

Markup of H.R. 513, The 527 Reform Act of 2005

MARKUP

BEFORE THE

COMMITTEE ON HOUSE ADMINISTRATION
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS
FIRST SESSION

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MARKUP HELD IN WASHINGTON, DC June 29, 2005
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MARKUP OF H.R. 513, THE 527 REFORM ACT OF 2005

WEDNESDAY, JUNE 29, 2005

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

The Committee met, pursuant to call, at 1:04 p.m., in Room 1310, Longworth House Office Building, Hon. Robert W. Ney (chairman of the committee) presiding.

Present: Representatives Ney, Ehlers, Doolittle, Reynolds, Miller, Millender-McDonald, Brady and Lofgren.

Staff Present: Matt Petersen, Counsel; Paul Vinovich, Staff Director; Chris Otilio, Legislative Director; Jeff Janas, Professional Staff Member; George Shevlin, Minority Staff Director; Thomas Hicks, Minority Professional Staff; and Matt Pinkus, Minority Professional Staff.

The CHAIRMAN. We are going to begin. I will get my statement out of the way.

The Committee is now in order for the purpose of consideration of H.R. 513, the 527 Reform Act of 2005.

The Bipartisan Campaign Reform Act of 2002 was supposed to curtail the influence of soft money in the Federal election system. However, during this past election, BCRA fell woefully short of achieving its primary objective. Over a half billion dollars in soft money was spent in an attempt to affect the outcome of the 2004 elections. In the process, BCRA distorted our political process by taking power away from our political parties and redistributing it to less accountable, ideologically driven, outside groups and created an unlevel playing field. The result is a system where soft money continues to thrive, when it was stated many, many times—and now I am beating the horse completely to death—that soft money will be out of the system.

Soft money is not out of the system. So the result is a system where soft money continues to thrive, our political parties, especially those at the state and local level, are increasingly unable to carry out core functions such as voter registration activities, and the influence of billionaires like George Soros is greatly enhanced. Needless to say, this does not represent progress.

Also, to be fair, you can have Republican George Soroses, one would hope, from the Republican party, I assume, that would come onto the scene.

The question thus becomes, what is the best way to correct the situation?

Three weeks ago, this Committee reported out H.R. 1316, the 527 Fairness Act of 2005. That bill is sponsored by Congressman Mike Pence and Albert Wynn. Mike Pence is a Republican. Albert Wynn, the last I looked, is a Democrat. So this bipartisan bill takes a de-regulatory approach to the 527 issue.

As Congressman Pence has said, instead of pushing down the 527s as some have proposed, H.R. 1316 aims to lift up the other players by injecting more freedom into the campaign system. In other words, H.R. 1316 seeks to reduce some of the regulatory burdens that hinder the ability of party committees, PACs, and individuals to compete on a more level playing field with 527s.

Unlike that bill, H.R. 513, the measure we are considering today, takes a regulatory approach to the outbreak of soft money spending by 527 groups during the 2004 election cycle. So it takes a different approach at what I think has become a problem.

H.R. 513 would require all groups filing under Section 527 of the Tax Code to register and report with the Federal Election Commission as political committees. Thus, 527 groups would be subject to the same contribution limits and source restrictions that are applicable to federal political action committees. A narrow exemption would be provided for 527 groups whose annual receipts were less than \$25,000 or whose activities related exclusively to state or local elections or ballot initiatives. However, this exception would not apply if a 527 group, one, transmitted a public communication that promoted, supported, attacked or opposed a federal candidate in the year prior to a federal election; or, two, conducted any voter drive activities in connection with the election in which a federal candidate appears on the ballot.

H.R. 513 would also impose new allocation rules on 527 groups regarding expense for federal and non-federal activities. For instance, 100 percent of expenses for public communications or voter drive activities that refer only to a federal candidate would have to be paid for with hard money. If both federal and non-federal candidates were mentioned, then at least 50 percent of the expenses would have to be paid for with hard money. In addition, under 513, at least 50 percent of a 527 group's administrative overhead expenses would have to be paid for, again, with hard money. Finally, H.R. 513 would permit 527 groups to maintain certain qualified non-federal accounts to allocate spending with federal accounts.

I would also note I have a change from Mr. Shays which he is supporting, and I will take that up as we go on and explain it in a substitute.

A qualified non-federal account would only be permitted to accept contributions from individuals, and such contributions would be capped at \$25,000 a year. Moreover, national political parties and federal candidates would be prohibited from soliciting funds for these non-federal accounts.

Today, at the request of Mr. Shays, I will be offering this substitute amendment. The amendment is designed to exempt organizations consisting exclusively of state and/or local elected officials, for example, the Republican and Democrat Governors Associations and the National Conference of State Legislators, from the requirements of this bill, provided they do not reference federal candidates in their voter drive activities.

Furthermore, the amendment provides an exception for other committees that limit their activities to state and local elections and issues so long as they restrict their operations to one state and make no references or contributions to federal candidates.

The minority members of the committee and their leadership have made clear their opposition to the other bill we passed, the Pence-Wynn bill, and declared themselves reformers on the issue; and I will hope, however, they will join us and support this bill.

This bill has been endorsed by the reform community, Common Cause, Democracy 21, the Campaign Legal Center; and other like-minded groups recently sent a letter urging House Members, quote, “to support H.R. 513, the 527 Reform Act of 2005, sponsored by Representatives Christopher Shays and Marty Meehan,” end quote, arguing this bill, quote, “is necessary to close the loophole that allowed Section 527 groups to raise and spend hundreds of millions of dollars in unlimited soft money contributions for campaign ads and partisan voter mobilization efforts to influence the federal elections.”

The majority on this Committee, I believe would prefer the Pence-Wynn bill because our experience with BCRA has taught us that the regulation doesn’t equal the process. BCRA succeeded only in steering large soft money contributions away from the parties; H.R. 513 will succeed only in steering them away from the 527s. Where they will go next is anyone’s guess—to 501(c)(4)s or wherever on earth the money travels to—but they will probably go somewhere else. But even though I prefer the other approach, there is nothing wrong with this approach; and I said that quite a while ago.

I am here today because the status quo is unacceptable. Either we loosen the regulatory ties binding the political parties, the PACs and individuals that prevent them from competing on equal terms with 527 groups, or we must subject 527s to the same regulatory restrictions that are applicable to all parties, candidates and committees. Doing nothing is not an option.

So today I propose that the Committee report out the substitute amendment I am introducing, thus allowing it to be fully debated on the House floor along with the Pence-Wynn bill. Since the intention is to report this measure without recommendation, voting yes does not indicate you necessarily support the substance of the underlying legislation; rather, it merely will discharge this bill. But I would note we are not reporting this unfavorably, and that is a significant step. That gives this bill a fighting chance as it goes to the floor of the House.

I fully support this bill. I am going to vote for this bill today. I am going to vote for this bill on the floor of the House. I have informed Mr. Shays and Mr. Meehan of that fact.

I will entertain an opening statement from our Ranking Member. Thank you.

Ms. MILLENDER-MCDONALD. Thank you so much, Mr. Chairman.

I don’t know whether to thank you for scheduling this markup, in that it seems that we are going to have a markup each week on this whole BCRA issue, but I would like to thank you for again coming together with me to consider H.R. 513, the 527 Reform Act of 2005. This bill does deserve to be debated in the full House along

with other bills such as the H.R. 1316, the 527 Fairness Act of 2005, marked up by this committee just a couple weeks ago.

527s are named after a section of the Internal Revenue Code, as we know, that specifies the tax treatment accorded political organizations and tax-exempt organizations which make political expenditures.

Congress has addressed 527s twice in the last 5 years. The Federal Election Commission has added to the regulations of these groups recently. Like in January of this year, the FEC implemented new rules to ensure that organizations that raise and spend money expressly to influence Federal elections will be required to register and file reports with the commission. Additionally, they must pay for activities that influence Federal elections with money under the limitations and prohibitions of the Bipartisan Campaign Act of 2002, BCRA.

Under the new regulations, funds received in response to a communication that indicates any portion of the funds will be used to support or oppose the election of a clearly identified Federal candidate will be considered contributions to the person making the communication. The consequences of this is that an organization's major purpose of which is to make contributions and expenditures in Federal elections must register and report as a political committee. The FEC has already done their own rules and regulations pertaining to this.

Under this new rule, organizations that have triggered political committee status will be required to fund their activities in connection with Federal elections with specific percentages of hard and soft dollars. For example, voter drives that refer to both Federal and non-Federal candidates must be paid with at least 50 percent of hard dollars. In contrast, public communications that refer only to Federal candidates must be paid for with 100 percent hard dollars; and, under the FEC, political committees must comply with the source prohibitions and are limited to \$5,000 per individual.

H.R. 513, as I understand it, is intended to insulate members of Congress from any public criticism for a full year prior to elections. Even an organization that promotes, attacks, supports, or opposes a Federal candidate becomes a political committee and subject to all of the limitations and prohibitions of the law. It does not define what those terms cover. So, consequently, a political organization that criticizes a member for supporting something like Social Security privatization 12 months before the election is transformed into a political committee. This may explain why the bill has attracted support in some of the most surprising quarters.

The bill subjects groups to Federal regulations that engage in voter registration and get-out-the-vote activity even if no mention of a Federal candidate is made during the course of the activity. The clear result will be to depress those activities, regardless of whether a Federal candidate is involved.

Coming from a community such as mine that too often has been the target of voter suppression effects and efforts, I find this feature of the bill difficult to accept. We all are too familiar with the 527 ads run by the Swift Boat Veterans which aired during the 2004 Presidential election. I understand that those ads are now under investigation. I do not know whether that group and some

of the other groups whose ads have been mentioned in the press complied with the law.

Those investigations, however, should be allowed to run their course before Members of Congress and Congress itself embraces sweeping legislation that reaches far beyond that activity and effectively impedes public-minded voter registration efforts; and, if we don't, then we will be after all 501(c)s, period—(c)(3)s, (c)(4)s, (c)(7)s, (c) everything else. See for yourself.

At this point, H.R. 513 appears to be an overreaction to a perceived shortcoming in existing law that may not even exist. H.R. 513 may turn back the gains realized this past election cycle with voter participation. It is without argument that increased voter participation strengthens our democracy. Congress should encourage these citizen-based activities informing the public and getting more citizens involved with our democracy.

Now, I voted for BCRA to sever the connection between Federal officeholders and the raising of soft money. BCRA was necessary to cut the perceived corrupting link between officeholders, the formation and adoption of Federal policies, and non-Federal money, so-called soft money. It was not passed to impede legitimate voter registration and get-out-the-vote activities. I supported BCRA and have the utmost respect for its sponsors and will continue to defend the principles of campaign finance reform, but real campaign finance reform and not all of these bills that are coming before us that are just shortsighted, hurriedly considered, and poorly crafted pieces of legislation.

If adopted, these bills will result in greater reliance on multi-million dollar donors and in the creation of shadowy organizations operating completely outside of any regulations.

Mr. Chairman, on behalf of the minority, I say to you that I intend to file additional and minority views to the committee report; and thank you, Mr. Chairman.

The CHAIRMAN. Mr. Ehlers.

Mr. EHLERS. I will pass at this time. Thank you.

The CHAIRMAN. Mr. Brady. Mr. Doolittle. Mr. Reynolds.

Mr. REYNOLDS. First of all, Mr. Chairman, I request that, in the future, I can revise and extend my remarks.

The CHAIRMAN. Without objection.

Mr. REYNOLDS. I have listened very carefully to your opening statements and to the ranking member. Now I, when we had the Pence-Wynn markup, expressed some of my views then and put some of the things in the record. But it is clear to me that the ranking member must feel that 527s should not be under Federal jurisdiction, that even some of the sponsors of the legislation in either this House or the other body felt it was an oversight that we now have the FEC attempting to write regulations of interpretations of the court. We now see, as Shays-Meehan came and testified—the sponsors of Shays-Meehan of 513 came and testified before this committee, that as a glaring oversight.

I keep hearing about all of this money that we were wringing out in BCRA, and yet we had on the record that the top four Democratic contributors to 527s were about \$80 million on the Democratic side, and the Swift Boat top four contributors were about \$27

million. I think that is big money that came into unregulated 527s on Federal elections.

The CHAIRMAN. Just to note to the gentleman, we have put those up on the screen, of the top ones.

Mr. REYNOLDS. Yes, you did. So I look at that being—

The CHAIRMAN. And—

Ms. MILLENDER-MCDONALD. I am sorry, Mr. Chairman. Did you supply us with any of those outlines of dollars? Are those dollar amounts you are talking about there? What is on the screen?

The CHAIRMAN. It is information that we had given in the last hearing about the different amounts of money.

Ms. MILLENDER-MCDONALD. But at this stage do I get to see those, too?

Thank you.

Mr. REYNOLDS. They were part of the record of my testimony last time, Ranking Member.

The CHAIRMAN. Thank you.

Mr. REYNOLDS. I guess it is just perfect that it is up there to take a look at the investment that is not subject to a level playing field of either candidates or our national parties. So wearing the other hat, as the person who chairs the NRCC, understanding that I have counseled members in the party that we are subject to felonies should we violate any law and that these tax-exempt organizations only risk losing their tax-exempt status if they are in violation, first of all, brings the fact that the law of the land that has been affirmed by the courts is the current BCRA law.

These are unregulated, big-time money wheelers and dealers on both sides of the aisle that aren't subject to Federal law. And I think, as I understand, we have, first of all, Pence-Wynn, which was level the playing field by opening up the national parties to have the ability to have a level playing field with not only 527s but (c)(4)s and (c)(3)s; and I think I heard the chairman in his opening remarks understand that, while the Shays-Meehan bill before us would regulate 527s for Federal candidates, Federal officeholders and in compliance with the same aspect of what we have, you are concerned that big money like that on both sides of the aisle would run over into (c)(4)s and whatever may not solve some of that.

But let us not, as we get into the discussion of the merits of 513 and the manager's amendment, have any thought here that to not put that type of money in check is doing somebody a great deal of service. The only risk they have in however they will function is their tax-exempt status.

It is time to have a good debate in the House, and those people who can find some way to justify that that type of money that is up on the screen shouldn't find itself in oversight and regulation by law and clarify in statute the 527s on Federal candidates and parties will comply I just think are looking at some advantage they like of having that outside money playing in the world of congressional politics.

Ms. MILLENDER-MCDONALD. Mr. Chairman, I would like to respond to Mr. Reynolds, because I did not say that there were organizations who had violated the law. I said that there were some under investigation. But there was not anything in my statement that referred to that.

And it is not my—I did not say that the 527s perhaps should not have any regulations, but I think that you are a proponent of less regulations. All of these bills we are seeing are just overly regulating regulations of 527s. So it just seems to me like if you are one who tends to be a proponent of less regulations, then we certainly should not be looking at overly regulating any organizations or any part of campaign reform.

Mr. REYNOLDS. Will the gentlelady yield?

Ms. MILLENDER-MCDONALD. Yes.

Mr. REYNOLDS. Do you believe under the current FEC regulations that 527s are regulated to Federal candidates in the same spirit of the BCRA law that you supported and is now law of the land?

Ms. MILLENDER-MCDONALD. Well, what the FEC has done now has attempted to try to regulate the 527s—and this is what we are talking about today—with reference to their participating in candidates' campaigns or in political activities that has a slant of getting involved in any Federal candidate or candidate activities. So this is what the FEC is attempting to do with its regulations.

Mr. REYNOLDS. Attempting to do. So is there a regulation on the books that brings FEC under Federal compliance of BCRA, or is there not?

Ms. MILLENDER-MCDONALD. You know, we have addressed 527s in the last 5 years, and this is what the FEC has attempted to do just this January, is to try to see if we can bring 527s into some compliance. But how much more do we have to look at this issue? Why can't we allow those regulations that have been put on the books have an opportunity to be implemented? Why do we have to continue to regulate and over-regulate before we can see whether implementation has been done?

Mr. REYNOLDS. I think the gentlelady, if she looks at it closer, might find that while there is discussion—you use the word “attempt”—of proposed regulations, there is nothing that sets up regulation to stop that type of money in Federal campaigns that I have seen in the FEC. I have seen discussions; you used the word attempted.

The Shays-Meehan bill at the very least, whether I agree that that is the best plan or not, would regulate 527s the same way you and I and every candidate for Federal office would be regulated subject to compliance and reporting and Federal felonies versus just taking away one's tax exemption in 2007 or 2008 when finally somebody did something about it.

Ms. MILLENDER-MCDONALD. Mr. Reynolds, the Pence-Wynn bill is taking away this whole notion of limitations on aggregate limits, and therefore it will become unregulated for hard dollars to just flow.

Mr. REYNOLDS. I urge the gentlelady to support me on this legislation, and then we will at least get this one—

Ms. MILLENDER-MCDONALD. I will look at this legislation, sir.

The CHAIRMAN. The gentlelady from Michigan.

Mrs. MILLER. Yes, Mr. Chairman. I wasn't going to make an opening comment, but I will tell you, looking up at that screen about makes you ill thinking about what has happened.

I will tell you, I was not in Congress when the BCRA was passed, but I would not have supported it. And I say that as a former Michigan Secretary of State who has come full circle on this whole issue of regulation. In fact, when I was the Michigan Secretary of State we actually were on the leading edge of what we thought was very progressive election reform in regards to issue advocacy. I actually was unable to get my legislature to move on it, so I actually promulgated rules as the chief elections officer saying that if a candidate's likeness or if the issue ad mentioned a candidate's name 45 days out from an election that they would have to comply with the Michigan Campaign Finance Act, which I thought was a reasonable thing.

I was sued by Right to Life and Planned Parenthood, from the right and the left, so I thought we were on the right track. But we actually lost that lawsuit in Federal court because of the first amendment, and I really came to agree with that. I realized we were impacting on the people's ability to have free speech. I think this BCRA that is now the law of the land also has a considerable amount of restrictions on people's ability to speak freely, certainly for Federal candidates.

To give you one other personal example, during the last election cycle we had a Statewide ballot initiative in Michigan about a gaming issue in which there was a lot of interest. One side of the issue had asked me to be the spokesperson for their group, and I was not able to do that. Because I was a Federal candidate, I could not appear in any of these advertisements about an issue that I felt pretty strongly about.

In other words, I don't think that was free speech. My ability to speak freely was restricted by BCRA. Otherwise, I would have been a felon. I would have been a criminal by speaking out about a Statewide ballot initiative.

I think that is ridiculous; and I think what has happened, because of BCRA, by restricting contributions and the ability for individuals to donate openly with full transparency into political parties, instead forced all this money from these very rich individuals. I don't think you could call that grassroots politics looking at that screen. That is not the average American who is speaking.

People need to know, in an effort of full transparency, really who is trying to impact the election process. I think what has happened with 527s was probably very predictable, and I do think a lot of the people that supported BCRA initially thought that this kind of a thing would happen.

I do not support the Shays-Meehan bill. However, I am certainly willing to vote today on this committee to let it go to the full floor. I think there should be a full debate on it. I think all Members on both sides should have the ability to give it an up or down vote as well as the Pence-Wynn bill.

I think the more interesting part of this debate will be the campaign reform community who is very righteously indignant so often about some of these things, and it will be interesting to see their response when we see what the vote actually will be on some of these bills.

But I do think, again, the overriding challenge for Congress is to make sure that people have the ability to understand who is trying to influence the election process and their vote. Thank you.

The CHAIRMAN. The gentlelady from California.

Ms. LOFGREN. Thank you, Mr. Chairman.

It was three and a half years ago that Congress passed and the President signed the Bipartisan Campaign Reform Act; and that bill was really the culmination of years of work by many members of Congress, and in particular Congressmen Shays and Meehan. As I am sure you will recall, it took a long time for consideration, and ultimately the bill came to the floor because of a discharge petition. I was number 22 in signing that petition. And, of course, one once it got on the floor it passed by a large margin, 240 by 189.

I think every member—every Democratic member of this committee voted for it and every Republican member voted no, with the exception of our new member who was not yet a Member of Congress.

I think that Shays-Meehan had a clear purpose. It took Members of Congress out of the business of asking lobbyists and special interests for large, unregulated donations. There is something unseemly about a Senator or a Congressman asking a donor for \$100,000 or \$250,000 or even a million dollars, and the campaign finance reform bill outlawed that.

The legislation went into effect November 6, 2002, and I think it had a terrific impact on the 2004 elections. Both parties were able to wean themselves from soft money and were successful in raising funds through small dollar donations, which is more of the grassroots democracy that we want.

According to the Committee for the Study of the American Electorate, we had a surge in voter turnout in 2004. The turnout rose by 6.4 percent, the biggest election increase since 1952. And that is good. We want voters to be motivated and get involved. It is a good thing for our democracy.

But I think it is unfortunate that the bill that we are considering today would roll back this progress. I believe it would depress voter turnout, decrease independent get-out-the-vote efforts, reduce education; and, worst of all, it will violate Americans' right to free speech and association.

The 527s are independent; and, by law, they are not permitted to coordinate with candidates or elected officials. I have not heard that any group has violated the rule. If you have, then we ought to refer the information you have to the U.S. Attorney, because it is against the law.

The independent activities by 527s groups is constitutionally protected. In upholding McCain-Feingold, the Supreme Court distinguished between fully independent activity and the activities of parties under the control of candidates.

The people who contribute to these organizations are motivated by their beliefs. No Member of Congress has called and asked them to give 100, 300, a million, any amount of money. That is illegal. Under the first amendment, they have a right to contribute to what they believe in.

My colleagues who so strenuously opposed the Shays-Meehan bill just a few years ago now want to push to limit the ability of indi-

viduals and independent groups to organize and speak out. Why is that?

I think that this exercise, along with the speedy passage of Pence-Wynn, is really an effort by the Republican majority and Congress to cement their power. By pushing Pence-Wynn, we will roll back the reforms of Watergate so you can raise millions of dollars from your wealthy donors; and by marking up Shays-Meehan, you will shut down outside independent groups, some of whom have disagreed with you effectively and you—even though that proposal is unconstitutional, it would stop, at least temporarily, grass-roots organizations from raising money until the courts throw it out.

These two bills, if passed together by the Republican majority, once again the rules will be changed in the middle of the game to the advantage of the majority. And that may be what you can do with your power, but it doesn't make it right.

I am for campaign reform as long as it is true and authentic. Certainly you do not have to allow independent groups a tax deduction. No one is arguing that the 527 tax deduction is protected by the first amendment. However, the right to speak and to donate independent from campaigns is protected by the first amendment, and I would hope that we would keep in mind that the first amendment is important, we should honor our Constitution, and take it seriously.

So I very seriously disagree with what is going on here today and yield back, Mr. Chairman.

The CHAIRMAN. I would just like to make a couple points, and then members can talk, and we will move on this and have further discussion.

First of all, nothing in the Shays-Meehan bill would hamper any current investigation.

As for controlling the majority of the House, I doubt Mr. Meehan would sponsor a bill that would lead to the Democrat party or to the Republican party keeping control. So, in other words, I think Mr. Meehan's and Mr. Shays' intentions are correct. If this bill would in fact consolidate our power, I would question why a Democrat would sponsor it and why other Democrats support this bill.

Ms. LOFGREN. If the gentleman would yield. I think the world of Mr. Meehan. I serve with him on the Judiciary Committee. I think in this particular instance he is incorrect. The fact that Mr. Shays supported the Shays-Meehan bill and it took a discharge petition actually does prove the point that occasionally each party has members that are mavericks and, in your view, made a mistake in Mr. Shays' case and, in our view, made a mistake in Mr. Meehan's case this time.

The CHAIRMAN. Reclaiming my time. I make no bones about it. I voted against BCRA. I fought against BCRA. But it is here. The authors of this bill have said they were going to take soft money out. It didn't happen. And that includes McCain and Feingold, the two senators over there. They have recognized this. I am not saying in my mind philosophically it is the perfect way to do this, but I think it merits the vote, and I am going to support it and to vote for it on the floor. But I think it does address the problem of the soft money.

If I could, for the record, I would like to go to the next slide, Joint Victory Campaign. Because the statements have been made, Members of Congress do not—well, I will get to that in a second.

The Joint Victory Campaign fund shows a few of the contributors to that. No small amount of change.

America Coming Together. If you could put that slide up. Joint Victory Campaign. George Soros again. Service Employees. Peter Lewis. Alida Rockefeller. Robert Glaser.

The next slide is The Media Fund. Joint Victory Campaign. Some other people. Joseph Field. American Federation of Teachers.

MoveOn.org. George Soros. Herbert Sandler. Peter Lewis. Steve Bing. Kind of repeats the names again.

America Votes. Bingo. We can cross-match those names again.

Now, as far as Members of Congress not asking for soft money, how about employees, former employees, or at-the-same-time employees?

Let us go to the next slide.

Let us see, in 2004, Executive Committee of the Democratic National Committee. Chair senator—a senator's PAC. And, at the same time, 2004 at some point in time, 2004 election cycle.

The next one. I think that staff kept a busy year afoot.

The next one.

Ms. MILLENDER-MCDONALD. But did BCRA prohibit that, Mr. Chairman?

The CHAIRMAN. If we want to say nobody is asking for money here, these are employees that are—reclaiming my time.

The next picture. Kerry Campaign. Chief operating. And America Coming Together.

So I must say, I am not saying anything is wrong here, but—

Ms. MILLENDER-MCDONALD. Mr. Chairman, what is wrong here?

The CHAIRMAN. Could I please finish?

Let us not say that people are not involved with political organizations or Members' offices or that they are not out doing other things or asking for things.

Ms. MILLENDER-MCDONALD. Mr. Chairman, clearly, each American has some philosophical views of one party or the other. But it certainly should not circumvent them from getting involved in this process of 527 organizations. And you have slanted this whole theme with nothing but Democratic organizations. Aren't there—weren't there some Republican groups that came together?

The CHAIRMAN. I assumed you would provide that.

Ms. MILLENDER-MCDONALD. Had you told me you were going to go this far, I guess I would have.

The CHAIRMAN. This bill is going to apply to the Swift Boat Veterans too. I think it should.

Ms. LOFGREN. I think the fact that individuals once worked for an elected official doesn't mean that the elected official is directing their activity. If it does, that is a proposition that you are making today, then Mr. DeLay has a lot of explaining to do about Mr. Abramoff. I think that that is a leap that needs to be proven and not assumed.

The CHAIRMAN. I am not saying anything here.

Look, Mr. Ickes worked for both at the same time. Now, if the ethics committee would like to constitute and take a look at him or anybody else, that is fine with me.

Ms. MILLENDER-MCDONALD. Let me say this, Mr. Chairman. I have respected you because you have always shown me the fair and balanced approach of your chairmanship. Had you said to me that we should have a display of these types of things showing one side or the other, I would have been prepared for that. I did not. I came purposely to talk about the Shays-Meehan bill.

But you have displayed here a whole litany of things that the Democratic force or those you perceive as—merely because they were once employees of Democratic Presidents or whatever—that they should not have the autonomy to become an independent person working with a 527 organization. I think that is wrong. I mean, where are we going here in this country if you are going to shackle folks from when they leave working with either a Member of Congress or a President, albeit Republican or Democrat, that they should not engage in independent groups?

And may I say to Mrs. Miller, I am sorry that maybe you weren't here when BCRA was before us, because in my view we did not limit Federal candidates. We had \$1.7 billion raised between these two parties for the last election. That doesn't seem to be limiting any Federal candidates or at least Federal parties.

The CHAIRMAN. Without objection, I will put the record open; and we will get the Swift Boat, Mr. Corsi, and put his pictures in there and any connections he might have had. If he worked two jobs at the same time, I would actually entertain that.

Let's move on and have further discussion.

Mr. Ehlers.

Mr. EHLERS. I passed earlier because I wanted the benefit of the discussion. I am not sure I have received very much benefit from it, so I will proceed to offer my comments.

I just am sitting here somewhat in amazement talking about this bill and the Pence-Wynn being overregulation. It seems to me the overregulation took place when we passed BCRA. Be that as it may, it is the law of the land. But I think the worst part about BCRA has nothing to do with me as a Member of Congress or any of the other aspects, but the debilitating effects upon political parties.

What I find astounding is to sit here and listen to people saying that 527s are fine, these are just citizens getting together to provide information and voter registration and that. That is exactly what the parties do. And since we so severely limited the ability of parties in BCRA, I fail to understand why 527s are constitutionally protected and political parties are not. That makes absolutely no sense.

It was clear in the last—I think these are a detriment to the political process; and I find it very surprising that the minority party, which is always complaining about wealthy Republican contributors, is arguing that individuals, no matter what their party, should be free to contribute \$25 million or \$50 million to an organization without any regulation other than their tax deductibility. It just boggles my mind, coming to hear that from the minority party at this point, because they argued the other way when we were de-

bating BCRA. I don't want to accuse anyone of hypocrisy, but I would simply say I am just surprised to hear that.

I think 527s are a curse to the political process, and I don't care if it is a Republican or Democrat, in the way they behaved in the last election, lack of accountability. What floors me in this—and you may well find this in the Republican ones, too, I don't know. But the shifting of money back and forth, which is usually a sign of some chicanery going on, where the Joint Victory Campaign got a bunch of money and they proceeded to give \$18 million plus to America Coming Together, another group, they also proceeded to give \$44 million plus to the Media Fund, and so on down. The way money flowed back and forth reminds me of the Nixon Watergate era. We tried to learn something from that with the Watergate experience, and that is when we passed the first campaign finance law.

I think what we have tried to do in BCRA was a noble attempt. I voted for every alternative to it, because I thought all of them had good points and were better than BCRA. But, be that as it may, BCRA is the law of the land; and I am willing to live under it. But I am not willing to have the tightly regulated role of BCRA regulating what the political parties can do and a totally hands-off approach to 527s which are performing much of the same functions as the political parties. That makes absolutely no sense to me.

It was on that basis I supported the Pence-Wynn bill we reported out. I am not totally happy with that bill, but at least it treated parties and 527s equally. And that is the way I think it should be. So I think it is just unconscionable that——

Ms. MILLENDER-MCDONALD. Will the gentleman yield?

Mr. EHLERS. No, I will not yield.

I think it is totally unconscionable to say that 527s don't even have to report to the FEC. I was very disappointed when the FEC took that position during the last election. I think most of us in the political realm assumed that they would do that, and that is why we thought the 527s were a temporary phenomenon as a political organization. But now that they have refused to do it, I think I am convinced we have to do it by law and at least require the full and complete reporting that we are subjected to, that the political parties are subjected to. That is the very least we can do, and that will take place under either of these bills that we are presenting.

I yield back the balance of my time.

The CHAIRMAN. I would like to——

Ms. MILLENDER-MCDONALD. Mr. Chairman, I would just like to ask the gentleman a question or clarify something or at least attempt to do so.

BCRA did not limit the parties from voter registration. They can still do that. It is just not with soft money. It is with hard money. So BCRA did not limit the parties from doing voter registration. And if you say that——

Mr. EHLERS. So would the gentlelady yield?

Ms. MILLENDER-MCDONALD. I will yield. I will allow you time. You did not allow me, but of course——

Mr. EHLERS. Well, because I did not have much.

Ms. MILLENDER-MCDONALD. Yeah, right.

Mr. EHLERS. So you think that under BCRA that some member of your party or my party could contribute to their party to the amount of \$23,450,000?

Ms. MILLENDER-MCDONALD. I am sorry?

Mr. EHLERS. You think that under BCRA George Soros or someone on our side could contribute \$25 million to—

Ms. MILLENDER-MCDONALD. No, what I am simply saying is that you made the statement that BCRA disallowed the parties from doing voter registration.

Mr. EHLERS. No, I did not say that. I—

Ms. MILLENDER-MCDONALD. Then I misunderstood.

Mr. EHLERS. We regulated the receipt of money.

Ms. MILLENDER-MCDONALD. We can still do that with the parties, but it is just with hard money.

Mr. EHLERS. I am talking about the money. The money is the problem. Remember with Watergate, follow the money? I am following the money here.

Ms. MILLENDER-MCDONALD. But if we were to learn from Watergate, then we certainly should not be putting more money into this whole notion of campaign elections as in the Pence-Wynn bill.

Ms. LOFGREN. Would the gentlelady yield?

The CHAIRMAN. Controlling the time here. We shouldn't put more money, and that is what Shays and Meehan want to do, limit the amount of money in the system, period. Pence-Wynn, from their point of view, want to take the aggregate up to a level playing field. But Shays-Meehan clearly, in my opinion, wants to get money out of the system; they thought they were getting it out with BCRA.

Ms. LOFGREN. Would the gentleman yield?

I carry the Constitution with me at all times, and it is times like this that I find that very handy. The first amendment actually matters, and it does govern what we do here.

It says: Congress shall make no law—ta da—prohibiting the free exercise of the freedom of speech. And when we passed BCRA, the court was faced with a conundrum. How do you control speech—every right has some limits. As we know, you can't yell fire in a crowded theater. And the rationale for allowing that to proceed was about corruption. It is about individual candidates and officeholders and their corruption in dealing with money and the opportunity for money to impact the legislative process and the like. And it was on that basis only that the courts said, yes, BCRA is constitutional.

You cannot find that rationale in the five—the free exercise of speech, whether it is the NRA or whether it is Planned Parenthood or whether it is Move On or any of the other—the Swift Boat guys, that rationale was not present.

Now I assume from the charts that the chairman has put up that behind those charts is this thought: That if somebody had once worked for a politician, by extension, the corruption constitutional rationale is present. I don't believe that the court has ever found that. By that rationale, the chairman's former press secretary's knowledge of the Tigua tribe would be imputed to him, and I don't think that is appropriate. I don't think Mr. Abramoff's activities can be imputed to the majority leader simply because he was once employed. No one believes that that is the case. You have to have

a factual proof of knowledge and activity, not just that somebody once worked for somebody else.

So this is—what we are doing is the worst of both worlds. We are once again inviting corruption in the political fund-raising arena by allowing officeholders to raise vastly greater sums of money, while unconstitutionally limiting individuals who we may not agree with who have nothing to do with the political officeholders. You know, we can do this. The courts are going to drop it down. But I think there is a rationale and a motive here, and I don't think it is a healthy one. And I think—

The CHAIRMAN. Would the gentlelady yield just for a second? This is not really a five-minute time. I would like to move the bill, and then we can have the debate.

I would, though, since we have been mentioned, like to say I appreciate the clearance from you. For example, if you had a former press secretary who was bribed by Saddam Hussein's regime, I would not connect that to any—

Ms. LOFGREN. Of course not.

The CHAIRMAN. So I understand and agree with that. With this, let me—

Mr. EHLERS. I would just ask one question for clarification on the Constitution argument.

Ms. LOFGREN. Right.

Mr. EHLERS. How does that fit the political parties then? Why don't they have the same right to free speech as the 527s?

Ms. LOFGREN. Well, the political parties actually do, except to the extent that they are connected to Federal officeholders. That is why the FEC has gone into a regulatory scheme that talks about how much can be soft money and how much hard money and voter registration drives. It is a very complicated scheme that none of us much like, I will admit. But it is only the connection with Federal officeholders that ties up the State parties. And, you know, maybe there is a more elegant way to regulate that, but the constitutional issues I think are quite clear.

Mr. EHLERS. My point simply is that I thought both should be treated the same.

The CHAIRMAN. Mr. Doolittle, and then we will move on to the bill.

Mr. DOOLITTLE. Mr. Chairman, I am just having a great time. My Democrat colleagues are sitting up here and espousing all these things and haven't cracked a smile once. This is hilarious. I mean, you have rigged, wired, and stacked the system, and I compliment you. You have got a Republican President to go along with you and sign the turkey into law. So now we are stuck with it.

But, I mean, this is just ludicrous. The top four donors of 527s—you know, we talk about getting money out of politics. They have given over \$71 million to these groups. Republicans, they always tell us how we have got millionaires. Our guys are too cheap to give that kind of money. Where do you find these people? I wish you could tell me. I would love to know because we don't come close to that. You have done it magnificently. You have done it with the cooperation of some Republicans. It is just yet another illustration of how the law has been consistently abused in this area by one

party using it as a club against the other. You did it to us. You did it well. I compliment you.

We will eventually figure it out, maybe. That is what happened with the soft money. You guys got going on that first, and then we finally figured it out and got pretty good at it, and so it was time to change the rules again.

In one of the sweet ironies, though, which I love of campaign finance regulation, there is always the unexpected, and the unexpected was this tiny little 527, the Swift Boat Veterans, which raised a miniscule fraction of money compared to these big things that we have seen up on the screen. But their message broke through, and it got Bush reelected. That was sweet. I did enjoy that. And maybe it will happen again. But it happened in spite of your best efforts. You know, all that rhetoric we heard about we have got to get the money out of politics, and that was the whole premise of Shays-Meehan, and this is the result, \$71 million by the top four big Democrats here in 527s.

Ms. MILLENDER-MCDONALD. Will the gentleman yield?

Mr. DOOLITTLE. Well, I will, but let me—you know, I have been absorbing all of this; I want to get some more of this out because it is just hilarious that, you know, now you are waving the Constitution and quoting the first amendment. I love it. You know, the first amendment, quote: “Congress shall make no law abridging the freedom of speech.” that is what Shays-Meehan was all about. Unfortunately, it went through the filter of the Supreme Court which found that you can post a monument to the Ten Commandments on the grounds of the State Capitol and that doesn’t violate the Constitution, but if in a courtroom you have a framed copy of the Ten Commandments, that does violate the Constitution.

This decision on BCRA makes about as much sense as those two decisions. And I would submit to you that the law is just persistently abused. The only way to address this is to deregulate and let people make the choices they make and report what they are doing. It is ludicrous to tie the hands of the parties and sit here and piously pretend that that is okay.

And then we have these unaccountable 527s, which will result in more negative campaigns and in less accountability as a result of this, and less voter participation, ultimately, than we have presently had.

Ms. MILLENDER-MCDONALD. Will the gentleman yield?

Mr. DOOLITTLE. Now, if I have any time and you want me to yield, I will yield.

Ms. MILLENDER-MCDONALD. Please. Thank you.

Mr. Doolittle, did the 527s violate any law? Did they violate any law?

Mr. DOOLITTLE. No, because you cleverly wrote the law so they didn’t. You got your 527s in the queue, all lined up. You know, Tom DeLay had the first 527, and you guys filed a RICO charge against him. I had to raise hard money and donate to him and pay his \$600,000 in legal fees. I guess you figured you didn’t want him getting too far ahead of you, so you needed to slow him down a little bit.

Ms. MILLENDER-MCDONALD. Well, Mr. Doolittle.

The CHAIRMAN. Anybody else, either side, like to disparage today?

Ms. MILLENDER-MCDONALD. Mr. Doolittle, you said that the Democrats were the ones who got way out on this, but now you have said that Mr. DeLay was out in front of this early on.

Mr. DOOLITTLE. I think Mr. DeLay educated you on what you could do with the law. You slowed him down, you got a slew of big 527s.

Ms. MILLENDER-MCDONALD. I thank you so much for your animation. I really enjoy it.

Mr. DOOLITTLE. You are welcome.

Ms. MILLENDER-MCDONALD. But let me say this. It was stated earlier that 527s are a curse, and yet do you think voter registration of those who have voices who were not heard is a curse?

Mr. DOOLITTLE. The parties do registration. You just made it much harder by having to use hard dollars every time there is a Federal election, which is every other election.

Ms. MILLENDER-MCDONALD. It is so nice to have you in California, Mr. Doolittle.

The CHAIRMAN. With that, let me lay before the committee the bill H.R. 513, open to an amendment. And I do offer an amendment in the nature of a substitute.

[The information follows:]

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "527 Reform Act of 2005".

SEC. 2. TREATMENT OF SECTION 527 ORGANIZATIONS.

(a) DEFINITION OF POLITICAL COMMITTEE.—Section 301(4) of the Federal Election Campaign Act of 1971 (2 U.S.C. 431(4)) is amended—

(1) by striking the period at the end of subparagraph (C) and inserting “; or”; and

(2) by adding at the end the following:

“(D) ANY APPLICABLE 527 ORGANIZATION.”.

(b) DEFINITION OF APPLICABLE 527 ORGANIZATION.—Section 301 of such Act (2 U.S.C. 431) is amended by adding at the end the following new paragraph:

“(27) APPLICABLE 527 ORGANIZATION.—

“(A) IN GENERAL.—For purposes of paragraph (4)(D), the term ‘applicable 527 organization’ means a committee, club, association, or group of persons that—

“(i) has given notice to the Secretary of the Treasury under section 527(i) of the Internal Revenue Code of 1986 that it is to be treated as an organization described in section 527 of such Code; and

“(ii) is not described in subparagraph (B).

“(B) EXCEPTED ORGANIZATIONS.—A committee, club, association, or other group of persons described in this subparagraph is—

“(i) an organization described in section 527(i)(5) of the Internal Revenue Code of 1986;

“(ii) an organization which is a committee, club, association or other group of persons that is organized, operated, and makes disbursements exclusively for paying expenses described in the last sentence of section 527(e)(2) of the Internal Revenue Code of 1986 or expenses of a newsletter fund described in section 527(g) of such Code;

“(iii) an organization which is a committee, club, association, or other group that consists solely of candidates for State or local office, individuals holding State or local office, or any combination of either, but only if the organization refers only to one or more non-Federal candidates or applicable State or local issues in all of its voter drive activities and does not refer to a Federal candidate or a political party in any of its voter drive activities; or

“(iv) an organization described in subparagraph (C).

“(C) APPLICABLE ORGANIZATION.—For purposes of subparagraph (B)(iv), an organization described in this subparagraph is a committee, club, association, or other group of persons whose election or nomination activities relate exclusively to—

“(i) elections where no candidate for Federal office appears on the ballot; or

“(ii) one or more of the following purposes:

“(I) Influencing the selection, nomination, election, or appointment of one or more candidates to non-Federal offices.

“(II) Influencing one or more applicable State or local issues.

“(III) Influencing the selection, appointment, nomination, or confirmation of one or more individuals to non-elected offices.

“(D) EXCLUSIVITY TEST.—A committee, club, association, or other group of persons shall not be treated as meeting the exclusivity requirement of subparagraph (C) if it makes disbursements aggregating more than \$1,000 for any of the following:

“(i) A public communication that promotes, supports, attacks, or opposes a clearly identified candidate for Federal office during the 1-year period ending on the date of the general election for the office sought by the clearly identified candidate (or, if a runoff election is held with respect to such general election, on the date of the runoff election).

“(ii) Any voter drive activity during a calendar year, except that no disbursements for any voter drive activity shall be taken into account under this subparagraph if the committee, club, association, or other group of persons during such calendar year—

“(I) makes disbursements for voter drive activities with respect to elections in only 1 State and complies with all applicable election laws of that State, including laws related to registration and reporting requirements and contribution limitations;

“(II) refers to one or more non-Federal candidates or applicable State or local issues in all of its voter drive activities and does not refer to any Federal candidate or any political party in any of its voter drive activities;

“(III) does not have a candidate for Federal office, an individual who holds any Federal office, a national political party, or an agent of any of the foregoing, control or materially participate in the direction of the organization, solicit contributions to the organization (other than funds which are described under clauses (i) and (ii) of section 323(e)(1)(B)), or direct disbursements, in whole or in part, by the organization; and

“(IV) makes no contributions to Federal candidates.

“(E) CERTAIN REFERENCES TO FEDERAL CANDIDATES NOT TAKEN INTO ACCOUNT.—For purposes of subparagraphs (B)(iii) and (D)(ii)(II), a voter drive activity shall not be treated as referring to a clearly identified Federal candidate if the only reference to the candidate in the activity is—

“(i) a reference in connection with an election for a non-Federal office in which such Federal candidate is also a candidate for such non-Federal office; or

“(ii) a reference to the fact that the candidate has endorsed a non-Federal candidate or has taken a position on an applicable State or local issue, including a reference that constitutes the endorsement or position itself.

“(F) CERTAIN REFERENCES TO POLITICAL PARTIES NOT TAKEN INTO ACCOUNT.—For purposes of subparagraphs (B)(iii) and (D)(ii)(II), a voter drive activity shall not be treated as referring to a political party if the only reference to the party in the activity is—

“(i) a reference for the purpose of identifying a non-Federal candidate;

“(ii) a reference for the purpose of identifying the entity making the public communication or carrying out the voter drive activity; or

“(iii) a reference in a manner or context that does not reflect support for or opposition to a Federal candidate or candidates and does reflect support for or opposition to a State or local candidate or candidates or an applicable State or local issue.

“(G) APPLICABLE STATE OR LOCAL ISSUE.—For purposes of this paragraph, the term ‘applicable State or local issue’ means any State or local ballot initiative, State or local referendum, State or local constitutional amendment, State or local bond issue, or other State or local ballot issue.”

(c) DEFINITION OF VOTER DRIVE ACTIVITY.—Section 301 of such Act (2 U.S.C. 431), as amended by subsection (b), is further amended by adding at the end the following new paragraph:

“(28) VOTER DRIVE ACTIVITY.—The term ‘voter drive activity’ means any of the following activities conducted in connection with an election in which a candidate for Federal office appears on the ballot (regardless of whether a candidate for State or local office also appears on the ballot):

“(A) Voter registration activity.

“(B) Voter identification.

“(C) Get-out-the-vote activity.

“(D) Generic campaign activity.

“(E) Any public communication related to activities described in subparagraphs (A) through (D).

Such term shall not include any activity described in subparagraph (A) or (B) of section 316(b)(2).”

(d) REGULATIONS.—The Federal Election Commission shall promulgate regulations to implement this section not later than 60 days after the date of enactment of this Act.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date which is 60 days after the date of enactment of this Act.

SEC. 3. RULES FOR ALLOCATION OF EXPENSES BETWEEN FEDERAL AND NON-FEDERAL ACTIVITIES.

(a) IN GENERAL.—Title III of the Federal Election Campaign Act of 1971 (2 U.S.C. 431 et seq.) is amended by adding at the end the following:

“SEC. 325. ALLOCATION AND FUNDING RULES FOR CERTAIN EXPENSES RELATING TO FEDERAL AND NON-FEDERAL ACTIVITIES.

“(a) IN GENERAL.—In the case of any disbursements by any political committee that is a separate segregated fund or nonconnected committee for which allocation rules are provided under subsection (b)—

“(1) the disbursements shall be allocated between Federal and non-Federal accounts in accordance with this section and regulations prescribed by the Commission; and

“(2) in the case of disbursements allocated to non-Federal accounts, may be paid only from a qualified non-Federal account.

“(b) COSTS TO BE ALLOCATED AND ALLOCATION RULES.—

“(1) IN GENERAL.—Disbursements by any separate segregated fund or nonconnected committee, other than an organization described in section 323(b)(1), for any of the following categories of activity shall be allocated as follows:

“(A) 100 percent of the expenses for public communications or voter drive activities that refer to one or more clearly identified Federal candidates, but do not refer to any clearly identified non-Federal candidates, shall be paid with funds from a Federal account, without regard to whether the communication refers to a political party.

“(B) At least 50 percent, or a greater percentage if the Commission so determines by regulation, of the expenses for public communications and voter drive activities that refer to one or more clearly identified candidates for Federal office and one or more clearly identified non-Federal candidates shall be paid with funds from a Federal account, without regard to whether the communication refers to a political party.

“(C) At least 50 percent, or a greater percentage if the Commission so determines by regulation, of the expenses for public communications or voter drive activities that refer to a political party, but do not refer to any clearly identified Federal or non-Federal candidate, shall be paid with funds from a Federal account, except that this paragraph shall not apply to communications or activities that relate exclusively to elections where no candidate for Federal office appears on the ballot.

“(D) At least 50 percent, or a greater percentage if the Commission so determines by regulation, of the expenses for public communications or voter drive activities that refer to a political party and refer to one or more clearly identified non-Federal candidates, but do not refer to any clearly identified Federal candidates, shall be paid with funds from a Federal account, except that this paragraph shall not apply to communications or activities that relate exclusively to elections where no candidate for Federal office appears on the ballot.

“(E) Unless otherwise determined by the Commission in its regulations, at least 50 percent of any administrative expenses, including rent, utilities, office supplies, and salaries not attributable to a clearly identified can-

didate, shall be paid with funds from a Federal account, except that for a separate segregated fund such expenses may be paid instead by its connected organization.

“(F) At least 50 percent, or a greater percentage if the Commission so determines by regulation, of the direct costs of a fundraising program or event, including disbursements for solicitation of funds and for planning and administration of actual fundraising events, where Federal and non-Federal funds are collected through such program or event shall be paid with funds from a Federal account, except that for a separate segregated fund such costs may be paid instead by its connected organization. This paragraph shall not apply to any fundraising solicitations or any other activity that constitutes a public communication.

“(2) CERTAIN REFERENCES TO FEDERAL CANDIDATES NOT TAKEN INTO ACCOUNT.—For purposes of paragraph (1), a public communication or voter drive activity shall not be treated as referring to a clearly identified Federal candidate if the only reference to the candidate in the communication or activity is—

“(A) a reference in connection with an election for a non-Federal office in which such Federal candidate is also a candidate for such non-Federal office; or

“(B) a reference to the fact that the candidate has endorsed a non-Federal candidate or has taken a position on an applicable State or local issue (as defined in section 301(27)(G)), including a reference that constitutes the endorsement or position itself.

“(3) CERTAIN REFERENCES TO POLITICAL PARTIES NOT TAKEN INTO ACCOUNT.—For purposes of paragraph (1), a public communication or voter drive activity shall not be treated as referring to a political party if the only reference to the party in the communication or activity is—

“(A) a reference for the purpose of identifying a non-Federal candidate;

“(B) a reference for the purpose of identifying the entity making the public communication or carrying out the voter drive activity; or

“(C) a reference in a manner or context that does not reflect support for or opposition to a Federal candidate or candidates and does reflect support for or opposition to a State or local candidate or candidates or an applicable State or local issue.

“(c) QUALIFIED NON-FEDERAL ACCOUNT.—

“(1) IN GENERAL.—For purposes of this section, the term ‘qualified non-Federal account’ means an account which consists solely of amounts—

“(A) that, subject to the limitations of paragraphs (2) and (3), are raised by the separate segregated fund or nonconnected committee only from individuals, and

“(B) with respect to which all requirements of Federal, State, or local law (including any law relating to contribution limits) are met.

“(2) LIMITATION ON INDIVIDUAL DONATIONS.—

“(A) IN GENERAL.—A separate segregated fund or nonconnected committee may not accept more than \$25,000 in funds for its qualified non-Federal account from any one individual in any calendar year.

“(B) AFFILIATION.—For purposes of this paragraph, all qualified non-Federal accounts of separate segregated funds or nonconnected committees which are directly or indirectly established, financed, maintained, or controlled by the same person or persons shall be treated as one account.

“(3) FUNDRAISING LIMITATION.—

“(A) IN GENERAL.—No donation to a qualified non-Federal account may be solicited, received, directed, transferred, or spent by or in the name of any person described in subsection (a) or (e) of section 323.

“(B) FUNDS NOT TREATED AS SUBJECT TO ACT.—Except as provided in subsection (a)(2) and this subsection, any funds raised for a qualified non-Federal account in accordance with the requirements of this section shall not be considered funds subject to the limitations, prohibitions, and reporting requirements of this Act for any purpose (including for purposes of subsection (a) or (e) of section 323 or subsection (d)(1) of this section).

“(d) DEFINITIONS.—

“(1) FEDERAL ACCOUNT.—The term ‘Federal account’ means an account which consists solely of contributions subject to the limitations, prohibitions, and reporting requirements of this Act. Nothing in this section or in section 323(b)(2)(B)(iii) shall be construed to infer that a limit other than the limit under section 315(a)(1)(C) applies to contributions to the account.

“(2) NONCONNECTED COMMITTEE.—The term ‘nonconnected committee’ shall not include a political committee of a political party.

“(3) VOTER DRIVE ACTIVITY.—The term ‘voter drive activity’ has the meaning given such term in section 301(28).”.

(b) REPORTING REQUIREMENTS.—Section 304(e) of the Federal Election Campaign Act of 1971 (2 U.S.C. 434(e)) is amended—

(1) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5); and

(2) by inserting after paragraph (2) the following new paragraph:

“(3) RECEIPTS AND DISBURSEMENTS FROM QUALIFIED NON-FEDERAL ACCOUNTS.—In addition to any other reporting requirement applicable under this Act, a political committee to which section 325(a) applies shall report all receipts and disbursements from a qualified non-Federal account (as defined in section 325(c)).”.

(c) REGULATIONS.—The Federal Election Commission shall promulgate regulations to implement the amendments made by this section not later than 180 days after the date of enactment of this Act.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date which is 180 days after the date of enactment of this Act.

SEC. 4. CONSTRUCTION.

No provision of this Act, or amendment made by this Act, shall be construed—

(1) as approving, ratifying, or endorsing a regulation promulgated by the Federal Election Commission;

(2) as establishing, modifying, or otherwise affecting the definition of political organization for purposes of the Internal Revenue Code of 1986; or

(3) as affecting the determination of whether a group organized under section 501(c) of the Internal Revenue Code of 1986 is a political committee under section 301(4) of the Federal Election Campaign Act of 1971.

SEC. 5. JUDICIAL REVIEW.

(a) SPECIAL RULES FOR ACTIONS BROUGHT ON CONSTITUTIONAL GROUNDS.—If any action is brought for declaratory or injunctive relief to challenge the constitutionality of any provision of this Act or any amendment made by this Act, the following rules shall apply:

(1) The action shall be filed in the United States District Court for the District of Columbia and shall be heard by a 3-judge court convened pursuant to section 2284 of title 28, United States Code.

(2) A copy of the complaint shall be delivered promptly to the Clerk of the House of Representatives and the Secretary of the Senate.

(3) A final decision in the action shall be reviewable only by appeal directly to the Supreme Court of the United States. Such appeal shall be taken by the filing of a notice of appeal within 10 days, and the filing of a jurisdictional statement within 30 days, of the entry of the final decision.

(4) It shall be the duty of the United States District Court for the District of Columbia and the Supreme Court of the United States to advance on the docket and to expedite to the greatest possible extent the disposition of the action and appeal.

(b) INTERVENTION BY MEMBERS OF CONGRESS.—In any action in which the constitutionality of any provision of this Act or any amendment made by this Act is raised (including but not limited to an action described in subsection (a)), any Member of the House of Representatives (including a Delegate or Resident Commissioner to Congress) or Senate shall have the right to intervene either in support of or opposition to the position of a party to the case regarding the constitutionality of the provision or amendment. To avoid duplication of efforts and reduce the burdens placed on the parties to the action, the court in any such action may make such orders as it considers necessary, including orders to require intervenors taking similar positions to file joint papers or to be represented by a single attorney at oral argument.

(c) CHALLENGE BY MEMBERS OF CONGRESS.—Any Member of Congress may bring an action, subject to the special rules described in subsection (a), for declaratory or injunctive relief to challenge the constitutionality of any provision of this Act or any amendment made by this Act.

(d) APPLICABILITY.—

(1) INITIAL CLAIMS.—With respect to any action initially filed on or before December 31, 2008, the provisions of subsection (a) shall apply with respect to each action described in such subsection.

(2) SUBSEQUENT ACTIONS.—With respect to any action initially filed after December 31, 2008, the provisions of subsection (a) shall not apply to any action

described in such subsection unless the person filing such action elects such provisions to apply to the action.

The CHAIRMAN. And for the record, I have a statement from Congressman Christopher Shays on the substitute amendment. Do you all have that statement there? It was handed to me before; Mr. Shays came to me and said he supported it—we will get a copy, and I will include it in the record. It is from Mr. Shays:

“I appreciate the House Administration markup of H.R. 513, the 527 Reform Act, which will require 527 organizations to live by the same rules as other political committees that work to influence federal elections.

“The substitute clarifies the intent of the original bill. While the original bill exempted 527s engaged exclusively in state elections from the registration requirement, it denied the exemption to groups that carry out “voter drive activities,” defined as “get out the vote,” voter ID, or voter registration during a Federal election year. This made the exemption too narrow.

“The substitute bill ensures in two important ways that the state 527s that only work on behalf of non-federal officeholders will not have to become federal PACs.

“First, it completely exempts organizations of state and local candidates or officeholders, groups such as the Democratic Governors Association, Republican Governors Association, or a state legislative caucus would be exempt, as long as their voter drive activities only mention state candidates or ballot issues. These groups do not qualify for the exemption, however, if they mention federal candidates in their communication.

“Second, the bill provides a slightly narrow exemption for State PACs that are only active in state elections.”

And I will get a copy to you; it is in the substitute.

Ms. MILLENDER-MCDONALD. They just passed it to me.

[The statement of Mr. Shays follows:]

STATEMENT OF CONGRESSMAN CHRISTOPHER SHAYS ON SUBSTITUTE AMENDMENT TO
H.R. 513, THE 527 REFORM ACT

I appreciate the House Administration mark-up of H.R. 513, the 527 Reform Act, which will require 527 organizations to live by the same rules as other political committees that work to influence federal elections.

The substitute clarifies the intent of the original bill. While the original bill exempted 527s engaged exclusively in state elections from the registration requirement, it denied the exemption to groups that carry out “voter drive activities”—defined as get-out-the vote, voter ID, or voter registration—during a federal election year. This made the exemption too narrow.

The substitute bill ensures in two important ways that state 527s that only work on behalf of non-federal officeholders will not have to become federal PACs.

First, it completely exempts organizations of state and local candidates or officeholders. Groups such as the Democratic Governors Association, Republican Governors Association, or a state legislative caucus would be exempt, as long as their voter drive activities only mention state candidates or ballot issues. These groups do not qualify for the exemption, however, if they mention federal candidates in their communications.

Second, the bill provides a slightly narrower exemption for state PACs that are active only in state elections. The additional requirements for these PACs to qualify for an exemption are that they can only be active in a single state, and they cannot have a candidate for Federal office or Federal officeholder controlling or participating in the organization or raising money for it.

Finally, the substitute makes a number of changes to ensure that federal PACs that allocate expenditures can use non-federal money for expenditures designed only

to assist state candidates even if they make an incidental reference to a federal candidate or political party.

These changes are consistent with the principles set forth in the Bipartisan Campaign Reform Act, which sought to make sure that only federal money is used for federal election activities, but left state election activities in the hands of individual states.

The CHAIRMAN. Yes. I am told by Mr. Shays, that this conforms with what the two Senators have had in their original bills, as I understand it. Mr. Shays asked for this in the nature of a substitute, and I was told that this is agreed to by he and Mr. Meehan. And so it is their bill and so I yielded to them. Is there any discussion on it?

Ms. MILLENDER-MCDONALD. Mr. Chairman, your substitute amendment has just come to me about an hour before I walked down to this markup, so I haven't had an extensive time—we tried to rush through it to look at it. But you are stating that you have changed your position now and you are supporting the Shays-Meehan bill?

The CHAIRMAN. Changed my position from what?

Ms. MILLENDER-MCDONALD. Well, we have the Pence-Wynn bill here that you sent out and supported that one, and now you are supporting this one.

The CHAIRMAN. No. I hate to take that dead horse, beat it, and shoot it, but if we must, I didn't support original BCRA. One. Let me say it again; I didn't support original BCRA.

Two, I didn't support original BCRA. Three.

Now, having gone to that, I supported Pence-Wynn. I think that is the best way. But having said that, I don't think there is anything wrong with this. I said weeks ago, if I had my way, I would have a hearing on this and a vote. So I am not changing anything. I stayed very consistent.

Any other questions?

Ms. LOFGREN. Mr. Chair, just a couple of comments. I think, although an attempt to narrow the effect of the bill apparently, it does not cure the constitutional defect that I identified earlier. I just would like to note—I mean, clearly, each of us are sent here by our district to represent them, and America is a very diverse place and we have different points of view, and that is one of the great things about America.

I wanted to ask my colleague from California, Mr. Doolittle—you know, he and I don't agree on a lot of things, but I do respect his integrity and his point of view. And I know he opposed BCRA because he thought it was an impermissible intrusion, really, into first amendment rights, and that would be consistent against the 527. I mean, at least that would be a principled position—I might not completely agree with that to the BCRA part—but consistent.

And so I would hope that consistency might be applied for those who oppose BCRA as an unconstitutional intrusion into free speech, that that same principle would be applied on this measure as well. And I think if we move forward on a partisan basis, that is unfortunate. I guess the only good news is that ultimately there is an arbiter of the Constitution that will sort it out.

And I thank the gentleman for yielding.

Ms. MILLENDER-MCDONALD. Mr. Chairman, just another question. With your amendments, are you now ensuring that there will be some fair advantage—

The CHAIRMAN. With Mr. Shays' and Mr. Meehan's amendment?

Ms. MILLENDER-MCDONALD. Yes. This amendment that you have here. Will you correct—because it is my understanding in this 513 bill, that it gives an unfair advantage to corporations and trade associations by allowing them to continue spending unlimited and undisclosed amounts of money for political purposes.

The CHAIRMAN. I am sure—

Ms. MILLENDER-MCDONALD. Does your amendment help to balance that out in any way?

The CHAIRMAN. This is from Mr. Shays' and Mr. Meehan's, this amendment.

Ms. MILLENDER-MCDONALD. This amendment here is not.

The CHAIRMAN. It is not my amendment. I am simply the messenger.

Ms. MILLENDER-MCDONALD. Well, it is my understanding that this amendment still does not and the bill still does not give a balance here between unions and other organizations as it gives to trade organizations and corporations. That is my understanding.

The CHAIRMAN. I don't know that to be a fact.

Ms. MILLENDER-MCDONALD. And if that is the case, then of course it does not fit with my position at all and I oppose it.

The CHAIRMAN. Mr. Shays and Mr. Meehan gave me this—well, Mr. Shays gave me this amendment and said it fits with the principles of the bill. I guess it paralleled something done in the Senate bill, but I think—

Ms. MILLENDER-MCDONALD. I am sorry. Someone said it is your amendment. I am sorry; it was his. Well, that is my understanding, that it is still in this bill. So I would be opposing this bill.

Mr. REYNOLDS. Mr. Chairman, point of clarification to help us understand.

Shays-Meehan came before this committee and participated in a hearing on their legislation, and we had the opportunity for this committee and for the record and for the public to hear why they wrote the legislation for 527. We also had Pence-Wynn come in and explain their legislation. My understanding, we have had a vote on Pence-Wynn.

You are now bringing before us the legislation on Shays-Meehan, and your intent is to recommend that we pass this out of committee without recommendation, so that it comes to the floor as a whole if it is scheduled for a floor vote.

What I have heard you say now is the amendment before us would be an amendment offered by the authors, Shays-Meehan, which would mirror what the other body has done, known as the McCain-Feingold legislation, that would take, in my instance, Erie County and New York State politics out of this and just allow it to be oversight of the Federal—or, in Mr. Brady's case as chairman of the Philadelphia committee, the city of Philadelphia, the State of Pennsylvania out of it, so it just would correspond to Federal candidates, Federal parties, on the aspect of what it is looking to do in the spirit of Shays-Meehan.

The CHAIRMAN. If the gentleman would yield. This language is what Senators McCain and Feingold have in their bill. And Mr. Shays today, I think around 11:00 a.m. or so, had provided me the explanation of this. And at Mr. Shays' request I am offering this amendment.

The amendment is designed, again, to exempt organizations consisting exclusively of state or local elected officials—for example, the Republican and Democrat Governors, National Conference, and state legislators—from the requirements of the bill, provided they do not reference federal candidates in their voter drives. It is very simple. It doesn't go into company and union. It is just a very simple amendment. It parallels McCain-Feingold.

And, frankly in Mr. Shays' and Mr. Meehan's opinion, this perfects their bill, while paralleling what Senators McCain and Feingold have in theirs.

MS. MILLENDER-MCDONALD. But—is Mr. Reynolds finished? Are you finished?

MR. REYNOLDS. Mr. Chairman—and then I will gladly yield back. In listening to some of the discussion of our colleagues on both sides of the aisle, I believe—and with the assistance of counsel, if we need it, if I am off base here, because the law is rather complex and it is sometimes difficult under BCRA law to get two lawyers to agree.

I believe that BCRA now sets a clear message on coordination. And there won't be coordination. And I believe that the FEC has powers of enforcement. And I believe there was intent by the authors that there would be also Department of Justice oversight of BCRA.

And so there are really two jurisdictions of oversight, so to speak, of the law; one by FEC, the other by Department of Justice. And what I believe I understand of 527s, they are exempt from that oversight, based on there is not any felonies or other Federal crimes in this. They had actually, instead of contacting the United States Attorney—because they would refer you to the IRS—the complaint you would have on the 527s and the action of Federal money or nonFederal money or involved in Federal campaigns, would be to call up the IRS so when they got around to your complaint review, whether the tax exempt of the 527 would remain or whether it was subject to violations of the existing law.

And so one of the level playing fields, I want to assure each and every one of you and all my colleagues that might be listening to this, make no mistake, we are under—subject to felonies—Federal law, Department of Justice, and FEC, how we conduct our business.

To the best of my knowledge, the spirit of this would bring 527s into Federal compliance of oversight by both FEC and DOJ as well, versus now where it is just an IRS complaint that would be dealt with according to when they can fit it in. And I understand they are rather overlogged because we are having a run of 527s (c)(4)s and (c)(3)s just in this business, in addition to all the other tax-exempt status they have.

We are moving forward here. I understand at least the spirit of this legislation would be to put the 527s relative to Federal candidates and their interest in Federal campaigns into the same over-

sight as we now find ourselves subject to and that we put our national parties under, but that the amendment would make it clear, once and for all, that the State of Pennsylvania and the city of Philadelphia and the State of New York and the county of Erie, which I come from, would be exempt from this oversight as long as they weren't there.

The authors, as I understand it also, when they wrote the bill made it clear that our old-fashioned politicking of the Northeast—at least in Buffalo, we used to have slate cards, and it used to have everybody on the ticket on it. It was felt so strongly by the authors of Shays-Meehan, which is now law in BCRA, that you can't have a Federal candidate on a slate card of local and State officials paid for by soft money. And in this instance, I am finding that there is some hesitancy of also looking at just segregating State and local officials away from this, because it is not concerning them, and it is just Federal candidates like us, in the same spirit of the slate card, that we would look at 527s' oversight and their activities of Federal elections.

The CHAIRMAN. Other—

Ms. MILLENDER-MCDONALD. But, Mr. Reynolds and Mr. Chairman, it is certainly—you are absolutely right that you would be—we are still restricted from engaging in State and local elections and those slate cards, because we are under the law of BCRA. And so given that, irrespective of the exemption that comes from this bill here, you are still under that rubric of BCRA.

Mr. REYNOLDS. Absolutely.

Ms. MILLENDER-MCDONALD. And so therefore, we still cannot engage in BCRA.

Mr. REYNOLDS. Absolutely.

Ms. LOFGREN. Would the gentlelady yield? I just want to very briefly—because I could be wrong, but I think the gentleman was commenting on a point that I made earlier. And if not, I will just clarify.

Because the 527 donors are engaging in protected first amendment activity, they are not subject to regulation. However, because you can, according to the Court, constitutionally regulate Federal candidates to avoid corruption, the point I was making is that you cannot tie Federal candidates to the 527 activities. If you do, that is regulated, it can be regulated, and it is prohibited. And so who you would be referring to the U.S. Attorney is the Federal candidates who are doing the illegal tying.

I have not heard, actually—there has been a lot of talk about the various ad campaigns. I haven't really heard that there was such illegal tying by Federal candidates. You know, I didn't like everything I saw, to be honest, but I don't think it was coordinated in an unlawful way. If somebody has information to that effect, it ought to be sent to the authorities.

I just wanted to clarify that statement. Thank you, Mr. Chairman.

The CHAIRMAN. Just a comment. I don't know of cases where there are illegalities. It is simply money into the system. Mr. Shays and Mr. Meehan are not comfortable with that; their forum groups are not comfortable with that. And that is what the aim of this law

is: to get rid of soft money that was supposed to be out of the system. Soft money is not out of the system. This is their intent.

Mr. Brady.

Mr. BRADY. Yes, Mr. Chairman, just briefly. I find myself a little confused here. We have a law that nobody seems to know legally what you can or cannot do. So then we are in a position that we have got to figure out what we can do to surround or get around an action that won't find us as a felon.

And now we have a couple of my colleagues that are putting in another bill to amend a bill that we didn't know what we are allowed to do with. And now we have another amendment that we are not voting yes or no, but we are voting to turn over to our colleagues in the big House, in the big room over there, when we don't know, still, whether or not we are allowed legally to do that.

The CHAIRMAN. The gentleman is correct.

Mr. BRADY. Well.

The CHAIRMAN. The gentleman is correct. And I see nothing cloudy about that.

Mr. BRADY. The gentleman is correct and also, again, confused. And my good friend from New York brings up my city of Philadelphia and State of Pennsylvania. And, yes, this would probably take or help out some of our State and local politics. But I am their favored son. They won't include me in this; they don't want to hinder me in any way, shape, or form. So me, as a party chairman, figured out how I can best do this—and I would take a ride up to Erie, up in New York, and teach you how to do your ballots and slate cards and figure out how to get around. It is a little bit of an inconvenience.

But I just don't understand what we are doing and how we continue to do this and how—if we are not going to vote up or down with a vote recommendation. So I am glad that I am correct in my assumptions and I am glad I am also correct in my confusion.

The CHAIRMAN. And I would tell the gentleman, in a bipartisan spirit, I am right there with you. Mr. Ehlers.

Mr. EHLERS. Just to summarize what you just said. You are quite right, and many of us don't know what is in the law. And, at the same time, we can go to the "big house" as a result of not knowing.

Mr. BRADY. I have attorneys that are going to go ahead of me, sir, for bad advice, because I haven't got the same answer from any of them yet.

The CHAIRMAN. Well, let us report the bill. The clerk will report the bill.

The CLERK. Amendment in the nature of a substitute to H.R. 513, offered by Mr. Ney. Strike all after the—

The CHAIRMAN. Without objection, will suspend.

Is there any further discussion on the amendment? The question is on the amendment.

Those in favor of the amendment will say aye.

Those opposed will say nay.

The clerk will call the roll.

The CLERK. Mr. Ehlers.

Mr. EHLERS. Aye.

The CLERK. Mr. Mica.

[No response.]

The CLERK. Mr. Doolittle.

Mr. DOOLITTLE. Aye.

The CLERK. Mr. Reynolds.

Mr. REYNOLDS. Aye.

The CLERK. Mrs. Miller.

Mrs. MILLER. Aye.

The CLERK. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. No.

The CLERK. Mr. Brady.

Mr. BRADY. No.

The CLERK. Mrs. Lofgren.

Ms. LOFGREN. No.

The CLERK. Chairman Ney.

The CHAIRMAN. Aye.

Five yeas, three nays. The amendment is agreed to.

Question on the substitute, as amended.

Those in favor will say aye.

Those opposed will say nay.

The clerk will call the roll.

The CLERK. Mr. Ehlers.

Mr. EHLERS. Aye.

The CLERK. Mr. Mica.

[No response.]

The CLERK. Mr. Doolittle.

Mr. DOOLITTLE. Aye.

The CLERK. Mr. Reynolds.

Mr. REYNOLDS. Aye.

The CLERK. Mrs. Miller.

Mrs. MILLER. Aye.

The CLERK. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. No.

The CLERK. Mr. Brady.

Mr. BRADY. No.

The CLERK. Ms. Lofgren.

Ms. LOFGREN. No.

The CLERK. Chairman Ney.

The CHAIRMAN. Aye.

Five yeas, three nays. The bill is adopted as amended.

Before we go on for a motion, are there any closing statements members would like to make?

Ms. MILLENDER-MCDONALD. Mr. Chairman, I really wish we would allow and accord this body to deliberate more on this issue as opposed to rushing legislation to the floor as we are doing. We hardly have had time to review BCRA since this election. We have hardly had time to review some of the elements of what you are now putting forth as legislation. And my only hope is that we do not see another 527 bill come before this committee before we can try to exhaust some of those that is already headed for the big house.

Thank you.

The CHAIRMAN. I would assume this is like Jaws 10. I mean, it is going to come back and back and back. And then 501(c)(3)s. And, of course, if you really want to mess with the government, mess

with the IRS. They will go after the 501(c)(3)s, and you won't have to worry about the FEC.

But, you know, when you have legislation and rules and regulations, things happen. I will say I promised Mr. Shays and Mr. Meehan, when I talked to both of them, that I would have a vote. And I am having a vote. And I think it is a good thing to do. I don't control when these things go to the floor.

I will say I was a bit amazed today; it is one of the only legislative bodies in the world where I offer a vote and all of a sudden we are trying to kill the bill. That does amaze me. But I think they have their ability to have a vote. I think people are shocked that we had the vote. But, again, I think this is a good thing to do and I think it aims to get at the problem. But the bottom line is, even though I didn't agree with everybody on the BCRA, all the principals of the House and the Senate, they did argue that this will end soft money as we know it. And I believe, even not agreeing with them philosophically, that they have stepped up to the plate; because we all know soft money for both parties has not ended. Not to cause an embarrassment, but I think they want to correct a problem that was not in the first part, or that the FEC in fact did not address, one of the two. I happen to believe it should have been addressed in the bill, not by the FEC. And that is what I think Mr. Shays and Mr. Meehan are doing here.

Ms. MILLENDER-MCDONALD. Well, they are correcting a problem, I suppose. But in the meantime, they are also putting a disadvantage further on other organizations at the advantage of some. And, you know, you can always argue the point that, well, there might be some who are going to be slightly disadvantaged. But I think you should try and have a fair and balanced—that is what Fox News says.

The CHAIRMAN. The gentlelady.

Mrs. MILLER. Just a quick comment here, Mr. Chairman. I know we are trying to move on here. But talking about MoveOn, it has been my observation just listening to some of these comments today, particularly about presumptions of corruption. Much of BCRA was based on a presumption that politicians and political parties were going to be corrupt and were being corrupted by all the money that was flowing in there. And yet now we have these 527s with all this money unregulated, and there is a presumption that they are not corrupt.

And I thought it was interesting that you had MoveOn.org who said: It is our party, we own it, we bought it, and we are taking it back.

I don't know what anybody would think about that, but to me that sounds like something that is sort of corrupt, in my mind. And I think we again need to move toward a full disclosure.

The CHAIRMAN. Mr. Ehlers.

Mr. EHLERS. Mr. Chairman, I just want to offer one comment. When asked by my people back home about these various laws, I simply comment to them, it is far more important to look at the integrity of the candidate than to worry about the details of the laws. And I am bothered by all the discussion about corruption. I think that corruption has been very limited in the past 20 years in political offices throughout this land, and we often lose sight of

that. We have a lot of good people in public office, and they deserve our trust and respect.

I recognize we need campaign finance laws, but I hope the emphasis remains on maintaining the integrity of the individuals and not on punishing them.

Mr. Chairman, I move that H.R. 513, as amended, be reported to the House without recommendation.

The CHAIRMAN. The question is on the motion.

Those in favor will say aye.

Those opposed will say nay.

The clerk will call the roll.

The CLERK. Mr. Ehlers.

Mr. EHLERS. Aye.

The CLERK. Mr. Mica.

[No response.]

The CLERK. Mr. Doolittle.

Mr. DOOLITTLE. Aye.

The CLERK. Mr. Reynolds.

Mr. REYNOLDS. Aye.

The CLERK. Mrs. Miller.

Mrs. MILLER. Aye.

The CLERK. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. No.

The CLERK. Mr. Brady.

Mr. BRADY. No.

The CLERK. Ms. Lofgren.

Ms. LOFGREN. No.

The CLERK. Chairman Ney.

The CHAIRMAN. Aye.

It is five yeas, three nays. The motion is agreed to, and H.R. 513, as amended, is reported to the House without recommendation.

I ask unanimous consent that members have seven legislative days for statements and materials to be entered in the appropriate place in the record. Without objection, materials so entered.

I ask unanimous consent that staff be authorized to make technical and conforming changes on all matters considered by the committee at today's meeting. Without objection, so ordered.

Ms. MILLENDER-MCDONALD. Mr. Chairman.

The CHAIRMAN. The gentlelady.

Ms. MILLENDER-MCDONALD. Yes, thank you. Mr. Chairman, pursuant to clause 2(1) of rule 11, I am requesting not less than two additional calendar days, as provided by the rule, to submit additional views to accompany the committee's report on this bill.

The CHAIRMAN. Without objection. I want to thank the gentlelady and both sides of the aisle members for your patience and indulgence today. Having completed our business today, the Committee is adjourned.

[Whereupon, at 2:24 p.m., the committee was adjourned.]