105TH CONGRESS 1ST SESSION

H. R. 1366

To amend the Federal Election Campaign Act of 1971 to reform the financing of campaigns for election for Federal office, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

April 17, 1997

Mr. Baesler (for himself, Mr. Turner, Ms. Harman, Mr. Berry, Mr. Boyd, Mr. Condit, Mr. Cramer, Mr. Goode, Mr. Holden, Mr. John, Mr. Lipinski, Mr. McIntyre, Mr. Minge, Mr. Peterson of Minnesota, Mr. Sisisky, Mr. Stenholm, Mr. Tanner, and Mr. Blumenauer) introduced the following bill; which was referred to the Committee on House Oversight

A BILL

To amend the Federal Election Campaign Act of 1971 to reform the financing of campaigns for election for Federal office, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
- 4 (a) SHORT TITLE.—This Act may be cited as the
- 5 "Federal Election Reform Act of 1997".
- 6 (b) Table of Contents.—The table of contents of
- 7 this Act is as follows:
 - Sec. 1. Short title; table of contents.

Sec. 2. Purposes; findings.

TITLE I—SPENDING LIMITS IN HOUSE ELECTIONS

- Sec. 101. Limits on expenditures by candidates.
- Sec. 102. Limits on expenditures by political parties.
- Sec. 103. Limits on independent expenditures.

TITLE II—EXPANDING SCOPE OF CONTRIBUTIONS AND EXPENDITURES SUBJECT TO FEDERAL LAW

- Sec. 201. Ban on soft money of political parties.
- Sec. 202. Treatment of certain advocacy communications as expenditures subject to regulation.
- Sec. 203. Treatment of amounts contributed or expended for recount activities.

TITLE III—OTHER REFORMS

- Sec. 301. Increasing disclosure of contributions and expenditures.
- Sec. 302. Prohibition of leadership committees.
- Sec. 303. Prohibition of fundraising on behalf of certain nonprofit organizations.

TITLE IV—GENERAL PROVISIONS

- Sec. 401. Effective date.
- Sec. 402. Nonseverability of provisions.

1 SEC. 2. PURPOSES; FINDINGS.

- 2 (a) Purposes.—The purposes of this bill are as fol-
- 3 lows:
- 4 (1) Restore the public confidence in, and the in-
- 5 tegrity of, our democratic system.
- 6 (2) Strengthen and promote full and free cam-
- 7 paign discussion and debate.
- 8 (3) Relieve elective office seekers and office
- 9 holders from the limitations on purposive political
- 10 conduct and discourse that can arise from excessive
- 11 attention to fundraising.
- 12 (4) Reduce corruption and undue influence, or
- the appearance thereof, in the financing of Federal
- 14 election campaigns.

- 1 (5) Afford nonpreferential terms of access to 2 elected office holders by interested members of the 3 public, in keeping with the constitutionally guaran-4 teed right to petition the Government for the redress 5 of grievances.
- 6 (b) FINDINGS.—Congress makes the following find-7 ings:
 - (1) The current Federal campaign finance system, with its perceived preferential access to law-makers for interest groups capable of contributing sizable sums to lawmakers' campaigns, has aroused a widespread loss of public confidence in the fairness and responsiveness of elective government. It has undermined the belief, necessary to a functioning democracy, that the government exists to serve the needs of all the people.
 - (2) The United States Supreme Court, in Buckley v. Valeo, 424 U.S. 1 (1976), disapproved mandatory spending limits as an available remedy for such effects, while approving campaign contribution limits.
 - (3) Since that time, campaign expenditures have risen steeply in Federal elections. Between 1976 and 1996, spending by candidates for the United States Congress rose from some

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- 1 \$115,000,000 to \$765,300,000, an increase several 2 times the rate of inflation.
 - (4) As campaign spending has escalated, voter turnout has steadily declined. In 1996 it fell to its lowest point since 1924, and stands now at the lowest level of any democracy in the world.
 - (5) Coupled with out-of-control campaign spending has come an incessant necessity of fundraising, due to a large extent from candidates adopting an defensive "arms race" posture of constant readiness against the risk of massively financed attacks on whatever they may say or do.
 - (6) This campaign finance system has had a deleterious effect on those who hold public office, as endless fundraising pressures intrude upon the performance of constitutionally required duties. Capable and dedicated officials have left office in dismay over these distractions and negative public perceptions that the fundraising process engenders. Furthermore, numerous qualified citizens have declined to seek office because of the prospect of having to raise the extraordinary amounts of money needed in today's elections. As talented incumbent and potential public servants express such sentiments and act accordingly, the quality of representation suffers.

- 1 (7) Contribution limits are inadequate by them2 selves to check these trends. As long as campaign
 3 spending is effectively unrestrained, supporters can
 4 find ways to protect their favored candidates from
 5 being outspent. Since 1976, in fact, major evasion
 6 routes have been found and exploited to get around
 7 contribution limits.
 - (8) Among such avenues have been personal spending by wealthy candidates, independent expenditures that assist or attack an identified candidate, and the use of national, State, or local political parties as a conduit for money assisting or attacking such candidates.
 - (9) Wealthy candidates are free under the present system to spend any amount they want out of their own resources. While such spending may not be self-corrupting, it introduces the very defects the Supreme Court has wanted to avoid. For the effectively limitless character of such resources obliges a wealthy candidate's opponents to reach for ever larger amounts of outside support, with the deleterious effects previously described.
 - (10) Experience shows further that there is an identity of interest between candidates and political parties. The parties exist to support candidates, not

- the other way around. Party expenditures in support of, or in opposition to, an identifiable candidacy are therefore effectively candidate spending.
 - (11) Political experience also shows that so-called "independent" support, whether by individuals, committees, or other entities, can be and often is coordinated with a candidate's campaign, by means of tacit understandings, without losing its nominally independent character. Likewise, contributions to a political party, ostensibly for "party-building" purposes, can be and often are routed, by undeclared design, to the support of identified candidates.
 - (12) The actual, case-by-case detection of coordination between candidate, party, and independent contributor is, as a practical matter, impossible in a fast-moving campaign environment, and in cases where there may in fact be no coordination, the candidate risks losing control over the tone, clarity, and content of his or her own campaign.
 - (13) So-called "issue advocacy", by or through parties or independent contributors, need not as a practical matter call expressly for the election or defeat of a named candidate to cross the line into campaign advocacy. Any clear objective indication of

- purpose, such that voters may readily observe where their electoral support is invited, will suffice.
 - (14) When State parties or other entities operating under State law receive funds, often called "soft money", which may directly or indirectly affect Federal elections, the State parties and entities become de facto agents of the national party. The subjection of these funds to pertinent Federal limitations becomes necessary and proper to the effective regulation of national campaigns.
 - (15) The exorbitant level of money in the political system has served to distort our democracy by giving large contributors a favored access to elected officials, thus undermining the ability of ordinary citizens to petition their government. Concerns over the potential for corruption and undue influence and the appearances thereof have left the citizenry cynical, the reputation of elected officials tarnished, and the moral authority of government weakened.
 - (16) The 2 decades of experience since the Supreme Court's 1976 Buckley ruling show that reasonable limits on campaign expenditures are now necessary. These limits must comprehensively address all avenues of expenditure, lest creative and devastating circumvention ensue.

- cision on a concern that spending limits could narrow political speech "by restricting the number of issues discussed, the depth of their exploration, and the size of the audience reached.". The experience of the past 20 years is otherwise: It is unlimited expenditure that can drown out or distort political discourse in a flood of distractive repetition. Reasonable spending limits will increase the opportunity for previously muted voices to be heard and thereby increase the number, depth, and diversity of ideas presented to the public.
 - (18) Issue advocacy which does not promote or oppose an identified candidate needs to remain unregulated, as does the traditional freedom of the press to report and editorialize about candidates and campaigns.
 - (19) In establishing reasonable limits on campaign spending, it is necessary that they reflect the realities of modern campaigning in a large, diverse population with sophisticated and expensive modes of communication. The limits must allow citizens to benefit from a full and free debate of issues and permit candidates to garner the resources necessary to engage in that debate. The expenditure limit estab-

- lished in this Act for elections to the House of Representatives was determined after careful review of spending patterns in the 3 most recent elections.

 For example:
 - (A) More than three-fourths of major party House candidates spent less than the \$700,000 limit established here, and roughly three-fourths of open seat candidates, running in typically very competitive elections, spent \$700,000 or less.
 - (B) Furthermore, and perhaps most significantly, fully half of challengers who defeated incumbent House Members, and half of all winners in close races, spent \$700,000 or less.
 - (C) Thus, it is clear from recent experience that a limit of \$700,000 will be high enough to allow an effective level of competition, with an opportunity for diverse points of view to be heard, and it will be low enough to circumscribe finally the most egregiously high spending levels and to be a bulwark against future excesses of even greater magnitude.

TITLE I—SPENDING LIMITS IN HOUSE ELECTIONS

3	SEC. 101. LIMITS ON EXPENDITURES BY CANDIDATES.
4	(a) In General.—Title III of the Federal Election
5	Campaign Act of 1971 (2 U.S.C. 431 et seq.) is amended
6	by adding at the end the following new section:
7	"EXPENDITURE LIMITS FOR CANDIDATES IN HOUSE
8	ELECTIONS
9	"Sec. 323. (a) In General.—Notwithstanding any
10	other provision of this title, the amount of funds expended
11	by a candidate or the candidate's authorized committee
12	(from any source) with respect to any House election may
13	not exceed \$700,000 for the election cycle involved.
14	"(b) Special Rules for Certain Candidates
15	AND ELECTIONS.—
16	"(1) Runoff election.—In the case of a can-
17	didate who is participating in a runoff House elec-
18	tion, the limit on expenditures under subsection (a)
19	with respect to the election cycle involved shall be in-
20	creased by 20 percent.
21	"(2) General election candidate winning
22	CLOSELY CONTESTED PRIMARY.—In the case of a
23	candidate who is participating in a general House
24	election who won the previous primary election by a
25	margin not greater than 15 percentage points the

limit on expenditures under subsection (a) with respect to the election cycle involved shall be increased by 50 percent.

"(3) SPECIAL ELECTION.—In the case of a candidate who is participating in a special House election, the amount of funds expended by the candidate or the candidate's authorized committee may not exceed \$700,000 for the election (including any related primary election).

"(c) Indexing of Amounts.—

"(1) IN GENERAL.—The amount of each limitation established under this section shall be adjusted as follows:

"(A) For calendar year 2001, each such amount shall be equal to the amount described, increased (in a compounded manner) by the percentage increase in the price index (as defined in paragraph (2)(A)) for 1999 and 2000.

"(B) For calendar year 2003 and each second subsequent year, each such amount shall be equal to the amount for the second previous year (as adjusted under this subparagraph), increased (in a compounded manner) by the percentage increase in the price index for the previous year and the second previous year.

- 1 "(2) ROUNDING.—In the case of any amount 2 adjusted under this subsection which is not a mul-3 tiple of \$500, the amount shall be rounded to the nearest highest multiple of \$500.". 5 "(d) Exclusion of Certain Expenditures.—In determining the amount of funds expended by a candidate 6 7 for purposes of this section, there shall be excluded any 8 amounts expended for— 9 "(1) legal services rendered in connection with 10 complying with the requirements of this title or any 11 State law, responding to complaints or investigations 12 by the Commission or the House of Representatives, 13 or any other legal representation related to the elec-14 tion involved which is rendered on behalf of or in de-15 fense of the candidate or the candidate's authorized 16 committee; 17 "(2) Federal, State, or local income taxes on 18 earnings of a candidate's authorized committees; 19 and 20 "(3) services related to a recount of the results 21 of a Federal election or an election contest concern-
- 23 "(e) Treatment of Funds Expended by Au-24 Thorized Committee.—For purposes of this section,

ing a Federal election.

- 1 any funds expended by any authorized committee of a can-
- 2 didate shall be considered to be expended by the candidate.
- 3 "(f) Penalties for Excess Expenditures.—A
- 4 candidate who expends funds with respect to a House elec-
- 5 tion in an amount greater than the applicable limit for
- 6 the candidate and election under this section shall pay a
- 7 penalty to the Commission in an amount equal to—
- 8 "(1) in the case of a candidate who expends
- 9 funds in an amount equal to or less than 105 per-
- 10 cent of such applicable limit, the amount by which
- the funds expended exceed such limit; or
- 12 "(2) in the case of a candidate who expends
- funds in an amount greater than 105 percent of
- such applicable limit, 300 percent of the amount by
- which the funds expended exceed such limit.".
- 16 (b) Election Cycle and House Election De-
- 17 FINED.—Section 301 of such Act (2 U.S.C. 431) is
- 18 amended by striking paragraph (19) and inserting the fol-
- 19 lowing:
- 20 "(19) The term 'election cycle' means, with respect
- 21 to a candidate, the period beginning on the day after the
- 22 date of the most recent general election for the specific
- 23 office or seat which such candidate seeks and ending on
- 24 the date of the next general election for such office or seat.

- 1 "(20) The term 'House election' means an election
- 2 for the office of Representative in, or Delegate or Resident
- 3 Commissioner to, the Congress.".
- 4 SEC. 102. LIMITS ON EXPENDITURES BY POLITICAL PAR-
- 5 TIES.
- 6 (a) In General.—Section 315(d) of the Federal
- 7 Election Campaign Act of 1971 (2 U.S.C. 441a(d)) is
- 8 amended by adding at the end the following new para-
- 9 graph:
- 10 "(4) The national committee of a political party, or
- 11 a State committee of a political party, including any sub-
- 12 ordinate committee of a State committee, may not make
- 13 any expenditure in connection with any candidate who is
- 14 affiliated with such party for election for the office of Rep-
- 15 resentative in, or Delegate or Resident Commissioner to,
- 16 the Congress, which is held after December 31, 1998,
- 17 which exceeds \$30,000, without regard to whether the par-
- 18 ty's expenditures are made in coordination with the can-
- 19 didate or are made independently from the candidate.".
- 20 (b) Conforming Amendments.—Section 315(d) of
- 21 the Federal Election Campaign Act of 1971 (2 U.S.C.
- 22 441a(d)) is amended—
- 23 (1) in paragraph (1), by striking "(2) and (3)"
- 24 and inserting "(2), (3), and (4)"; and
- 25 (2) in paragraph (3)—

- 1 (A) in subparagraph (A) in the matter pre-2 ceding clause (i), by striking "one Representa-3 tive," and inserting the following: "one Rep-4 resentative in the case of an election held prior 5 to January 1999,", and
- 6 (B) in subparagraph (B), by striking "for 7 election to the office of Representative, Dele-8 gate, or Resident Commissioner" and inserting 9 "in a House election held prior to January 10 1999".

11 SEC. 103. LIMITS ON INDEPENDENT EXPENDITURES.

- 12 Section 315 of the Federal Election Campaign Act
- 13 of 1971 (2 U.S.C. 441a) is amended by adding at the end
- 14 the following new subsection:
- 15 "(i)(1) Notwithstanding any other provision of this
- 16 title, no person (other than any person subject to limita-
- 17 tions on expenditures under subsection (d)(4)) may make
- 18 independent expenditures in connection with a House elec-
- 19 tion with respect to an election cycle in an amount greater
- 20 than \$25,000.
- 21 "(2) The amount of the limitation under paragraph
- 22 (1) shall be adjusted for each biennial period beginning
- 23 after the 2000 general election in the same manner as the
- 24 amounts of limitations on expenditures by candidates es-

- 1 tablished under section 323(a) are adjusted under section
- 2 323(c).".

3 TITLE II—EXPANDING SCOPE OF

- 4 CONTRIBUTIONS AND EX-
- 5 PENDITURES SUBJECT TO
- 6 FEDERAL LAW
- 7 SEC. 201. BAN ON SOFT MONEY OF POLITICAL PARTIES.
- 8 Title III of the Federal Election Campaign Act of
- 9 1971 (2 U.S.C. 431 et seq.), as amended by section
- 10 101(a), is further amended by adding at the end the fol-
- 11 lowing new section:
- 12 "RESTRICTIONS ON USE OF NON-FEDERAL FUNDS BY
- 13 POLITICAL PARTIES
- 14 "Sec. 324. (a) Any Use of Funds by National
- 15 Parties.—A political committee of a national political
- 16 party may not solicit, receive, transfer, direct, or expend
- 17 any funds for the purpose of influencing an election for
- 18 Federal office unless the funds are subject to the limita-
- 19 tions, prohibitions, and reporting requirements of this
- 20 title.
- 21 "(b) Expenditure of Funds by State and
- 22 Local Parties During Federal Election Years.—
- 23 A political committee of a State or local political party
- 24 may not expend any funds during a year in which an elec-
- 25 tion for Federal office is held in the State for the purpose
- 26 of influencing an election for Federal office unless the

funds are subject to the limitations, prohibitions, and reporting requirements of this title. 3 "(c) Exclusion of Certain Expenditures.—For purposes of this section, funds shall not be considered to 5 be expended for the purpose of influencing an election for Federal office if the funds are expended for any of the 7 following activities: "(1) Any communication which does not por-8 9 tray by name, reference, representation, or likeness, 10 a candidate for election for Federal office, or which 11 does not similarly portray the Congress or either of 12 its Houses. 13 "(2) Administrative expenses of a State or local 14 political party. "(3) A convention of a State or local political 15 16 party.". SEC. 202. TREATMENT OF CERTAIN ADVOCACY COMMU-18 NICATIONS AS EXPENDITURES SUBJECT TO 19 REGULATION. 20 (a) In General.—Section 301(9)(A) of the Federal 21 Election Campaign Act of 1971 (2 U.S.C. 431(9)(A)) is 22 amended— (1) by striking "and" at the end of clause (i); 23 24 (2) by redesignating clause (ii) as clause (iv);

and

- 1 (3) by inserting after clause (i) the following 2 new clauses:
- "(ii) any payment for a communication which portrays by name, reference, representation, or likeness a candidate for election for Federal office, together with words such as 'vote for', 'vote against', 'elect', 'defeat', 'support', 'oppose', or 'reject';
- "(iii) any payment for a communication which
 is disseminated during the 90-day period ending on
 the date of an election and which portrays by name,
 reference, representation, or likeness a candidate for
 election for Federal office; and".
- 13 (b) Conforming Amendment Relating to Inde-14 Pendent Expenditures.—Section 301(17) of such Act
- 15 (2 U.S.C. 431(17)) is amended by striking "by a person
- 16 expressly advocating the election or defeat of a clearly
- 17 identified candidate".
- 18 SEC. 203. TREATMENT OF AMOUNTS CONTRIBUTED OR EX-
- 19 **PENDED FOR RECOUNT ACTIVITIES.**
- 20 (a) Subjecting Amounts to Limits Applicable
- 21 TO CONTRIBUTIONS.—Section 315(a) of the Federal Elec-
- 22 tion Campaign Act of 1971 (2 U.S.C. 441a(a)) is amended
- 23 by adding at the end the following new paragraph:
- 24 "(9) Any funds provided to a political committee for
- 25 purposes relating to a recount of the results of a Federal

- 1 election or an election contest concerning a Federal elec-
- 2 tion shall be subject to the limitations applicable to con-
- 3 tributions under this subsection.".
- 4 (b) Treatment as Expenditures.—Section
- 5 301(9)(A)(i) of the Federal Election Campaign Act of
- 6 1971 (2 U.S.C. 431(9)(A)(i)) is amended by striking "of-
- 7 fice;" and inserting the following: "office, or made by any
- 8 person with respect to a recount of the results of a Federal
- 9 election or an election contest concerning a Federal elec-
- 10 tion;".
- 11 (c) Segregation of Amounts.—Section 302(b) of
- 12 such Act (2 U.S.C. 432(b)) is amended by adding at the
- 13 end the following new paragraph:
- 14 "(4) Any funds provided to a political committee for
- 15 purposes relating to a recount of the results of a Federal
- 16 election or an election contest concerning a Federal elec-
- 17 tion shall be segregated from and may not be commingled
- 18 with any other funds of the committee, and may not be
- 19 used for any other purpose.".

20 TITLE III—OTHER REFORMS

- 21 SEC. 301. INCREASING DISCLOSURE OF CONTRIBUTIONS
- 22 AND EXPENDITURES.
- 23 (a) Removing Threshold for Disclosure of
- 24 Contributions.—

1 (1) ACCOUNTING REQUIREMENTS FOR POLITI-2 CAL COMMITTEES.—Section 302(c)(3) of the Federal Election Campaign Act of 1971 (2 U.S.C. 432(c)(3)) 3 is amended by striking "\$200" and inserting "\$1". 4 5 (2) Contents of Reports.— 6 (A) IN GENERAL.—Section 304(b)(3) of 7 such Act (2 U.S.C. 434(b)(3)) is amended by 8 striking "\$200" each place it appears in sub-9 paragraphs (A), (F), and (G) and inserting "\$1". 10 11 (B) Persons making independent ex-PENDITURES.—Section 304(c)(2)(C) of such 12 13 Act (2 U.S.C. 434(c)(2)(C)) is amended by 14 striking "\$200" and inserting "\$1". 15 (b) Notice of Certain Independent Expendi-TURES.—Section 304(c) of such Act (2 U.S.C. 434(c)) is 16 17 amended by adding at the end the following new para-18 graph: 19 "(4) Any person making an independent expenditure 20 consisting of a communication broadcast or disseminated 21 during the 10-day period ending on the date of an election 22 shall disclose the communication to the candidate involved 23 and the candidate's opponent prior to the time the communication is broadcast or disseminated.".

1 SEC. 302. PROHIBITION OF LEADERSHIP COMMITTEES.

- 2 Section 302 of the Federal Election Campaign Act
- 3 of 1971 (2 U.S.C. 432) is amended by adding at the end
- 4 the following new subsection:
- 5 "(j) A candidate for Federal office or an individual
- 6 holding Federal office may not establish, maintain, fi-
- 7 nance, or control a political committee, other than a cam-
- 8 paign committee for the election of the candidate or the
- 9 individual.".
- 10 SEC. 303. PROHIBITION OF FUNDRAISING ON BEHALF OF
- 11 CERTAIN NONPROFIT ORGANIZATIONS.
- 12 Title III of the Federal Election Campaign Act of
- 13 1971 (2 U.S.C. 431 et seq.), as amended by sections
- 14 101(a) and 201, is further amended by adding at the end
- 15 the following new section:
- 16 "PROHIBITING FUNDRAISING ON BEHALF OF CERTAIN
- 17 NONPROFIT ORGANIZATIONS
- 18 "Sec. 325. (a) Political Parties.—No national,
- 19 State, district, or local committee of a political party may
- 20 solicit any funds for or make any donations to any organi-
- 21 zation that is exempt from Federal taxation under section
- 22 501(c) of the Internal Revenue Code of 1986.
- 23 "(b) Candidates and Officeholders.—No can-
- 24 didate for Federal office or individual holding Federal of-
- 25 fice may raise funds for or on behalf of any organization

1	exempt from Federal taxation under section 501(c) of the
2	Internal Revenue Code of 1986 if—
3	"(1) the organization is established, main-
4	tained, or controlled by the candidate or individual
5	and
6	"(2) voter registration or get-out-the-vote cam-
7	paigns comprise a significant portion of the organi-
8	zation's activities.".
9	TITLE IV—GENERAL
10	PROVISIONS
11	SEC. 401. EFFECTIVE DATE.
12	Except as provided in section 402, this Act and the
13	amendments made by this Act shall apply with respect to
14	elections held after December 31, 1998.
15	SEC. 402. NONSEVERABILITY OF PROVISIONS.
16	If any provision of this Act or any amendment made
17	by this Act is found unconstitutional, no provision of this
18	Act or any amendment made by this Act may take effect
19	or remain in effect.

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