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CAMPAIGN FINANCE REFORM

HEARING

BEFORE THE

COMMITTEE ON HOUSE ADMINISTRATION HOUSE OF REPRESENTATIVES

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CAMPAIGN FINANCE REFORM

TUESDAY, MAY 1, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOUSE ADMINISTRATION,
Washington, DC.

The committee met, pursuant to call, at 3:00 p.m., in Room 1310, Longworth House Office Building, Hon. Robert W. Ney (chairman of the committee) presiding.

Present: Representatives Ney, Ehlers, Linder, Hoyer, Fattah, and Davis.

Staff present: Roman Buhler, Counsel; Paul Vinovich, Counsel; Jeff Janas, Professional Staff; Luke Nichter, Staff Assistant; Sara Salupo, Staff Assistant; Bob Bean, Minority Staff Director, Keith Abouchar, Minority Professional Staff; Matt Pinkus, Minority Professional Staff; and Cynthia Patton, Minority Professional Staff.

The CHAIRMAN. The House Administration Committee will come to order. And I just wanted to note before we start with the agenda, to note that today's hearing is being broadcast on the Internet and Intranet. The internal and external address can be found at www.house.gov/cha.webcast.html. We welcome you to visit the site during the proceedings.

Also, an overflow room is available next door in the committee conference room, Room 1309. The audio Webcast of today's proceedings can be heard there. I would also, please note, put your cell phones and pagers on silent so we won't have interruptions with the committee panels. I just have a brief opening statement because I don't want to take much time.

The House Administration Committee is meeting today for the second in a series of hearings on the issue of campaign finance reform. I want to welcome our distinguished guests here today: Majority Whip Tom DeLay, Minority Leader Richard Gephardt. Minority Leader Gephardt has been seated, and due to the tight scheduling restraints of all of our witnesses today, we want to allow him to testify as soon as possible. However, I will make a brief opening statement.

Campaign finance reform is an issue of great importance to Congress and the American people. We all know that. And I look forward to the following discussion. Regulation of political speech in America is not a subject to be taken lightly. This is no longer a merely intellectual exercise; as some have phrased it, quote, we are now shooting with real bullets. With the Senate having passed a bill, the likelihood of our passing something into law has greatly increased. Therefore, we need to be thorough in our process but also expeditious.

This committee and the House—and I have said this many times—do not serve as a mere rubber stamp for Senate action. We have an important role to play in the process and I intend to make sure we fulfill that role completely. The reason I say that is I anticipate this committee will be able to, sometime in the latter part of June, produce a product. But we do have 42 Members of the House on both sides of the aisle who have introduced bills, and we do need, I think, to give them some type of say in this system for their ideas.

The history of our Nation is the history of people's struggle for freedom and the right to be heard. Patrick Henry's famous speech, "Give me liberty or give me death." expressed the spirit of our forefathers who literally risked their lives for the freedom to criticize the government. American veterans who fought and often died to preserve liberty sacrificed so we might enjoy the freedoms we enjoy today. The freedom Americans have enjoyed to speak out against taxation without representation, against slavery, against economic injustice, racial discrimination and government corruption is part of what makes our Nation an inspiration to the rest of the world. It is one reason we so proudly call ourselves Americans.

For a Democratic society such as ours to survive and prosper, citizens must be politically informed, engaged and active. By joining together, individuals can raise their collective voice and influence. Without the freedom to gather and speak out in such groups, there will be little chance for an average citizen to be heard in our country. Unions, businesses, political parties and other groups help to make the voices of our average citizens heard. When we pass laws regulating what citizens can do or say as members of political parties, either side of the aisle, labor unions, business enterprises or any group, we are not just regulating them we are regulating ourselves and we need to be aware of that.

The CHAIRMAN. With that I turn to Mr. Hoyer.

Mr. HOYER. Thank you very much, Mr. Chairman. I want to welcome our distinguished witnesses and we look forward to hearing them.

Mr. Chairman, I want to applaud you for having this hearing. While it could have been held sooner, obviously we were waiting on the Senate to see what they were going to do, and I applaud you for having this hearing as well as the last hearings on election reform, both critical issues confronting this committee.

I will keep my opening remarks brief because I want to hear from our witnesses, obviously, and I believe the House of Representatives must stop talking about campaign reform and take up Meehan-Shays or the very similar McCain-Feingold by Memorial Day. To that end, I urge you, Mr. Chairman, to make it the committee's goal to report our legislation embodied in the principles of Shays-Meehan and McCain-Feingold in time for a final vote by Memorial Day.

Let's be clear. The longer the House takes to pass the kind of reform for which Representatives Meehan and Shays and Senators Feingold and McCain have tirelessly fought, the less time Congress will have to deliver to President Bush's desk the kind of reform that I think Americans want.

Opponents will insist that Congress should not act on reform of any kind until it has carefully studied all the issues and the opinions. Very frankly, Mr. Chairman, we passed a $1.6 trillion package of tax cuts in the first instance, an almost trillion dollar income tax cut without a hearing—not a one—and we have had numerous hearings on this bill and we ought to know where we are on this bill.

On September 14, 1999, the House adopted Shays-Meehan by a resounding 252 to 164. Only a year before, August 6, 1998, Shays-Meehan passed the House by an identical 252 to 179, so actually our percentage got better as the year passed. Of course, only last month the United States Senate passed the McCain-Feingold 59 to 41.

The substance of Shays-Meehan has not changed in that time, and the differences between the two measures are not so vast that they cannot be closed in the time between Memorial Day and the August recess.

The problems that Shays-Meehan and McCain-Feingold have addressed have changed, however, and they have changed for the worse. Last November's election revealed a sharp and disturbing rise in the unregulated issue adds by third-party groups, which most of us would agree are essentially campaign adds; a doubling of soft money contributions to political parties compared to the 1996 elections; and one of the lowest voter turnouts in a Presidential election in more than 50 years, due in large part perhaps to the public's growing cynicism about the influence of money in our political system.

Speaker Hastert has indicated he might allow a vote this summer, after hearings and committee action. But since the House has already acted on reform in the past, it seems to me there is little reason to wait that long. A bill should be brought up to the floor during this month so the final passage does not get caught up in the budget battles that could consume Congress in the fall.

Mr. Chairman, I would hope that we could pass Shays-Meehan or McCain-Feingold before the Memorial Day recess and report it to the House, with or without recommendations, by that time. And again I thank you for having this early hearing. I think that will facilitate that objective. Thank you, Mr. Chairman.

The CHAIRMAN. We will start with our first panel, and we have the Honorable Richard Gephardt, House Minority Leader.

Welcome.

STATEMENT OF THE HON. RICHARD GEPHARDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. GEPHARDT. Thank you, Mr. Chairman, members of committee. I am pleased to have this opportunity to be here and I commend you for having these hearings.

Mr. Chairman and Ranking Member Hoyer, members of the committee, when I learned of the committee's plans to hold this hearing, it gave me a lot of hope that we were finally moving toward a conclusion in the long, hard effort to get campaign finance reform. I am heartened, Mr. Chairman, that you have begun action on two important issues that many of us in the Congress feel deeply about and that we believe should have swift legislative action:

election reform, which you held hearings on last week, and I know and hope you will have further hearings on campaign reform which we are discussing here today.

This is the first effort by the House to address campaign finance reform since the Senate passed the modified McCain-Feingold bill. I am encouraged that we now have within our grasp an opportunity to enact meaningful reform of our system of political fund-raising, a system that has become so dominant that it has placed the integrity of our elected government under an ethical cloud.

This is a bipartisan effort. Briefly, I have had the privilege to testify before this committee with the hope that we can enact meaningful comprehensive campaign reform for the first time in a long time. In a prior era of bipartisanship, President Clinton shook hands with then-Speaker Gingrich as part of a promise to act on this issue, and we are still waiting for that promise to be fulfilled, and now we have an excellent opportunity.

The House has passed comprehensive campaign reform four times over the past 9 years: in 1992, 1994, 1998, and 1999, but the reform effort died with every successive adjournment. And what followed was progressively more costly elections that shattered all previous fund-raising record.

With the Senate's passage of McCain-Feingold, we are closer to a bipartisan campaign reform bill than we have been for over a decade. It now falls to the House to do what it has done before on a bipartisan basis: put public interest ahead of special interest and reduce the influence of money on politics.

I have cosponsored and voted for the Shays-Meehan bill in the last two Congresses and this House passed this both times by overwhelming bipartisan majorities. Since its introduction in this Congress, it has already had more than 160 Republican and Democratic consponsors. So we are off to a good start and now is the time for action.

Along with my colleague Marty Meehan, a leader of this effort and a co-sponsor of the Shays-Meehan bill, I have asked Speaker Hastert to schedule consideration of the campaign reform prior to the Memorial Day district work period. I it my hope that we can agree to put before this House legislation that truly bans soft money contributions and reins in campaign issue ads designed solely to help elections. I hope we can do it by May 25.

From this day forward, we should declare an end to the endless money chase. Let us decide today that this next election will be conducted differently than in the past; that the focus will be on debating the issues rather than on fund-raising schedules; that emphasis will be on communicating with America's families and addressing their concerns rather than the 30-second media spots that bombard the electorate and which are designed to convey a negative message that deepens public discontent with our process.

President Bush, in the wake of the McCain-Feingold debate, has laid down principles which outline his views on reform. It is my hope that we can begin a dialogue with him now on the key areas of bipartisan reform that will result in a bill he would sign this summer.

It has been estimated that more than $3 billion was spent on federal elections in the year 2000. I would like to note that if you look

at the soft money spent in the 1992 cycle compared with the 2000 cycle, it is a marked increase. In 1992, there was approximately $86 million in soft money raised in all the committees. By the year 2000, it went to $487 million, an increase of $400 million in just 8 years.

Campaigns are no longer instruments by which candidates present themselves and their ideas to the electorate. They are more like big business, advertising bought and sold. I have talked with colleagues on both sides of the aisle about this endless chase for more and more money. The creative energies of our best and brightest public servants in both parties are invariably being directed towards keeping up in order to be competitive and raise more and more money to get there. Our focus should be on addressing and solving the problems that confront the American people, not meeting quarterly fund-raising goals.

This is the politics of mutually assured destruction, utilizing campaign war chests as the instruments of our elections instead of actually engaging with our voters. Unless we do something about this trend, we will undermine our ability to communicate with anyone. Our platform for communicating our positions and ideas will shift ever more towards the negative attacks instead of the give-and-take of meaningful debate.

It doesn't have to be this way. It was never meant to be this way. Our Founding Fathers never conceived of such a system. We have inherited a wonderful legacy of democratic government which began as a bold and risky experiment. Despite more than 200 years of history, it continues to be an experiment and we cannot allow it to fail. The American people sometimes understand this better than we politicians.

I would like to quote in closing one of the original political thinkers of our day, Doris Haddock, or, as the American people have come to know her, Granny D, and I quote. She said, "The idea that the American government is my government is an idea that is a joy to my heart. Though it does not always feel like my government, when it is it is a part of me, I am a part of it. I help direct its actions according to my civic values through the work of my Representatives in its powerful councils. In this way, through them, I can better fulfill my responsibility to do good for my countrymen and for others around the world. If I cannot fulfill these responsibilities, a sour sickness comes over me and over the land itself."

She said, "There is a high price paid in America and around the world when Americans whose values are profoundly fair and generous are not in control of their own government and when they do not believe they are indeed a self-governing people."

Those words were stated by Granny D on March 19, 2001. I believe she said it the best. Let us now let her down. Let us not let down the other Americans who feel the way she does about their government and about the reform that is needed. Let us do the right thing. Let us let a bipartisan majority in this House express its will. Let us address meaningful campaign finance reform to ban soft money, address issue advocacy and put the government of the people back on track.

We must strengthen our civic life and prevent people from becoming disillusioned, cynical, and losing faith in the greatest democracy in the history of the world and, I would say, the greatest hope of the world.

I thank you for letting me be here today and I would be happy to respond to any questions, or however you would like to proceed. And I thank you for holding this hearing.

The CHAIRMAN. Thank you, Mr. Leader. I have a question. The Senate has a provision in the Senate that is called Senate millionaire candidates. Would you support a provision where if we placed it in the bill it would apply to the House also?

Mr. GEPHARDT. Well, Mr. Chairman, I am engaged now in a dialogue with members in my caucus who have supported McCain-Feingold/Shays-Meehan. We are trying to understand the changes that the Senate made, and I haven't reached a conclusion about any of the changes that they have made, and I surely don't know how my members and other Republic members who have supported these proposals feel about it. I think we have got to look at all of it, and I appreciate your committee doing that, and determine where the majority wants to go with this effort.

Again the one thing we know is that we had a large majority, a bipartisan majority in this House, twice in the last 3 years, vote for the original Shays-Meehan/McCain-Feingold bill. I don't think we know today whether that majority exists for the Senate measure but I will try to determine those facts and both reach a conclusion myself and see where others are on proposals like that one.

The CHAIRMAN. Thank you. Mr. Hoyer.

Mr. HOYER. I have no questions but I thank the leader for joining us and giving us his testimony and for his leadership on this issue. Clearly the sooner we act on this, the better opportunity we will have for it becoming law for the next cycle.

The CHAIRMAN. Thank you. Any further questions? I want to—Mr. Davis? I want to thank the leader for his testimony today.

Mr. GEPHARDT. I thank the committee for letting me be here.

The CHAIRMAN. Thank you very much.

For Panel 2, we have our whip, Mr. DeLay. It is a pleasure to have you here today.

STATEMENT OF THE HON. TOM DeLAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. DELAY. Thank you, Mr. Chairman. I too appreciate you holding this hearing and I appreciate that there are Members that want to move swiftly on this issue. But as the minority leader has stated, even the minority leader doesn't know where his own caucus is on what was done in the Senate. So having these hearings allows all of us the opportunity to look at what is going on, what the Senate did, its unintended consequences, and what the House means to do about it.

So I appreciate not only this committee holding hearings, but I think other committees wish to hold hearings, too, on the Senate bill.

Mr. Chairman, I just have to say if Americans can't fully participate during elections, democracy is meaningless. It is average

Americans working together to elect people that share their views and beliefs that make our democracy special.

Because the Senate bill threatens to make it harder for people to do this, it is clearly a step in the wrong direction. As the truth about this bill actually becomes known, I think people are going to start walking away from it. Supporters tell us that McCain-Feingold will clean up politics, but the reality, in my opinion, would be much different. If this so-called reform passes, it will be harder, not easier, for people to stop their government from doing things they disagree with. That is because McCain-Feingold is designed to stop people and groups from criticizing their elected Representatives. The Senate bill has serious flaws that will protect politicians in office from the people who are trying to hold them accountable. For that reasons I think McCain-Feingold will make it easier for politicians to stay in office. That is why I call it a full incumbent employment bill. That is why so many officeholders support this bill, despite knowing that the bill violates the Constitution of the United States.

How exactly will this bill freeze average Americans out of the political process and cement politicians into office? First, McCain-Feingold lets politicians buy TV advertisements at lower rates while voters have to pay the full price. That places groups of citizens at an unfair disadvantage. Politicians already have an advantage because the media covers their States and they have a tax subsidized $1 million annual budget to communicate with voters. A new system that mandates discount advertising to politicians while forcing average people and groups to pay top dollar only swings the pendulum further towards the incumbents.

Second, the so-called millionaire amendment that the Chairman referred to is a complicated mathematical formula that bends the contribution limits for Senators running against millionaires but keeps a different standard for everyone else. The bill does nothing for challengers to those Senators who are sitting on—to those Senators that are sitting on multimillion dollar war chests. That reasoning doesn't make sense to me. If some candidates can accept larger contributions without being corrupted, why shouldn't we raise the contribution limits for all candidates? The answer is we should. Contributions should be, at a minimum, indexed to the rate of inflation and the limits—because the limits haven't been raised since 1974 when a Mustang cost only a couple of thousand dollars.

Third, McCain-Feingold buries citizen groups under a sea of Washington red tape. It restricts participation by grassroots groups and individual voters with more than 300 new regulations and prohibitions. In practical terms, that means that if 10 college students each threw in $25 to print a flyer opposing a Senator, they would have to register with the Federal Election Commission. That is a hassle, and fewer people will exercise their constitutional and civic rights.

Finally, the Senate bill muzzles people who want to criticize politicians in office. Besides politicians and political parties, the only other group that can run ads 60 days before an election are political action committees. Unless you have registered as a PAC with the FEC, you cannot run television or radio advertisement. The current advertisements being run by the Democratic National Com-

mittee and some environmental groups criticizing the President would be illegal if they ran those same advertisements within 60 days of the election. Is that constructive reform? Why do we cut off voices 60 days before an election? Well, that is when people are beginning to pay close attention. That is the most important time for citizens to be heard, and McCain-Feingold silences these critics during the vital period before an election.

There are real problems with this bill. But so-called reformers denounce anyone who will not fall into line behind their self-interest plan. Sadly, they have labeled the opponents of their restricted scheme as corrupt. But I believe it is corrupt for politicians to pay lower advertising rates than average citizens. I believe it is corrupt to require 10 college kids to register with the FEC in order to be heard. I believe it is corrupt to silence critics within 60 days of an election. That is corruption, not reform.

Legitimate reform should make it easier for people to enter into politics. It does not throttle political freedom under hundreds of new regulations. We should only support reform if it expands opportunities for average Americans to join the political process. And we have a plan to do that, a bill introduced by me and Congressman Doolittle. They call it the Doolittle-DeLay bill. You are supposed to laugh at that, Mr. Hoyer.

Simply put, our bill raises contribution limits and we require instant disclosure. Candidates should instantly disclose contributions by posting them on the Internet as soon as the checks have been cashed. There is no doubt about the unconstitutionality of McCain-Feingold. Your previous witness, the minority leader, Dick Gephardt, even admitted the problem when he said earlier, a year or so ago, when he said, what we have are two important values in conflict: freedom of speech and our desire for healthy campaigns and a healthy democracy. You can't have both.

Well, the first amendment is crystal clear, gentlemen, and I will read it to you: Congress shall make no law respecting an establishment of religion or prohibiting the free exercise thereof or abridging the freedom of speech or of the press or of the people peacefully to assemble and to petition the government for redress of grievances.

Members of Congress take an oath to support and defend that Constitution. There is no way that they can both honor their oath and vote for a bill that takes dead aim at the most important protection in the Constitution. Let us have a real constitutional reform that encourages people to take part in the preliminary process without restricting their ability to hold politicians accountable. And I thank you, Mr. Chairman, for having me.

The CHAIRMAN. I want to thank the whip for testifying today.

Questions? You obviously provided great testimony; you don't even get a question.

Mr. DAVIS. Mr. Chairman.

The CHAIRMAN. I am sorry, I spoke too quickly.

Mr. DAVIS. I do not want Representative DeLay to feel neglected here. Congressman, I think you have raised some valid questions about the Senate edition of the bill and I am glad we are having the hearings to look into that. Congressman Doolittle's bill you

mentioned does not just change limits, it eliminates any limits on the amount of money that can be given to campaigns, does it not?

Mr. DELAY. Yes, it does, Mr. Davis, and I am glad you asked the question. We are operating under regulated campaign finance rules—campaign finance regulations that were imposed after the 1974 elections, regulating speech and regulating participation and our right to assemble. I would have voted against it back then when they first did it. Now there are Members that want to further regulate. I think if you want to bring more people into the process, you ought to defer to freedom, not to more regulations. And the Doolittle bill opens up the process so that my opponent can look at how I raise money and how I spend money and make that issue with my constituents, and my constituents can decide what is the proper course to take.

Mr. DAVIS. Isn't it fair to assume if the Doolittle bill which you support became law, we would have far more money entering the political campaign system, and do you think that would make the system better than it is now?

Mr. DELAY. I am going to shock you, Mr. Davis. I don't think there is enough money in the campaign system in America today. We today—if you add up all the money that was spent in the last election, it is almost half of the amount of money Americans spend on advertising cosmetics. It is about the same amount of money we spend on Easter candy. It is less than the amount of money we spend on potato chips.

The point I am trying to make is I think if more money was in the process and more people were participating, because more people would be participating if they are giving their dollars to the process, then we would have the opportunity to tell our stories and get more people involved in the process. And frankly, I think if it was wide open, you would have fewer speeches about the corruption of a system that is not corrupt, about an ethical clout, as the minority leader said, that is not here. I don't know of one Democrat or one Republican that is corrupt. And when you ask people to point out those that are corrupt they fail to, because they know they can't. They cannot.

And I would challenge this committee, anytime somebody comes before you in this panel and says that the system is corrupt, I challenge you to ask them to show where it is corrupt and who is corrupting it, because I think what they are doing is, they are doing nothing more than political posturing for a demagogic process out there. As long as this system is open and honest and instantaneous, so people can see what is happening in the system, it won't be corrupted.

Mr. DAVIS. I appreciate the initial emphasis in your testimony on the average American because those of us who were elected here today have to represent those people who can't afford to come traveling to Washington and have all these lobbyists, necessarily. Many of us feel strongly we should ban the soft money because these people who write these hundreds of thousands of dollars of checks to both the Republican Party and the Democratic Party are not doing so for good government and it is disadvantaging the average American. What is your view on that?

Mr. DELAY. My view on that is soft money has gotten a bad name by this whole process. Soft money is moneys given to the parties for party building. It is not moneys given to the individuals. There is this perception out there that these hundreds of thousands of dollars are going to individuals. It is not; it is going to parties. And the McCain-Feingold bill, if it became law, would do more to destroy our two-party system than anything else I know of, because it would completely remove the ability of parties to do their job. And I think that is a disservice, that people are equating soft money to individual elected officials, and they are not connected. And so I think that is really unfortunate in this debate and that is why I think we need more hearings like this so the real story will get out.

Mr. DAVIS. Congressman DeLay, do you think these individuals and businesses that are writing these hundreds of thousands of dollars of checks are doing so for good government?

Mr. DELAY. Yes, sir, I do.

Mr. DAVIS. In the Buckley v. Vallejo decision, the Court said, I believe, that it was constitutional and appropriate to regulate contributions in the interest of avoiding corruption or the appearance of corruption. Do you accept that rationale?

Mr. DELAY. I think it is an ill-founded rationale and follows the perception that has been created by those that are out there, frankly, twisting what is reality here in the political arena. I think if you have open—the Doolittle bill that is open and immediately accessible by everyone who is interested, that would do more to alleviate the perception of corruption than anything else.

Mr. DAVIS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Linder.

Mr. LINDER. Mr. DeLay, first of all, I would like to point out that you stated my favorite five words in the entire Constitution, which are the first five in the first amendment, "Congress shall make no law." I think it applies to more than just campaign finance. There is a gentleman named Dr. Troy at Rutgers University who for 25 years has been studying campaign contributions, and he points out that in the last three or four cycles, labor unions combined spent in each cycle anywhere from 6- to $700 million of soft money doing things like party building and communicating with their members. Do any of the bills that you have seen do anything about labor union soft money?

Mr. DELAY. None whatsoever. In fact, they are very careful to avoid touching unions because they know the minute they try to regulate union participation in campaigns as they regulate other groups in the bills, that they would lose their support in a nanosecond and none of the bills would pass.

Mr. LINDER. Can you think of any other areas in campaign contributions where individuals or corporations or anyone who can give money for political purposes that is tax deductible?

Mr. DELAY. If I——

Mr. LINDER. Labor union dues are tax deductible.

Mr. DELAY. Labor union dues are the only thing I know of.

Mr. LINDER. So they are using tax deductible money to finance the campaign.

Mr. DELAY. That is correct.

Mr. LINDER. Have there been any efforts to stop the use of tax-deductible money for campaigns, since it comes out of the Treasury?

Mr. DELAY. Not that I know of, not in McCain-Feingold or in Shays-Meehan.

The CHAIRMAN. Mr. Hoyer.

Mr. HOYER. Mr. Whip, let me try to understand your statement as to the average citizen. I don't know many average citizens that can buy television time, do you?

Mr. DELAY. Not individually; but collectively they certainly can, and they do.

Mr. HOYER. If they are participating in preliminary debate, which you want to further always, I understand, and which I understand all of us say we want to further, does not it therefore make sense to have them have the lowest available price for them on the airways which, after all, we all conclude are public airways which we license to broadcasters?

Mr. DELAY. I think if I understand your question, Mr. Hoyer, yes, if you are going to lower, have discount rates for politicians, then you ought to at level the playing field and have those same discount rates for individuals or groups of individuals that want to run political advertising. Right now in McCain-Feingold, the incumbents benefit but the average citizen does not.

Mr. HOYER. Let me ask you, are you telling me that under McCain-Feingold it is your perception that challengers would not be entitled to the lowest rate?

Mr. DELAY. Sure, challengers would also be eligible for those rates, but the American people would not.

Mr. HOYER. Are the challengers not the American people who choose to run for office?

Mr. DELAY. Of course they are, but they have their own interest and the incumbent has his own interest, and the people ought to be able, according to the Constitution, to have their own interest, their right to assemble and their right to petition about their grievances.

Mr. HOYER. Let me ask you something further. Do you believe that many, if not most, of the issue adds that we see during election times are essentially designed to promote or defeat one of the candidates in a particular race?

Mr. DELAY. I do, and I have no problem with that process. I do think that both sides have been very irresponsible in the kind of ads that they have run, and frankly I think that the media has been irresponsible in holding their feet to the fire to at least have the ads be true. But I think in the political process, the Constitution guarantees that everyone, no matter who they are, in America can come together and participate or singly participate in the process. What McCain-Feingold/Shays-Meehan does is count in that process in the most important part, and that is 60 days before the election. And the only reason that it is in both bills is that incumbent politicians hate those ads being run in front of them. They hate being criticized by their own constituency.

Mr. HOYER. Let me ask you another question in terms of issue ads. Do you believe that the folks who pay for those ads, who com-

municate with the American public, ought to be known to the American public?

Mr. DELAY. No, I do not, because we already have seen in the recent bill that was passed last year that opened up disclosure, where the politicans have come and harassed those people that give to those organizations. The reason they are not disclosed in those organizations is so that politicans cannot oppress them or harass them for their participation in the process.

Mr. HOYER. I am not going to ask any further questions. I appreciate Mr. Delay's position. I disagree with it but I understand where he is coming from.

The CHAIRMAN. Any further questions?

Mr. Ehlers.

Mr. EHLERS. Thank you. I just wanted to comment, Mr. Whip. A few years ago I had a constituent talk to me. He said, Vern, I don't understand why you are wasting this time on campaign finance reform. He said, you need only two rules: no cash—in other words, everything by check—and full disclosure, and let the voters decide. It sounds to me that is describing your position fairly accurately; is that correct?

Mr. DELAY. That is the Doolittle-DeLay bill. And I might just add, because you are giving me the opportunity, people talk about all these special interests. Everybody has a special interest. And frankly, the reason that we have the system that we have now with people coming together and joining together in order to get their views heard, is that the Federal Government has become so large, and frankly some of us believe so large outside the Constitution of the United States, that in order to defend yourself as a citizen of the United States, you have to also become large. You have to participate, you have to join together, you have to organize in order to have your voices heard. And I think it is really unfortunate, particularly in McCain-Feingold, that they would want to shut those people out with even more onerous regulations 60 days before the elections.

Mr. EHLERS. Let me just pick up on one other comment you made, and it is a concern I have had for a long time. Over the years—and I have a few more years than you do—but over the years I have noticed the power loss of the political parties. A major impact, of course, was the introduction of electronic media which made the candidates by and large independent of the parties. The second aspect was the introduction of primary elections which took the power to choose candidates away from the parties.

Your comment about the fact that McCain-Feingold would take away much of the funding of the parties I think is very much accurate and would very likely lead to the demise of the parties, or the parties as organizations, or make them very ineffective. And I just wanted to pick up on that because I think that is an important point. If the Congress in its wisdom should decide to ban soft money, I think it extremely important that we provide some alternative means for the parties to have the money to maintain themselves, to be viable organizations. Otherwise, I am afraid you are going to see the disintegration of the parties and, frankly, a much more chaotic situation politically. It might begin to resemble some

countries that have 20 or 30 parties operating, because it would certainly lend itself to that. I just wanted to make that observation.

Mr. DELAY. I cannot say it better than you did, Mr. Ehlers.

The CHAIRMAN. I thank the whip for being here. We appreciate your testimony.

The next is Panel 3, Senator Mitch McConnell, Senator Chuck Hagel and Senator Russ Feingold. We will begin with Senator Mitch McConnell. Welcome to the committee.

STATEMENT OF THE HON. MITCH McCONNELL, A UNITED STATES SENATOR FROM THE STATE OF KENTUCKY

Senator MCCONNELL. Thank you very much, Chairman Ney. I described this bill in the Senate as stunningly stupid, and I certainly hope the House will have the wisdom not to pass anything remotely similar to what we have visited on you and I apologize for sending it over to you. What we should have done was to pass a bill that was fair and balanced and constitutional, and McCain-Feingold is none of those things.

Let me talk about the winners and the losers. First, the losers. As Tom DeLay described, I think almost totally accurately, the biggest losers of course are the political parties. This bill that passed the Senate doesn't take money out of politics. It just takes the parties out of politics by eliminating all the nonFederal money. I will get to that chart in a minute. By federalizing the parties which currently are able to engage in issue advocacy like any other citizen group—which, by the way, party issue advocacy is disclosed, fully disclosed. And 65 percent of the money that goes to finance party issue advocacy is hard money, which we have all decided is the good money around here.

So let us take a look at what the world would be like if the national party committees were operating in 100 percent hard dollars. So what I did is—can you bring the chart over here and let me hold it, because I think it works better for me that way. What I did here was take the last cycle, the last cycle, the 2000 cycle, and point out how much net, net hard dollars the two big committees had under the current system. The RNC had $75 million net hard under the current system in the last cycle. The DNC had 48 million net hard under the current system. Now apply McCain-Feingold retroactively to the last cycle, the NRC would have gone from 75 million net hard dollars to 37 million net hard dollars; the Democratic National Committee from 48 million net hard dollars down to 20 million net hard dollars.

Over on the Senate side, Republican, excuse me—the Republican Senatorial Committee under the current system had 14 million net hard dollars, they would have gone down to one million net hard dollars, less than the coordinated in New York. The Democratic Senatorial Committee which had 6 million net hard under the current, would have gone down to $800,000.

Over on your side, you will love this, the Republican Congressional Committee had 22 million net hard under the current system. They would have had $13 million hard money debt under McCain-Feingold. The Democratic Congressional Committee under the current system had a $7 million debt under the current system. Under McCain-Feingold it had a $20 million hard money debt.

Make no mistake about it, gentlemen, what this bill does is not take money out of politics, it takes the parties out of politics.

Now, all restrictions, to which my friend Tom DeLay referred, on outside groups will be struck down. There have been 22 cases since Buckley of various efforts by States, and in some cases localities, to require as a condition for criticizing candidates in proximity to an election that they register in some way. It has been tried. The Snowe-Jeffords language which is in the bill that we regretfully sent you, that specific language was struck down in the second circuit within the last year and a half. So make no mistake about it, the outside groups will not be impacted by this very long. Those provisions seeking to make it difficult for them to criticize individuals like us in proximity to an election will be DOA in any Federal district court in America.

So who are the big winners? Again, Congressman DeLay touched on it. The biggest winners, of course, are us incumbents, unless of course you happen to be House incumbent. And I will come back to that in a minute. We benefit because we get dramatically reduced television time rates. We benefit, if they were upheld, because we don't get criticized very much except by newspapers in proximity to an election. By the way, the newspapers are the biggest winners under this. Nobody is seeking to restrict their ability to criticize us on the front page or the editorial page, not only 60 days before an election but a day before the election. So they are the biggest winners of all in this effort to micromanage who gets to speak and particularly who gets to criticize people like us in proximity to an election.

But getting back to one of the best provisions to take care of incumbents, Senators are increasingly nervous about having to run against candidates with a lot of money, so we took care of ourselves by passing a millionaire amendment. We did not include the House in that. So the message will clearly be if a millionaire wants to buy an office, he should run for the House, not the Senate.

In the Senate, let me give you an idea of how it will work. Let's say by the end of 2001 I raised $3 million dollars. In January of 2002, let's assume that a millionaire candidate enters the race against me and declares he is going to spend $5 million. This has been done before in my State and probable in many of yours. It is not really a paltry amount compared to what some millionaires spent last year. So in my hypothetical, if a Kentucky millionaire candidate spends in excess of $2 million, I can start raising $24,000 per couple. That is 12,000 per couple for each election, the primary being one election, the general being another. There is more. If the millionaire candidates spend in excess of $2.5 million in my State, I can start raising 48,000 per couple, 24,000 for each election. But I am not finished. If the millionaire candidates spend over 4.2 million in my State I can raise 48,000 per couple, and the limit on what the party can spend on my behalf in coordination with me comes off entirely what we typically refer to as the coordinated.

So if you look at the Senate bill, we have taken pretty good care of us incumbents. We have given us reduced, dramatically reduced, broadcast rates. We have put in a provision to protect us against millionaires, and we have also structured the restrictions on House

groups in such a way that there is no chance, none, that that will be upheld as constitutional.

I certainly hope the House will not replicate the action of the Senate by passing this monstrosity and sending it to the President.

I thank you very much, Mr. Chairman for the opportunity to be here.

The CHAIRMAN. Thank you very much for your testimony. Any questions?

Mr. Linder.

Mr. LINDER. Senator, you have watched these for some time, these efforts to curtail spending on campaigns and reform the laws. I want to ask you the same question I asked Tom DeLay. What would limit the ability—the party-building activity of the labor unions using soft money and money that indeed they were given that was tax deductible? You are going to eliminate parties from using soft money at the State and Federal level; what stops the unions from continuing and becoming the only party?

Senator MCCONNELL. Other than the restrictions on outside groups, which every serious scholar in this field knows will be struck down, the unions are not disadvantaged at all. In fact, we offered two or three different amendments during the course of our debate. One was the so-called paycheck protection provision that would give union members an opportunity to be informed before their dues were spent on causes that they might disagree with. Another amendment, to simply disclose to them some of their existing rights. In short, we did not get anywhere passing any amendments that would have any kind of adverse impact on unions at all. And as you correctly pointed out, in fact the unions get to operate on tax-deductible dues, which no other organization in America can operate on. So there is nothing in here that would seriously inconvenience organized labor other than these restrictions in the last 60 days which are going to be upheld anyway.

Mr. LINDER. They still would be allowed to use soft money for the three exceptions that have been provided in law; that is, to administer your PAC, communicate with your membership, or party building.

Senator MCCONNELL. Yes. And other than television, I think the restrictions in the last 60 days would be essentially nonexistent.

Mr. CHAIRMAN. Thank you. I want to apologize to the other two Senators. We had a note indicating that Senator McConnell had to leave. That is why we went out of order to grant the request. Any other questions?

Mr. HOYER. Senator, I would observe that obviously neither the Senate nor the House is necessarily as constrained by not voting for unconstitutional bills, particularly bills that people know are clearly unconstitutional. I refer to the numerous pieces of legislation we deal with on a regular basis that are obviously contrary to Roe versus Wade. I don't know how you voted and I am not asking that and I don't care. I understand what you are saying, but until they are actually tested, you can opine that they are unconstitutional because they fall in a class very close to another case that is the precedent. I understand that.

Let me ask you something. Mr. DeLay and I had a discussion. This theoretical person that has the opportunity to have access, if

we do not have full disclosure on ads or limits on ads that clearly are relative to campaigns—I mean, I think all of us have a concern about this, that Citizens for a Better Environment run an ad, if the American public that own the airwaves that they are advertising on has given license to a broadcaster to transmit that ad, has no idea who Citizens for a Cleaner Environment are—I mean, all of us put in context what we hear in certain respects from who is telling us, who is relating the information to us. If Citizens for a Cleaner Environment are in fact oil-company-financed, my suggestion would be the citizen has perhaps a different perspective of the substance of the ad as opposed to whether or not the Sierra Club or the Nature Conservancy that is perceived to have a different interest in funding that ad. Would you think that is a fair statement?

Senator MCCONNELL. The problem is the Constitution. In the Buckley case, it was made clear that unless you expressly advocate the election or defeat of the candidate, you are free to criticize us any time you want to during the course of a year without having——

Mr. HOYER. I have no problem with that.

Senator MCCONNELL. Let me finish. Without having to disclose the donors to your organization. The landmark case was NAACP versus Alabama in 1958. Senator Hagel, who sits to my right and from whom you will hear momentarily, has crafted a measure that at least might pass constitutional muster, which is to allow the television stations to make available the books which say who paid for it. But there isn't anybody who believes you can compel a group as a condition for saying something critical, short of express advocacy, something critical of us in proximity of an election, is going to have to give the government the list of donors in a public fashion. This has already been litigated. Whether you or I might find it desirable or not—I frankly don't like it when people come in and criticize me. I don't like the billionaire who dropped half a million dollars against Senator Bunting in 1998 in my race. I don't like the fact he did it, but he had the right to do it. This is the same billionaire who is paying for a lot of reform lobbyists who were crawling on the outside of the Senate chamber a couple of weeks ago and will be over here on the House side shortly. But these people have a constitutional right to do that. Whether we like it or not is really kind of irrelevant. They have a constitutional right to do it.

Mr. HOYER. Senator, let me ask you the last question then. The whip talked about the DeLay-Doolittle bill which was characterized by Mr. Ehlers as essentially being no cash and full disclosure. Would that be the limit of your belief as to what we ought to do as it relates to campaign finance reform?

Senator MCCONNELL. That is the Virginia law. And the Virginia law under—in Virginia the law basically is both unions and corporations can contribute directly to candidates, which they haven't been able to do to Federal candidates in a long time, and you have full disclosure. And as a practical matter in Virginia, everybody is able to finance their campaigns; both the donor and the donee to consider whether or not a contribution is appropriate, if it is big, because they know it is going to be revealed immediately. It has been an essentially corruption-free system. I think that would be the ideal world.

That is not the world we are operating in. What we ought to do is at least go back and index hard money. The reason we have a money chase is because we are operating in 1974 dollars. At a time when buying a Mustang cost $2,700, the Congress concluded that a thousand dollars in the primary and a thousand dollars in the general was an appropriate limit, and the Supreme Court did uphold—and Congressman Davis was referring to that—did uphold contribution limits; not spending limits, but contribution limits. We made a huge mistake in not indexing that for inflation.

As a result of that, we are caught in a cycle of fundraisers because we are operating in 26-year-old dollars. At least we ought to index that. Most of the rest of this stuff has serious constitutional problems. And even if the Congress passes it and even if the President signs it, which I hope he will not do, but if he does, most of it will be struck down by the courts.

Mr. HOYER. Thank you, Senator. I don't know that this will surprise you, but essentially I agree with you on your proposition on indexing. I think it has put us in a position where we are using 1974 dollars to pay 2001 expenses, and that is a problem and I think we should address it.

Senator MCCONNELL. Can I make a quick observation on that? That amendment in the Senate—it did not fully index, but moving in the direction of indexation—had I think 80 or 84 votes. So there was bipartisan concern about the money scramble created by the failure to index. I am sorry to interrupt, but it was bipartisan concern about that in the Senate as well.

Mr. HOYER. Yes, I knew that. Thank you, Senator.

The CHAIRMAN. Thank you, Senator.

Senator MCCONNELL. Thank you, Mr. Chairman.

Mr. CHAIRMAN. Senator Feingold.

STATEMENT OF THE HON. RUSS FEINGOLD, A UNITED STATES SENATOR FROM THE STATE OF WISCONSIN

Senator FEINGOLD. Thank you very much, Mr. Chairman. I am the co-author of the bill which my friend and colleague referred to as stunningly stupid, and I am prepared to take a different view. On April 2, 2001, we completed an extraordinary 2-week debate on campaign finance reform in the Senate and passed the McCain-Feingold bill by a bipartisan vote of 59 to 41. You have heard the eloquence of Senator McConnell and you have heard him describe here today some of the powerful arguments that he has advanced. Well, those arguments were advanced, heard, considered, and overwhelmingly rejected by the United States Senate just a month ago. And I want to assure you, although you may think on occasions this is true, the Senate did not lose its mind. the Senate did the right thing. This is the first time that the Senate will be permitted to vote on final passage of campaign finance reform since 1993.

Senator John McCain and I have said for years that if the Senate were actually permitted to work its will with a free and fair amendment process, it would pass a bill by a strong bipartisan majority and we were right. Immediately after we passed our bill, Representatives Shays and Meehan asked the leadership of this House to schedule campaign finance reform for floor action before the Memorial Day recess. I hope, with all respect, that you will act

with expedition and make sure that your committee helps this process along rather than holds it up.

The American people are not looking for us to pass a bill simply to start applying to the elections in 2004. If we act quickly we can put these rules in place for the 2002 elections. I know that Representatives Shays and Meehan are scheduled to testify next, and I will leave to them the job of outlining what the bill does and answer any extensive questions.

But let me say a few things about the bill that the Senate did pass. First and foremost, the bill bans soft money to the political parties. This is the most important feature of the bill and the component which more than any other marks our bill as real reform. In contrast to other proposals, our bill does not just cap soft money, it doesn't simply prohibit soft money contributions to the national parties but not to the State parties, and it does not pretend to prohibit soft money while leaving gaping loopholes. Our bill, like the Shays-Meehan bill, does the job right. From what we have seen in recent election cycles, a soft money ban is critical to public support and acceptance of the bill as reform. And yes, the winner will be the American people, not incumbents. If anyone really believes that soft money is not a greater benefit to incumbents than challengers, I have a bridge I would like to sell them. And I am gratified that when Senator McConnell spoke about the bill, he devoted a great deal of his time to talking about a provision that was not even a core provision of our bill, the so-called millionaire amendment.

The House should work its will on that issue. The core issue of our bill is the soft money ban, and that was the one that I think we have to literally decide where we are going to go as a country when it comes to campaign financing. Some have said and some of the Congressmen today have said that the soft money ban is going to cripple the parties, especially State parties. I strongly disagree that the parties have to have soft money to survive. Our great national parties have become little more than fundraising machines under this system. And how old is the system? This great Nation has had wonderful political parties for over 200 years before the soft money system arose.

In 1992 when I came to this Congress, there was only about $827 million in soft money. Four years later it was something like $262 million. In the year 2000 the amount of soft money that was raised and spent was nearly half a billion dollars.

Now, this notion that somehow the parties were bereft, destroyed, were unable to function in the last 200 years and have only functioned effectively during these last 5 or 6 corrupt years is appalling to me. Obviously the system has worked very well and the parties have not been crippled.

In a system that did not involve soft money, what would it be like? It would be like the system we had principally in the 1970's and the 1980's. And I believe the parties were a lot better off then and I believe the average person who participated in the process was a lot better off then as well. The ban on soft money will let them get back to working with small donors, organizing volunteers and developing and training candidates, with a base of support from citizens, not just big donors. And that is what they did up until the 1980's when the soft money system was born.

Parties have become primarily a system to transfer large checks. That is not what our political parties have been about. That is not what they have should be about. And unless we ban soft money, that is not what they should be.

The issue ads provision to the Shays-Meehan bill have been a subject of great controversy and also a great exaggeration and misinformation. I want to say for the record as clearly as I can, no advertisement, indeed no speech of any king, is prohibited by the McCain-Feingold or Shays-Meehan issue ad provision. These provisions are about who can pay for these ads and what kind of information on them will be available to the voters.

Right now under current law, unions and corporations are prohibited constitutionally from running ads that say vote against Representative Ney or vote for Representative Hoyer, but that speech isn't prohibited. Ads that say those so-called magic words can be run with money from a corporate or union PAC. All the McCain-Feingold bill does is make sure that ads run close to an election that mention a candidate have to comply with the same or similar requirements.

And, of course, Senator McConnell is right; there will be legal challenges to these limited provisions. Even during the debate, he said he would soon change from a Senator to a plaintiff for purposes of this.

But we propose these ideas for the Supreme Court to consider in good faith and there is solid legal argument to say they are constitutional. I want you to know the same statement that Senator McConnell made about his certainty with regard to a Supreme Court ruling is the same tone he used when he told us for sure that the Supreme Court would strike down the limits on contributions in the Missouri Shrink PAC case in the year 2000. I sat next to him at the oral argument. The Court ruled 6 to 3 that they were right. There is a common basis for limiting contributions, and that 6 to 3 vote included a 4 to 3 margin by justices appointed by Republican Presidents.

Prior to the Senate debate, we received a letter signed by over 70 legal scholars that describes the Snowe-Jeffords issue ad provision as, quote, a well-reasoned attempt to define electioneering in a more realistic manner while remaining faithful to the first amendment's vagueness and overbreadth concerns.

Along the same lines is a statement from every living individual who has served as president, executive director, legal director, and legislative director of the American Civil Liberties Union outside of the current leadership of that organization. If I could, Mr. Chairman, I would like to submit the legal scholars' letter and the ACLU former leaders statement for the record.

The CHAIRMAN. Without objection.

Senator FEINGOLD. Thank you.

In light of these two documents, those who argue that the issue ad provisions in our bill are plainly or clearly or obviously unconstitutional are engaging in a bit of wishful thinking.

Let us see what the Supreme Court decides. And those who portray these provisions as designed to clamp down on a political speech or to silence criticism of candidates are simply wrong and

they do a disservice to this debate when they engage this that kind of rhetoric.

Mr. Chairman, after many years of struggle, the House finally has a change to debate campaign finance reform with the knowledge that what you pass will have a good chance of being signed into law. I sincerely hope that your hearing today will be the first step towards prompt consideration of the Shays-Meehan bill and therefore the elimination of a soft money system that has truly cast doubt over everything else that this Congress does. Thanks for your consideration.

The CHAIRMAN. Thank you, Senator Feingold.

Senator Hagel.

STATEMENT OF THE HON. CHUCK HAGEL, A UNITED STATES SENATOR FROM THE STATE OF NEBRASKA

Senator HAGEL. Mr. Chairman, thank you. And I am grateful to you and your committee for allowing us an opportunity to class up and come to your side of the Capitol where and abundance of common sense reigns.

I developed a foundation of government and philosophy on this side of the Capitol back in the 1970s when I served as chief of staff to a Nebraska Congressman for 5 years. So I am and was early-on indoctrinated to the House side of doing business, so I appreciate an opportunity to say hello and share some thoughts on an important issue. And you all believe it is an important issue or you all wouldn't have a hearing.

I would like to begin my comments by stressing that I believe and I think all Members of the United States Senate believe that we need to reform our campaign finance system. The lack of faith the American people have in our political process can be partly attributed to how our campaigns are financed and conducted. There are steps we can take to make the system better, like making it more transparent and more accountable.

And I have acknowledged the leadership and efforts of my friends, Senators Feingold and McCain often, and again I would like to do it for the record. Again, it is because of those two Senators that we have been able to move campaign finance reform into the middle of the arena and engage in a very serious debate.

In my opinion, the legislation recently passed by the Senate would not improve our campaign finance system. In fact, I believe it would make it worse. In fact, I believe much of it violates the first amendment to the Constitution. And my friend and colleague, Senator McConnell, has addressed that.

There are things I do support in the bill, such as the increase in hard dollar donations. That was part of my bill. That increases the ability of candidates to finance and control their own campaigns with accountable, reportable dollars. I think this is a very key part of any campaign finance reform that you work through, the candidates keeping control of their own campaign, their own destinies, the conduct of those campaigns and the resources to be able to compete.

The limits should be adjusted. The 1974 $1,000 contribution is worth $3,300 today, and again Senator McConnell I think developed that theme. And as Congressman Hoyer referenced in re-

sponse to a question he asked Senator McConnell, there is little doubt in most of our minds that the chase and hunt and flow of soft money is a direct result of these ridiculous limits of 1974.

And I am always a bit astounded when I hear the term "corruption" thrown around, as it was often on the Senate floor during this debate, because how is the same dollar amount in today's dollars, the worth of that dollar today the same as if we move to $3,000 today, as the $1,000 that you had in 1974, how is that more corrosive and how is that more corrupt, that 3,000 today, just to stay close to inflation, as was the $1,000 in 1974?

Senator HAGEL. But in my opinion the most onerous aspect of the Senate bill that we passed is its impact on our political parties. Our parties play a vital role in our democracy. They recruit and support quality candidates for office. They are the only institutions in our political system that help challengers effectively compete against incumbents—both parties, both sides. They represent multiple interests in governance, not just single interests.

Preliminary parties are not the problem, in my opinion, in today's politics, so why should which weaken them? The Senate legislation bans soft money contributions to the six national political parties, depriving them of approximately 40 percent of their revenue, even though much of what our national committees do is help candidates across the country running for State office in State elections. These are accountable, reportable dollars in the political system. These are all transparent dollars.

The Senate bill regulation restricts State parties from spending State party funds on some of the most basic grassroots activity in a Federal election year, even if those activities never mention a Federal candidate. So what in essence we are doing is we are federalizing State law and State elections, even if they have no regard to a Federal candidate.

Things like voter registration drives, get out the vote and activities that expand voter participation, I believe that is good. I believe that strengthens the system. I believe that is what we should encourage in our testimony.

The national bill would federalize elections that occur in even-numbered years, elections ranging from governor, State legislator, mayor and even local school board members if those elections are held in even-numbered years. When they are, as we all know, you all know, there is always a Federal election in an even-numbered year.

Under the Senate bill, any State political party wishing to engage in various grassroots activities in a Federal election year would be prohibited from using anything other than Federal money. Now we know what Federal money means. Under current law, that is hard dollars. It would ban States from legally using money allowed under their own State laws for these purposes. This would severely handicap the ability of State and county parties to increase voter participation.

We must be very careful not to stamp out the grassroots political activities essential to our democratic system.

However, the Senate bill does nothing to ban outside groups from raising unlimited amounts of soft money and spending it on radio and television ads.

Now this is in response to may friend's, Senator Feingold's, comments about how well things were going until all of the soft money came on the scene. And he is correct. Many of you have been around for a while, and you know that so-called large amounts of soft money are a fairly new phenomenon in American politics.

What my good friend Senator Feingold fails to mention is the counterbalancing weight of why that has happened in addition to limits on hard money. The advent and ascendance of third party organizations, left and right, Democrat, Republican, and wealthy individuals having no limitations, no accountability on how much they can put into a race—my race, your race, anybody's race, for me, against me. There is not even a disclosure requirement. But yet the Senate bill doesn't touch that except, as was commented on by Senator Feingold and Senator McConnell, the 60-day rule in general elections, the 30-day rule in primaries.

Now again we will let the courts decide whether that is constitutional or not. I am not a constitutional scholar. I am not even an attorney. But I find far more onerous than just the constitutional dynamic of that is that you all know, again, like I do, because we are practitioners of this business, we are not theorists of this business, that third party organizations, Sierra club on the left and NRA on the right and wealthy individuals that put millions of dollars into campaign ads, start beating your brains in or supporting you a year, 8 months, 10 months, a year and a half out before an election.

So, big deal, big deal that 60,000- or 30-day limitations all of a sudden are going to change that. It wouldn't change it. The only ones left out of the process are the political parties.

As Morton Kondracke, editor of Roll Call said in a recent article, quote, if parties can't mount issue ads but corporations, unions and independent groups, wealthy individuals can, those special interests will have a greater influence on politics and on the officeholder they help elect, end of quote.

Weakening our political parties will put outside groups on the extremes of our political spectrum in charge of campaigns. It will drive resources out of the accountable, reportable system into a new political world dominated by single-issue politics.

As I said at the beginning of my testimony, we need to reform our system. The Senate has provided one alternative. I believe it is the wrong approach. The intentions were good, but the unintended consequences of our Senate bill will weaken our political system at the point where it should be the strongest. The Senate bill would not open the process to more people. It would put more power in the hands of those with the most resources, the single-issue wealthy individuals and organizations from both the political right and the political left.

I hope the House will pass a campaign finance reform bill that genuinely improves the system, expands voter participation and is constitutional. I thank you very much.

The CHAIRMAN. Thank you for your testimony, Senator.

The McCain-Feingold bill bans soft money to State parties for Federal election activities, but your bill did not limit it to State on preliminary party level, correct? It just has the limit on the Fed?

Senator HAGEL. That is correct, Mr. Chairman. My bill set up a $60,000 annual limit across the board—unions, corporations, organizations, individuals who want to play in the soft money business. I did that because I thought that was a number—and I was not stuck on $60,000, but I thought it was a responsible number that would allow some monies to get into the parties for the kind of party-building voter turnout activities that I believe, as I said in my statement, is very, very important to this process.

The CHAIRMAN. One of the problems I have had—and Senator Feingold obviously didn't have the time, due to some commitment for questions, but one of the problems I have had is that, in my opinion, McCain-Feingold federalizes State elections; and I don't think we should do that by imposing limits.

In the voter registration area, in fact, if you have got a Member of Congress, as I understand it, running in the same years as, for example, our governor would be in Ohio, then the political parties would be under a certain limit because you have got a Federal candidate on the ballot at the same time as a State candidate. Therefore, we are telling them you are under a limit, whether it is a check from a person or a check from a company. I guess that is the part that puzzles me.

I didn't pretend to follow the complete floor debate in the Senate. But we encourage people to vote, we encourage people to register to vote, we want young people to participate in the system, for our turnout to be greater. But then we turn to the two political parties in this and we say, well, you are going to be limited, though, because we do not like a particular type of money that went in. It was a union contribution or business contribution. I think we are doing the reverse. Was that at all debated?

Senator HAGEL. Mr. Chairman, I happen to agree with that point of view, and I have expressed it. I had an opportunity to express it. Unfortunately, I don't have enough of my colleagues who agreed with me on that point. But I think it is, as I referenced it in my testimony, an unintended consequence of this bill.

I fear the consequences of that from many perspectives; and the many dynamics that will flow from that I do believe will, in fact, restrict the system. I don't know how it could be otherwise.

To take your question further, and I alluded to this in my testimony, that I don't think any of us want a preliminary process that is so dominated by outside single-issue groups, both left and right. It does not make any difference that in fact both sides, both parties will be beholden to them, much more the reason that those groups and individuals will be the ones with the resources. Their single-issue agendas will drive not only elections, but, as you all know, elections have consequences. Elections are about governing, elections are about issues and policy, and that then will, of course, carry over into the governance of our country.

The CHAIRMAN. Thank you.

Mr. Hoyer.

Mr. HOYER. Senator, thank you very much for being here, and I thank you for your thoughtful testimony. I want to pursue your bill for a second.

Your bill, as you have indicated, limits soft money to parties at $60,000. Now, I want to explore that a little bit. Because the

premise of a limitation on expenditure is that too much of that will skew the playing field, as you point out, in terms of giving too much influence. You indicated you weren't wedded to $60,000, but, as Mr. Ney has pointed out, there would be no limitation to soft money going to State parties, am I correct, under your legislation?

Senator HAGEL. That's right.

Mr. HOYER. Now, if that is the case, wouldn't under your bill we simply shift soft money to essentially State parties and, therefore, in fact, if you think that a limitation is a good one, it is a limitation in form but not in substance? That is to say that money, if you are going to give $100,000 to the RNC or the DNC, you would give them 60,000 and then you would give 40 to the party of their designation at some State contest—New York, Nebraska, Maryland.

Senator HAGEL. Yes. Well, my answer to that, Congressman, is this: I don't believe we will ever be able to screw the system down so tightly—or I hope we never will—where there is no daylight left at all, if that is the intention of somebody to try to get around a rule for whatever reason.

But, more fundamental than that, I don't think it is right for the long arm of the Federal Government to essentially federalize State election laws and dictate to States where they can force State elections and organizational efforts on behalf of parties to participate. I think it is blatantly unconstitutional, but I will leave that for the smart people and the people across the street.

So, philosophically, I have a difference of opinion with some of my colleagues on that. I don't see why that is bad.

Third point I would make, if in fact we all believe what we say up here, that we want to expand the voter turnout and the base and the population and let everybody participate, then in fact what soft money does as it works its way through State parties and State efforts is exactly that. We have very stringent disclosure requirements, and the media in my State of Nebraska—I suspect it is the same in Maryland—pays attention to that, and both parties—each party pays attention to what the other one is getting and where it is coming from. So I think a lot of that skullduggery and deviousness in this business is well addressed in the process that we have. But I think to go beyond the Federal campaign organizations to put limits is not philosophically what I think is the right think to do.

I would just add one other thing. There was an interesting piece done in the Wall Street Journal during this debate we had in the Senate. The Wall Street Journal went back and charted the 2000 election cycle on soft moneygiving through the Federal parties. What it found is, if you limit it, if during the 2000 election cycle there has been a $60,000 limit to Federal parties and their committees, you had—you would have eliminated about two-thirds of the soft money that went into the Federal parties and their committees.

Now to your point, well certainly, that won't have stopped these people just going to Nebraska or Maryland and giving to the Maryland Democratic party or the Nebraska Republican party. No, that is true. But there is considerable evidence that this process does not work quite this way.

I am sorry to spend so much time on it, but your question is a good question and a legitimate question. I can't give you a better answer than that because I think to go much below it, as I have already said, probably is—in my opinion isn't good for the system.

Mr. HOYER. I understand your point.

Let me ask a second and last question, if I might.

You heard the question I asked Senator McConnell. I am very concerned about the proliferation, as you say, of single-issue groups or multi-issue groups that communicate to the American public on a anew that sounds good. As I have pointed out, my example of citizens for the environment that are funded by the oil companies. Very frankly, sometimes I agree with oil companies, sometimes I don't. So I don't want to pick on them.

But my point being that I think all of us listen to what is being said to us with an eye towards who is saying it and what bias they may have and with where they are coming from. I think that is normal human behavior.

Your Senate colleagues, some have more credibility with you than others and you take what they say with more credibility. What is your thought with reference to this problem that the American voter has that he or she turns on the television gets this ad saying something and it is for Citizens for Better Government, which could be anybody in the world, from right to left or whatever. Do you think that is a problem, A; and, B, if it is a problem, have you thought about how we might solve it?

Senator HAGEL. Well, Congressman, I think it is a big problem; and I don't know one of our colleagues in either Chamber who does not understand it is a problem. And, yes, I have addressed it in my bill. I will give you a very real-life example of this and then tell you what I have done in my bill to address it.

Many of you have followed the McCain-Bush primary with some interest last year. I was one of John McCain's presidential co-chairmen. So John McCain and I are very close friends. There is not an individual that I respect more. On this issue we disagree, but that is the way it is.

So I was very active in McCain's presidential campaign last year; and some of you might recall that there were a couple of brothers out of Texas who invented this very pro-American, pro-environment, pro-everything good in life committee and had a wonderful name and then put in a couple of million dollars in TV ads in New York and just gutted John McCain, distorted his record, misrepresented what he had said, what he had done and how he had voted.

What is interesting about that when you start to isolate what happened there—but, again, the first amendment comes into play there. Do they have a right to do that? There is no disclosure requirement on the books for the media or anyone to know who those players were. Eventually, they sometimes get found out. There is sometimes some accidental transparency or the media gets it.

But one of the things I did in my bill—in fact, Congressman, one of the three main parts of my bill—in fact, this was in the Senate bill; this was passed as a stand-alone part of the McCain-Feingold bill—is a disclosure requirement. What it does, it takes the disclosure element of all ads, regardless of who pays for them, out of the

purview of the Federal Election Commission to some extent but most importantly shifts it to a requirement under the FCC.

So your FCC requirements now that you all are aware of, of the open files of all media purchased when you walk into a TV or radio station and say I would like to find out who bought such and such, how much money and all the rest, these preliminary ads that are being run now with no disclosure requirements would come under that disclosure law. So you would get the following:

First of all, who paid for those ads. Now we are very protective and careful about how far you go down because I think there are constitutional dynamics here that the courts have ruled on. But who paid for the ads, how much money they had spent, how much money they have bought in ads yet to be played, an address, phone numbers, and if it is a phoney, dummy front group that you are talking about or any group, good group, bad group, their officers and addresses. So at least we have that element of disclosure.

Now to go beyond that and further than that I think would constitutionally be a problem but I do address it that way.

Mr. HOYER. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Ehlers.

Mr. EHLERS. Thank you, Mr. Chairman; and thank you, Senator Hagel. I very much appreciate your testimony, and I believe you have a good, common-sense approach. I was impressed with your proposal when I read about the subject sometime ago and also your proposals as you offered them on the floor of the Senate.

Senator HAGEL. Thank you. I could have used your vote in the Senate.

Mr. EHLERS. I would have loved to have been there to give you my vote in several ways.

But I think the point is that you are altogether too sensible about this issue. I think the train has left the station. I find it very disconcerting in the House a few years ago a lot of Members voted to pass the Shays-Meehan bill—and I am not saying it is a terrible bill, but I think it could have used a little improvement. But it was just rushed through. Everyone was tired of it. Let's get rid of it. Let's send it over to the Senate and see what they do.

I suspect that there may have been some of that feeling in the Senate this time. This has been around for a few years. This has been around for a few years. It is time to deal with it. Let's just pass it and be done with it. Let's not fiddle around with Hagel improvements and other things and the hope that the House will clean it up. Is that at all a fair representation of process?

Senator HAGEL. Well, like you, I would never dare impugn the motives of my colleagues or question their attitudes or beliefs.

Mr. EHLERS. Well, let's make it hypothetical.

Senator HAGEL. That is the way we always do it, as you know, around here. But I would go back to my opening statement about the common sense and practicality at that point resides in this body, which always is not the case where I find my home these days.

But I think there was a certain dynamic that was in play, to your point that this was an issue that of course politically over the last few years in the Senate had been kind of like your Great-Aunt Millie, she died, and we don't know what to do with her. Should

we have a party or what should we do or act like she did not die and she is still alive? So we wanted to kind of move it off to the side.

There were some other dynamics, but once we realized that it was a reality as to it was in fact going to be dealt with, I think most of the Members of the Senate just wanted it over. And I have some evidence of that.

I asked members of the media once, and I don't believe I have ever gotten an answer, and I don't believe my staff has ever recorded this, but if you go back and look at the record of that 2-week debate in the Senate and chart back through those 10 days of debate—actually they were 9, of debate—and total the number of Senators who participated, you will find it striking as to how many didn't even come on the floor of the Senate and did not want to be seen dealing with this until they had to deal with various amendments on various bills. That tells me something, and it may answer part of your question.

Mr. EHLERS. Thank you.

Mr. Chairman, on that point I have been very impressed with the proposals put forward by Senator Hagel; and as we go down this path I can—we have to seriously take a look at those. They deserve serious discussion and debate and not the short shrift that they have received in the Senate.

Let me say also, comment, I am disappointed that Senator Feingold couldn't stay. He gave a very persuasive argument for their bill, but he seemed adamant about the fact that all the proposals in it were constitutional. And I simply want to observe that, if indeed that were true, why did he and his co-sponsor argue so vehemently that they had to maintain the severability clause in that document? I really suspect that substantial parts of it are unconstitutional, and that is why they fought that hard. That is something that concerns me, too; and I hope we can also clear that up as we discuss this issue.

Senator HAGEL. Congressman, may I interrupt for a moment on that point? Congressman Hoyer's senior Senator, Senator Sarbanes, noted one night on the floor of the Senate during the early stages of this debate that he was a member of this body and had an active hand in writing the bill that was passed in 1974; and it was very instructive as to what Senator Sarbanes had to say about this, because he argued strongly for the nonseverability clause.

Now in the end people voted differently, but his point was this: When the Supreme Court threw out much of what the Congress passed and the President signed in 1974—2 years later, the Supreme Court threw much of it out—Senator Sarbanes said this, that that changed the entire dynamic and flow of campaign finance law. Why? Because of the reality of the Supreme Court taking major pieces of that law and finding it unconstitutional and what was left you had to maneuver around and in fact, as Senator Sarbanes said, was not exactly or even close to the intent of what they had written in '74.

So that is the danger again in a bill like this. We added I think 21 amendments to McCain-Feingold as it went down the track. Some of them are just blatant, no matter who has looked at them, on the constitutionality on that. Now you all have a chance to clean

that up, obviously, over here; and I would hope that you would be able to work your way through all of that and do some of those things that need to be done. But if Senator Feingold was here, I would engage him as he and I have—John McCain have had conversations about some of those features that got tagged on the bill.

Mr. EHLERS. Again, I thank you for your wisdom and testimony.

Senator HAGEL. Thank you.

The CHAIRMAN. Mr. Davis.

Mr. DAVIS. Senator Hagel, I want to commend you for your constructive role that you are playing in this debate.

I want to go back to the disclosure issue you were discussing with Congressman Hoyer. In 1997, I worked closely with the freshman bill, Tom Allen and Asa Hutchinson. When we could not get the Democratic or Republican leadership to support us even having hearings on this issue, we had our own hearings. On the disclosure issue, we had groups come in on both the left and the right; and we asked them the question, why shouldn't they disclose the donors to their ads and why shouldn't they put their names on their ads?

Their response was, if you force us to put our names on some of these ads, we won't run them anymore.

Our response to that was, what is the problem? Because that is the accountability that you were referring to. Although Mr. Bob argued to his last breath that this is the anonymous political advertising enshrined in the NAACP decision.

My question to you is, as I read your amendment, in the Senate you have tried to dig as deep as you could on the disclosure for identification of the purchaser of the ad and the officers, and my concern is that that may not go far enough. So this is really a question to you in terms of how you resolve this, if we accept Mr. Hoyer's premise that the constitutionality here is at least debatable in terms of disclosure.

Because if you listen carefully to what Senator McConnell said, he said short of expressed advocacy there are constitutional issues, and the question here really before the court is really what is expressed advocacy. Can it be implicit or does it have to explicit? Shouldn't we be requiring a list of donors? Otherwise, a lot of these Washington law firms are going to be busy setting up corporations listing themselves as the officer, and we will never pierce the veil to find out who ran the ad and create the kind of accountability you want and avoid people running the kind of ads they don't want to put their names on.

Senator HAGEL. Well, that is the question.

I would offer two thoughts. One is, again, the constitutionality of the issue, how far down the courts will allow you to go to protect the confidentiality and the privacy that is guaranteed under the first amendment. The courts have spoken on this over the years in certain cases. Now, it has never been exactly present as it might be or certainly will be if this bill is passed and the President signs it into law. So you have try to minimize, like we all do, being responsible legislators, that eventuality of having the courts throw it out.

Second, you are exactly right, does that go far enough in really getting to the heart of disclosure?

But there is another part of this. That is the practical part. We have found this out as we worked for over a year—my staff put in hundreds of hours on this—listening to the left and the right, all across the board. Common Cause was in, Sierra Club, NRA, abortion rights, pro-choice, and so on. And the practical reality is the political reality of the pressure that you get—that any of us get from those strong groups from the left and right who support Democrats and support Republicans. And if you start going too far and digging too far down, you might already be aware of this, you will find all kinds of political fallout. Now does that mean we should be inhibited from passing good legislation? No, but we also recognize the reality of how far we can go up here with some of this, and therein lies the real issue here as much as anything that we found on both sides of the issues.

Mr. DAVIS. Thank you very much, Senator.

Thank you, Mr. Chairman.

The CHAIRMAN. We appreciate your testimony, Senator.

Senator HAGEL. Mr. Chairman, thank you and the committee for allowing me some time. Thank you.

The CHAIRMAN. Before we go to the last panel, which is Congressman Shays and Congressman Meehan, I would like to add that we have a note from Senator McCain thanking House Administration for inviting him to be here today. He regrets he will be unable to participate in today's hearing.

With that, we have Congressman Shays and Congressman Meehan.

Congressman Shays, would you like to yield to your colleague, Congressman Meehan, to start?

Mr. HOYER. Of course, I have referred to this as the Meehan-Shays bill before you got here.

Mr. EHLERS. That is not the first time you have been wrong, of course.

The CHAIRMAN. Or the last.

Mr. SHAYS. I guess that is better than McCain-Feingold, though, isn't it?

STATEMENT OF THE HON. MARTIN MEEHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. MEEHAN. Thank you, Mr. Chairman, for inviting us to testify before the committee today. I want to congratulate you on your interest in campaign finance reform and look forward to what I hope will be a cordial and productive working relationship on this issue.

I also want to thank the Ranking Member, Mr. Steny Hoyer. Mr. Hoyer has been a strong and steadfast leader in this effort to clean up our campaign finance system. We have benefitted from his guidance, his knowledge and his courtesy over these past few years; and we are very grateful.

Mr. Chairman, Mr. Ranking Member, when I think about the evolution of our campaign finance system I think about the life and times of many a knit blanket. A curious child finds a loose thread and tugs it. A little bit of blanket dissolves. More tugs, and the blanket gets smaller. Eventually, what is left is yards of loose threads and not a shred of a blanket.

If you haven't guessed it, our campaign finance laws are the blanket. And indeed they help shield our democracy against corruption and the appearance of corruption, but there isn't much of a shield left these days because of one loose thread repeatedly tugged at, soft money.

I have gnashed my teeth before this committee in years past about six-figure checks being cut to the political parties from corporations, labor unions, and wealthy individuals, even though the law plainly bans corporate and labor contributions and caps individual contributions to parties. We worry about seeing more and more of these campaign ads masquerading as issue discussions paid for through prohibited corporate and labor treasury money, sometimes without a dime being disclosed.

I look back at my testimony before this committee of years past, and I think I basically had it right, except I couldn't imagine then that our campaign finance laws could be unraveled much further. On that, I was wrong. In the past 2 years we have seen the rise of 527 PAC, an individual organization exempt from Federal taxes because it purports it is electioneering and yet at the same time considered exempt from Federal election law because it supposedly does not engage in electioneering. We have seen the rise of so-called joint fund-raising committees.

You thought that soft fund money was just a party phenomenon. Think again. Now we have candidates for office themselves raising six-figure checks from prohibited sources, channeling it to their favorite State party and having it fund advertisements promoting themselves or attacking their opponents.

The American people may not know the 2000 election cycle soft money totals $463 million raised by the national parties, $100 million spent by nonparty groups on broadcast sham issue advocacy, but they are not blind. They see parties and officeholders taking in six-figure checks, soft money galas attended by powerful interests with big wallets and a stake in legislation. And yet still no Patients' Bill of Rights, still no prescription drug coverage for seniors. They are connecting the dots in ways that none of us should take lightly.

So I am here today in urgency because this soft money system is breeding a nasty strain of cynicism among the American people and because we have learned the hard way that when it comes to soft money the worst is always yet to come.

But I am also here with great hope. This House has cast courageous and principled votes to end this corrupting soft money system twice. We overcame steep obstacles to restore the meaning of the laws long on the books, only to run into a then insurmountable Senate filibuster. That obstacle is now scaled. In early April of this year, the Senate followed the trail blazed by this House. It passed a bill to truly ban soft money contributions and reins in campaign ads that masquerade as issue discussion.

Both Houses have spoken. Neither sees a future for soft money. We have spoken with one voice on the most fundamental of issues. We agree on much, so now we stand within arms' length of sending real campaign finance reform to the President's desk. I don't suggest that bridging that short length will be a pegboard, but I am confident that those who have cast their votes for real reform, 252

House Members, 59 Senators, will not let this unprecedented opportunity slip away.

With the same courage and commitment that has now produced three separate votes by the full House and Senate for companion bills banning soft money and reining in sham issue advocacy, we can for the first time finish the job for the American people. So Memorial Day should not pass this year without the House being able to work its will on this issue. The American people will not understand delay. They are wondering what is taking so long. This month, not 2 months from now, not next election cycle, but this month.

Mr. Chairman, Ranking Member Hoyer, I appreciate your inviting me to testify today; and I will be happy to answer any questions.

The CHAIRMAN. Thank you.

Mr. Shays.

STATEMENT OF THE HON. CHRISTOPHER SHAYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. SHAYS. Thank you, Mr. Chairman.

Mr. Chairman, I am here to talk about the Meehan-Shays legislation and also McCain-Feingold and to say, first, thank you, Mr. Ney, thank you, Mr. Hoyer, thank you, Mr. Ehlers, thank you, Mr. Davis, for caring about this issue. We may agree on a number of parts of it and may disagree on some others. Thank you for caring, and thank you for giving us the opportunity to even have a bill. There was a time when a whole large number of Members, a majority of Members, wanted a dialogue on campaign finance reform; and we weren't even given that opportunity. So, for me, this is very special.

I have heard this legislation characterized in a whole host of different ways. For me, I will tell you how I characterize it. This is not an issue of freedom of speech being denied. This is about corruption of politics. This is about corruption in politics that is getting worse rather than better. It is about the shakedown by legislators in a temperate way but still a shakedown of the corporate executive and union leaders. Sometimes the reverse, of corporate executives and union leaders enticing members to do things against their better judgment. Not necessarily on how to vote on legislation but whether bills are even heard or not heard.

I would love some day to have a debate with Mitch McConnell on TV. Every time I have had that opportunity I have found that he doesn't want to show up.

But this is a debate about corruption in politics. That is what it is about. It is a debate about corporate treasury and union dues money drowning out the voice of individual Americans. That is what it is about.

It is about the individual American who is being shut out. It is about the political parties that do not even turn to the individual Americans to seek financial help because it ain't worth it when you can raise $100,000, $200,000, a half a million dollars, a million dollars.

And someone said, if this legislation passes, how different will it be when it passes from what we have today? That isn't the question you should ask. How bad is it going to get if we don't change it?

I will predict to you, with no reluctance at all, because a few years ago we never thought people would have the chutzpah to ask a corporation for a million dollars or two or three, but leaders do. I predict to you they will ask for 10 million, and they will contribute 10 million because the other side is. We are in an arms race that is called the money race. It is for real. It is not an imaginary thing. It is not getting better. It is getting worse.

We have a system that is corrupting our democratic institutions, and no one is being denied their voice. No one. We just want to enforce the 1907 law, the Tilman Act, that bans corporate treasury money in campaigns.

We didn't make up that law. Mitch McConnell says there are things that are not constitutional. That law is unconstitutional. No corporate money. None in campaigns. That is the law. We did not make up the law in the Taft-Hartly Act that says no union dues money in campaigns, and we didn't invent the 1974 law that happened before our time that said no foreign nationals in campaigns. All three of those are the law.

But there are two loopholes. The loophole is a created act in 1978 that started to devise this so-called soft money which is educational money. It wasn't campaign money. It was educational money. And in the beginning the parties used it as educational money. They got out the vote. They informed people. Win the election. They wouldn't have thought to use it to endorse a particular candidate or oppose a particular candidate.

The second loophole is what we call sham issue ads. They are not sham campaign ads. They were very real campaign ads. So we were not passing judgment on whether they were sham ads. They are sham issue ads.

What is the significance of issue ads? If it is an issue ad, it is not a campaign ad. If it is not a campaign ad, in comes the corporate money, in comes the union dues and the foreign nation money, all three of which are illegal.

I want to say it one more time, because it is just so important to realize. We didn't invent the 1907 law banning corporate treasury money, but your committee needs to enforce that law. You have a moral obligation to enforce that law I think.

We didn't invent the Taft-Hartly Act. During the war, they determined that it was wrong for union dues money to be in campaigns. We didn't invent it. They just codified it in the Taft-Hartly Act.

You know, when we worked on this bill originally we did not even know that, because we see the corporate money, the union dues money and the foreign nation money—and I was not here, none of you were here in '74—with banning foreign nationals from contributing to campaigns.

They come in through two loopholes, soft money sham issue ads. Please break these loopholes. Please enforce the 1907 law, the 1974 law and make the system work again. It worked in 1974. It worked in 1980. It slowly began to be eroded through these loopholes.

I would just conclude by saying to you that you need to report out a bill soon. It is one thing to say, well, we need a campaign Election Day reform. That can wait. We do not have Election Day until next year. Right now, people are raising soft money. They are getting prepared to have sham issue ads, to use the corporate money and union dues money.

I encourage you to bring out this bill. We need to vote on this bill sooner rather than later, I would think before Memorial Day.

And, Mr. Ehlers, I want to say I respect you so much, but for you to say we have rushed through this legislation defied logic. We rushed it through? We had 200 amendments to the bill. We debated it for 3 weeks in 1998. We had over a week's debate in 1999. And we rushed it through? I don't think so. I think we have taken too damn long.

The CHAIRMAN. Mr. Ehlers.

Mr. EHLERS. Thank you, Mr. Chairman.

I hope—I don't know if you were referring to my comments, Chris, or not, but I was not saying it was rushed through. I think people are simply tired of it and said let's vote for it and get rid of it.

But what I really wanted to say—and I have to leave for another committee meeting. I just wanted to make a few comments.

Chris, you are one of the most ethical if not the most ethical person I know in this body; and I deeply respect your feelings, your insight and particularly your intensity on this issue. I think that is very important, and I really respect you for that.

I was also pleased by your opening comments, because we have a chairman that I believe is intent on producing a campaign finance bill. It may or may not be the one you like, I don't know that, but—and I heartily agree with his objective. I think it is time to resolve this issue.

Mr. SHAYS. I would like the record to note I agree with you. I am nodding my head, but I would love the transcript to say I agree with your comments about the chairman and what this committees is going to do.

Mr. EHLERS. Thank you. I appreciate that, and I have hope we can progress.

The thing that concerns me, or one idea, item that concerns me, you made the comment and earlier Senator Feingold made the comment very strongly that soft money is corrupting our democratic process. I hear that a lot from Common Cause, too. I am a charter member of Common Cause. I have been with them all the time, and I am still a member, but I get dismayed by the continual comment about the corruption in the Congress. I just do not see it.

Now, I am not a fan of soft money and I am not defending soft money, but I just don't see the corruption. I think we have a group of very fine individuals here and I—the only—and I have some major donors. Never has any of my major donors asked me to vote a particular way.

Mr. SHAYS. Could I ask you a question? With you, haven't those only been a thousand dollar contribution or less?

Mr. EHLERS. Yes.

Mr. SHAYS. What happens if that donor is giving you a million dollars?

Mr. EHLERS. I suspect—well, in fact, some of my constituents could write me a check for million dollars and not notice it.

Mr. SHAYS. They haven't. but they give it in soft money to the parties, and the parties schedule votes and—some of which never see the light of day—and I believe with all my heart and soul it is the influence of these gigantic sums.

Mr. EHLERS. That is where we disagree, because I don't think it has that influential part. What I found out is that the few individuals who have somehow thought that their contributions to me would influence my votes were very small contributors. I have gotten several angry letters from some of those who have contributed $50 and said, I gave you $50, and now you voted against this issue.

Mr. SHAYS. That is what we want to do. We want to restore this individual kind of voter that can give you up to a thousand dollars or maybe up to 2,000 under the Senate bill. I don't think that corrupts. I think a million dollars corrupts.

Mr. EHLERS. As I have always told my constituents when they talk about this, the most important thing in campaign finance reform is vote for their individuals on the basis of their integrity. If you elect candidates with integrity, you don't have problems with corruption, no matter the money.

I agree with you. There are many things we can do to improve the testimony, and I will be happy to do that, but I just want to register some concern about this and painting this that we have a very corrupt system. I really don't see the corruption, and I don't want the American people to think that this is basically, intrinsically a corrupt institution, so I just want to get that clarification out there.

I am sorry, I have to leave for another committee hearing.

Mr. SHAYS. Thank you for hearing our testimony.

The CHAIRMAN. Mr. Hoyer.

Mr. HOYER. Thank you very much, Mr. Chairman.

I agree with Mr. Ehlers that this is not a corrupt system. Nor do I believe we have corrupt Members. But anybody who has been involved in this business for very long knows there is a nexus between large dollars and the apparent influence if not the influence on the legislative process. I just think that is——

Mr. EHLERS. Will the gentleman yield?

Mr. HOYER. I certainly would.

Mr. EHLERS. If you want to talk about money or corruption affecting politics, it is not on the direction of contributor towards candidate. It is a second order effect—to use a physicist term—it affects who gets elected. Those candidates who attract the most contributions are more likely to get elected. There are—a company or organization or whatever it may be that gives all of its money to a certain individual it favors is more likely to influence the institution by having that member elected.

But it is not that Members are voting a certain way because contributions have been given to them or even that parties operate in a specific way because of contributions. That is my point simply. I am not saying that money doesn't influence politics, but it influences it in the selection of the candidates or the election of the candidates, rather than on the behavior of the elected officials.

Mr. HOYER. I appreciate the gentleman's comment and think there is a lot of merit in it.

Mr. EHLERS. I thought it was true.

Mr. HOYER. I think there is a lot of merit, and it is true as well.

Without getting into the debate here as to the chicken and the egg, which is what you are talking about, I agree with your basic premise that individuals, small donors and large donors tend to support those candidates who support those policies that they believe are good for them. I agree with that premise.

But there is always a judgment to be made during the process, and I think that—so you have both the influence at the front end—but I think Mr. Shays is correct. There is influence at the end as well. In any event, I appreciate the gentleman and his comment.

I would like to ask Mr. Meehan or Mr. Shays, Mr. McConnell's premise is that, as it relates to McCain-Feingold, that it is an incumbent's bill. I would like you to comment on that.

Mr. MEEHAN. Well, first of all, I think that argument is really opinion, but I don't think the facts back it up. According to Charlie Cook, the number of competitive House races has actually declined since 1996 when we saw this explosion of soft money, from 120 competitive races in 1996 to barely 40 in the 2000 election cycle.

I think what is more telling also is the incumbent reelection rates with the soft money system. You know, when the soft money system firms started to take hold we saw 94 percent of House incumbents that were reelected in 1996, 97.8 percent in 1998, and 98 percent in 2000. So I just don't think the facts bear this out.

I notice there was a recent Roll Call article, April 5 of this year, entitled NRSC Seeks to Deter Challenger. How are they seeking to deter challengers? By transferring soft money to parties in Oregon and New Hampshire for broadcast ads.

So it strikes me that soft money has been used to buck up incumbents who are in office, and I just don't buy this notice that somehow it is to the benefit of challengers, because the fact don't pay that out at all.

Mr. SHAYS. The best example of that is our bill is not law right now, correct? How many incumbents lost this election? How many in the House? How many incumbents lost? out of 435 Members, how many incumbents lost? I think of one Democrat, Mr. Gejdenson. We lost four Republicans. But less than 10? So we are talking about the present system somehow not favoring incumbents. I mean, that is a joke.

And he did not say anything to support it. He just makes the comment. Well, no disrespect to the gentleman, he just throws it out there.

I will tell you what it is. What the present system does is it gives someone like Mitch McConnell, who is head of the Republican Senatorial Campaign Committee, the opportunity to reward his friends who think like him and not contribute to a Bob Franks, who is for reform; or not to encourage Mr. Castle to run in Delaware and encourage an incumbent to stay in office, even though he would lose; to not help a Ms. Smith out in Washington because she wasn't of his persuasion in terms of for reform and against it. It enables the leadership to shape a party in their view.

That is what it is going to do. It is going to restore some power to the individual candidate again; and the leadership, with no disrespect to either side of the aisle, it will take away some of their ability to reward and to give money to certain people.

Mr. HOYER. Well, you understand the leadership on my side of the aisle is for Shays-Meehan.

Mr. SHAYS. I know that. And let me say this. I need to say this: The Democratic leadership has played straight with us from day one. In 1998 and in 1999, they could have played games, and they are playing straight with it now. We wouldn't not have gotten to first base if they had played games, and they could have allowed this to die and then blame us.

Mr. HOYER. Last question I will ask, because I know the hour is getting late and Mr. Davis, who really is our expert on this side on campaign finance reform, intimately involved as a freshman and has worked every year since then on campaign finance reform, I want to leave time for him. But the constitutional issues, the issue of severability issues, clearly there are nonpoliticians who have concerns about the issue of limitation of funds. Would you speak to that?

Mr. MEEHAN. The Supreme Court has ruled as early as last year in Shrink v. Nixon that contribution limits are in fact constitutional if they are contributions for political advertisements. They have upheld disclosure requirements for money that is used in politics.

There is nothing in this bill that seeks to regulate discussion of issues. Issue ads are legal and will be legal once this bill becomes law. Nothing in it at all. All we say is that, when you run campaign ads, then the public has a right to know where the money comes from, and the public has a right to expect that there would be limits that would be in effect. That is basically what we seek to do.

The other thing people say is, how will you be able to determine what is a political ad and what isn't? The Brennan institute did a study using the test that we used in our bill, and they found that in the last election cycle 99.5 percent of the ads were campaign ads—were meant to be campaign ads. People could run issue ads all the time and use whatever money they wanted to.

Mr. SHAYS. I would like to answer it this way: Issue ads are legal, and you can have corporate money and union dues money. When they become a campaign ad, then they are also legal. But what isn't legal is the corporate money and the union dues money and the unlimited money in a coordinated way.

Any individual—and it is based on the law. We do not change the ruling in 1974. Any individual can spend whatever they want for or against a candidate or for themselves. They can still do that. So we do not change what an individual can do.

When they coordinate, if it is a campaign ad, then they come under the campaign law. They can still run the ad.

I think of Right to Life. All of their grassroots supporters, NRA, they can run million dollar ads, but they cannot use corporate treasury money and union dues money and unlimited money from an individual. That is all.

Mr. HOYER. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I just have a couple of brief comments, and then I want to get to Mr. Davis.

But some of the things—and you weren't here today, but some of the things that have been said today—I think I should probably go back in my Appalachian district that I represent. Some of the stuff has run deeper than the biggest—biggest, deep mines we have got around the building here. So I should get my boots to run through it. To make blanket statements of corruption which has been made I think is just wrong. There are a lot of clean people in politics and there are some that are not clean, whether it is at local level or out here in the Congress. I think we do have to be careful with the emotion of the moment and the emotion of the issue.

The other thing I wanted to just make I guess crystal clear, I think our leaders have played straight on this. I know the Speaker of the House has with me. Mr. DeLay sure has. He does not like the bill. He makes no secret of that in the newspapers or here when he testified. But the Speaker of the House has a time frame, as he mentioned, for this bill; and so do I.

I would like to note, because Senator McCain wanted it passed in 2 weeks and we have had this bill before, but we have had routine bills that passed one Chamber and never get passed again. This is a different time and a different flavor. We do not have some Members—some lost their election, but some new Members, because of open seats, and 42 Members have introduced bills in this committee that I think have a right. We are not a rubber stamp for the United States Senate—shouldn't be. We shouldn't be a rubber stamp for the U.S. Senate. If I was in the United States Senate, I would probably say we should be. But we should not be a rubber stamp for the U.S. Senate.

This bill had a debate January, February, March in the U.S. Senate, came over to us April 2, I believe. We went in recess April 5,. We couldn't have drug people back to this building if we had to. Now we are back, and within 1 week we have got a hearing.

I also want to, I think, express my opinion that this is an important issue. I believe both of you have acted in good faith. I have debated Mr. Meehan on television. I think we had a great debate. He looked younger than I did on TV, but still a good debate.

But I do believe that both of you act in good faith, and you are deeply interested in the issue. But I think the American people care that their gasoline went up. I think they are on the edge of their seats on that. I think they are on the edge of their seats that this winter they can barely pay their bills after having 300 or 400 dollars in their checking account and their home heating doubled. They get up in the morning and take their children to school, whether it is single moms or dads or grandparents, whoever is raising the children. They struggle all day long, and they wonder what has happened to their paycheck. Where has it eroded to for whatever reason? I think that is what the American people are on the edge of their seats for. I don't believe the American people are on the edge of their seats for this particular bill.

But, still, having said that, it is still an important subject and an important measure. I just want to make it clear I am not the undertaker for this piece of legislation. I fully expect by the end of

June, this committee—probably 30-some days later than both of you would like it, but by the end of June this committee somewhere around that time should produce a product. What it will look like I don't know. But it is a free flow of amendments in the process here.

Two points I guess I would like to ask about is the provisions of McCain-Feingold, in my opinion, nationalize, federalize voter registration, because it comes into a State and says, because I am on the ballot with our governor in the State of Ohio that year, there is going to be certain limits on how political parties can use their money for voter registration.

I know we all agree we want to turn out voters, we want young people and people of all ages to vote. Do you think there is any—what is your opinion on that nationalization or federalization of——

Mr. SHAYS. Could I just respond to the timetable issue? I did rightfully point out the good faith that I have seen in the Democratic leadership. I would like to, as well, have the same courtesy to say that Denny Hastert, the Speaker, has been an extraordinarily straight shooter on this. He has had disagreements within his own leadership, and he has steered his own course.

Last Congress, we took it up in the first year. He said he would like to take it up this summer. I would hope, if you cannot do it—vote on the bill—and, Mr. Chairman, let me say that we have had conversations, and I have total faith in your fairness and also David Dreier on the rule. So you do not have any question mark in any of our supporters that I know that are going to question your good faith here. I certainly, if I hear of it, I will step in and give them a different view.

In terms of your question, if you can find a way to make sure that voter registration does not become the loophole to bring in corporate money and union dues money into individual races, then let's see how you do it. But, right now—that was the intent years ago, and it has become a gigantic loophole. In came the corporate money, the union dues money, the foreign national money without limits; And that is, I think, wrong, Contrary to the law.

Mr. MEEHAN. In addition to that, Mr. Chairman, there is nothing wrong with State parties using hard money for this effort. That way it is disclosable. People know where it comes from.

But there also was an amendment passed in the Senate bill by Senate Levin that would allow some flexibilities for State parties to raise some limited soft money with a limit of $10,000 to get real, genuine get-out-the vote or generic Republican or Democratic advertisement. That was a get-out-the-vote for the ticket. That was a compromise that was agreed to to try to deal with this issue.

But, look, there is nothing wrong with using some good old-fashioned hard-dollar low contributions to get people registered to vote and get them out to vote; and if there has to be some level of soft money used, the amendment offered by Senator Levin provides that opportunity to State parties.

The CHAIRMAN. I think it ought to be disclosed if you have soft money. It ought to be fully disclosed.

Mr. SHAYS. I would like to say I think it should be disclosed. One of the challenges, though—and give me the opportunity to say I

have no problem with Tom DeLay on this issue. And I have people who ask me about it because he is going to try to kill it. He does not like the bill, and he is up front. I would rather deal with a person who is up front. I know where he is coming from. We just disagree. He could be right, and I could be wrong. He could be.

But disclosure is what they asked for, and when they had—they, the opponents of this bill—when they had the 527, they did not want disclosure. They did not want it, because some of the issue groups did not want disclosure.

I think all of that should be disclosed. If you can—what are the challenges that we have now on our side here trying to marshal the bill though is some good amendments kill our coalition, and some bad amendments gut the bill. It does us no good to have people offer a good amendment and not be there to help pass it at end. All they have done is loaded the bill down.

I would love to just mention quickly about severability. We are dealing with 21 amendments that passed the Senate. They were not all eagerly accepted by the reformers who were moving forward McCain-Feingold. There are one or two of those amendments that I think could be unconstitutional. That was the whole point. We are dealing directly with each other. They wanted to load the bill down with one or two things that might be questionable constitutionally. That is one reason why this bill needs to be changed ever so slightly I think, but maybe have to be changed.

The CHAIRMAN. Do you support paycheck protection and also corporate protection?

Mr. SHAYS. I support something better. Enforce the dang law of 1947. Paycheck protection means that, if a union member wants to, they can have their uniform dues go to campaigns. I think the Taft-Hartley Act, which makes it illegal, is the way to go. The paycheck protection ignores the corporate issue. You invest money in stock, you work for a corporation, you do not get a say in the money they give. So it is really one-sided. If you are going to deal with paycheck protection by unions, you have to find a way to deal with the other side.

I will make this point. Sorry to be redundant. It is against the law for unions to contribute to campaigns. It is a stronger provision than what some advocates who want to go after unions are advocating. Enforce the 1947 law. Do not let it even be contributed. Have them do it through political action committees voluntarily.

The CHAIRMAN. Do you have the same opinion, Mr. Meehan?

Mr. MEEHAN. I do, and also enforcement of the United States Supreme Court decision in *Beck* as well.

The CHAIRMAN. One final—and if you could make the answer short. I want to get to Mr. Davis, and I apologize to him.

One final point that bothers me a lot in the bill, the scenario that I have got that bothers me, I guess, is that if you have, let's say, the National Rifle Association or Gun Control Incorporated, and they have 100,000 members each, and they can take in—or under the bill they cannot take in the soft money contributions from companies or unions and use it within 60 days for radio or television. Okay?

Now, if you limit them—and let's say we do limit them, Gun Control Incorporated and the NRA. What about the wealthy indi-

vidual, the multimillionaire who decides to form his or her own PAC and go on TV and say things about both of you or me and Mr. Hoyer and Mr. Davis on this issue, whether it is for gun control or against gun control? That is—we have limited hundreds of thousands of people who contributed—because some corporate or union money comes into those two groups we have limited them, but again here is the multimillionaire, who can form their own PAC and do what they want.

Mr. SHAYS. What you have limited is enforcing the 1907 law and the 1947 law that says it is illegal. What you have limited is unlimited sums, but you haven't limited the rank and file people of those organizations to contribute.

The CHAIRMAN. But the multimillionaire can use a million dollars to have issue advocacy the day before the election on radio or television, though.

Mr. SHAYS. As long as they do not coordinate it. That is the law. That is the Constitution of the United States. We do not prevent that.

The CHAIRMAN. Okay. Well, we do prevent it if you took the wrong type of money if you are gun control or NRA.

Mr. SHAYS. I don't understand. We go along with the Supreme Court rules that says an individual can spend whatever money they want. We do not do that. And Mitch McConnell has tried to give the impression that somehow we are interfering with the ruling in Vallejo. We are not. We are staying very sincere to that ruling.

The CHAIRMAN. My problem is that the millionaire who let's say is for gun control can spend all that they want the day before the election on radio and TV, but yet this group——

Mr. SHAYS. And the millionaire who is against it can do the same thing.

The CHAIRMAN. Right. But the hundreds of thousands of people, because there would be some union or corporate money in there, the quote, soft money, couldn't do that issue advocacy 60 days before on the same radio and television. Influence is influence is influence; and this is by two individuals spending a million each versus 100,000 on this side and 100,000 on this side, because they have union or corporate money in there and cannot then use that money.

Mr. MEEHAN. Sure they can. If those individuals were to send money to organizations, hard monies, and there were thousands of individuals, they put it into a hard money account, and they could use that money for politics. They could influence an election with that money if they wanted to do it. They would simply put it into a hard money account.

Mr. SHAYS. There is no limit on what they can spend.

Mr. MEEHAN. No limit at all.

Now, if it were corporate money or soft money, they would use that—the NRA would use it to convince people to drop their position on guns, which is what issue advocacy is really all about; and there is no prohibition at all when it comes to that. In fact, a group with thousands of people, in some cases millions of people across America who pay dues into it, they would be able to set up a system whereby, if it is hard money, they would be able to use that

money. But the American people would have the right to know where it came from. It would be disclosed. Just as if you had a wealthy individual who made a contribution, that would be disclosed as well.

The CHAIRMAN. You don't have to answer, but then, obviously, you could use the soft money if you fully disclosed it. You allow soft money to be disclosed. Because if you used hard money and it is disclosed, it would be okay to use soft money if it was disclosed?

Mr. MEEHAN. No, the soft money couldn't be used for electioneering. The soft money could be used for issue advocacy. In other words, if the NRA wanted to influence Americans on their positions relative to gun control, they would have that flexibility, the same flexibility they have today.

The CHAIRMAN. I am sorry, Mr. Davis. Go ahead.

Mr. DAVIS. Thank you, Mr. Chairman. I am glad to hear you get specific. It helps us understand the rhythm of the committee here. You have got a lot of votes.

I want to commend you all on getting as far as you have. But you know what happens when you get closer to the goal line, and I think your efforts together with Senators McCain and Feingold has dispelled the myth that the public doesn't care. You knew they care. They just thought we were a hopeless lot, and it is not a hopeless lot.

I want to ask about the two major issues that Senator McConnell harbored upon as to what he considered to be the deficiencies in the bill, both of which he voted for in the Senate, interestingly enough, the millionaire amendment and the broadcast amendment.

Mr. SHAYS. He voted for both of those?

Mr. DAVIS. He did.

Mr. SHAYS. And he thought they were stupid amendments?

Mr. DAVIS. I think the word he used was "stunningly stupid"—as well as the whole bill.

I guess my question to you is what—I am, of course, a cosponsor of the bill, but we need to look at those amendments carefully. What advice do you have for us as we begin to venture into those amendments? And does the broadcasting amendment clearly implicate the Commerce Committee in your judgment?

Mr. MEEHAN. First of all, I think, as a matter of public policy, the intent of that amendment would be to sell political advertisement at the lowest possible per unit rate and not have broadcasters preempt time. In other words, it is one thing to have the law that you can buy political advertisements, require that at the lowest possible rate but then say we can get more money in prime time, therefore, you can't buy political advertisement.

My reading of the amendment is that it is a good amendment from a public policy perspective. The fact of the matter is, the reason why the cost of running in elections is so high is because of television time. I think, on the whole, this is a very good amendment. I don't think it necessarily means that we have to bog the entire bill up in committee. We can get this bill to the floor and have a vote up and down. My initial reading of it is that it is a good amendment. But I think the Members have to look at that. I think once the Members hear about the amendment, read the amendment, they will believe it is a good amendment.

Now the other provision relative to the millionaire provision, it is something that the Senate specifically left out provisions vis-a-vis the House. We need to have a discussion among the 250 or so supporters of campaign finance reform in the House to determine what course of action should be taken. We are having meetings. We want to talk to Members and get input.

Now, initially, the language in the Senate needed some adjustments. Because in the provisions initially, if somebody had $5 million in an account and had an opponent that spent a million of his or her own money, then the spending limits would triple automatically for the incumbent who already had $5 million in the bank. We need to look at these provisions and have a discussion in the House about them and determine what the will of the House is.

Mr. SHAYS. Mr. Davis, the one thing our bill does not do, and I think Mr. Ney was drawing some focus on that, is that we do not have as good a solution on what happens when you run against a wealthy opponent who can spend unlimited amounts. The best that we have was done by the Senate, not the House, and that was to increase the overall limit that somebody could contribute from $25,000 to $37,500 and to go what they could do as a party from $25,000 to $30,000.

Ultimately, the parties, in my judgment, are the ones that are basically going to be able to contribute to the candidate who needs the help, because we have seen the Senate lift that amount. And Mr. Meehan is right. Ultimately, we have 252 Members who supported this bill last time. They are going to be weighing in on whether the individual limits should go up. But I would make an argument and I would certainly recommend to them that we need to do that to deal with this issue.

But the big flaw with the millionaire's amendment is, just to be real precise, if a Senate Member has money already in the account of a million or two, the person running against them does not get to raise three times as much, and that would be wrong. So we have to deal with that. Your committee has to deal with that.

Mr. DAVIS. My last question has to do with the indexing, and you started to allude to it, that the Senate has inserted in their bill and you all's initial reaction to that.

Mr. MEEHAN. I would prefer it not to have the indexing. I would prefer that we not necessarily double the hard money numbers. But the fact is, under the present system, we do not have any limits. There are unlimited contributions in soft money. I think that that is one of the issues.

We need to talk to the Members of the House who have supported campaign finance reform and determine whether or not, through negotiation with Members of the Senate, we could reach a compromise. We need to have a continuing dialogue, and I am interested in what other House Members believe that we should offer on that. But I do think it is important to get this bill to the President's desk as soon as we can, and that may necessitate some compromise in order to get this bill to become law.

The one other point that I would make relative to this bill being a priority, look, people all across America want a Patients' Bill of Rights. We have bipartisan support for a Patients' Bill of Rights. But they see the HMOs have contributed millions of dollars on one

side of the issue to the political parties, the trial lawyers have contributed millions of dollars on the other side of the issue, and we see gridlock.

They want a prescription drug benefit that is part of the Medicare program, and they cannot understand why we can't get a prescription drug benefit for seniors across this country. Then they pick up the newspaper and read that the pharmaceuticals contributed $15.7 million in soft money. That is when they say, why can't you clean this system up to get policy and health care that makes sense for average Americans? That is why I think it is so important.

Mr. SHAYS. When we voted out the bill in the House in 1998 and 1999, there was the recognition that ultimately we would have to deal with the hard money issue, because you would be basically forcing the political parties to go through incredible withdrawal. So I compliment the Senate in trying to deal with this issue.

You could make an argument that, based on the 1974 law, which I thought worked well, the individual contribution would be $3,750 and PACs would be over $18,000, versus $5,000. So you could make that argument if you wanted to be consistent with the 1974 law. So what the Senate did was go up from $1,000 to $2,000.

And I just want to reinforce what Marty has said. We have lost some reformers on this issue now. And I look at limits. It is not that we went from a thousand to 2,000. It is that we went from a million dollars down to 2,000. That is the way I see it. I mean, it seems so obvious to me. Maybe I am getting too arrogant about this, but seems like it is so obvious.

And the indexing, I think, is essential. The indexing is essential if you are going to do it, if you want to avoid constantly having to deal with this issue every 10 years when it gets out of whack and people start to find ways to get around the system.

Mr. DAVIS. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Davis. I want to thank both of you for your time today and patience.

Mr. Hoyer.

Mr. HOYER. Before our colleagues leave, first of all, I thought your testimony was excellent. It is obvious to all of us that you have been enmeshed in this issue for I guess a long time—I don't know the number of years, but a number of years—and clearly are experts in the House on these issues; and I commend you for your passionate advocacy of trying to reduce what I think most Americans think—and I heard Tom DeLay, and I understand his argument about buying cosmetics and this, that, and the other, but I believe Americans believe that politics is too much about money and not about them. And I think that is what this bill is about.

But let me say something to both of you. I understand your desire—and before both of you got here I asked that we try to report out a bill by Memorial Day. I don't know whether we can reach that or not. But let me urge you as well to keep in mind that if we have a campaign finance system that is honest and above-board and limited and disclosed to the public and they make decisions based upon that disclosure and are based upon their confidence in us and they go to the polls and cast their vote and that vote is not counted, we have a problem.

So while I understand when you say that election reform is not going to happen until November of 2002, let me urge you to consider the fact that if we do not act by September, States will not be able—and we are going to hopefully give some assistance to States—States won't be able to implement reforms to ensure that every vote is counted, that citizens have full access and education and that our election officials are well educated.

So I think both of these are critically important issues if we are going to increase the citizens' confidence in their democracy. So I think it is not one or the other, it is both that need to move forward as quickly as we can move them forward.

Mr. SHAYS. But as separate items.

Mr. HOYER. Yes, absolutely.

Mr. MEEHAN. But I agree, Mr. Hoyer, as well that both of them need to move forward and would point out, because I have heard some people say maybe we should DeLay campaign finance reform for this. The same people who, in many instances, are opposed to campaign finance reform are also opposed to moving quickly on election reform. So I think we need to do them both but have them be separate issues.

The CHAIRMAN. I assure you they are going to be separate. The next time we see punch cards, we want to see them in the Smithsonian.

I ask unanimous consent that witness be allowed to submit their statements for the record, and that those statements be entered in the appropriate place in the record.

Without objection, the material will be so entered.

I also ask unanimous consent that the staff be authorized to make technical and conforming changes in all matters considered at today's hearing.

Without objection, so ordered.

Having completed our business, we are now adjourned. Thank you.

[Whereupon, at 5:37 p.m., the committee was adjourned.]

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