



Building on Reform: A Business Proposal to Strengthen Election Finance

EXECUTIVE SUMMARY

The 2004 election cycle marked the first time campaigns were regulated under the Bipartisan Campaign Finance Reform Act (BCRA). Soon after Congress passed the new law, the Supreme Court upheld the constitutionality of its major provisions, paving the way for the most significant reform in election finance for over two decades. These actions represent a major victory for the cause of campaign finance reform. Corporate executives are no longer being “shaken down” by elected officials and party leaders for soft money contributions, parties have turned their focus towards grassroots fundraising, and campaigns are actually raising more money than ever before.

But not all of the election finance developments of the last few years have been positive. Once again, the business community needs to grapple with campaign finance reform. What follows are the results of CED’s impartial review of today’s election finance system, including recommendations for how government can build upon recent reforms.

FINDINGS

527 organizations have replaced the parties as recipients of soft money. While the BCRA’s ban on party soft money was largely effective in 2004, 527 organizations raised hundreds of millions of dollars in un-regulated donations to spend on advertisements and grassroots mobilization to either re-elect, or defeat President Bush. These activities, while not coordinated with the

campaigns, were clearly partisan in nature and operated outside of the Federal Election Commission’s (FEC) purview.

Ineffective regulation by the FEC has tempered the benefits of reform. The actions of a number of these 527 organizations ran contrary to the letter and spirit of the BCRA. The FEC’s refusal to rein in these groups has threatened to create another massive soft money loophole at the federal level.

The presidential public funding system is in crisis. Both eventual major party nominees opted out of the primary phase of the public funding system for the first time since its inception, going on to raise a combined \$500 million. Due to outdated spending limits and over-complicated expenditure formulas, Presidential candidates increasingly see the costs of accepting public funds greater than the potential benefit, placing the entire system on the brink of atrophy.

RECOMMENDATIONS

Reform the FEC. Campaign finance rules will achieve their purpose only if they are properly administered and enforced. CED has concluded that the FEC should be restructured so that it has an odd number of members and a specifically designated chair. This chair should be given the authority and responsibility needed to manage and administer the FEC, and Congress should consider reforms that will provide the agency with greater capacity to enforce the law—including the authority to conduct random audits as well as the authority to apply for a

temporary restraining order or preliminary injunction to prevent violations of law.

Tighten 527 Regulations. CED supported the ban on soft money and believe that it has served to reduce the risk of corruption in the political system. To further strengthen the ban on soft money, CED recommends that political committees involved in federal elections should be bound by federal regulations and finance their activities solely with regulated contributions. **Congress should require all 527s that deal with federal elections to register as political committees with the FEC.** Congress should also bar these groups from financing broadcast advertisements that promote, support, attack, or oppose a federal candidate with contributions from labor unions or corporations. In addition, any group that is registered with the FEC and maintains federal and nonfederal campaign accounts to finance such activities as voter registration or turnout drives should be required to pay half of the costs of these activities with hard money contributions. CED also recommends that nonfederal funds used by a Section 527 committee to pay for activities that require a combination of federal and nonfederal funding should be raised from individuals and there should be contribution limits.

Improve Presidential campaign finance. CED supports voluntary public financing as an alternative for campaign funding. Accordingly, CED does not believe the presidential public funding system should be allowed to atrophy. **We urge Congress to replace the current \$1-\$1 match on the first \$250 of a contribution with a multiple dollar match.** While a \$2-\$1 match would be an improvement, CED believes a \$4-\$1 matching ratio is the best formula for stimulating small donor participa-

tion. While CED believes Congress should retain the basic grant approach currently used for public funding in the general election, **eligibility for general election funding should be contingent on the acceptance of public financing during the primary stage of the presidential selection process.** CED also recommends that the expenditure ceilings that accompany public funding need to be substantially increased, and the limits should be streamlined and simplified to merely set the total amount of money a candidate is allowed to spend, giving the candidate the autonomy to decide how best to allocate this sum. We also support alternatives that would allow publicly funded candidates to match the spending of privately funded opponents who spend more than the sum allowed by the spending limit. Finally, CED believes that stronger safeguards are needed to protect against the risk of corruption from contributions to convention host committees, which currently offer a means of circumventing the ban on party softy money. CED recommends three host-convention reforms: elected officials should be barred from soliciting unlimited contributions for these committees, a contribution limit should be placed on donations to host committees, and greater transparency and disclosure procedures should be implemented.

While the BCRA has had a significant and positive affect on federal election finance, CED believes further reform—both in the law and in the regulatory body charged with enforcing it— will promote the participation of individuals in the financing of campaigns and strengthen and expand the public funding alternative, thereby reducing the potential for corruption and increasing public confidence in the political system.



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