclusive, a line of inquiry on bill cosponsorship and its use shows signaling among legislators (Bernhard and Sulkin, 2013). Kessler and Krehbiel (1996) find evidence that cosponsorship is used to communicate within the legislature where strong ideological preferences on either side of the political isle are early sponsors, followed by more moderate legislators. Fowler (2006a, 2006b) augments the intra-legislative signaling hypothesis and suggests that patterns of bill cosponsorship may serve to measure those who are influential in Congress. Despite confirming the above findings, Wilson and Young (1997) argue that bill cosponsorship is an overrated cue, which serves little real purpose from that point forward. More recently, researchers have emphasized the role of position taking in cosponsorship to those outside the congressional body in providing differential political rents to members of Congress and a way to secure these rents (Tanger and Laband, 2009; Rocca and Gordon, 2010; Laband et al., 2015).

The purposes of this study are threefold. First, we examine if cosponsorsing a bill important to contributing interest groups results in campaign contributions received by legislators from the interest groups, in this case, PACs and individuals with forestry affiliations, in the immediately past and current election cycles. The results of this analysis examine if bill cosponsorship is a payoff to previous or current campaign contributions. Second, we analyze the timing of campaign contributions from the forestry affiliations and demonrstrate if a causal relationship exists with the decision to cosponsor the bill. The results of this second objective may reveal if the behavior of the interest groups is consistent with an attempt to purchase a signature or cosponsorship. Third, we identify when, and how much, the contributions for cosponsorship are delivered (pre-signature and/or post-signature) for these who signed the bill. If cosponsorship of a bill and campaign contributions are an example of a principal-agent contract, where the principal is the interest groups and the agents are the legislators. The results of this third objective may suggest how the contracts between the suppliers and demanders or the principal and the agents are enforced and if demanders can discriminately pay different suppliers for the same service of cosponsorship.

The best way to achieve these three objectives is to test them in terms of support of legislation that has a clear payoff to contributors, that is, benefits of the bills are concentrated, and costs are widely distributed (Stratmann, 1995). If the bills have spillovers, deal with public good issues such as defense and the environment, or are subject to competing interest groups, the effect of contributions on bill cosponsorship and the contribution pattern of interest groups may be less obvious. The bills should also be introduced fairly early in the new legislative session so that the influence of campaign contributions from the previous and current election cycles can be differentiated. To circumvent these problems, we use the TREE Act of 2007 (H.R. 1937), a tax relief bill that only benefits the forestry sector and that is the only bill significant to the forestry interest groups in the 110th Congress, as a test case. The distribution of cosponsorship of H.R. 1937 and a similar bill, H.R. 721 (or S. 402) over time may shed some light on the interaction and transaction between interest groups and legislators in congressional legislative process. As H.R. 721 and S. 402 were introduced much earlier (both in January 2007; HR 1937 was introduced in April of 2007) in the 2007–2008 Congress, they can be mostly used to test whether cosponsorship of these bills is a reciprocity to campaign contributions they received from previous or current election cycle. H.R. 1937, on the other hand, could be used to test whether the timing of campaign contributions is coincided with signature on proposed legislation and if and how interest groups would be able to time and give differential contributions to the same service of cosponsorship. These bills have a narrow focus, benefits are concentrated, and costs are dispersed. The next section introduces the TREE Act of 2007, followed by hypothesis, research design, and data. The remaining sections present empirical results and conclusions.

2. The TREE Act of 2007

The full name of the Tree Act of 2007 (H.R. 1937) is the Timber Revitalization and Economic Enhancement Act of 2007. TREE Act of 2007 amends the Internal Revenue Code of 1986 to benefit forest business interests, such as timberland real estate trusts (timberland REITs). It (1) allows a tax deduction for 60% of qualified timber gains; (2) exempts deductible timber gains from the excise tax on the undistributed income of REITs; (3) provides for the treatment of timber gains as qualifying REIT income and for mineral royalty income as qualifying income for timber REITs; and (4) provide special rules relating to income limitations and prohibited transactions for timber REITs. Its potential impact on the forest industry was put quite succinctly by Mendall and Sydor (2008):

> *"The current law includes two sections, 631(a) and 631(b) that allow taxpayers to treat income from standing timber as capital gains. Under 631(a), standing timber can qualify as a sale or exchange and fall under capital gains treatment. Under 631(b), capital gains treatment can be received for the disposal of standing timber under a "retained economic contract." Only timber that was owned for more than one year can qualify for either treatment. The new TREE Act allows companies to apply an alternative 15% corporate tax rate to qualified (For example, falling under 631(a) and (b)) timber gains. This in effect lowers the top corporate rate that companies pay on timber gains from 35 to 15%. It applies only to timber (and not the underlying land) held for > 15 years, which will likely exclude some pulpwood and early thinning revenues for many forestry companies. The TREE Act provisions largely benefit C-corporations with significant timberland bases."*

The TREE Act was first introduced in the U.S. House of Representatives on April 19, 2007. Prior to that, a similar but less detailed bill, the Timber Tax Act of 2007 (H.R. 721) was introduced on January 30, 2007. A companion bill (S. 402), which was identical to H.R. 721, was introduced in the Senate even earlier, on January 25, 2007. All three bills seek to amend the Internal Revenue Code of 1986 to allow a deduction for qualified timber gains. H.R. 721 had 1 sponsor and 104 cosponsors (105 supporting signatures in total), and nearly all (102 out of 105) of the signatures were within 2 months of its introduction and prior to April 19, 2007 when H.R. 1937 was introduced (Fig. 1). Similarly, the vast majority (20) of the 22 cosponsorship for S. 402 occurred in first two months of its introduction. The cosponsorship of H.R. 1937, on the other hand, was more evenly distributed in the first several months and the sign-up period spread over a year, even though the cosponsorships significantly overlap in both bills (Table 1). These two house bills were sent to the Ways and Means Committee which took no action. S. 402 was referred to Senate Finance Committee where no action was taken, either.

However, a slightly modified version of H.R. 1937 was incorporated in the Senate version of a much larger bill—the Food, Energy, and Conservation Act of 2008 (henceforth the Farm Bill of 2008) which was

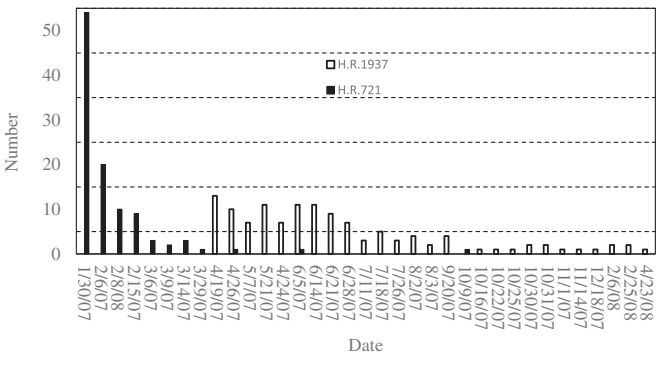

Fig. 1. Number of cosponsors for H.R. 1937 and H.R. 721 by date.