

527 REFORM ACT OF 2005

JULY 22, 2005.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. NEY, from the Committee on House Administration,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 513]

[Including cost estimate of the Congressional Budget Office]

The Committee on House Administration, to whom was referred the bill (H.R. 513) to amend the Federal Election Campaign Act of 1971 to clarify when organizations described in section 527 of the Internal Revenue Code of 1986 must register as political committees, and for other purposes, having considered the same, report thereon with an amendment and without recommendation.

The amendment is as 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 candidate, 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.

H.R. 513, the “527 Reform Act of 2005” (“the Act”), was introduced on February 2, 2005 and referred to the Committee on House Administration. H.R. 513 amends the Federal Election Campaign Act (“FECA”) of 1971 to clarify when organizations described in section 527 of the Internal Revenue Code of 1986 must register as political committees. The committee, having considered the Act, voted to report it without recommendation 5–3.

PURPOSE OF THE LEGISLATION

The stated purpose of the Bipartisan Campaign Reform Act of 2002 (“BCRA”) was to “sever the link” between federal office holders and large “soft money” donors. The minority members of the committee, all of whom voted for BCRA, assert that it has accomplished this goal. The current state of federal campaigns and election activities, however, belie this assertion. Although BCRA prohibits federal officeholders and candidates from directly soliciting soft money, the link between soft money organizations established under section 527 of the Internal Revenue Code (“527s”) and federal officeholders, candidates, and top party officials has clearly not been severed.¹ In fact, the record set forth below demonstrates that “independent” 527 groups are often intertwined with federal office holders and national parties, and that soft money continues to play a role in federal elections. H.R. 513 seeks to remedy this situation by adding 527 groups to the definition of “political committee” under FECA, thus subjecting them to the full panoply of federal election law regulations.

After the passage of BCRA, many groups began to organize under section 527 to avoid the restrictions it imposed. Some groups organized to benefit Republicans, some to benefit Democrats. Though ostensibly “independent”, there were numerous connections between top party officials and major 527 groups during the 2004 election cycle. In some cases, there was steady movement of individuals between political campaigns and 527 organizations. A case in point is MoveOn.org. Although MoveOn.org describes itself as an “independent” organization, a closer review reveals its close ties to the official party structure.

MoveOn.org is organized into three separate organizations: MoveOn.org Civic Action, a 501(c)(4) organization that focuses on issue advocacy; MoveOn.org Political Action², a political action committee registered with the FEC that works directly to elect

¹The fundraising restrictions in BCRA, of course, extend not only to federal officeholders themselves, but also to their agents and to the national party committees.

²MoveOn.org Political Action was formerly known as MoveOn PAC. As a political action committee registered with the FEC, contributions to MoveOn.org Political Action must conform to FEC rules regulating political committees.

“progressive” candidates; and MoveOn.org Voter Fund, an organization constituted under section 527 of the tax code. It is this final organization, MoveOn.org Voter Fund, that, as a 527 organization, can accept unlimited contributions from individual donors. During the 2004 election cycle alone, MoveOn.org Voter Fund raised over \$12 million in such funds, the majority of which came from three individual donors who gave at least \$2.5 million each: George Soros, Peter Lewis, and Herbert Sandler.³ These multi-million dollar soft money contributions made by wealthy individuals are not subject to the type of limits BCRA imposes on other political committees.

While circumventing BCRA’s regulatory scheme, officials at MoveOn interacted with officeholders and federal campaign officials. For example, during the 2004 presidential campaign, top officials for MoveOn worked simultaneously for the John Kerry presidential campaign.⁴ This interaction between MoveOn and Democratic lawmakers did not end with the conclusion of the presidential campaign. Instead, it has grown considerably. Members of Congress are now openly working with MoveOn.org. The House Minority Leader or her staff has “calls and meetings ‘on a weekly basis’ with representatives of MoveOn.”⁵ Many prominent members of Congress have spoken at MoveOn rallies.⁶ MoveOn’s Executive Director was recently invited by Senate Democrats to address them at a retreat.⁷ He described MoveOn’s role in working with elected leaders: “We’re acting as kind of an external whip, making sure there are rewards for people who are helping move the message and penalties when people go off message.”⁸ MoveOn’s interaction with Democratic party officials also continues. The Democratic National Committee has praised MoveOn for its efforts, stating that “[o]bviously they [MoveOn] are relaying the Democratic Party message.”⁹

Interaction with lawmakers and party officials is only one aspect of MoveOn’s influence on federal election activity. MoveOn.org has also participated in massive fundraising and campaign efforts to support or oppose elected officials. The group has organized several fundraising campaigns to benefit federal officeholders,¹⁰ as well as

³MoveOn.org Voter Fund: Liberal Advocacy Group, The Center for Public Integrity, available at <http://www.publicintegrity.org/527/search.aspx?act=com&orgid=682> (Jan. 31, 2005). This summary will be included in the appendix to this report.

⁴For example, Zach Exley transitioned from being the Director of Special Projects for MoveOn.org to become the Director of Online Communications and Organization for John Kerry’s presidential campaign. Exley also helped Howard Dean set up his web-based organization during the Democratic presidential primary. Campaigns, National Journal, Apr. 8, 2004. The entire article will be included in the appendix to this report. Tom Matzzie helped run Kerry’s Internet campaign and now works as MoveOn.org’s Washington Director. Ronald Brownstein, The Internet and Democrats, The National Journal, Vol. 37, No. 27, July 2, 2005. The entire article will be included in the appendix to this report.

⁵According to Rep. Nancy Pelosi’s spokeswoman Jennifer Crider. Chris Cillizza, MoveOn Goes Mainstream, Roll Call, Apr. 13, 2005. The entire article will be included in the appendix to this report.

⁶Id.

⁷Ronald Brownstein, The Internet and Democrats, The National Journal, Vol. 37, No. 27, July 2, 2005. Brownstein, *supra* note 4.

⁸Adam Smith, Unshaven, Unbowed and in Our Face, St. Petersburg Times, Feb. 18, 2005. The entire article will be included in the appendix to this report.

⁹Cillizza, *supra* note 5.

¹⁰For example, through MoveOn.org, a U.S. Senator was able to raise \$823,000 in 72 hours for a colleague. MoveOn Goes Mainstream, Roll Call, Apr. 13, 2005. The entire article will be included in the appendix to this report.

become involved in the Vermont Senate race nominee selection.¹¹ MoveOn admits it plans on “rewarding” politicians who “say and do the right thing” with fundraising efforts.¹² To that end, MoveOn’s website is accepting donations for several “hot” 2006 Congressional races against high-profile members of Congress.¹³ MoveOn’s fundraising efforts are obviously appreciated by lawmakers. The Senate Assistant Minority Leader has said that MoveOn is “one of our most important” fundraising avenues.¹⁴

Further evidence of MoveOn’s influence on federal election activity is the statements of its own members. Officials in the organization have claimed to control the Democratic Party. An e-mail sent out earlier this year to MoveOn supporters announced that the Democratic Party is now “[O]ur party: We bought it, we own it and we’re going to take it back.”¹⁵ MoveOn’s potential influence on the 2006 Florida governor’s race has been touted by MoveOn representatives, “MoveOn will be able to ask our members to contribute to the Florida governor’s race faster than any organization in the United States; literally millions of dollars can come into the Florida governor’s race overnight.”¹⁶

Unfortunately, the connection between 527 organizations and federal candidates does not end with MoveOn. During the mark-up of this legislation, the majority members of this committee presented evidence showing that other individuals have played dual roles, that is, participating in 527 organizations unconstrained by BCRA’s contribution limitations while also working in federal campaigns or for a national party committee.¹⁷ Reference to these individuals and organizations is not meant to suggest that they have been engaged in illegal coordination in violation of BCRA. Indeed, if BCRA had prohibited these activities, no change to the law would be necessary. It is precisely because the existing law allows for and cannot prevent this sort of shell game that the majority believes changes are necessary. The current law allows for ostensibly “independent” groups that only employ individuals and support candidates of one political party, and exist to support the agenda and candidates of that same political party, to evade the limits BCRA imposes on other organizations that are similarly engaged in federal election activities.

Had the campaigns these organizations were supporting been successful, individuals directly linked to soft money organizations would have been rewarded with official positions. This clearly would frustrate the purpose of BCRA, which deemed such links between soft money and federal election activities inherently corrupt and meant to sever them. By treating 527 organizations like other

¹¹ In April 2005, MoveOn asked Vermont voters if they would support Rep. Bernie Sanders, an independent, if he ran for the Senate. Rep. Sanders’ candidacy is strongly supported by Democratic leaders. MoveOn Wants Sanders to Move Up to Senate, Roll Call, Apr. 27, 2005. The entire article will be included in the appendix to this report.

¹² Brownstein, *supra* note 7.

¹³ MoveOn.org’s website is currently soliciting contributions for Bill Nelson, Bob Casey, and Nick Lampson, who are all candidates for federal office. At <https://www.moveonpac.org/give/05.html>.

¹⁴ Quoting Sen. Richard Durbin. Chris Cillizza and Paul Kane, GOP Sees MoveOn as Wedge, Roll Call, July 11, 2005. The entire article will be included in the appendix to this report.

¹⁵ Smith, *supra* note 8.

¹⁶ According to Tom Matzzie, MoveOn.org’s Washington Director. *Id.*

¹⁷ Jim Drinkard, Outside’ Political Groups Full Of Party Insiders, USA Today, June, 28, 2004; Lisa Getter. Kerry Aided By ‘Illegal’ Soft Money, GOP Claims, Los Angeles Times, Apr. 1, 2004. Articles will be included in the appendix to this report.

political committees, H.R. 513 will force these organizations to comply with the source limits, prohibitions and disclosure requirements of BCRA.

Clearly, BCRA has failed to get soft money out of politics, and has succeeded only in diverting it to other groups. Recognizing this failure, the majority of the committee believes the law needs to be changed. It previously reported H.R. 1316, not to expand the scope of BCRA, but instead to relieve the party committees of some of the regulatory constraints that hinder their ability to compete with groups operating outside the law.

It reports H.R. 513 so that the full House may have the opportunity to consider alternative solutions to the obvious problems in our current system.

SUMMARY OF THE LEGISLATION

Section 1.—Short Title: The “527 Reform Act of 2005”

Section 2.—Treatment of Section 527 Organizations

- Requires an organization described in Section 527 of the Internal Revenue Code of 1986 (“IRC”) to register and report with the Federal Election Commission (“FEC”) as a political committee, unless the organization:

- Has annual gross receipts of less than \$25,000;

- Is a political committee of a state and/or local party or candidate;

- Exists solely to pay certain administrative expenses of a qualified newsletter;

- Is composed exclusively of state and/or local elected officials and does not reference federal candidates in its voter drive activities; or

- Is exclusively devoted to elections where no federal candidate is on the ballot, to ballot initiatives and referenda, or to the appointment, nomination, or confirmation of individuals to non-elected offices.

- The exceptions (listed above) will not apply if such organization:

- Transmits a public communication that promotes, supports, attacks, or opposes a federal candidate in the year prior to a federal election;

- Conducts voter drive activities in more than one state;

- Refers to a federal candidate in its voter drive activities,

- Is controlled by a federal candidate or a national political party; or

- Makes contributions to federal candidates.

- Makes the amendments made by this section effective 60 days after their enactment.

Section 3.—Rules for Allocation of Expenses Between Federal and Non-Federal Activities

- Establishes the following allocation rules:

- 100 percent of expenses for public communications or voter drive activities that refer to a federal candidate but do not refer to a non-federal candidate must be paid for with hard money;

At least 50 percent, or a greater percentage if the FEC so determines by regulation, of expenses for public communications or voter drive activities that refer to a federal candidate and to a state candidate must be paid for with hard money;

At least 50 percent, or a greater percentage if the FEC so determines by regulation, of expenses for public communications or voter drive activities that refer to a political party but not to a federal candidate must be paid for with hard money;

At least 50 percent, or a greater percentage if the FEC so determines by regulation, of expenses for public communications or voter drive activities that refer to a political party and to a non-federal candidate but not to a federal candidate must be paid for with hard money;

At least 50 percent, or a greater percentage if the FEC so determines by regulation, of administrative overhead expenses must be paid for with hard money; and

At least 50 percent, or a greater percentage if the FEC so determines by regulation, of direct costs of fundraising program that collects both federal and non-federal funds must be paid for with hard money.

- Permits “qualified” non-federal accounts to allocate spending with federal accounts, provided the following requirements are observed:

Such qualified non-federal accounts may not accept more than \$25,000 from any one individual during a calendar year; and

National political parties and federal candidates are prohibited from soliciting funds for non-federal accounts.

- Exempts funds raised for a qualified non-federal account from the limitations, prohibitions, and reporting requirements of the Federal Election Campaign Act (“FECA”).
- Requires the reporting of all receipts and disbursements from a qualified non-federal account.
- Requires the FEC to promulgate implementing regulations.

Section 4.—Construction

- States that the bill shall not be construed as (i) approving, ratifying, or endorsing a regulation promulgated by the FEC, (ii) affecting the definition of political organizations in the IRC, or (iii) affecting whether a 501(c) organization under the IRC is a political committee under the FECA.

Section 5.—Judicial Review

- Establishes a special procedure governing any constitutional challenges to H.R. 513, which is as follows:

The action shall be filed in the United States District Court for the District of Columbia and shall be heard by a 3-judge panel; and

Any appeal shall be reviewed only by the United States Supreme Court.

- Allows Members of Congress to intervene in any action brought against H.R. 513.
- Allows Members of Congress to bring an action challenging the constitutionality of H.R. 513.

- Limits the special procedure governing constitutional challenges to action filed on or before December 31, 2008.

COMMITTEE CONSIDERATION OF THE LEGISLATION

INTRODUCTION AND REFERRAL

On February 2, 2005, Mr. Shays and Mr. Meehan introduced H.R. 513, the “527 Reform Act of 2005,” which was referred to the Committee on House Administration.

HEARINGS

The Committee on House Administration held a hearing on H.R. 513 on April 20, 2005.

Members present: Mr. Ney, Mr. Ehlers, Mr. Doolittle, Mr. Reynolds, Ms. Miller, Ms. Millender-McDonald, Mr. Brady, and Ms. Lofgren.

Witnesses: The Honorable Christopher Shays, Member of Congress; The Honorable Martin Meehan, Member of Congress; The Honorable Mike Pence, Member of Congress; The Honorable Albert Wynn, Member of Congress; Cleta Mitchell, Partner, Foley & Lardner LLP; Robert Bauer, Partner, Perkins Coie LLP; and Laurence E. Gold, Associate General Counsel, AFL–CIO.

MARKUP

On June 29, 2005, the Committee met to mark up H.R. 513. The Committee reported H.R. 513 without recommendation by a record vote (5–3), a quorum being present.

MATTERS REQUIRED UNDER THE RULES OF THE HOUSE

COMMITTEE RECORD VOTES

Clause 3(b) of House rule XIII requires the results of each record vote on an amendment or motion to report, together with the names of those voting for and against, to be printed in the committee report.

Amendment in the nature of a substitute

Offered by Mr. Ney. The first vote during the markup came on the amendment in the nature of a substitute offered by Mr. Ney.

The amendment sets forth requirements for when organizations described in Section 527 of the Internal Revenue Code of 1986 must register as political committees, and for other purposes.

The vote on the amendment was 5–3 and the amendment was agreed to.

Member	Yes	No	Present
Mr. Ney	X	–	–
Mr. Ehlers	X	–	–
Mr. Mica	–	–	–
Mr. Doolittle	X	–	–
Mr. Reynolds	X	–	–
Ms. Miller	X	–	–
Ms. Millender-McDonald	–	X	–
Mr. Brady	–	X	–
Ms. Lofgren	–	X	–

Member	Yes	No	Present
Total	5	3	–

The Committee then voted on H.R. 513, as amended. The vote on the bill was 5–3 and the bill was agreed to.

Member	Yes	No	Present
Mr. Ney	X	–	–
Mr. Ehlers	X	–	–
Mr. Mica	–	–	–
Mr. Doolittle	X	–	–
Mr. Reynolds	X	–	–
Ms. Miller	X	–	–
Ms. Millender-McDonald	–	X	–
Mr. Brady	–	X	–
Ms. Lofgren	–	X	–
Total	5	3	–

The Committee then voted to favorably report H.R. 513, as amended. The vote to report favorably was approved by a recorded vote (5–3).

Member	Yes	No	Present
Mr. Ney	X	–	–
Mr. Ehlers	X	–	–
Mr. Mica	–	–	–
Mr. Doolittle	X	–	–
Mr. Reynolds	X	–	–
Ms. Miller	X	–	–
Ms. Millender-McDonald	–	X	–
Mr. Brady	–	X	–
Ms. Lofgren	–	X	–
Total	5	3	–

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) rule XIII of the Rules of the House of Representatives, the Committee states that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

GENERAL PERFORMANCE GOALS AND OBJECTIVES

The Committee states, with respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, that the goal and objective of H.R. 1316 is to restore fairness and balance to the federal campaign finance system.

CONSTITUTIONAL AUTHORITY

In compliance with clause 3(d)(1) of rule XIII, the Committee states that Article 1, Section 4 of the U.S. Constitution grants Congress the authority to make laws governing the time, place and manner of holding Federal elections.

FEDERAL MANDATES

The Committee states, with respect to section 423 of the Congressional Budget Act of 1974, that the bill does not include any significant Federal mandate.

PREEMPTION CLARIFICATION

Section 423 of the Congressional Budget Act of 1974 requires the report of any committee on a bill or joint resolution to include a committee statement on the extent to which the bill or joint resolution is intended to preempt state or local law. The Committee states that H.R. 1316 is not intended to preempt any state or local law.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

H.R. 513–527 Reform Act of 2005

Summary: H.R. 513 would amend the Federal Election Campaign Act of 1971. The legislation would require certain political organizations, as defined by section 527 of the tax code, involved in federal election activities to register with the Federal Election Commission (FEC).

CBO estimates that implementing H.R. 513 would cost about \$1 million in fiscal year 2006, subject to the availability of appropriated funds. In future years, we estimate that the increased costs would not be significant. Enacting the bill also could affect federal revenues by increasing collections of fines and penalties for violating campaign finance laws, but CBO estimates that any such increase would not be significant.

H.R. 513 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would specifically exclude state and local elections; therefore, it would impose no costs on state, local, or tribal governments.

H.R. 513 would impose private-sector mandates, as defined in UMRA, on certain political organizations. CBO estimates that the direct cost of the mandate would be minimal and fall well below the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation).

Estimated Cost to the Federal Government: The estimated budgetary impact of H.R. 513 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By fiscal year, in millions of dollars—				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Estimated Authorization Level	1	*	*	*	*
Estimated Outlays	1	*	*	*	*

^a Enacting the bill could also increase revenues, but CBO estimates any such effects would be less than \$500,000 a year.
 Note: * = less than \$500,000.

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2006 and that spending will follow historical patterns for similar programs.

Based on information from the FEC and subject to the availability of appropriated funds, CBO estimates that implementing H.R. 513 would cost the FEC about \$1 million in fiscal year 2006. This cost covers the one-time computer-related expenses as well as writing new regulations to implement the new provisions of the legislation. In future years, the legislation would increase general administrative and maintenance costs to the FEC, but we estimate that those additional costs would not be significant.

Enacting H.R. 513 would likely increase collections of fines and penalties for violations of campaign finance law. Such collections are recorded in the budget as revenues. CBO estimates that the additional collections of penalties and fines would not be significant.

Estimated Impact on State, local, and tribal governments: H.R. 513 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. The bill would specifically exclude state and local elections; therefore, it would impose no costs on state, local, or tribal governments.

Estimated impact on the private sector: H.R. 513 would impose private-sector mandates, as defined in UMRA, on certain political organizations. CBO estimates that the direct cost of the mandate would be minimal and fall well below the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation).

The bill would change the definition of a political committee to include certain 527 organizations, as defined by section 527 of the Internal Revenue Code. Those 527 organizations would be required to register as political committees with the FEC and comply with current regulations on federal campaign finance including certain limits on contributions and reporting and disclosure requirements. Based on information from the FEC, CBO estimates that the direct costs associated with those requirements would be minimal.

Previous CBO Estimate: On July 6, 2005, CBO transmitted a cost estimate for S. 1053, the 527 Reform Act of 2005, as ordered reported by the Senate Committee on Rules and Administration on April 27, 2005. On June 17, 2005, CBO transmitted a cost estimate for H.R. 1316, the 527 Fairness Act of 2005, as ordered reported by the House Committee on House Administration on June 8, 2005. The three pieces of legislation are similar and would all amend the Federal Election Campaign Act of 1971. The estimated federal costs are identical. In addition, all of the bills would impose private-sector mandates on certain political organizations with minimal direct cost. S. 1053 would require the television broadcast industry to charge the lowest unit rate to federal candidates and to the national committee of a political party with rates based on comparison to the preceding year. H.R. 513 and H.R. 1316 do not contain any mandates on the television broadcast industry.

Estimate prepared by: Federal costs: Matthew Pickford; Impact on State, local, and tribal governments: Sarah Puro; Impact on the private-sector: Paige Piper/Bach.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

FEDERAL ELECTION CAMPAIGN ACT OF 1971

* * * * *

TITLE III—DISCLOSURE OF FEDERAL CAMPAIGN FUNDS

DEFINITIONS

SEC. 301. When used in this Act:

(1) * * *

* * * * *

(4) The term “political committee” means—

(A) * * *

* * * * *

(C) any local committee of a political party which receives contributions aggregating in excess of \$5,000 during a calendar year, or makes payments exempted from the definition of contribution or expenditure as defined in section 301 (8) and (9) aggregating in excess of \$5,000 during a calendar year, or makes contributions aggregating in excess of \$1,000 during a calendar year or makes expenditures aggregating in excess of \$1,000 during a calendar year~~...~~; or

(D) any applicable 527 organization.

* * * * *

(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 of-

rice, 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.

(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).

* * * * *

REPORTS

SEC. 304. (a) * * *

* * * * *

(e) POLITICAL COMMITTEES.—

(1) * * *

* * * * *

(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)).

[(3)] (4) *ITEMIZATION.*—If a political committee has receipts or disbursements to which this subsection applies from or to any person aggregating in excess of \$200 for any calendar year, the political committee shall separately itemize its reporting for such person in the same manner as required in paragraphs (3)(A), (5), and (6) of subsection (b).

[(4)] (5) *REPORTING PERIODS.*—Reports required to be filed under this subsection shall be filed for the same time periods required for political committees under subsection (a)(4)(B).

* * * * *

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 exclu-

sively 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 candidate, 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).*

* * * * *

APPENDIX A
 [From The Center for Public Integrity website; Jan. 31, 2005]
 MOVEON.ORG VOTER FUND
 (Available at <http://www.publicintegrity.org/527/search.aspx?act=com&more=orgc&orgid=3950>)

Total Contributions		Total Expenditures	
\$12,558,215		\$21,346,380	
Contributors of at Least \$10,000	Amount Raised	Recipients of at Least \$10,000	Amount Spent
<u>George Soros/Soros Fund Management</u>	\$2,601,000	<u>Media Strategies & Research</u>	\$13,754,426
<u>Herb & Marion Sandler</u>	\$2,505,014	<u>Greenberg Quinlan Rosner Research</u>	\$1,906,320
<u>Peter B. Lewis/The Progressive Corp.</u>	\$2,500,000	<u>Zimmerman & Markman</u>	\$1,853,854
<u>Stephen Bing/Shanan-La Entertainment</u>	\$971,427	<u>Fenton Communications</u>	\$882,690
<u>Jeanne Levy-Hinte/Post 391, Inc.</u>	\$251,000	<u>Wells Fargo & Co.</u>	\$334,467
<u>JPS International LLC</u>	\$200,000	<u>Carolina Productions, Inc.</u>	\$328,067
<u>Richard & Shan Famous Foos</u>	\$100,000	<u>Win Back Respect</u>	\$150,000
<u>Dreamworks SKG</u>	\$100,000	<u>Progressive Majority</u>	\$150,000
<u>Culman Ventures Inc.</u>	\$100,000	<u>MoveOn.org</u>	\$97,836
<u>Gail A. Furman, PhD</u>	\$52,000	<u>We Also Walk Dogs</u>	\$78,832
<u>John R. Hunting and Related Interests</u>	\$40,000	<u>Media Fund</u>	\$29,535
<u>Media Fund</u>	\$30,000	<u>Sandler & Reiff P.C.</u>	\$15,363
<u>Quadrangle Group LLC</u>	\$25,000	<u>Sprint Corp.</u>	\$14,932
<u>Jonathan Rose Companies LLC</u>	\$25,000	<u>AT&T Corp.</u>	\$10,580
<u>John A. Harris IV</u>	\$25,000		
<u>Barbra Streisand</u>	\$10,000		

APPENDIX B

[From the National Journal's Technology Daily; Apr. 8, 2004]

CAMPAIGNS

John Kerry's presidential campaign has hired Zach Exley, MoveOn.org's director of special projects, to become the campaign's new director of online communications and organizing. The move prompted an angry response from the Republican National Committee (RNC), which again raised the question of whether the Kerry campaign was coordinating its activities with advocacy groups, illegal under current campaign finance laws. The RNC issued an alert calling Exley a "negative campaigner," noting that during the 2000 campaign Exley created a satirical anti-Bush Web site. It also mentioned a Web ad posted on MoveOn.org's Web site comparing President Bush to Adolf Hitler, and questioned whether Exley would keep his distance from MoveOn during the campaign. Exley, who worked as an adviser to Vermont Gov. Howard Dean during the primary election season, had no comment by press time.

APPENDIX C

[From the National Journal; July 2, 2005]

THE INTERNET AND THE DEMOCRATS

(By Ronald Brownstein)

In retrospect, the day in September 1998 when two wealthy software developers in Berkeley, Calif., posted an online petition opposing the impeachment of Bill Clinton may stand as the day his vision for the Democratic Party began to be eclipsed.

That petition from Wes Boyd and Joan Blades led to the formation of MoveOn.org, which has metamorphosed into the nation's largest and most effective Internet advocacy group. And MoveOn, an unstintingly liberal voice, has become the cutting edge of an online revolution that is reshaping the Democratic Party amid the intense political polarization of George W. Bush's presidency.

The rise of a mass Democratic Internet fundraising and activist base—a trend that includes not only the 3.1 million-member MoveOn, but the political organization founded by Howard Dean, the Internet contributors to the Democratic National Committee and the John Kerry presidential campaign, and the thousands of partisans venting daily on left-leaning Web logs like Daily Kos and MyDD.com—is beginning to shift the balance of power in the Democratic Party away from the “Third Way” moderation that Clinton and his “New Democrat” movement promoted.

Centrist organizations such as the Democratic Leadership Council have produced nothing like the massive lists of activists and donors that liberals have assembled through the Internet. And that mass liberal base is pushing the party partly toward more-liberal positions, but even more so toward greater confrontation with Bush—and increasing pressure on Democrats who consider cooperating with him in any way.

The Internet base, for the first time, has provided Democrats with a tool for raising money, recruiting volunteers, and directing messages to their partisans that is comparable to the capacity that direct mail and talk radio have long provided Republicans. But just as those tools have mostly strengthened the Right in the GOP, the Internet has mostly strengthened the wing of the Democratic Party that feeds on polarization and conflict.

Indeed, the Internet is fast becoming the confrontation caucus in the Democratic Party. Defiance of Bush is almost instantly rewarded with a torrent of praise on liberal blogs and often with fundraising or other assistance from the blogs and groups like MoveOn; the group's PAC, for instance, raised a breathtaking \$800,000 from its members in less than three days this spring for

venerable Sen. Robert Byrd, D-W.Va., a vocal opponent of Republican threats to block filibusters of judicial nominations.

Just as surely, almost all gestures toward collaboration with Bush provoke condemnation and outrage. Most often, the criticism amounts to angry denunciations on liberal blogs that can generate e-mails or unfavorable stories in the mainstream media. Pushing further, liberal bloggers have been openly trolling for a Democrat to challenge Sen. Joe Lieberman, D-Conn., in a primary next year on the grounds that he has supported Bush too often. And MoveOn recently targeted House Minority Whip Steny Hoyer, D-Md., with negative radio ads because he voted for the Bush-backed bill making it more difficult for consumers to declare bankruptcy.

The rapidly growing Democratic Internet activist base “is more partisan than ideological,” says Howard Wolfson, the former executive director of the Democratic Congressional Campaign Committee. “And it stems from a feeling in the grassroots that Democrats in Washington were not fighting back hard enough against Bush.”

In effect, the rise of the Internet base is now subjecting Democrats to a mass experiment in conditioning behavior—a political equivalent of Pavlov’s dogs. “We are actually starting to build the kind of noise machine, to reward or beat up on people, that the Right has had for a long time,” says Markos Moulitsas Zuniga, 33, the pugnacious founder of the popular blog Daily Kos. “We are training these politicians that they don’t have to be afraid of taking courageous stands—and that they will be rewarded or punished based on their behavior.”

In all of these ways, the Internet base is playing the same role in the Democratic Party that conservative economic and social groups (like the Club for Growth or Focus on the Family) play in the GOP. Both are increasing demands for ideological consistency and partisan loyalty. And both are becoming more influential as the country grows more deeply polarized over Bush’s aggressively conservative agenda, and over the fervent Democratic opposition to almost all of it. On each side, polarization is feeding on itself, as the widening gulf between the parties strengthens those who argue that compromise on almost any issue has become impossible.

“The leadership of both sides has a gun to their head from the activist base,” said Dan Gerstein, the former communications director for Lieberman. “If they don’t hold the line, the trigger is going to be pulled against them.”

The Democratic Internet base cradling that trigger does not speak with one voice. But the emerging generation of online Democratic activists, many of them young and shaped by the bruising partisan conflicts of the past decade, seems united most by the belief that the quickest way for Democrats to regain power is to confront Bush more forcefully and to draw brighter lines of division between the Democratic Party and the GOP.

In strikingly similar language, Internet-generation Democratic activists from Moulitsas to Eli Pariser, the 24-year-old executive director of MoveOn’s giant PAC, describe Clinton’s effort to reorient the party toward capturing centrist voters as “obsolete” in a highly partisan era that demands, above all, united opposition against the GOP. Moulitsas and Pariser, like most other voices in the Internet

activist base, want a Democratic Party focused more on increasing turnout among its partisans than on persuading moderate swing voters. Both, in other words, want a party that emulates Bush's political strategy more than Clinton's.

"It may be in the 1990s, there was a middle; there isn't a middle now," Pariser says. "You have a Republican Party that is willing to break all the rules and accept no compromises to get what they want. In the face of that, saying 'I'll meet you halfway' is as sure a recipe for disaster as I know. You have to fight fire with fire."

Virtually all Democrats, even the most moderate, are growing more partisan as the battles with Bush escalate. But many Democratic moderates still fear that, both in substance and style, the politics that the Internet base is demanding may be leading the party away from the swing voters, especially in the culturally conservative red states it needs to regain Congress and the White House.

"The Internet is certainly a generator of some very positive factors for Democrats. But it's also a very small slice of our party, and if that slice dominates the entire pie, we're in serious trouble," says former Rep. Tim Roemer, D-Ind., a centrist whose bid earlier this year for the party chairmanship stalled at the starting gate after intense opposition from the Left.

Yet even while some centrist groups such as the DLC are warning Democrats to distance themselves from liberal Internet-based voices like Daily Kos and MoveOn, the party is more overtly pursuing their help in the widening confrontations with Bush. On struggles like the fight over judicial nominations, party leaders such as Senate Minority Leader Harry Reid of Nevada are now appearing at MoveOn rallies and holding conference calls with liberal bloggers.

Tellingly, even some traditionally centrist Democratic voices are wooing the Internet base. Simon Rosenberg, the founder of the New Democrat Network, a political action committee for Clintonesque New Democrats, courted the Internet activists in his unsuccessful bid for the DNC chairmanship earlier this year. Reversing Roemer, Rosenberg believes that party moderates must learn from the Internet activists' critique of Clinton's strategy.

"The core thing this new Internet culture is looking for is recognition that the highest order of our politics today is stopping Bush," Rosenberg says. "Circumstances have changed [since Clinton's presidency]. I do believe the New Democrats have been too slow to recognize * * * that [the Republicans] must be stopped at all costs."

THEY DON'T NEED THE INTERNET AS MUCH AS WE DO

In the 2004 presidential campaign, the Internet was more visible and consequential in American politics than ever before. It became a mass medium for obtaining political news. The most comprehensive study [PDF] on the subject, by the nonpartisan Pew Internet & American Life Project, found that during the campaign about 63 million people acquired political news online, nearly double the number who did just four years earlier.

In the physical world and online, the number of people who participate in political activities is much smaller than those who read

about them. But on the Internet, participation is growing substantially. The Pew study, based on a national post-election survey, estimates that last year 7 million people signed up to receive e-mails from the presidential campaigns; 4 million volunteered online for the campaigns; and 4 million contributed money to political efforts through the Internet. In 2000, only half as many donated online, Pew found.

About the same proportion of Republicans, Democrats, and independents used the Internet to acquire political information in 2004. But Pew's research found that Democrats and liberals pursued political activities over the Internet more frequently than Republicans and conservatives did. Democrats were more than twice as likely as Republicans to volunteer online, and nearly five times as likely to contribute money, according to unpublished data from the study.

The disparity reflects the relative importance of the Internet in each party's political infrastructure. Republicans have also aggressively increased their capacity on the Internet. The Republican National Committee has a 7.5 million-name activist e-mail list it mobilizes to support administration initiatives. The Bush campaign used the Internet to help organize volunteers for its successful get-out-the-vote campaign. And conservative blogs have developed large followings—as they demonstrated by generating such a rapid backlash against recent comments by Sen. Richard Durbin, D-Ill., about Guantanamo Bay.

But the Internet is exerting less influence over the direction of the Republican Party than that of the Democratic Party, because it plays a much smaller role in the overall GOP political machine. Internet fundraising hasn't been as crucial for Republicans, because they have both a bigger base of financial support in the business community and a more developed small-donor direct-mail program dating back to the 1970s. Blogs aren't as important for Republicans as they are for Democrats, because talk radio, dominated by conservative hosts, already provides the GOP an effective channel outside the mainstream media to distribute its message. "They don't need the Internet as much as we do," says Wolfson, a top adviser to Sen. Hillary Rodham Clinton, D-N.Y.

Indeed, Democrats are increasingly relying on the Internet to match the roles that both talk radio and direct mail play for Republicans.

In the same way conservatives court talk radio, Reid, for instance, held a conference call with liberal bloggers in late April to press the party message in the battle to preserve the filibuster for judicial nominations. Shortly thereafter, MoveOn, by far the largest online group in either party, turned out scores of volunteers for 192 rallies on the issue across the country on the same day. Earlier, the group generated 40,000 phone calls in a single day by dispatching volunteers with cellphones to ask neighbors to urge their senators to oppose the filibuster ban.

The Internet's most dramatic contribution to the Democratic Party has come on the bottom line. In the Democratic primaries last year, the Internet ignited Dean's insurgent bid by generating a flood of small online donations that ultimately provided about half of all his money. In the general election, John Kerry stunned the political establishment by remaining competitive with Bush in

fundraising, largely because the Democrat raised \$80 million in Internet donations for his campaign and another \$40 million from his online list for the Democratic National Committee. Meanwhile, MoveOn says that along with its PAC and its voter fund, it collected another \$50 million in online contributions (as well as \$10 million more from large donors such as liberal financier George Soros).

In all, Democrats and their allied groups probably raised about \$300 million online in 2004, estimates Tom Matzzie, who helped run Kerry's Internet campaign and now works as MoveOn's Washington director. That means the Internet accounted for about 15 percent of the \$2 billion that the Center for Responsive Politics estimates the Democrats and their allied groups spent in the 2004 campaign. (Republicans raised about as much overall, but relied on the Internet much less; although a comparable estimate for the entire party isn't available, the Bush campaign raised less than one-fifth as much online as Kerry did, which may give a sense of scale.)

Whatever the exact figure, the amount of political money and activity generated on the Internet in 2004 represented a quantum leap over the levels of 2000 or 2002. (MoveOn's PAC alone increased its online fundraising tenfold from 2000 to 2004.) The audience for blogs, though still small compared with mass media like talk radio or daily newspapers, is steadily growing.

Almost all analysts expect the political use of the Internet to expand at least as much over the next four years. "It is going to just explode between now and 2008," says Joe Trippi, Dean's 2004 campaign manager. Matzzie said recently that Democratic candidates and groups would likely collect as much as \$1 billion on the Internet for the 2008 election. Veteran Democratic strategist Tad Devine predicts that the next Democratic presidential nominee will reject the public financing system, not only for the primary, as Kerry and Bush did, but also for the general election (which no candidate has ever done) to preserve the freedom to raise unlimited money over the Internet.

These projections are encouraging Democrats about their ability to compete financially and organizationally with the GOP. But one of the most profound truths in politics is that no money, or any other form of support, is free; it all arrives with some kind of price tag. Few Democrats have thought seriously about what that price tag may be for the lifeline the Internet base is now offering them. The Internet activists believe they are liberating the Democrats from the demands of "special interests" by creating an alternative source of grassroots money. But the Internet support, financial and otherwise, comes with its own strong demands, as recent visits to two of the movement's leading figures demonstrated.

ELI PARISER AND MARKOS MOULITSAS

It speaks volumes about the Internet's tendency to diffuse power that two of the most influential figures in online liberal politics work alone, in their homes, in neighborhoods that have hosted far more rent parties than black-tie dinners.

Eli Pariser, the executive director of MoveOn's giant political action committee, and Markos Moulitsas, the founder and ringmaster

of the popular Daily Kos Web site, have emerged as two of the principal strategists shaping liberal use of the Internet.

Pariser, working with Boyd and Blades and MoveOn's small group of 13 other employees, runs a vastly larger institution than Moulitsas does. MoveOn has become perhaps the largest source of funds, volunteers, and activism (such as e-mail and grassroots lobbying campaigns) for Democrats outside of organized labor. MoveOn officials believe that their membership, now growing by 75,000 per month, could reach 5 million by 2006 and perhaps 10 million by 2008.

Moulitsas is more like a guerrilla force compared with MoveOn's teeming infantry. He says his site receives 500,000 visits a day, more than any other political Web log (although many say figures on blog audiences are notoriously fuzzy, and Moulitsas acknowledges no one knows how much of that traffic represents repeat visits from the same readers). He estimates that his site raised about \$700,000 for candidates in the 2004 election. That's not bad for someone armed with only a laptop, but MoveOn occasionally takes in that much in a single day.

Daily Kos's real influence is more indirect; it comes from the site's ability to launch ideas through the Democratic universe and to some extent the mainstream media, too. Moulitsas thinks of himself not as a journalist, but an activist. His principal goal, he says, is to provide "talking points" that Democrats around the country can use to persuade friends and neighbors, much the way conservative talk radio equips millions of Republican listeners every day with a common set of arguments and outrages for water-cooler conversation. "I look at this as armies," Moulitsas says. "It's training our troops how to fight rhetorically."

Both men emphatically keep their distance from the Democratic power structure in Washington. Pariser works out of the apartment he shares with his girlfriend on an ungentrified block south of Brooklyn's fashionable Park Slope; within a block of his building are shops selling off-price jeans, Mexican and Ecuadoran restaurants, and a pizza place where the crowd of teens hanging out one recent sunny afternoon included a young man with a fresh shiner under his right eye. Pariser is arguably one of the 50 most powerful people in the Democratic Party, and he doesn't own a car. He opens his apartment door wearing a T-shirt that reads, "I [heart] Social Security."

Moulitsas is a bit more settled. He owns a car (a beat-up Subaru) and writes from the house he shares with his wife and infant son in a weathered Berkeley neighborhood known as the flats. When he moved in, there were crack houses on his street. Often he'll file his first daily posts via his laptop while he's still in bed.

The two men share little in personal style. The e-mails from Pariser to MoveOn members usually have the earnest and friendly tone of a chat at the corner store. The biting exchanges between "Kos" and the "kossacks," who post responses to him and to one another on the site, sound more like arguments at the corner bar.

Pariser almost always considers his words carefully, as if imagining how they would look in print. In person, Moulitsas is soft-spoken, ingratiating, and quick to laugh. But online, he is confrontational, impulsive, and unequivocal; the other day, he

sweepingly dismissed the Democratic Leadership Council, Joe Lieberman, and *The New Republic* magazine as “tools of the GOP.” In 2004, Kerry’s campaign cut its link to Moulitsas’s Web site after he wrote that he felt “nothing” when four American contractors were killed in Falluja, because “they are there to wage war for profit.”

Neither are Pariser and Moulitsas ideological twins. Pariser and MoveOn fall in the party mainstream on most domestic issues (the group, for instance, has stressed fiscal discipline). But they define the Democrats’ left flank on foreign policy. MoveOn as an institution, and especially Pariser as an individual, not only opposed the war in Iraq, but resisted military action in Afghanistan. MoveOn now is pushing Democrats to demand a deadline for removing American troops from Iraq.

Moulitsas is more eclectic. He served a three-year stint in the Army, and although he opposed the Iraq war, he supported the invasion of Afghanistan and calls himself a “military hawk.” His favorite Democrats aren’t Eastern cultural liberals like Kerry, but Westerners who combine economic populism with libertarian views on social issues like gun control. For the 2008 Democratic presidential nomination, Kos is currently touting Montana’s new governor, Brian Schweitzer, a favorite of both the National Rifle Association and Democrats who yearn for an unabashed populist message.

The careers of Pariser and Moulitsas have unfolded in contrasting styles as well. Pariser has been a political prodigy, the equivalent of a baseball player who makes the major leagues without ever stopping in the minors. The son of 1960s activists who founded an alternative high school in Maine, he was a recent college graduate working for a nonprofit in Boston when the terrorist attacks of September 11, 2001, shook America. Pariser quickly launched a Web site that promoted a petition resisting a military response to the attack (he urged “moderation and restraint”). Even though polls showed that most Americans supported the attack on Afghanistan, within two weeks Pariser had collected an astonishing 500,000 names for the petition. Soon he was receiving calls from media outlets as far away as the BBC. “They said, ‘We’ve been hearing a lot about this. Who are you?’” Pariser later recalled. “[I said] ‘I’m 20 years old; I don’t know who I am.’”

Later that fall, Pariser brought his names to MoveOn (doubling the e-mail list the group had assembled during Clinton’s impeachment) and joined the group as an organizer. Eventually, he directed MoveOn’s campaign against the Iraq war (which virtually doubled the size of its e-mail list again). Now, with founders Wes Boyd and Joan Blades preferring a less public role, he’s emerged as the group’s most visible figure (at a recent MoveOn rally, he was introduced as “the man whose second home is your in-box”), and an architect of its efforts to expand beyond cyberspace into on-the-ground organizing. A few months ago, Senate Democrats invited him to address them during a retreat.

Moulitsas took a more circuitous route to his identity as the fierce Kos. He split his youth between Chicago and El Salvador (his mother’s native country), where he lived amid a brutal civil war. After returning to the Chicago suburbs for a rocky adolescence, he

enlisted in the Army at 17 and spent two and a half years with an artillery unit in Germany. College and law school followed, as Moulitsas contemplated careers as diverse as journalism and composing film scores. He was working as a project manager for a Web-designing company in San Francisco when he started his blog in May 2002, angered by Bush's direction and inspired by the example of the liberal MyDD Web site.

After years of uncertainty, he had discovered his niche. Kos quickly found an audience by expressing the unmediated anger of the Democratic base toward Bush, and even more so toward Democrats who cooperated with him, especially over the war in Iraq. Moulitsas shrewdly built a community by providing readers unusual freedom to post their own thoughts, and rose to the forefront of political blogs on the same wave of grassroots liberal discontent with the Democratic leadership that initially propelled Dean's presidential campaign. (Kos was one of Dean's first promoters and consulted for his campaign on Internet strategy.) Moulitsas's site has been so successful (Daily Kos has continued to gain readers even since the 2004 election) that it has not only become a full-time job but also allowed him to edge into a new role as a media entrepreneur by launching a series of sports blogs.

IN SEARCH OF A WARRIOR PARTY

For all their differences in style, temperament, and experience, Pariser and Moulitsas, in conversations three days apart, demonstrated a series of shared political assumptions that reflect the solidifying consensus in the online Democratic community. Each man believes that the Democratic Party must change in the same way and that the rise of the Internet activist base is the critical lever to force that change. In Washington, many Democratic consultants consider the Internet a new source of funding for the party's familiar approaches and strategies. But Pariser and Moulitsas made clear that they, and those they represent, are looking for something very different.

Both men believe that the small-donor base developing on the Internet will allow Democrats to reduce their reliance on business for campaign financing. That, they argue, would allow the party to pursue a much more economically populist anti-corporate message that they believe could win back blue-collar voters who have trended Republican over the past generation primarily on issues relating to values, taxes, and national security.

Both say they recognize that Democrats cannot hold together for a scorched-earth opposition to Bush on every issue. Neither Moulitsas nor MoveOn, for instance, was enthusiastic about the recent Gang of 14 deal on judicial nominations, but both accepted it as a necessary tactical retreat that could allow Senate Democrats to fight the filibuster issue again, against the backdrop of a Supreme Court nomination.

But both men want a party of warriors who will link arms to resist Bush's principal initiatives, especially the restructuring of Social Security. "When our core values are being attacked," Moulitsas argues, "the party needs to stand together." In the long run, both want Democrats to move away from the Clinton model of courting swing voters through "Third Way" moderation and turn instead to-

ward a Bush approach that tries to build a majority mostly by inspiring a large turnout from its base with an unapologetically polarizing agenda.

To Moulitsas, the key lesson from 2004 is that Bush won re-election while losing moderates badly and independents narrowly to Kerry, according to exit polls. “We won the center and it wasn’t enough,” he insists. “So, clearly, we have to reach out more to our base.”

Pariser, similarly, argues that Bush’s re-election victory demonstrated that the “passion” of hard-core followers was “the most powerful political asset around. It was more than money, more than message—it’s that [Bush] harnessed that energy. To dismiss the energy on our side would be a tremendous mistake.”

The two differ somewhat on the tactical question of how to tilt the party in this direction. But the difference is of degree, not kind. Moulitsas is heavier on sticks than carrots. His Web site crackles with attacks on the Democratic Leadership Council and other party centrists, and it actively supports the liberals searching for a candidate to mount a primary challenge next year against Lieberman.

Moulitsas says he’s not promoting civil war between Democratic liberals and moderates. Some Democrats representing conservative states, like Nebraska’s Sen. Ben Nelson, need to vote with Bush at times, he acknowledges. But, he says, the party shouldn’t tolerate defection on its core priorities, Democrats who consistently criticize other Democrats, or those from blue states who vote with Bush.

Those latter two points explain why he’s so eager to challenge Lieberman, who has become a target of the Internet activists for defending the Iraq war and at times criticizing the Left. A primary against Lieberman, says Moulitsas, “will send a message that behavior that harms the party is going to have repercussions.”

Moulitsas speaks with the abandon of someone who understands he is speaking only for himself. Pariser, as the voice of an organization whose size makes it a target both for other Democrats and for Republicans like Karl Rove, who denounced it in June, is more cautious, but still ultimately eager to push the party in the same direction that Kos is pushing it.

In contrast to its earlier emphasis on Iraq, MoveOn this year has focused primarily on domestic issues that unify Democrats, like Social Security or the battle against Bush’s judicial appointments. Rather than intimidating Democrats who support Bush, Pariser says, MoveOn hopes to reward those who confront him, with initiatives like the massive fundraising drive for Byrd. “We believe it’s the role of the progressive movement to create the political space where politicians say and do the right thing,” Pariser says.

But MoveOn hasn’t ruled out more-coercive efforts to compel party discipline. It turned heads recently when it ran its ads criticizing Rep. Hoyer for supporting the Bush-backed bill toughening bankruptcy laws. And while MoveOn, with an eye on 2006, is focusing mostly on strengthening its volunteer organization in congressional districts held by Republicans, Pariser says that it’s maintaining the option of building grassroots organizations to pressure Democrats who vote with Bush too often.

During a several-hour conversation, Pariser frequently said that the group had not yet decided to take such pressure to the next,

far more explosive, step by supporting liberal challengers to Democratic incumbents. But he also repeatedly made clear that the group wasn't closing off the idea. "That's a question we are talking about now," he said.

In all of this, Pariser and Moulitsas, like many of those they represent on the Internet, appear very much the product of the Democrats' fall from power. Almost everyone in the party's Washington hierarchy can remember a time when Democrats thought of themselves as the nation's natural majority party. Pariser and Moulitsas are children of the minority. For Democrats, they believe, the first step toward recovery is to acknowledge that revival requires more than tinkering. In their eyes, it will require Democrats to think of themselves not as a governing, but an opposition, party that bloodies the majority Republicans by any means necessary—much as Republicans did under Newt Gingrich in the final years of their assault against the decades-old Democratic majority in the House of Representatives. "D.C. is still trapped in 1970s thinking," sighs Moulitsas. "It is hard for them to realize we really are a minority party. What they have to understand is that Republicans became a majority party only by being a really effective opposition party."

DEMISE OF THE "THIRD WAY"

One theory of international relations holds that wars most often start when a new force emerges to disrupt an established power structure, the way, say, Germany did in the early 20th century. Much the same dynamic is under way in the Democratic Party today. Through Clinton's two terms, centrists dominated the party. Now, largely because of the rise of the Internet activist base, the Left is resurgent. And that is heightening tensions.

For liberals who chafed under Clinton's reign, the emergence of MoveOn, Dean's Democracy for America, and the blogs is like the arrival of the cavalry. Robert Borosage, co-director of the liberal Campaign for America's Future, has been pulling in the tug-of-war between Democratic liberals and centrists for more than two decades. He sees the development of the Internet as a decisive tilt in that struggle.

"I think this means, certainly at a presidential level and probably at a senatorial level and maybe at a congressional level, candidates will always know there is a slot on the progressive side of the dial that can be competitive financially * * * and they don't have to bow to the large-money interests in the Democratic Party in order to be financially competitive," he says. "Someone will always compete for that slot, and that, I think, transforms elections and transforms the opportunity to create the politics that many of us have thought is necessary to re-create a progressive majority for change—one that has a clear economic message for working people."

Although liberals like Borosage unreservedly embrace the new Internet forces, Democratic centrists have divided over how to respond. The most vehement camp views the Internet Left as a danger. These activists argue that for all of the organizational and technological capacity of the Internet activists, they are pushing the party toward policies, especially in foreign affairs, that will fatally narrow the Democrats' support.

Peter Beinart, the editor of *The New Republic*, developed this case extensively in a controversial cover story last winter when he called on Democrats to “take back” the party from MoveOn and the Internet Left—what he called “the softs”—much the way liberals after World War II rejected alliance with domestic Communists. Beinart was especially impassioned, but he is hardly alone. The DLC promoted his conclusions. And several other centrist party strategists worry that the hyperpartisan turn-out-the-base strategy that many online activists demand won’t work for Democrats, because polls consistently show that more Americans consider themselves conservative than liberal.

“We are more of a coalition party than they are,” says Ed Kilgore, the policy director for the DLC. “If we put a gun to everybody’s head in the country and make them pick sides, we’re not likely to win.”

Simon Rosenberg defines the other pole of the debate among centrists. In May, Rosenberg appointed Moulitsas as a founding adviser to a new think tank, the New Democratic Network, established to craft fresh political strategies for Democrats. Rosenberg has not only welcomed the Internet activists, but also argued that New Democrats need to learn from their call for a more partisan resistance to Bush.

Strikingly, Rosenberg accepts the Internet Left’s fundamental argument that Democrats should move away from Clinton’s efforts to court the middle by finding a Third Way between traditional Democratic and Republican approaches. Such efforts to find compromises between the parties, Rosenberg says, have become “obsolete” in the face of Bush’s crusading conservatism.

“As powerful as the Third Way formulation was in the 1990s, it is an antiquated way of looking at the world * * * and it is not a viable position in the United States right now,” Rosenberg says. “What people [in the Democratic Party] are looking for is not a Third Way; they are looking for a modern progressive movement that can fight the conservative movement. [The choice] has become binary, and that is what has changed.”

In this dispute, each side can already point to examples of Internet-base influence that support its case. Many give the online activists credit for helping to solidify Democratic opposition to Bush’s plan to restructure Social Security—in no small part by so openly threatening primary challenges against Democrats, like Lieberman, who have considered supporting him. “It has helped stiffen spines, and I think that’s a good thing,” said Wolfson.

Conversely, many centrists believe that the demands of the Internet Left influenced John Kerry’s decision in 2003 to vote against Bush’s \$87 billion request to fund the war in Iraq. That vote became an albatross for Kerry in the general election when Bush used it as his prime example to accuse the Democrat, who had voted to authorize the war, of flip-flopping on issues. MoveOn had urged Democrats to oppose the funding, and Kerry cast his vote at a moment when Dean’s presidential campaign, fueled largely by the torrent of online donations, was at its zenith.

Pariser and Moulitsas both say that the problem wasn’t Kerry’s vote, but his failure to effectively defend it. But to those who are uneasy about the party’s direction, Kerry’s stance against the fund-

ing dramatized the potential cost with swing voters for pursuing policies meant to energize the Internet base.

Like many other Democrats who have avoided extreme positions in this debate, Wolfson says that the challenge for Democrats is to maximize the tangible benefits the Internet provides without losing sight of a larger electorate whose views aren't nearly so fervent.

"It's wonderful to have a network of donors through the Internet that is the equal of the Republican direct-mail donor base, * * * and it is obviously important for Democrats to have a way to talk to Democrats," he says. "The downside is if we have a conversation [only] with ourselves. And at this moment, the center of gravity in the U.S. is not on the left; it may not even be on the center-left, so a conversation geared to the left is, by definition, exclusionary."

At a time when Internet activists are agitating for challenges to party centrists, and liberal blogs are crackling with denunciations of legislators who vote with Bush, though, it seems unlikely that the party can reap the benefits of the online activists and donors without bending toward the confrontational politics they are demanding. "I don't think a Democratic politician anymore can poke the base in the eye," says Matzzie, MoveOn's D.C. director. "They can, but only if they are willing to walk away from everything the Internet can give them."

THE ULTIMATE TEST

This isn't the first time that technological change has triggered ideological turmoil. In 1972, the emergence of direct-mail fundraising helped George McGovern overwhelm the party establishment and seize the Democratic presidential nomination on an insurgent anti-war platform. Later in the decade, those same direct-mail techniques, adapted by conservatives, powered the rise of Jesse Helms, the "New Right" advocacy groups, and then Ronald Reagan. The spread of talk radio provided a comparable boost for the next great wave of conservative advance, the Republican takeover of Congress in 1994.

The common thread is that each of these new tools proved more effective at mobilizing ardent activists than moderate voters. All provided new means to concentrate and harvest the emotion of an ideological vanguard that cared enough about politics to respond to requests for contributions or volunteers or calls to Capitol Hill. In that way, each technological advance strengthened the ideological edge of the parties against the center, just as the Internet is doing in the Democratic Party today.

But that history also shows that it's wrong to assume technology is destiny in determining a party's direction. Conservatives, aided by the new technologies of direct mail and talk radio, have consolidated their control of the Republican Party over the past three decades. Liberals, until recently, have lost ground in the Democratic Party for roughly the same period. The difference is that the Right has elected far more of its true believers to office than has the Left. McGovern, remember, lost 49 states in the 1972 presidential race; Reagan won 49 in 1984. Even today, the share of Republican senators and House members who qualify as hard-core conservatives exceeds the share of Democrats who could be identified as die-hard liberals.

This history frames both the opportunity and challenge for the reinvigorated Left that is now organizing online. The Internet's tremendous power to transmute ideological passion into money and activism is increasing the Left's stature inside the Democratic Party for the first time since at least Reagan's 1984 landslide over Walter Mondale, and perhaps since the McGovern campaign itself. But the Left's position inevitably will erode again unless the strategy it is promoting wins elections. After all, Dean failed to win a single Democratic primary and Kerry lost the general election, despite the unprecedented energy that each man unleashed on the Internet. The ultimate test of political success isn't inspiring passion or even generating volunteers and contributions; it's attracting more votes than the other side.

Moulitsas, for one, understands that as the influence of the online Democratic activists grows, so does the pressure on them to produce results. "The centrists' strategy [in the 1990s] didn't turn things around, and the decline for Democrats just kept going," he says. "If we get our way, and we have a more partisan Democrat [as the presidential nominee] and the money is there, and in eight years we haven't made any headway, I'm willing to say we should try something else."

APPENDIX D

[From Roll Call; Apr. 13, 2005]

MOVEON GOES MAINSTREAM

(By Chris Cillizza)

Once regarded warily by much of the Democratic establishment, the liberal grass-roots group MoveOn.org is being increasingly courted by Democratic officeholders for its 3 million members—and their deep pockets.

The Web-based advocacy organization, by far the left's most potent fundraising operation outside of the Democratic Party itself, has raised its profile considerably on Capitol Hill in recent months.

"It's been an interesting experience for us," said Eli Pariser, the executive director of MoveOn.org's political action committee. "I don't know to what degree it's a political move and to what degree Democrats understand now it is important to court our constituency."

Republicans have pounced on the increased cooperation, seeking to paint Democrats as beholden to their party's liberal wing.

The National Republican Senatorial Committee recently released a six-page research document titled "How Much is that Donkey in the Window," filled with positive comments made by Democratic leaders regarding MoveOn and highlighting the group's issue positions.

Most controversial among them are the organization's opposition to the use of force in Afghanistan following the Sept. 11, 2001, terrorist attacks, and to the war in Iraq.

"The Democrat Party at an unprecedented level has become best friends with MoveOn.org," said NRSC spokesman Brian Nick. "On the major issues, we are [seeing] MoveOn.org is moving in lock step" with the Democratic Party, he added.

The most high-profile event illustrating the new synergy between MoveOn and Democrats came March 16 with a rally on Capitol Hill.

It drew Senate Minority Leader Harry Reid (Nev.) and Senate Minority Whip Dick Durbin (Ill.) as well as Sens. Charles Schumer (N.Y.), Robert Byrd (W.Va.), Edward Kennedy (Mass.) and Barbara Boxer (Calif.).

MoveOn followed that event with an e-mailed fundraising plea on Byrd's behalf from Illinois Sen. Barack Obama (D). The message raised more than \$800,000 for the West Virginia Senator in just 72 hours.

(Last October, Obama wrote two fundraising e-mails for MoveOn that netted \$1.2 million for seven Senate candidates around the country.)

Behind the scenes, the organization has gained considerable entree as well.

House Minority Leader Nancy Pelosi (Calif.) has worked with MoveOn since being elected the top Democrat in the House leadership in late 2002, but the relationship between the two grew closer during the fight over adding a prescription drug benefit to Medicare, said spokeswoman Jennifer Crider.

Crider added that Pelosi or her staff have calls and meetings “on a weekly basis” with representatives of MoveOn.

The Senate Steering and Outreach Committee holds a Monday telephone call with roughly 20 outside advocacy organizations whenever Congress is in session. MoveOn has been a participant, though infrequently, sources said.

Susan McCue, Reid’s chief of staff, said that MoveOn “effectively represents an important part of our constituency.”

Laura Gross, a spokeswoman for the Democratic National Committee, also praised MoveOn’s efforts.

“Obviously they are relaying the Democratic Party message, which is in line with what the DNC is doing and what the Hill is doing as well,” said Gross.

She added that DNC Chairman Howard Dean participated in a March 10 conference call with members of the MoveOn PAC.

Pariser said that while MoveOn’s interests have paralleled those of the Democratic Party of late, that will not always be the case.

“We are not the party, and on issues where we diverge from some in the party we are going to” make it clear, Pariser promised.

On Monday, for example, MoveOn sent an e-mail designed to raise money for radio ads hitting House Members who support the stiffening of bankruptcy regulations—a bill that will be voted on this week.

Its most recent effort notwithstanding, Pariser acknowledged that MoveOn’s members recognize that “we are at a time when the Democrats are the only thing standing between Republicans and disaster” on such issues as Social Security and judicial nominations.

In recent weeks, MoveOn has aired ads on both issues in targeted districts and on national cable.

That connection has not gone unnoticed by Republicans who believe that MoveOn’s donations to Democrats—estimated to be in the hundreds of millions of dollars—during the 2004 cycle bought them a seat at the table with the party.

Nick and Republican National Committee Deputy Communications Director Tracey Schmitt made reference to an e-mail to MoveOn members sent earlier this year by Pariser, in which he wrote: “Now it’s our party: We bought it, we own it and we’re going to take it back.”

Schmitt said such a statement “should trouble the party.”

“After spending millions of dollars to defeat President Bush, they are now going after his agenda,” Schmitt added. “They are completely out of touch with mainstream America.”

Pariser dismissed such criticisms as a sign of Republicans’ anxiety over his organization’s activities.

“Republicans are trying very consistently to wedge between this big group of middle-class Americans and the Democratic leadership,” he said. “It’s not working because the charge is baseless.”

Privately, Democratic insiders admit that publicly associating with MoveOn does carry potential pitfalls for the party, but they argue that the money and grass-roots energy the group can deliver make such risks worthwhile.

Among elected Democratic leaders, there is a “recognition that MoveOn can excite the troops and till the ground to grow more Democratic activists in a way that makes any risks associated with their activities or their views less important than the rewards we can gain,” one party strategist said.

MoveOn “can be embraced when they need to be embraced and you can distance yourself from them when you need to,” the source added.

APPENDIX E

[From the St. Petersburg Times; Feb. 18, 2005]

UNSHAVEN, UNBOWED AND IN OUR FACE

(By Adam C. Smith)

Tom Matzzie describes himself as a pacifist techno geek. Maybe so, but MoveOn.org's man in Washington sounds like one cocky computer nerd.

Between bites of sushi, Matzzie noted how senior Democratic senators eagerly rearrange their schedules to meet with MoveOn. And how MoveOn would be comfortable helping defeat Democratic Rep. Allen Boyd if the Panhandle congressman continues embracing private accounts for Social Security.

What's more, "We're going to have to have some discussions with Bill Nelson," because Florida's senior senator appears reluctant to block President Bush's controversial judicial nominations. And the centrist Democratic Leadership Council that helped guide Bill Clinton into the White House? So 1990s.

"The candidates want nothing to do with the DLC, it's so out of vogue," the 29-year-old scoffed. "If the DLC disappeared from the Democratic Party tomorrow, no one would notice. If MoveOn weren't part of the party, people would notice and care."

Most of the leaders in this new powerhouse in the Democratic party establishment are younger than 40, which MoveOn suggests makes them better equipped to re-invent politics. They're known to millions of donors by their first names—Tom, Eli, Adam—and tend to go for facial hair.

"A bunch of us have beards," Matzzie chuckled, "because we're all self-conscious about the whole age thing."

Having helped revolutionize online organizing and fundraising, MoveOn isn't about to let the Democratic Party forget it. The organization and its legions of Internet-savvy activists are determined to have their say, as have labor unions, trial lawyers and other longtime Democratic fundraisers.

"In the last year, grass-roots contributors like us gave more than \$300-million to the Kerry campaign and the DNC, and proved that the Party doesn't need corporate cash to be competitive," MoveOn's 24-year-old executive director said in a recent e-mail urging members to back an outsider for chairman of the Democratic National Committee.

"Now it's our Party: we bought it, we own it, and we're going to take it back."

A lot of Democrats are terrified at the prospect.

Michael Moore shaved and donned a suit to visit with Jay Leno after the November election. America Coming Together packed up

its Palm Pilots and sent its armies of Democratic door-knockers back to conventional jobs. Bruce Springsteen and the rest of the rockers against Bush stepped off the political stage.

But MoveOn, after catching its breath, is roaring back into action.

It launched TV ads blasting Bush's Social Security proposal. It mobilized members to help elect Howard Dean DNC chairman. It's hiring 50 organizers to launch a full-time field organizing program in 1,000 communities.

"MoveOn has always been about building up momentum on issue after issue. Now, after admittedly losing a major battle, we're stronger than ever before," said Eli Pariser, executive director of the 3.1-million member group.

The presidential election loss that so devastated countless Democratic activists, Pariser said, only motivated more people to get active. An additional 250,000 people have since joined MoveOn, tens of thousands of them apparently in response to the president's call to revamp Social Security.

In 2004, MoveOn fielded canvassers across Florida and flooded the airwaves with anti-Bush TV ads. But after spending \$60-million on the last election cycle, its influence could increase dramatically in 2006, an off-year election where energizing the party's base is all the more important.

"MoveOn will be able to ask our members to contribute to the Florida governor's race faster than any organization in the United States," Matzzie said. "Literally millions of dollars can come into the Florida governor's race overnight."

MoveOn is at the forefront of a seismic shift in politics, or at least Democratic politics. Only a few years ago, the party depended mostly on unlimited "soft money" donations from corporations and interest groups; many activists saw it disconnected from its grass roots base.

Hokey as it sounds, forces like MoveOn and Howard Deaniacs are replacing corporate and soft money-dominated politics with real-people politics.

That might sound like great news for Democrats, but many party insiders are groaning over MoveOn's rising profile. After an election when most of middle America backed Bush, the thinking goes, do Democrats really want to emphasize the livid, lefty, antiwar wing of the party?

Peter Beinart, editor of the Democratic-leaning *New Republic* magazine declared MoveOn and Moore the two greatest obstacles preventing Democrats from winning majorities. He said they make the party seem weak on national security.

Critics see a massive left-wing Ponzi scheme: MoveOn's e-mail list keeps growing, its fundraising and spending keep soaring, and little ultimately gets accomplished.

"MoveOn's building up their own brand and they're building own fundraising base—possibly at the expense of the Democratic Party," said Marcus Jadotte, a senior Kerry-Edwards campaign adviser.

"Their involvement with the 2004 election was more focused on building affinity with activist Democrats than defeating George

Bush. They didn't speak to the middle. They didn't focus on enhancing the base, they focused on riling up the base."

The wild-eyed liberal tag really bugs MoveOn's leaders. If they only spoke for people on the fringe, they couldn't raise so much money and wean the Democrats off corporate contributions.

"MoveOn has taken only positions that have very broad appeal, and that's because our goal is unifying a loyal opposition to the Bush administration, which we find very extremist," said Wes Boyd, 44, one of MoveOn's founders. "Opposition to the Iraq war is a very mainstream position."

MoveOn was created in the late 1990s by Boyd and Joan Blades, 48, a couple from Berkeley, Calif., formerly best known for the flying toaster screen savers and online game "You Don't Know Jack," created by their company, Berkeley Systems.

MoveOn began as a petition to leaders in Washington—as in, censure Clinton and move on to more pressing issues—but its e-mail list exploded over opposition to the war in Iraq.

Now it's a Democratic institution whose leaders and members are unchastened by their loss in November. It wasn't MoveOn's "liberal" TV ads decrying the growing federal deficit and faulty justifications for war that cost Democrats the election, they say. Those ads were market-tested for effectiveness at persuading voters, not simply preaching to the choir.

To MoveOn, the lesson of November is not that in-your-face opposition to Bush is damaging to Democrats. Far from it. What hurts Democrats most, they say, is lack of coherence and reluctance to strong for their beliefs.

"A lot of party moderates are stuck in an old way of thinking about politics, which doesn't jibe with the power hungry, no-holds-barred style Bush has brought to Washington," said Pariser, who before joining MoveOn had created an online petition urging restraint after the Sept. 11 attacks.

Even some of the most passionate disciples of online organizing sometimes wonder about MoveOn's strategy. Take their ads targeting Boyd, probably the most vulnerable Democrat in Florida's congressional delegation.

"They're going after a Democrat?" asked Joe Trippi, Dean's former presidential campaign manager and a pioneer at harnessing the Internet for campaigns.

"I'm not so sure their members would all agree with that. * * * The organized party has to be closer to the grass roots, and the grass roots over time is going to come to understand that their party has to have a big tent. It's going to be a maturing process, and obviously MoveOn is going to be a leader in that."

Pariser contends that MoveOn's semi-outsider status makes it uniquely suited to help elected leaders in the party.

"We're acting as kind of an external whip, making sure there are rewards for people who are helping move the message and penalties when people go off message," he said.

"We're a team player."

As congressional Democrats become increasingly aggressive challenging Republicans and MoveOn continues revving up its base, though, it's not clear yet who's leading the team.

APPENDIX F

[From Roll Call; Apr. 27, 2005]

MOVEON WANTS SANDERS TO MOVE UP TO SENATE

As expected, a full 96 percent of MoveOn.org members believe the liberal organization should support Rep. Bernie Sanders (I) if he decides to seek the Green Mountain State's open Senate seat next year.

"You're willing to put your time and money where your mouth is, too—thousands of you volunteered to help with the campaign, and together you said you'd contribute over \$135,000," MoveOn.org Political Action Committee Executive Director Eli Pariser said in an e-mail to the organization's supporters. He noted that the show of support was just from Vermont members.

"Since we're in the middle of our emergency campaign on judicial nominations, it may be a few weeks before we're able to raise money for Sanders from our whole base," Pariser said. "Together, we'll make sure that Vermont sends a real progressive to the Senate in 2006."

Sanders has not formally entered the race to succeed retiring Sen. Jim Jeffords (I) but has made no secret of his desire to ascend to the Senate.

Jeffords decided to retire just last week so no one has entered the race yet, save Republican Greg Parke, who was already planning to challenge Jeffords next year.

Parke was the GOP candidate against Sanders last year in the state's lone House race, and he lost badly.

APPENDIX G

[From Roll Call; July 11, 2005]

GOP SEES MOVEON AS WEDGE

(By Chris Cillizza and Paul Kane)

From top White House operative Karl Rove to two of the party campaign committees, Republicans have launched a full-scale attack on MoveOn.org, questioning the liberal group's patriotism and worldview.

These attacks appear to have two purposes: One is to put the group and its Democratic allies on the defensive over support for the war on terror. And the second is to drive a wedge between Democratic candidates and the millions of dollars that MoveOn's supporters have pumped into their campaigns.

With MoveOn fast becoming one of the Democratic Party's most important fundraising sources, the second goal may end up being the more important one. The 2006 Pennsylvania Senate race provides a window into the developing battle over MoveOn.org.

State Treasurer Bob Casey Jr. (D) was featured recently in a MoveOn e-mail designed to drive donors to support his challenge to Sen. Rick Santorum (R). Within the first 24 hours, the appeal brought in \$150,000 for the Casey campaign.

But the National Republican Senatorial Committee immediately went on the offensive with a release titled, "Casey Moves In With MoveOn," alleging that the group's e-mail on behalf of Casey shows how closely he is aligned with the "ultra-liberal left." John Brabender, Santorum's media consultant, predicted that if Casey continues to accept MoveOn money, he will have to answer for the group's controversial policies, which include opposing military intervention in Afghanistan.

"You can tell a lot about a person by the company they keep," Brabender said. A group like MoveOn "will have a lot of trouble in Pennsylvania, particularly in the middle part of the state. The group will be hung around Bobby Casey's neck."

The rhetoric from Brabender and the NRSC is aimed at forcing Casey into a no-win choice: He could pass up a generous source of campaign cash, or he could accept MoveOn's ample resources, yet face an assault over the group's issue stances.

Refusing MoveOn money is no small financial decision. In less than 48 hours, the group raised \$800,000 for the re-election campaign of West Virginia Sen. Robert Byrd (D)—almost single-handedly quieting rumors that the octogenarian would retire his seat in 2006.

Eli Pariser, executive director of the MoveOn.org political action committee, called the Republican tactics "smart."

“This is a very pure, very stable source of funds,” said Pariser about his organization. “It is totally unlike the rubber chicken model of fundraising.”

Leading Senate Democrats agree. “They are trying to discredit and smear MoveOn because it’s so successful,” said Minority Whip Dick Durbin (D-Ill.), who added that the group is “one of our most important” fundraising avenues.

Democratic Senatorial Campaign Committee Chairman Charles Schumer (N.Y.) said MoveOn has grown to be so important because the group, through the use of e-mails, has turned grass-roots fundraising upside down.

Long a bastion of conservatives, direct mail used to be the most costly form of fundraising, barely yielding \$1 raised for every \$1 spent but generally bringing in lots of cash and spreading a sharply worded, partisan message in the missives.

But the costs of MoveOn’s e-mails are negligible, and their haul is often astounding, as Byrd discovered at the end of March.

“Now MoveOn and others have caught up to [conservative direct mailers] and surpassed them, and they’re not happy about it,” Schumer said.

The campaign against MoveOn moved to a new level with Rove’s June 22 speech in midtown Manhattan, not far from the site of the World Trade Center attacks.

Rove accused MoveOn and other liberals of wanting to “offer therapy and understanding for our attackers.” Democrats pounced on the remarks and demanded an apology from Rove, noting that Durbin just the previous day had apologized for likening treatment of prisoners at Guantanamo Bay to those in Nazi Germany or in Soviet gulags.

But rather than issuing an emotional apology—as Durbin did—the White House and Republicans went into full attack mode on MoveOn and other liberals, including Democratic National Committee Chairman Howard Dean.

The Republican National Committee issued reams and reams of documentation on the positions of MoveOn and Dean regarding the war in Afghanistan. The White House refused to offer even a hint of an apology. And the NRSC sent out a fundraising e-mail lambasting MoveOn, beginning with: “Karl Rove was right.”

And a few days later, when MoveOn’s pitch went out on Casey’s behalf, the NRSC again pounced on the group and attacked the centrist-leaning candidate for allying himself with a liberal group—a line of attack that the committee has used mercilessly against Byrd ever since the late March fundraising pitch on his behalf.

Rep. Tom Reynolds (N.Y.), chairman of the National Republican Congressional Committee, said he did not necessarily view the attacks on MoveOn as part of a party-wide effort to drain Democratic funding sources. But, he agreed that it has become a major financial engine for Democrats.

“They certainly have more money there than Howard Dean and the DNC,” Reynolds said, adding, “Many of their investors stand for extremist views.”

For a campaign expected to cost in the neighborhood of \$20 million, Casey may not be in a position to reject MoveOn’s dollars even if doing so would save him some political heartburn.

Jay Reiff, campaign manager for Casey, dismissed the idea that his candidate would face any sort of choice.

“Bob Casey’s positions are not going to change based on who happens to endorse him,” said Reiff. “They endorsed him, he didn’t endorse them.”

In their attacks, Republicans are treading a familiar path.

For decades, Democratic candidates have come under fire from Republicans for accepting campaign contributions from trial lawyers and labor unions.

The GOP has also targeted both camps legislatively, including curbs on class-action lawsuits and attempts to prevent unions from using compelled dues for political purposes. Both would effectively limit the ability of trial lawyers and unions to aid Democratic causes.

While such arguments have at times caused Democratic candidates some problems, they have rarely if ever driven them to not accept donations from these interest groups. (Democrats have also attacked Republicans for taking money from social conservatives, big corporations and gun-rights groups, but that tactic has not usually been as central to the party’s campaign strategy.)

Matt Keelen, a former Republican fundraising consultant who’s now a lobbyist with Valis and Associates, insists that MoveOn is a special case.

“It is going to take some time, but MoveOn is making it so easy with their radical, anti-American stances that, over time, people are going to view them as the fringe—to the left of Howard Dean,” said Keelen.

Not so, say Durbin and other Democrats.

“The more they attack them, the more popular they are,” Durbin said of MoveOn.

The GOP’s ability to delegitimize MoveOn, to some degree, hinges on how the war in Iraq plays out. In recent weeks, support for the war has been sinking.

Rep. Harold Ford Jr. (D-Tenn.), who’s running for the Senate in a conservative state by positioning himself as a centrist, said he has no problem if MoveOn wants to help him raise cash.

“MoveOn.org hasn’t placed one road-side bomb in Iraq,” Ford said. “Nor did MoveOn.org fail to plan an exit strategy.”

While the group hasn’t yet helped him, Ford said Rove’s attacks on MoveOn smacked of “childish instinct.”

Pariser added that it will be difficult for Republicans to attack a candidate for taking contributions from a group “funded exclusively or largely by grass-roots people in \$25 amounts.”

He points out that recent issues MoveOn has highlighted—opposition to Social Security reform and support of an overhaul of the campaign finance system—are in tune with a large portion of the citizenry.

“There is no position that the organization as a whole has taken that is outside of the mainstream,” said Pariser. “None of those things are something that a candidate needs to fear.”

APPENDIX H

[From USA Today; June 28, 2004]

“OUTSIDE” POLITICAL GROUPS FULL OF PARTY INSIDERS

(By Jim Drinkard)

From his seventh-floor office, Jim Jordan can see the headquarters of the AFL–CIO across the street. It’s a three-minute stroll from his office to the headquarters of John Kerry’s presidential campaign, which Jordan ran until last November.

The room Jordan occupies was the office for Democratic Party Chairman Terry McAuliffe last year while the party’s building was being renovated. Before that, it was used by Steve Rosenthal, organized labor’s former chief political strategist— and now Jordan’s colleague in an enterprise often described as a “shadow” Democratic Party. The shadow party’s office space is subleased from the AFL–CIO.

In that office is the Thunder Road Group, a communications firm Jordan runs. Its primary clients are two independent political groups, America Coming Together and the Media Fund.

To Republicans, Jordan epitomizes the web of links and relationships among the Kerry campaign, the Democratic Party, organized labor and a network of allied outside political groups. They argue that his presence as a strategist for groups that are spending tens of millions of dollars to boost Kerry is clear evidence of illegal coordination.

The law forbids purportedly independent political groups from coordinating their plans and strategies with the party or candidates they support. That’s because the outside groups can raise and spend unlimited amounts of money, while campaigns and parties are strictly limited in the size of contributions they can accept from supporters.

If coordination were allowed, it would mean large, unregulated contributions—known as “soft money”—could be harnessed by a candidate as if they had been given directly to the campaign. As the Supreme Court wrote in a campaign-finance ruling last year, “expenditures made after a ‘wink or nod’ often will be as useful to the candidate as cash.”

APPEARANCE VS. PROOF

But there’s a wide gulf between the appearance of coordination and proving it in court, where First Amendment rights to free speech provide wide latitude to political activists. Besides, Jordan says, there are many legal ways to make sure friendly political

campaigns complement each other. "There aren't many secrets in Washington," he says.

The issue of how much coordination is legal is likely to grow along with the proliferation of outside groups. As their numbers multiply, so will the amount of money flowing in to influence elections for the White House and Congress. That threatens to blow a hole in the campaign-finance law that bans unregulated money from being used by parties and candidates, the law's supporters say.

"The people who are conducting these supposedly independent campaigns are people who have been intertwined with Democratic and Republican campaigns for years," says Fred Wertheimer, president of the watchdog group Democracy 21.

Democrats have attracted the most scrutiny because they have been the most aggressive in setting up channels for outside money to help Kerry or to attack President Bush. The network includes more than two dozen outside groups, several of them created in the past two years to influence the 2004 elections.

Many of the groups have drawn their top personnel from the AFL-CIO and the Democratic Party. Rosenthal, the labor federation's former political director, joined Ellen Malcolm, founder of the fundraising group EMILY's List, to form America Coming Together. They get public relations help from Jordan and legal advice from Larry Gold, the AFL-CIO's counsel. That advice, Gold says, includes an admonition to avoid any conversations with operatives in the party or the campaign, even if they are longtime friends.

Harold Ickes, a top campaign and White House adviser to Bill Clinton, created the Media Fund to advertise on Kerry's behalf. He is raising money jointly with Malcolm and Rosenthal. Ickes is a member of the Democratic Party's executive committee. Ickes' media consultant, Bill Knapp, left the Media Fund last month to go to work for Kerry.

Pollster John Marttila, who does work for the Brady Campaign, a gun-control group, and is an adviser to the Kerry campaign, also made a presentation on May 20 to America Votes, a forum where pro-Democratic groups coordinate their campaign activities.

Zack Exley joined the Kerry campaign last month as its director of online organizing after working in a similar job for the online organization MoveOn.org, which has aired millions of dollars in anti-Bush ads. He turned in his laptop computer when he made the move, but Republican Party Chairman Ed Gillespie complained that Exley couldn't forget what he had learned. "It's virtually impossible for him not to violate the law unless he has a lobotomy," Gillespie says.

REPUBLICANS BUILDING OWN NETWORK

The Republicans could be subject to similar complaints, particularly as they seek to form their own network of outside groups.

Last October, Bush's campaign manager, Ken Mehlman, gave a pep talk to donors of Progress for America, a Republican group seeking to match the Democratic efforts. Gillespie also was there. The group was founded by Tony Feather, political director of Bush's 2000 campaign, and is closely linked to the DCI Group, a

voter-contact firm that has contracts with the Bush re-election campaign and the Republican Party.

Another group, the Leadership Forum, recently recruited a stable of 35 well-connected Republicans to raise money to help Bush. Most of them are Washington lobbyists, and one—former Senate GOP aide David Hoppe—now runs Gillespie’s lobbying firm.

When the Federal Election Commission decided May 13 not to regulate outside political groups in this election, senior Republican leaders sent strong signals that they expected their party to counter the offensive by Democratic-linked groups.

Gillespie and Bush campaign chairman Marc Racicot issued a statement designating Progress for America, the Leadership Forum and two other groups as good places for conservative soft-money donors to send their checks. The Leadership Forum is run by Susan Hirschmann, a former chief of staff to House Majority Leader Tom DeLay of Texas. House Speaker Dennis Hastert of Illinois and House GOP campaign chairman Tom Reynolds issued a statement saying “it would not be surprising” if new groups sprang up.

Regulators have long struggled with how to define illegal coordination and how to enforce prohibitions against it. In the 1980s and 1990s, the Federal Election Commission brought few enforcement actions over illegal coordination and won fewer. Coordination, particularly as defined by the courts, became virtually impossible to prove.

When Congress rewrote campaign-finance law in 2002, it directed the FEC to write less-permissive regulations. The result was a rule that covers the dissemination of any television, radio, mail or telephone message conveyed during a campaign season by an outside group—if it mentions a federal candidate, and if its content, timing or targeting has been shaped by inside knowledge of the candidate’s “projects, needs and strategies.” The value of a message coordinated in such a way becomes an illegal contribution to the campaign.

The next frontier for the Democrats is setting up an independent arm of the national party to buy TV ads supporting Kerry and perhaps hire field organizers in key states. The party is allowed to spend \$16.2 million to help Kerry in coordination with his campaign. But if it creates an operation that isn’t coordinated, it can spend as much money as it can raise; early estimates run to \$25 million or more. The Republicans are considering a similar arrangement to help Bush.

Ellen Moran is organizing the independent effort from an office in the Democrats’ headquarters. Her resume includes a stint at EMILY’s List, which raises campaign money for Democratic women who support abortion rights; political work at the AFL–CIO; and strategy work for the Democratic Party.

Party lawyers have built a legal firewall to avoid substantive contact between Moran and other party workers. Only McAuliffe, chief operating officer Josh Wachs and chief financial officer Brad Marshall are allowed access to the operation. Other workers at the DNC don’t even know Moran’s phone extension. Wachs says, “The person I talk the most to every day is Joe Sandler”—the party’s lawyer.

But if history is a guide, he doesn’t have much to worry about.

“It is clearly difficult to prove coordination,” says Trevor Potter, a former Republican chairman of the FEC. “It has always been one of the hardest things to prove under election law.”

APPENDIX I

[From the Los Angeles Times; Apr. 1, 2004]

KERRY AIDED BY “ILLEGAL” SOFT MONEY, GOP CLAIMS

(By Lisa Getter)

In a complaint to be filed today with the Federal Election Commission, the Bush campaign and the GOP will charge that Sen. John F. Kerry is benefiting from “the largest illegal infusion of soft money from wealthy individuals, unions, corporations and other special interests” since Watergate.

The GOP alleged Wednesday that Kerry, the presumptive Democratic presidential nominee, was part of an “unprecedented illegal conspiracy” to coordinate ads with well-funded liberal groups in violation of campaign finance laws—a claim Kerry’s campaign denied.

At issue is the role of several well-funded liberal groups whose stated goal is to raise \$300 million to help oust President Bush in November. Known as 527s because of the tax code that governs them, organizations such as the Media Fund and MoveOn.org have been spending millions of dollars on anti-Bush TV ads in key battleground states.

In an unusual move, the Bush campaign’s national counsel, Ben Ginsberg, will ask the FEC to immediately dismiss the complaint without hearing its merits, so Republicans can then seek relief in federal court.

The Kerry campaign called the complaint frivolous. “John Kerry and his campaign have nothing to do with these ads or the groups that run them,” said Michael Meehan, Kerry’s senior campaign advisor.

FEC commissioners say they are banned from speaking about enforcement actions, so it is unclear what the panel will do. The FEC usually takes at least several months to decide complaints, which Republicans contend is too long to have any meaningful effect on this year’s presidential election.

The FEC is already in the middle of a lengthy process to impose new rules that may affect how the 527s raise and spend their money.

The complaint names six 527s—the Media Fund, America Coming Together, America Votes, Voices for Working Families, MoveOn.org and Partnership for America’s Families, as well as some of their wealthy donors. Among the donors are philanthropist George Soros, who has contributed \$5 million; Hollywood producer Steven Bing, who has given \$2 million; and Cleveland insurance billionaire Peter Lewis, who has donated \$3 million.

Campaign finance reform laws have banned such large donations, which are known as soft money, to political parties. But the 527s are not governed by the same restrictions; the GOP says they should be. In their complaint, Republicans contend that because the 527s appear to be working with the Kerry campaign, the donations to them are tantamount to illegal soft money contributions to Kerry.

The Bush campaign has a \$108-million cash advantage over Kerry in collecting so-called hard dollars, according to the latest financial disclosures. But Republicans worry that the influx of advertising money from the 527s may close that gap in a hurry.

From March 3 through Saturday, the Media Fund spent an estimated \$7.3 million and MoveOn.org an additional \$3 million on TV ads attacking Bush, according to TNSMI/Campaign Media Analysis Group, an independent monitor based in Virginia. Its figures are derived from analysis of ads on broadcast television in 100 major markets and on several national cable outlets.

Kerry, during that same period, spent about \$3 million, according to the ad monitor. That brought the anti-Bush spending to within range of the Bush campaign, which spent an estimated \$16.9 million.

The spending patterns show the high stakes involved in the FEC dispute. "Simply put, the Kerry campaign and the Democratic Party have been unable to fundraise to a level of hard dollars that they think is necessary for their campaign efforts," the complaint states. "Instead, they have chosen to rely on an illegal conspiracy of donors and shadowy groups to defeat President Bush."

"These are vintage Republican intimidation tactics," said Sarah Leonard, a spokeswoman for America Coming Together, the Media Fund and America Votes. "As usual, this has nothing to do with the law, this has nothing to do with the facts, and everything to do with political desperation."

Wes Boyd, president of the MoveOn.org Voter Fund, said the complaint was without merit. "We do not coordinate with the Kerry campaign. These charges are baseless and irresponsible," he said.

Ginsberg contends that the groups are illegally coordinating with Kerry because some of the people working with the 527s have links to the Democratic National Committee or the candidate's campaign.

Among those he mentions: Harold Ickes, who runs the Media Fund, also serves on the DNC's executive committee; Jim Jordan, who also works at the Media Fund, was Kerry's campaign manager until November; Minyon Moore, a member of America Coming Together's executive committee, is also a Kerry campaign consultant; and Bill Richardson, an officer in Voices for Working Families, is chairman of the Democratic National Convention.

As proof of coordination, Ginsberg also cited an ad produced by the Media Fund on Kerry's economic policies that arrived at television stations before the candidate had made his plan public. The Media Fund said the ad was based on information that had already been made public.

Ginsberg also cited a MoveOn.org party in San Francisco that was attended by Kerry's wife, Teresa Heinz Kerry. The candidate

called the party as she was speaking. The account, Ginsberg said, was posted on Kerry's campaign website.

But Bob Bauer, a lawyer for America Coming Together, said Ginsberg was misinterpreting the law. He said there was nothing in the laws that barred Kerry from socializing with any members of the 527s. The question is whether Kerry and his campaign are coordinating their strategy with the independent groups, Bauer said.

"Coordination occurs when a candidate provides material information to an organization, the effect of which is to shape the organization's creation, product or distribution of advertising," he said.

Bauer dismissed Ginsberg's contention that a federal "former employee rule" banned Jordan from doing anything for a 527 unless he "put his brain on hold and ran the Xerox machine."

The 527s say that although some of their staff and volunteers have links to the Democratic Party and the Kerry campaign, that is not proof of coordination.

MINORITY VIEWS

The House Administration Committee ordered H.R. 513 reported without recommendation on a 5–3 vote. In our view, H.R. 513 is a poorly considered response to a problem that is inadequately identified. It is so broad in its application that it stands to severely hamper voter registration and get-out-the-vote activities of civic minded non-partisan organizations. It casts such a wide net that it will ensnare groups whose activities Congress should be promoting, not impeding. By failing to distinguish between groups whose activities are designed to influence the election of clearly identified Federal candidates and those whose sole purpose is to enhance participation, H.R. 513 imposes too high a price on election activity. This is particularly true in light of the fact that the candidate advertising that the bill seeks to curb will continue. The only difference will be that the organizations that place the ads will transform themselves into organizations which will be less transparent and accountable than the committees that they supplant. Voter participation in 2004 was at its highest level since 1968. H.R. 513 stands to reverse that gain in voter participation, and for that reason and others we outline in these views, we cannot support it.

PREFACE

Congress in the last five years has increased the regulation of independent political committees organized under section 527 of the Internal Revenue Code. In 2000, Congress passed legislation requiring that all 527s that expect to have gross receipts of over \$25,000 during a taxable year, register with the Internal Revenue Service (IRS) within 24 hours of their formation, unless they are already reporting to the Federal Election Commission (FEC). These organizations are consequently subject to extensive public disclosure and review requirements. If such an organization seeks to directly influence Federal elections, it is subject to all the limitations of the Federal Election Campaign Act (FECA).

In 2002, Congress passed the Bipartisan Campaign Reform Act (BCRA), which was intended to sever the connection between Federal officeholders and the raising of unlimited and unregulated political contributions, often referred to as “soft money”. Under BCRA, federal officeholders may no longer solicit or participate in the spending of soft money. BCRA has been successful in achieving this end. The link has been broken between Federal candidates and the parties they control, and the perceived influence of soft money on the creation and application of Federal policy.

After BCRA was challenged, the Supreme Court upheld the main provisions of the law, clearly demonstrating that it is constitutionally permissible to regulate or limit the money which Federal office holders, Federal candidates, and their national political par-

ties raise. The Court was hesitant to endorse the imposition of the same restrictions on independent political organizations.

The Court addressed independent groups' ability to exercise their rights under BCRA in 2003 by holding that:

* * * BCRA imposes numerous restrictions on the fund-raising abilities of political parties, of which the soft-money ban is only the most prominent. Interest groups, however, remain free to raise soft money to fund voter registration, GOTV (Get-Out-The-Vote) activities, mailings, and broadcast advertising (other than electioneering communications). *McConnell v. Federal Election Commission*, 540 U.S. at 80, {bracketed words added}.

The Court even weighed in on those who state that these independent groups are stronger than the parties:

* * * Interest groups do not select slates of candidates for elections. Interest groups do not determine who will serve on legislative committees, elect congressional leadership, or organize legislative caucuses. Political parties have influence and power in the legislature that vastly exceeds that of any interest group. *Id.*, at 81.

To prevent the circumvention of existing law, 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, these organizations must pay for activity that is intended to influence federal elections with money under the limitations and prohibitions of the 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 consequence of this is that any organization whose major purpose of which is to influence federal elections will be subject to all the requirements of FECA once it receives over \$1,000 during a calendar year.

Under the new rule, organizations that have established political committee status will be required to fund their activities in federal elections with specific percentages of hard and soft dollars. For example, voter drives that refer to both federal and nonfederal candidates must be paid with at least 50% hard dollars. In contrast, public communications that refer only to federal candidates must be paid for with 100% hard dollars. Under the FECA, hard dollars must comply with the source prohibitions, and therefore donations to them would be limited to \$5,000 per individual. Congress should carefully measure the effectiveness of these regulations before rushing through a bill which is unlikely to achieve its sponsors' objectives, but is likely to result in unintended and undesirable consequences.

Some have accused these independent groups as being mere "fronts" for a party. This was the impression given during the June 29th, 2005 mark-up of H.R. 513, when several former political party employee pictures were displayed without any prior notice to

the minority side, in what Roll Call newspaper termed “mug-shot” style on the Committee’s large screen monitors. If the independent groups for whom they subsequently worked are shown to be anything other than independent, these groups will face substantial penalties from either or both the Internal Revenue Service or the FEC. If anyone has hard evidence that office holders have had direct coordination with 527 groups, it should be presented to the appropriate authorities. The majority party should not impugn the integrity and honesty of individuals based on raw unfounded speculation.

PRINCIPAL FLAWS

RESTRICTS UNIONS AND INDEPENDENT GROUPS FROM ACTIVITIES WHILE ALLOWING CORPORATIONS AND TRADE ASSOCIATIONS TO CONTINUE UNREGULATED SPENDING

H.R. 513 imposes further regulation of unions and independent 527s, and provides an unfair advantage to corporations and trade associations. This is done by allowing corporations and trade associations to continue spending unlimited and undisclosed amounts of money for political purposes, skewing the playing field in favor of corporations and trade associations, while labor organizations and membership groups will be forced to do most of their political spending as federal political committees, subject to contribution limitations and source restrictions.

URNS BACK HIGHEST VOTER PARTICIPATION GAINS OVER LAST 35 YEARS

H.R. 513 would restrict many 527 organizations that played a critical role in increasing civic participation by registering, educating, and mobilizing millions of voters for the 2004 November general election. Voter turnout reached unprecedented highs as nearly 126 million voters participated in the 2004 elections. An estimated 15 million additional voters participated in the 2004 election over the November, 2000 election. Many were previously unregistered or disengaged, and they have now reengaged in the political process. Congress should be encouraging and supporting this kind of increase in voter participation, rather than obstructing it.

VIOLATES 1ST AMENDMENT AND FORCES GROUPS TO MORPH INTO LESS ACCOUNTABLE FORMS

H.R. 513 is unduly vague and stands to chill speech not directed at any election. Speech criticizing an officeholder’s position on an issue a year before an election may trigger regulation. Once regulation is triggered, an organization will have all its activities limited by the prohibitions and limitations that are intended only to apply to political committees seeking to influence federal elections. It is unclear how an organization will be able to free itself from these limitations on its speech.

One choice may be for such an organization to forego 527 status from the start. If operating as a 527 organization limits an organization’s ability to publicly debate issues of importance, then an organization simply may choose a different operating structure and avoid regulation altogether. H.R. 513 will then have accomplished

nothing other than to ensnare the unwary, while driving the election activity which it intends to regulate into unregulated channels.

CONCLUSION

We have attached letters from concerned groups on the impact this legislation may have on their civic activities. We have also included several charts which show the increase in voter turnout between 1996–2004, an increase attributable in large measure to the efforts of 527 organizations in registering and mobilizing voters. Because we are doubtful that H.R. 513 has any chance to achieve its objectives, and because we believe that it will have a negative impact on voter participation, we opposed the bill in committee and expect to oppose it on the Floor.

JUANITA MILLENDER-MCDONALD.
ROBERT A. BRADY.
ZOE LOFGREN.

June 28, 2005

Honorable Juanita Millender-McDonald
1514 Longworth House Office Building
Washington, DC 20515

Dear Representative Millender-McDonald:

I am writing to urge you to oppose both H.R. 1316 and H.R. 513. The House Administration Committee passed H.R. 1316 (the "527 Fairness Act of 2005") out of mark-up and now the leadership is urgently pushing to have a floor vote. In addition, Chairman Ney, has scheduled a mark-up on June 29 for H.R. 513 (the "527 Reform Act") and promised to move it to the floor for consideration as well.

In 2004, Voices for Working Families registered, educated, mobilized and protected the rights of voters who have become disenfranchised from the political process- communities of color, young people and unmarried women. People representative of our communities knocked on over one million doors, and these community members made their voices heard- many of them for the first time- in 2004. We continue our work making sure these vital voices are heard in the Social Security debate. We have made over three million calls and aired a 30 second television spot targeting the African American community. This proposed legislation would virtually eliminate our ability to make these voices heard on such imperative economic and social issues.

I firmly believe that the United States Congress should not be in the business of attempting to stifle political speech and participation. American citizens should always have the right to come together and have their voices heard in the political dialogue. If this bill passes, millions of Americans will be effectively barred from political participation.

If both bills become law:

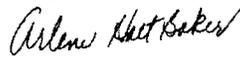
- Shays-Meehan will skew the playing field in favor of corporations and trade associations which will be allowed to continue to spend unlimited (and undisclosed) amounts for political purposes without any consequence.
- By contrast, outside groups, such as labor organizations and membership groups, will be forced to do most of their political spending as federal political committees, subject to contribution limitations and source restrictions. This bill will curtail the free speech of outside independent

groups and limit participation in our electoral process. These outside groups have been formed by entities independent of candidates and political parties to represent diverse grassroots and ideological interests. Restricting their activities would discourage the further increase in voter participation that we saw in the 2004 elections.

- Pence-Wynn would increase contribution limits by corporate PACs, loosen the solicitation restrictions and allow corporations and trade associations to contribute treasury funds to voter registration activities undertaken by state and local party committees. This will serve only to increase the corrosive influence of corporations and trade associations on our political process.
- In direct contrast to the principles of campaign finance reform stressed by the Supreme Court in *McConnell v. FEC*, Pence-Wynn lowers barriers to direct access of big money to official power. It removes the restrictions on aggregate giving in an election cycle, which empowers the wealthy, while eliminating the limits on political party coordinated expenditures with candidates. All of these elements will weaken our campaign finance laws which have been successful at severing the link between large contributions and the fundraising of elected officials.

Given these reasons, I urge you not to support the proposed legislation. For Democracy to truly work, ALL VOICES need the opportunity to be heard. The United States Congress should be seeking further ways to engage the citizens in the political process, not trying to stifle political speech.

Sincerely,



Arlene Holt Baker, President
Voices for Working Families



June 28, 2005

Dear Representative:

On behalf of the National Association for the Advancement of Colored People National Voter Fund (NAACP NVF), a 501 C 4 social welfare organization whose mission is to encourage civic participation among African Americans and other traditionally disenfranchised communities, I would like to express our opposition to H.R. 513, the 527 Reform Act of 2005, and H.R. 1316, the 527 Fairness Act of 2005. H.R. 513 is an unnecessary intrusion into independent political activity that is essential for ensuring that all Americans participate in our democracy. H.R. 1316 is an assault on the post Watergate reforms to our federal election code and goes against the trend toward effective campaign finance reform.

In the past 3 election cycles, the NAACP National Voter Fund has played a critical role in increasing political participation in communities of color. Because of our efforts, in districts across the country, voter turnout has increased substantially. We carry out our mission independent of political parties. Instead, our efforts are an authentic grassroots effort to hold officeholders and candidates accountable on the civil rights and voting rights issues most important to our constituency.

As opposed to the record laid in support of the Bipartisan Campaign Reform Act of 2002, there has been no case made that 527s have a corrupting influence in politics today. No one has established that regulating 527s out of existence, as H.R. 513 would do, would improve our democracy. Quite to the contrary, we believe the 527 Reform Act of 2005 will have many negative consequences. 527 organizations have been instrumental in recent successful efforts to mobilize and increase electoral participation in communities of color. Without 527s these efforts could be severely hampered. Second, should H.R. 513 be enacted, it is possible that donations will be diverted away from 527 organizations to 501(c) (4) organizations. There is every reason to believe that increased activity by these 501(c) organizations will inevitably result in new government intrusion into these non-profit organizations. Such a move would hamper the abilities of organizations like the NAACP NVF to effectively advocate on behalf of civil rights and voting rights issues which we have championed over the years.

Finally, we believe under the guise of campaign finance reform H.R. 1316, the 527 Fairness Act of 2005, would roll back provisions of the campaign finance code that would again magnify the power of corporate interests. For instance, its provisions would increase contribution limits by corporate PACs and loosen the solicitation restrictions of corporations and trade associations.

The combination of these approaches – increasing the power of business interests and limiting independent political activity at the grassroots level – could not be farther removed from sound public policy.

We believe Congress should leave our campaign finance laws alone and refocus on the real priorities of Americans like increasing access to health care, and expanding economic and job opportunities for all Americans.

Sincerely,

Gregory T. Moore
Executive Director

NAACP National Voter Fund
1200 G Street, NW
Suite 800
Washington, D.C. 20005



AFSCME

American Federation of State, County and Municipal Employees, AFL-

June 28, 2005

Committee on House Administration Members
U.S. House of Representatives
Washington, DC 20515

Dear Representative:

On behalf of the 1.4 million members of the American Federation of State, County and Municipal Employees (AFSCME), I am writing to express our strong opposition to the "527 Reform Act of 2005" (H.R. 513) which will be considered tomorrow by the Committee on House Administration. For a number of reasons, highlighted below, this bill is an assault on the democratic process and should be rejected. We would also like to reiterate our opposition to the "527 Fairness Act of 2005" (H.R. 1316), which was previously considered by the Committee.

H.R. 513, introduced by Reps. Christopher Shays and Martin Meehan, would drastically reduce the grassroots activities, directed solely at state and local elections, that are conducted by local unions and other advocacy organizations. State and local organizations engaged in state and local election activity should not be compelled to operate under federal PAC rules.

More broadly, H.R. 513 is an attack on fully disclosed, independent activities that helped to increase the 2004 voter turnout to the highest level since 1968. Congress should be encouraging activities that increase voter participation, not outlawing them. Broad voter participation strengthens our democracy, not weakens it.

H.R. 513 undermines the independent political speech of ordinary Americans who band together in unions and advocacy organizations to speak out about federal candidates and issues of national importance. In fact, H.R. 513 treats attempts to hold elected officials accountable for their records as politically corrupt activity.

With regard to H.R. 1316, introduced by Reps. Michael Pence and Albert Wynn, we are greatly concerned that the bill would increase the role of wealthy donors and trade association political action committees (PACs), reversing the campaign finance reforms that were put in place as a result of the scandals of Watergate. Specifically, H.R. 1316 would eliminate the

current limit on the aggregate amount that wealthy individuals may contribute to federal candidates, party committees and PACs. In addition, the bill would facilitate greater fundraising by trade association PACs. These two provisions would increase the influence of corporations and wealthy individuals over the political process at the expense of ordinary Americans. By allowing corporations and the wealthy to further dominate the political process, the voice of working families will be further diminished when elected officials make laws and establish policies.

H.R. 1316 does include an improvement in current law, by easing soft money restrictions on selected state party grassroots activity. However, this improvement does not compensate for the bill's larger flaws.

When the Committee takes up H.R. 513 tomorrow, we urge you to oppose it. We also urge you to oppose H.R. 1316. Both bills would weaken our democracy.

Sincerely,



Charles M. Loveless
Director of Legislation

CML:bed



LEAGUE OF CONSERVATION VOTERS

June 28, 2005

United States House of Representatives
Washington, DC 20515

Re: Oppose H.R. 1316, the 527 Fairness Act of 2005, and H.R. 513, the 527 Reform Act of 2005

Dear Representative,

1920 L Street, NW
Suite 800
Washington, DC
20036
202-785-9683
Fax: 202-835-0491
E-Mail: cv@lcv.org
<http://www.lcv.org>

The League of Conservation Voters (LCV) is the political voice of the national environmental community. Each year, LCV publishes the *National Environmental Scorecard*, which details the voting records of Members of Congress on environmental legislation. LCV also works to educate the public about environmental and public health issues and to increase civic participation.

LCV urges you to oppose H.R. 1316, the 527 Fairness Act of 2005, and H.R. 513, the 527 Reform Act of 2005. We oppose both bills because they would limit activities by organizations such as the League of Conservation Voters, which registered, educated, and mobilized voters during the 2004 elections. Under the guise of campaign finance reform, these bills would shift the balance of power even more toward corporations and away from regular citizens who want to have their voices heard on issues such as protecting the environment and public health.

Among other problematic provisions, H.R. 1316, which was introduced by Representatives Pence (R-IN) and Wynn (D-MD), would give an unfair advantage to corporations and wealthy individuals by increasing contribution limits from corporate PACs and removing the restrictions on aggregate giving in an election cycle.

H.R. 513, which was introduced by Representatives Shays (R-CT) and Meehan (D-MA), would also give an unfair advantage to corporations as well as to trade associations by allowing them to continue spending unlimited and undisclosed amounts of money for political purposes. However, it would subject organizations like the League of Conservation Voters to contribution limits and source restrictions by requiring that we do most of our political spending as federal political committees.

We urge you to oppose H.R. 1316 and H.R. 513, which would threaten the ability of the League of Conservation Voters and other organizations to increase civic participation. Instead of moving forward with either piece of legislation, the House of Representatives should take up bills that protect our democracy as well as the environment and public health. Should these bills go to the House floor, LCV's Political Advisory Committee will consider including votes on these issues in compiling the 2005 *Scorecard*. If you need more information, please do not hesitate to contact Tiernan Sittenfeld or Barbara Elkus in my office at 202-785-8683.

Sincerely,

Deb Callahan
President

THE COALITION TO PROTECT INDEPENDENT POLITICAL SPEECH

AN OPEN LETTER TO CONGRESS OPPOSING S. 271 AND H.R. 513

The organizations that join in signing this letter write to urge Congress to oppose S. 271 and H.R. 513, the recently introduced legislation designed to effectively abolish the independent constituency organizations that have come to be known as “527 organizations.”

We write as organizations described in section 501(c), not section 527, of the Internal Revenue Code (although a few of us maintain funds that separately qualify for tax exemption under section 527). We are large and small organizations from every region of the country, and we work on many different issues. Some of us have a national scope and represent millions of members. Some are smaller organizations representing purely local concerns. We represent ideologies across the political spectrum – conservative, progressive, moderate, and some not so easily categorized. Some of us have opposed recent changes to the campaign finance system, and some of us were prominent supporters of these reforms. But we all share some basic principles.

All of us signing this letter want to expand public participation in our democratic process, and these independent, citizen-based 527 organizations have been vital components of that effort. The 2004 elections saw the greatest increase in voter participation since 1968, due, in significant part, to the work of these independent organizations. Much – perhaps most – of the money these organizations raised was spent to knock on doors in communities with some of the lowest historic voter turn-outs in the country. These efforts reached people who had been left out of the political process for decades, especially the one third of all Americans who feel they have no home in the major political parties.

All of us share a commitment to a vigorous political dialogue, and these independent organizations expanded the scope of the political debate in 2004. No longer can candidates and parties (or rather their pollsters and focus groups) reduce the political debate to the few issues scientifically calculated to sway the minds of the voters. No longer does the increasing consolidation of the media inevitably limit the breadth of our political debate. Independent 527 organizations ensured that we heard about all of the issues, even those deemed controversial. Our own 501(c) organizations’ efforts to respond directly to these same policy concerns through our service, education, and advocacy have been enriched and empowered by this elevated level of attention to a broader range of issues. Some may have cringed at ads from a few of these independent groups (and at some messages from the candidates and parties that were just as – if not more – acerbic). Yet the suppression of speech because it is distasteful to some is utterly at odds with American free speech principles. Nor can the discomfort of some justify this bill’s efforts to penalize the many independent 527 groups that did no advertising at all, but devoted themselves to registering voters and encouraging them to vote.

All of us signing this letter seek a fair political process. We need a free-flowing debate about the best choices for our country as embodied in our choices for its leaders. The drafters of our Constitution were so protective of this right that they enshrined it in our Constitution as the first principle of our Republic. Yet this legislation restricts these rights when they are exercised through 527 organizations. Indeed, those crafting this legislation have taken great pains to target

only 527s. Perhaps they have sought to limit the reach of their legislation because of the serious constitutional concerns about efforts to regulate independent political speech, but, if so, they should have similar concerns about the rights of independent 527s. More chilling (in every sense of the word) is the thought that the sponsors were ignoring these constitutional concerns and simply making a more calculating, strategic choice: Pick off the oft-demonized 527 organizations and worry about 501(c) organizations and individuals later.

All of us signing this letter would prefer to see public policy based on facts, not propaganda. The overwrought media stories about the impact of major donations by wealthy individuals to “unaccountable” 527s acting as mere proxies for politicians are just plain wrong:

- Spending by these independent organizations was dwarfed by spending by candidates, parties, and other organizations by at least ten to one.
- These independent organizations are already subject to substantial regulation. All 527s must register with the government upon formation and must file regular, publicly available reports detailing who gives them money and what they spend that money for.
- Independent 527s face substantial penalties if they try to act as mere “fronts” for a party or a candidate. The independence of these organizations from candidates, campaigns, and political parties has been acknowledged, albeit grudgingly, even by critics of these organizations.

In short, we urge Congress to reconsider the story it has been told about 527 organizations. These organizations have contributed to a revitalization of American democracy, helping bring millions of people back to the process of governing the country by bringing them back to the polls, letting them show their commitment to particular public goals, and engaging them in a more comprehensive political debate. We urge Congress to reject this unwise legislation and seek more effective ways to reform our political system.

Sincerely,

Coalition to Protect Independent Political Speech

Alliance for Justice
 League of Conservation Voters
 NARAL Pro-Choice America
 OMBWatch
 People For the American Way
 Planned Parenthood Action Fund
 Sierra Club

Additional 501(c) Organizations

Alabama Coalition Against Hunger
 Alabama League of Environmental Action Voters
 Alaska Conservation Voters
 American Association of People with Disabilities
 American Association of University Women
 American Federation of Labor-Congress of Industrial Unions
 American Federation of State, County and Municipal Employees (AFSCME)

American Friends Service Committee
Asian & Pacific Islander American Health Forum
Association of Nurses in AIDS Care
Ballot Initiative Strategy Center
Basic Rights Oregon
Binghamton Jewish Community Center
California League of Conservation Voters
California Women Lawyers
Center Advocates
Center for Democracy and Technology
Center for Human Services
Charity Lobbying in the Public Interest
Child Care Law Center
Children's League of MA
Citizen Action of Wisconsin
Citizen Action/Illinois
Citizen Alert
Citizens Project
CLEAN (Citizens of Lee Environmental Action Network)
Clean Wisconsin
Coalition for Jobs and the Environment
Coalition for the Homeless
Colorado Conservation Voters
Commonwealth Coalition
Community Shares of Greater Milwaukee
Connecticut Citizen Action Group
Conservation Council of North Carolina
Conservation Voters New Mexico
DAC (Disabled Action Committee)
Democracy South
Devil's Fork Trail Club
Disability Rights Education and Defense Fund
East Bay Asian Local Development Corporation
Environmental League of Massachusetts
Equality California
Equality State Policy Center
Erie Tenant Council
FedCure
Florida Alliance of Planned Parenthood Affiliates
Florida Conservation Action Fund
Florida Conservation Alliance
Front Range Economic Strategy Center
Georgia Conservation Voters
Georgia Rural Urban Summit
Girard Coalition Incorporated
Grand Canyon Trust

Greater Birmingham Ministries
Hawai'i Clean Elections
homeWORD
Housing Alliance of Pennsylvania
Housing and Neighborhood Development Service
Human Solutions Inc.
HumanityWorks!
Hyacinth AIDS Foundation of New Jersey
Idaho Community Action Network (ICAN)
Illinois Planned Parenthood Council
James Madison Center for Free Speech
Kettle Range Conservation Group
King County Coalition Against Domestic Violence
Labor Council for Latin American Advancement AFL CIO
Lake County Conservation Alliance
Las Adelitas, Women in Politics-PAC
Leadership Conference on Civil Rights
League Against AIDS, Inc.
Legal Momentum (the new name of NOW Legal Defense)
Loaves & Fishes
Maine League of Conservation Voters
Maine People's Alliance
Maryland League of Conservation Voters
MassEquality.org
Meigs Action Coalition
Michigan League for Human Services
Michigan League of Conservation Voters
Minnesota League of Conservation Voters
Montana Conservation Voters
Montana People's Action
Ms. Foundation for Women
NAACP National Voter Fund
NARAL Pro-Choice Colorado
NARAL Pro-Choice Massachusetts
NARAL Pro-Choice Minnesota
NARAL Pro-Choice Missouri
NARAL Pro-Choice Montana
NARAL Pro-Choice New Hampshire
NARAL Pro-Choice North Carolina
NARAL Pro-Choice Ohio
NARAL Pro-Choice Pennsylvania
NARAL Pro-Choice South Dakota
NARAL Pro-Choice Texas
NARAL Pro-Choice Virginia
NARAL Pro-Choice Wisconsin
National Coalition Against Censorship

National Council of Jewish Women/Los Angeles
National Education Association
National Family Planning and Reproductive Health Association
National Gay and Lesbian Task Force
National Low Income Housing Coalition
National Network of Abortion Funds
National Organization for Women
National Welfare Engine
Neighbor to Neighbor
Neighbor to Neighbor Massachusetts
Nevada Conservation League
Nevada Conservation League/Education Fund
Nevada Shakespeare Company
New Jersey Animal Rights Alliance
New Jersey Citizen Action
New Mexico Voices for Children
New Yorkers Against Gun Violence
Nonprofit Network (Gifts for Our Community)
Northeast Action
Northwest Federation of Community Organizations
Northwest Women's Law Center
Ocean State Action Fund
Ohio Environmental Council
Ohio League of Conservation Voters
ONE Lowell
Oregon Toxics Alliance
Parents, Families and Friends of Lesbians and Gays (PFLAG)
Patrick Environmental Awareness Group
Peace Action Wisconsin
Pennsylvania League of Conservation Voters
Planned Parenthood Advocates of Wisconsin
Planned Parenthood Chicago Action
Political Voice for Animals
Public Advocates, Inc.
Public Justice Center
Renaissance CDC Inc.
Rocky Mountain Peace and Justice Center
RPJ Housing Development Corporation
Rural Opportunities, Inc.
San Diego Housing Federation
Seacoast Outright
Seattle Human Services Coalition
Statewide Poverty Action Network
Steven and Michele Kirsch Foundation
Suburban Essex Housing Development Corp.
Taking Responsibility for the Earth and Environment (TREE)

Tennessee Health Care Campaign
Texas League of Conservation Voters
The Clinch Coalition
The Federation of State Conservation Voter Leagues
The Shefa Fund
The Title II Community AIDS National Network - TIICANN
Tides Foundation
TNN (True News Network)
Transportation Choices Coalition
Triumph Treatment Services
USAction
Vermont Alliance of Conservation Voters
Virginia Forest Watch
Virginia League of Conservation Voters
Vote Kids
Voter Empowerment-NJ
Washington Association of Churches
Washington Citizen Action
Washington Conservation Voters
Western States Center
WIN (Women's Information Network)
Wisconsin League of Conservation Voters
Women Work! The National Network for Women's Employment
Women's Law Project
Women's Health (Boulder Valley Women's Health Center)
Women's Voices for the Earth
WomenVote PA
Workplace Fairness

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

JOHN J. SWEENEY
PRESIDENT

RICHARD L. TRUMKA
SECRETARY-TREASURER

LINDA CHAVEZ-THOMPSON
EXECUTIVE VICE-PRESIDENT

LEGISLATIVE ALERT!

(202) 637-5090

June 28, 2005

The Honorable Robert W. Ney, Chairman
Committee on House Administration
1309 Longworth House Office Building
Washington, DC 20515

The Honorable Juanita Millender-McDonald
Committee on House Administration
1309 Longworth House Office Building
Washington, DC 20515

Dear Chairman Ney and Ranking Minority Member Millender-McDonald:

The AFL-CIO is strongly opposed to the "527 Reform Act of 2005" (H.R. 513), legislation that will effectively shut down grassroots groups dedicated to registering and mobilizing people to vote, and whose efforts in 2004 helped produce the highest voter turnout in a generation. This legislation will sharply curtail the ability of individuals and groups to associate in the pursuit of political and policy goals, even when they do so completely independently of candidates and parties and with full public disclosure of their receipts and spending.

The 527 Reform Act would amend the Federal Election Campaign Act (FECA) to compel most non-federal Section 527 organizations, including those lawfully sponsored by unions at the national, state and local levels, to operate instead as federal PACs. It would deny unions and other non-profits many important and worthwhile uses of their tax-exempt "527" political accounts that federal tax law has encouraged for 30 years. The bill would compel tax-exempt Section 501(c) organizations--advocacy groups, unions, non-profit corporations and trade associations--to finance substantially more of their political spending either through federal PACs or through general treasury funds, *taxable* at a 35% rate. This change will skew federal election law in favor of business corporations over unions and other Section 501(c) non-profit groups because businesses typically can continue to spend for political purposes in tax-neutral ways.

This legislation sweeps aside state and local election laws and converts many state and local PACS - "527" groups all - into federal PACs if they comment on federal candidates (including their official conduct as incumbents), or if their voter drives, even if non-partisan, fail to conform to other new, narrow speech-content requirements.

H.R. 513 also mandates for the first time that independent groups use hard money for mere "references" to federal candidates and political parties in public communications and in voter registration and get-out-the-vote activities. This change goes far beyond current law, which only requires the use of hard money for contributions, "express advocacy" messages, and union or corporate broadcasts that refer to federal candidates close to elections.

The AFL-CIO strongly opposes the 527 Reform Act because it would adversely affect our democracy in significant ways and is predicated on misconceived premises. It misdirects new and complex regulation against the ordinary, independent, and fully disclosed activities of unions and other organizations. These activities pose none of the dangers that federal campaign finance laws are designed to address. We urge you to oppose this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read 'William Samuel', written in a cursive style.

William Samuel, Director
DEPARTMENT OF LEGISLATION

cc: Members of Committee on House Administration



1120 Connecticut Avenue, N.W., Suite 1100, Washington, DC 20036
 tel. 202-462-1400
 202-361-1414
 www.emilyslist.org

EMILY's List

Winning today. Building for tomorrow.

June 27, 2005

Honorable Juanita Millender-McDonald
 2445 Rayburn House Office Building
 Washington, DC 20515

Dear Representative Millender-McDonald:

On June 8, the House Administration Committee passed H.R. 1316 (the "527 Fairness Act of 2005") out of mark-up and now the leadership is urgently pushing to have a floor vote as soon as possible. In addition, Chairman Ney, has scheduled a mark-up on June 29 for H.R. 513 (the "527 Reform Act") and promised to move it to the floor for consideration as well. I am writing to urge you to oppose both these bills.

Despite the efforts at marketing, neither Pence-Wynn (H.R. 1316) nor Shays-Meehan (H.R. 513) is a true reform bill. Using the guise of campaign finance reform, the bills roll back fundamental tenants of our campaign finance laws and stifle the very groups that allow members of the public to come together and speak out on the issues. These are the groups that produced a significant increase in voter turnout in the last elections.

If both bills become law:

- Shays-Meehan will skew the playing field in favor of corporations and trade associations which will be allowed to continue to spend unlimited (and undisclosed) amounts for political purposes without any consequence.
- By contrast, outside groups, such as labor organizations and membership groups, will be forced to do most of their political spending as federal political committees, subject to contribution limitations and source restrictions. This bill will curtail the free speech of outside independent groups and limit participation in our electoral process. These outside groups have been formed by entities independent of candidates and political parties to represent diverse grassroots and ideological interests. Restricting their activities would discourage the further increase in voter participation that we saw in the 2004 elections.

Paid for by EMILY's List (www.emilyslist.org) and not authorized by any candidate or candidate's committee.





1120 Connecticut Avenue, NW, Suite 1100, Washington, DC 20036

202.326.1400

202.326.4141

www.emilyslist.org

EMILY's List

Winning today. Building for tomorrow.

- Pence-Wynn would increase contribution limits by corporate PACs, loosen the solicitation restrictions and allow corporations and trade associations to contribute treasury funds to voter registration activities undertaken by state and local party committees. This will serve only to increase the corrosive influence of corporations and trade associations on our political process.
- In direct contrast to the principles of campaign finance reform stressed by the Supreme Court in *McConnell v. FEC*, Pence-Wynn lowers barriers to direct access of big money to official power. It removes the restrictions on aggregate giving in an election cycle, which empowers the wealthy, while eliminating the limits on political party coordinated expenditures with candidates. All of these elements will weaken our campaign finance laws which have been successful at severing the link between large contributions and the fundraising of elected officials.

The combination of these approaches -- facilitating big money access to officeholders and limiting independent political activity at the grassroots level -- could not be farther removed from sound public policy.

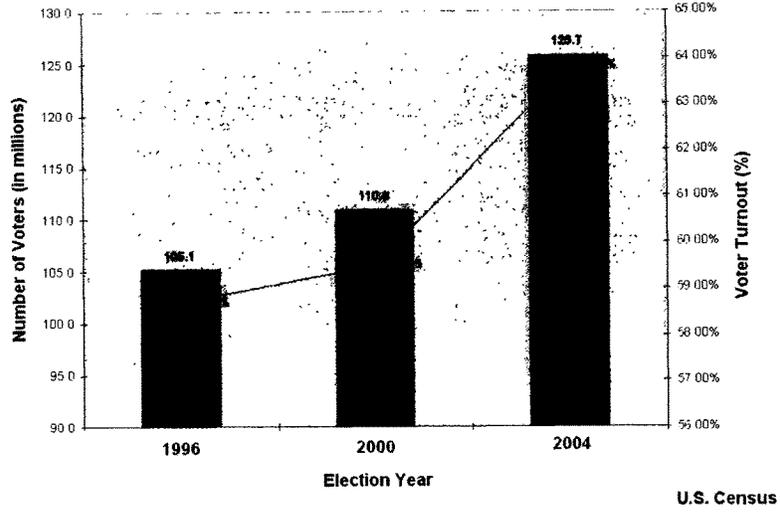
I believe Congress should leave our campaign finance laws alone and refocus on the real priorities of Americans, like affordable health care and economic opportunity.

For more information, please contact Ellen Moran at 202-326-1400.

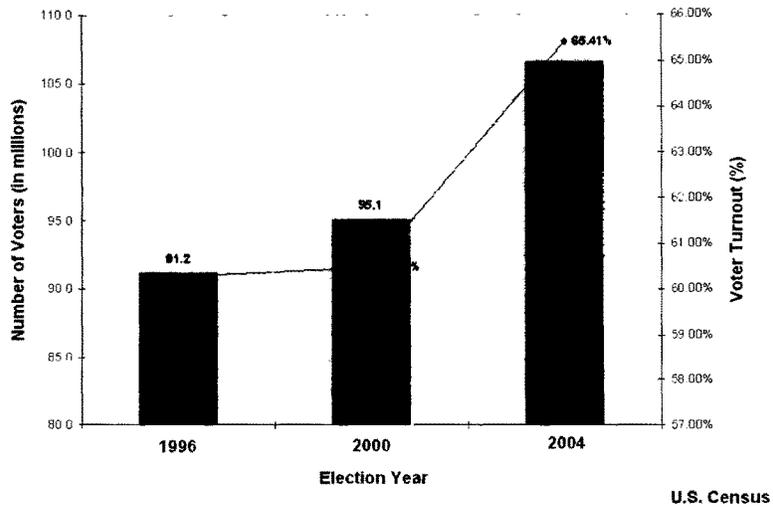
Best Regards,

Ellen R. Malcolm
President

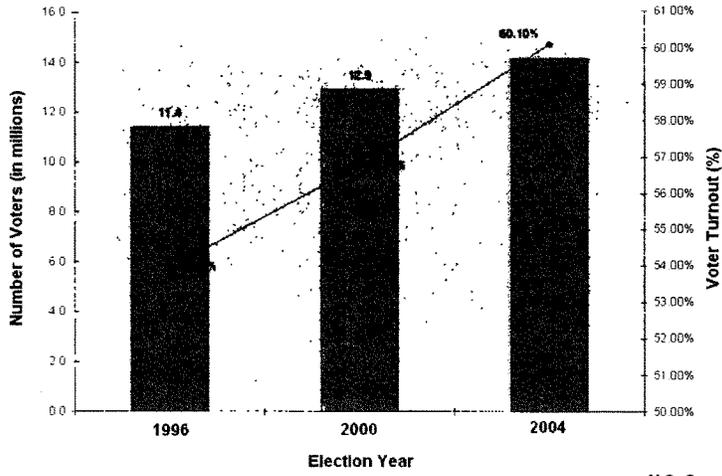
Total U.S. Voter Turnout
(1996 - 2004)



White Voter Turnout
(1996 - 2004)

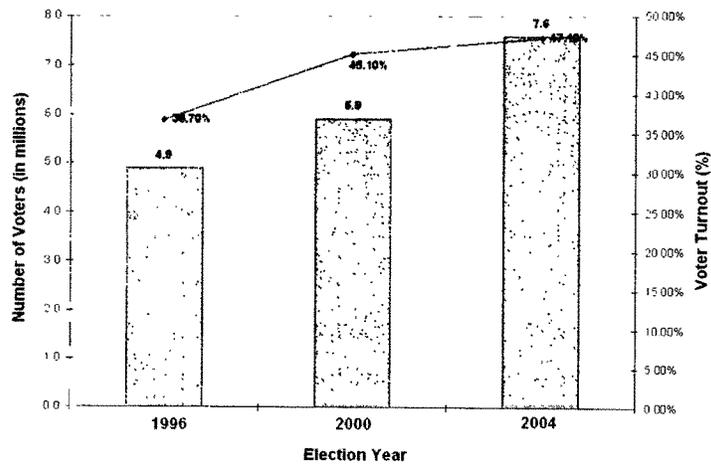


**Black Voter Turnout
(1996 - 2004)**



U.S. Census

**Hispanic Voter Turnout
(1996 - 2004)**



U.S. Census

Asian Voter Turnout
(1996 - 2004)

