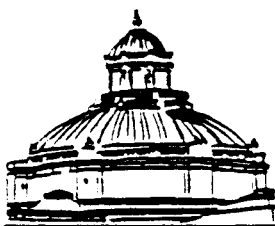


Report No. 36-143 GOV

CAMPAIGN FINANCING IN FEDERAL ELECTIONS:
A GUIDE TO THE LAW AND ITS OPERATION

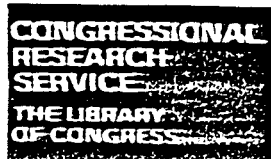
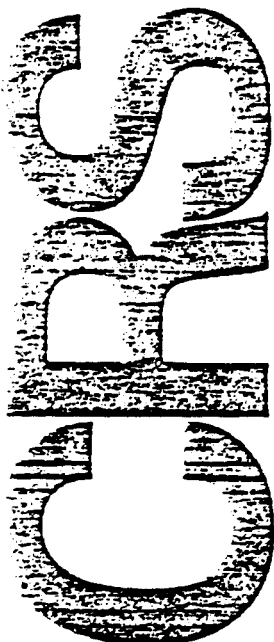
Joseph E. Cantor
Analyst in American National Government
Government Division



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ABSTRACT

This report provides an introduction to the laws governing the financing of Federal election campaigns and presents data on campaign finance activity in recent years.

PREFACE

This primer is intended as an introduction to the campaign finance laws governing Federal elections in the United States and to their practical application in recent years. It responds to such commonly asked questions about the law and its operation as the following:

- ° What are the major provisions of the Federal campaign finance law and how did they evolve?
- ° What are the limits on campaign contributions and expenditures?
- ° How much money is spent to elect the President and the Congress?
- ° What is the dollar tax checkoff, and how does the public funding system in Presidential elections work?
- ° How does the financing of congressional elections differ from that of Presidential elections?
- ° What are political action committees, and how much of a role do they play in Federal elections?
- ° What role do political parties play in Federal elections?
- ° How do tax incentives for individual donations work?
- ° What are independent expenditures?

These and other questions are addressed through summaries of the current law and through 18 tables of statistics on campaign finance activity at the Federal level in recent years. (These statistics have been compiled by CRS, the Federal Election Commission, and academic experts in this field.)

The report comprises ten chapters grouped into three sections. The first of the three sections provides a summary of the current law and its antecedents,

both in overview and chronological form. The second examines the campaign finance system from the perspective of the fundraising or receipts side, looking at the sources of money in Federal campaigns. The third examines the expenditure side of campaigns, the actual spending of campaign money to influence the outcome of elections.

Section One contains two chapters. Chapter I discusses the campaign finance laws in effect prior to the enactment of the present law in the early 1970s; in this regard, it provides an overview and a chronology of the earlier laws and a discussion of their perceived shortcomings, which, in turn, led to the laws of the past 15 years. Chapter II describes the highlights of the current law and provides a chronology of its component statutes and the major features thereof.

Section Two contains chapters III through VII, each discussing one of the five major components of Federal campaign treasuries. Each chapter discusses relevant aspects of the law affecting that source of funds and relevant financial data concerning its respective role as a contributor to campaigns.

Chapter III describes the public finance system, available only in Presidential elections and, hence, which has no relevance for congressional elections. It outlines the structure of the system which provides public money in Presidential primary and general elections and for the nominating conventions, and it discusses the dollar tax checkoff which provides funding for the public finance system. It includes data on the amounts of public funds in recent elections and on the status of the dollar tax checkoff. Chapter IV deals with the role of individual citizens as contributors, focusing on the law's limits on their donations and providing data on the use of Federal tax incentives for political contributions.

Chapter V discusses political action committees, defining what they are and what the law permits them to do and providing data on their proliferation and their financial activity in the past decade. Chapter VI examines the role of political parties as a funding source, describing how they assist candidates for Federal office through direct contributions; relevant data is included. This chapter is concerned only with the parties' role as a funding source for campaign treasuries; their role in spending money aimed directly at communicating with voters is discussed in Section Three, dealing with the expenditures side of campaigns. Section Two ends with a brief discussion in Chapter VII on the role candidates themselves play in funding campaigns.

Section Three, which comprises chapters VIII through X, examines the expenditure side of Federal campaigns, looking at each of the major forces responsible for spending money in elections and presenting data on recent financial activity. Campaign expenditures essentially are made for communication with voters, unlike a campaign contribution, which involves transferring authority to another agent to decide how a communication is to be made. Communications--or expenditures--in today's Federal campaigns are primarily made by three forces: the candidates, the political parties, and independent groups or individuals.

Chapter VIII presents data on campaign spending by candidates in recent Presidential and Congressional elections, in the aggregate and, also, in congressional elections, on average. Chapter IX discusses the political parties as campaign spenders, describing and providing data on coordinated expenditures in recent elections and on overall major party finances. This section concludes, in Chapter X, with a discussion of a major form of political spending which is not circumscribed by Federal limits--independent

expenditures. It provides a definition of this form of campaign activity and supplies data on relevant financial activity in recent elections.

Finally, a selected bibliography is included, with references to academic and other major treatments of campaign financing in the United States.

CONTENTS

ABSTRACT	iii
PREFACE.....	v
SECTION ONE: CAMPAIGN FINANCE LAWS AND THEIR EVOLUTION	1
I. THE FEDERAL CORRUPT PRACTICES ACT	3
Summary of Law and its Perceived Shortcomings	3
Efforts to Change the Law	4
Chronology of Early Campaign Finance Laws and Court Decisions	5
II. THE FEDERAL ELECTION CAMPAIGN ACT	7
Major Provisions of Current Law	7
Chronology of Current Campaign Finance Laws and Court Decisions	9
SECTION TWO: CAMPAIGN RECEIPTS--THE SOURCES OF FUNDS	13
III. SOURCES OF FUNDS--THE U.S. TREASURY	15
The Presidential Election Campaign Fund	15
Payments into the Fund: The Tax Checkoff	15
Disbursements from the Fund	16
Financial Data	16
Primary Elections	18
Establishing and Maintaining Eligibility	18
Major and Minor Party Candidates	18
Amount of Matching Funds	19
Spending Limits	19
Nominating Conventions	20
Establishing Eligibility	20
Amount of Subsidy	20
Spending Limits	20
General Elections	21
Major Party Candidates	21
New Party Candidates	22
Minor Party Candidates	23
Financial Data on Public Subsidies Since 1976	23

CONTENTS--Continued

IV.	SOURCES OF FUNDS--INDIVIDUAL CITIZENS	25
	Contribution Limits	25
	Tax Incentives for Individual Contributions	26
V.	SOURCES OF FUNDS--POLITICAL ACTION COMMITTEES	29
	What are Political Action Committees?	29
	The Origin of PACs	30
	Contribution Limits	31
	The Number of PACs	32
	Financial Activity of PACs Since 1972	33
VI.	SOURCES OF FUNDS--POLITICAL PARTIES	37
	Contribution Limits	38
	Data on Party Contributions	39
VII.	SOURCES OF FUNDS--CANDIDATES	41
SECTION THREE: CAMPAIGN EXPENDITURES--THE SPENDING BY CANDIDATES AND GROUPS		43
VIII.	CAMPAIGN SPENDING--PRESIDENTIAL AND CONGRESSIONAL CANDIDATES	45
	Presidential Elections	45
	Congressional Elections	47
	Aggregate Campaign Costs	47
	Average Campaign Costs	50
IX.	CAMPAIGN SPENDING--POLITICAL PARTIES	55
	Coordinated Expenditures	55
	Other Forms of Assistance	56
	Major Party Financial Activity	57
X.	CAMPAIGN SPENDING--INDEPENDENT EXPENDITURES	61
	Independent Expenditure Activity	62
SELECT BIBLIOGRAPHY		65

LIST OF TABLES

TABLE 1. Financial Status of the Tax Checkoff and the Presidential Election Campaign Fund: 1973-1985	17
TABLE 2. Public Subsidies in Presidential Elections: 1976-1984	24
TABLE 3. Use of the Tax Credit and Deduction for Political Contributions on Federal Tax Returns: 1972-1983	27
TABLE 4. Number of Registered Political Action Committees: 1974-1986 ...	33
TABLE 5. Financial Activity of Political Action Committees: 1972-1984 ..	34
TABLE 6. Political Action Committee Contributions as a Percentage of Congressional Candidates' Overall Receipts in General Elections: 1972-1984	35
TABLE 7. Contributions to Congressional Candidates of PACs by Category: 1972-1984	36
TABLE 8. Political Party Contributions to Federal Candidates: 1976-1984	40
TABLE 9. Campaign Spending by Presidential Candidates: 1976-1984	46
TABLE 10. Total Campaign Expenditures in House and Senate Elections: 1972-1984	48
TABLE 11. Total Campaign Expenditures by House and Senate General Election Candidates: 1972-1984	49
TABLE 12. Average Campaign Expenditures by House and Senate Candidates: 1974-1984	51
TABLE 13. Average Campaign Expenditures by House and Senate Candidates by Party: 1974-1984	52
TABLE 14. Average Campaign Expenditures by House and Senate Candidates by Candidate Status: 1974-1984	53
TABLE 15. Average Campaign Expenditures by Winning House and Senate Candidates: 1976-1984	54
TABLE 16. Major Political Party Receipts and Expenditures: 1976-1984	58

LIST OF TABLES—Continued

TABLE 17. Political Party Coordinated Expenditures for Federal Candidates: 1976-1984	60.
TABLE 18. Independent Expenditures For and Against Federal Candidates: 1976-1984	64

SECTION ONE

CAMPAIGN FINANCE LAWS AND THEIR EVOLUTION

Current laws and regulations governing financial activity of campaigns for Federal office stem largely from statutes passed in the 1970s, primarily the Federal Election Campaign Act, as amended. These laws were enacted to remedy widely perceived shortcomings of the then existing law, the Corrupt Practices Act of 1925, and in response to reports of campaign finance abuses over the years, culminating in the Watergate scandal of 1972-1974.

These laws impose limits on contributions from individuals, interest groups, and political parties to all campaigns for Federal office and to all political committees operating at the Federal level. Moreover, all candidates and political committees involved in Federal elections are subject to uniform disclosure requirements, under which contributions and expenditures must be reported on a regular basis for public examination.

Within this framework, a dual system of finance has evolved: a Presidential system, funded largely from public monies, with concomitant limits on campaign expenditures; and a congressional system, funded solely by private donations and free of circumscriptions on campaign spending.

The Federal Election Commission (FEC) has civil authority to enforce the laws that regulate the current system. It was created in 1975 as an independent agency to collect and make available to the public the financial reports filed by candidates and committees involved in Federal elections and to supervise the public funding system for Presidential elections. The FEC is

charged with drafting regulations to implement the law and with writing advisory opinions to interpret the law in specific instances.

This section of the report provides a summary of the current law and its antecedents. Highlights of major provisions of the laws, past and present, are given, as well as a chronology of key developments--legislative and judicial--in their evolution. Chapter I deals with the earlier laws governing campaign financing, generally classified as the Federal Corrupt Practices Act. Chapter II focuses on the current law, the Federal Election Campaign Act and related statutes, enacted since the early 1970s.

I. THE FEDERAL CORRUPT PRACTICES ACT

SUMMARY OF LAW AND ITS PERCEIVED SHORTCOMINGS

Before the current campaign finance laws were enacted in the 1970s, the system was regulated by a series of laws dating from 1907, but primarily by the Federal Corrupt Practices Act of 1925, as amended by the Hatch Act amendments of 1940. 1/ Among its principal features were--

- ° disclosure of receipts and expenditures by political committees operating in two or more States and by House and Senate candidates;
- ° limits on contributions by individuals to Federal candidates or national committees; and
- ° limits on expenditures by House and Senate candidates and political committees operating in two or more States.

The law governing campaign finance for much of the century came to be widely viewed as seriously flawed, both because of campaign activities not included in its scope and because of the ease with which its restrictions could be circumvented. The law's disclosure provisions and the spending limits did not cover Presidential and Vice-presidential candidates, candidates and political committees in primary elections, or political committees operating within only one State. Moreover, candidates, political committees and individuals could and commonly did avoid regulation under its provisions. Candidates and political committees could circumvent their spending limits as well as disclosure requirements by establishing multiple committees operating in single States or in the District of Columbia (which had no disclosure

1/ 43 Stat. 1070; 54 Stat. 767

requirements). Individuals could evade the limits on contributions by giving to more than one committee working on behalf of a candidate or by routing contributions through additional members of the same family. 2/

It can be argued that the law was generally ineffective partly because of these and other widely known loopholes and partly because its provisions were never truly enforced. No House or Senate candidate was ever prosecuted for violation of the Corrupt Practices Act.

EFFORTS TO CHANGE THE LAW

During the 1950s and 1960s, considerable attention was paid to the inadequacies of the Corrupt Practices Act. The press reported evasions of the law; Members of Congress introduced bills, and committees held hearings; reports were issued on campaign finance, and proposals were made to reform it. In 1962, a President's Commission on Campaign Costs issued a report which recommended (among other things) fuller disclosure of campaign finance activity and a central agency to regulate it. Both Presidents Kennedy and Johnson urged Congress to correct the deficiencies in the law, which Johnson referred to in a 1967 Message to Congress as "more loophole than law." 3/

In the late 1960s, two measures foreshadowed the reform legislation that governs campaign finance today: the Presidential Campaign Fund Act of 1966 (P.L. 89-809) and the Election Reform Act of 1967 (S. 1880). The Presidential Campaign Fund Act provided public subsidies to the national political parties

2/ Dollar Politics. 3rd ed. Washington, Congressional Quarterly, Inc., 1982. p. 4-6.

3/ U.S. President, 1963-1969 (Johnson). Public Participation in the Processes of Government. Message dated May 25, 1967. 90th Cong., 1st Sess. H. Doc. No. 90-129. Washington, U.S. Govt. Print. Off., 1967. p. 2.

for Presidential elections. Although it received little consideration before it was enacted, it became a source of controversy soon thereafter, and, in May 1967, Congress made it inoperative. S. 1880, known as the Ashmore-Goodell bill, was passed by the Senate in 1967. It would have provided for a stronger system of disclosure to be monitored and enforced by a bipartisan Federal Election Commission. The House never acted on the measure.

CHRONOLOGY OF EARLY CAMPAIGN FINANCE LAWS AND COURT DECISIONS

The following chronology lists the principal statutes and court decisions which governed campaign finance practices at the Federal level prior to the Federal Election Campaign Act of 1971. A brief summary of the principal provisions of each law is provided, along with some notation as to whether it was later repealed or is still in effect.

- ° Tillman Act, 1907 [34 Stat. 864]--prohibited monetary contributions from nationally chartered banks and corporations to political campaigns at any level and prohibited such contributions from any corporation to political campaigns at the Federal level (still in effect).
- ° Publicity Act of 1910 [36 Stat. 822]--required post-election disclosure of receipts and expenditures by national party committees and committees operating in two or more States in connection with campaigns for the House of Representatives (repealed by Corrupt Practices Act in 1925).
- ° Publicity Act Amendments of 1911 [37 Stat. 25]--extended disclosure requirements to Senate campaigns and to pre-election reporting (for nomination, as well as general election); also limited House campaign expenditures to \$5,000 and Senate campaign expenditures to \$10,000 (repealed by Corrupt Practices Act in 1925).
- ° Newberry v. United States [256 U.S. 232 (1921)]--the Supreme Court held unconstitutional the regulation of primary elections, under the 1910 Act, as amended; this conclusion was later overruled (or weakened) by the Court in United States v. Classic [313 U.S. 299 (1941)].

- Federal Corrupt Practices Act of 1925 [43 Stat. 1070]—largely revised and codified the provisions of the earlier statutes, with little substantive change, except for the deletion of the primary election regulations; continued the disclosure requirements for multistate political committees and House and Senate candidates; changed the expenditure limitations to conform to State law where applicable or (for Senate candidates) \$10,000 or three cents for each vote cast in the last general election for that office, up to \$25,000, and (for House candidates) \$2,500 or three cents for each vote cast in the last general election for that office, up to \$5,000 (repealed by FECA).
- Hatch Act Amendments of 1940 [54 Stat. 767]—imposed a \$5,000 per year limitation on contributions to candidates or national committees in connection with any campaign for Federal office; also set a \$2,000,000 per year limitation on receipts and expenditures of any political committee operating in two or States (repealed by the FECA).
- War Labor Disputes Act of 1943 [57 Stat. 167]—prohibited labor unions from making political contributions to candidates for Federal office (automatically expired six months after World War II ended).
- Labor Management Relations Act of 1947 [61 Stat. 159]—made the prohibition on labor union contributions permanent, and expanded the prohibition on national banks, corporations, and unions to include expenditures in connection with Federal campaigns, as well as contributions to them (still in effect).

II. THE FEDERAL ELECTION CAMPAIGN ACT

MAJOR PROVISIONS OF CURRENT LAW

Current law governing Federal campaign practices is based on two principal statutes: the Federal Election Campaign Act of 1971 (P.L. 92-225), as amended in 1974 (P.L. 93-443), 1976 (P.L. 94-283), and 1979 (P.L. 96-187), and the Revenue Act of 1971 (P.L. 92-178). Among the major features of the current law are:

Contribution Limits

- ° Individuals: \$1,000 per candidate, per election; \$20,000 to a national party committee per year; \$5,000 to any other political committee per year; an aggregate total of \$25,000 in contributions per year.
- ° Multicandidate Political Committees: \$5,000 per candidate, per election; \$15,000 to a national party committee; \$5,000 to any other political committee. ^{4/}
- ° Other Political Committees: \$1,000 per candidate, per election; \$20,000 to a national party committee; \$5,000 to any other political committee.
- ° Party Committees: \$1,000 or \$5,000 per candidate, per election (depending upon whether or not committee qualifies as a multicandidate committee); \$5,000 to any other political committee. For National Senatorial Campaign Committee, of National Party Committee, or combination of both: \$17,500 to Senate candidate, per year in which election is sought.
- ° Prohibited contributions: from foreign nationals, national banks, corporations, and labor unions; cash contributions in amounts of more than \$100; anonymous contributions of more than \$50.

^{4/} A multicandidate committee is one with more than 50 contributors, which has been registered for at least six months, and, except for a State party committee, has made contributions to five or more Federal candidates.

Candidate Limits

- ° Candidates accepting public funding (in Presidential elections) may contribute \$50,000 from personal and immediate family funds.

Expenditure Limits

- ° Applicable only to Presidential candidates accepting public funds: in primaries, nationwide limit of \$10,000,000 plus COLA (cost of living allowance) plus additional 20 percent for certain exempt fundraising costs and State limit of the greater of \$200,000 plus COLA or 16 cents per eligible voter plus COLA; in general elections, \$20,000,000 plus COLA. Also, parties accepting public funds for nominating conventions are limited to \$4 million plus COLA. (COLA calculated using 1974 as base year). In 1984, the national limits were: \$20.2 million (plus \$4.0 million for fundraising) in primaries, \$40.4 million in the general election, and \$8.1 million for the conventions.

Party Spending Limits

- ° In addition to direct contributions, the national committees of the political parties may make expenditures on behalf of their nominees in the general election as follows: for a House candidate in a State with more than one congressional district, \$10,000 plus COLA; for a Senate candidate or at-large House candidate, the greater of \$20,000 plus COLA or 2 cents per eligible voter plus COLA; for a Presidential candidate, 2 cents per eligible voter plus COLA (COLA calculated using 1974 as base year); State political parties may make expenditures for its House and Senate candidates equal to that allowed for national parties, or they may designate the national party committee as its agent for the expenditures. In 1984, the parties could spend up to \$20,200 in House races and between \$40,400 and \$752,409.60 in Senate races (doubled for National and State parties combined).

Public Funding

- ° Available on optional basis to Presidential candidates and to political parties for nominating conventions. Primary candidates who qualify by raising at least \$5,000 in each of 20 States in contributions from individuals of \$250 or less may have individual contributions of \$250 or less matched equally with Federal money, up to one-half the primary spending limit. Nominees of major parties in the general election are eligible for public funds in the amount of their spending limit; minor party candidates may receive an amount proportionate to the vote they received vis-a-vis the major party candidates in prior elections; new party candidates are eligible for retroactive funding if they receive at least five percent of the popular vote. Major parties are eligible for public funds for nominating conventions, up to the full amount of their spending limit; minor parties may receive a lesser, proportionate amount.

Disclosure

- All candidates for Federal office and all political committees operating in Federal elections must file regularly scheduled reports; Presidential candidates and most political committees file with the Federal Election Commission, while House and Senate candidates must file with the Clerk of the House and the Secretary of the Senate, respectively. (All reports are available at the FEC.) Reports must include total amounts of cash on hand, receipts, transfers, loans, rebates, refund dividends, and interest (and, for Presidential candidates, public funds); must identify contributors in excess of \$200 per year and persons to whom expenditures in excess of \$200 are made.

Federal Election Commission

- Independent, regulatory agency with six voting members appointed by President, with advice and consent of Senate, and two non-voting, ex-officio members—Clerk of the House and Secretary of the Senate. Administers disclosure provisions of the law and public funding program for Presidential elections. Has civil authority to enforce the law's provisions; criminal violations referred to Justice Department for prosecution. Conducts hearings and investigations, writes regulations implementing the law, and issues advisory opinions on request in order to help interpret the law.

CHRONOLOGY OF CURRENT CAMPAIGN FINANCE LAWS AND COURT DECISIONS

The following chronology lists the principal statutes and court decisions governing campaign finance practices at the Federal level today. A brief summary of the principal provisions of each law is provided, along with some notation as to whether it was later repealed or is still in effect.

- Revenue Act of 1971 [Public Law 92-178]—successor to Presidential Campaign Fund Act of 1966, it intended to lessen candidate dependence on private money by providing public funds instead; established the Presidential Election Campaign Fund to provide Federal subsidies to Presidential candidates on an optional basis in the general election (beginning in 1976); major party candidates were to receive an amount equal to 15 cents multiplied by the voting age population (VAP), minor party or new party candidates were to get an amount in proportion to the votes they received in the previous (or retroactively in the just concluded) election; candidates taking public funds must abide by expenditure limit, equal to amount major party candidate is entitled to (hence major party candidates can accept no private funding); program to be funded through an optional \$1 checkoff on Federal income tax returns (\$2 on joint returns), beginning with Calendar 1972; established a tax credit of up to \$12.50 (\$25 on joint returns) on

half the amount of political contributions in a tax year and an alternative tax deduction of up to \$50 (\$100 on joint returns) on the full amount of political contributions (still in effect, as amended).

- ° Federal Election Campaign Act of 1971 [Public Law 92-225]--response to the failures of disclosure under the earlier laws and an attempt to curb rising campaign costs; required candidates and political committees to file disclosure reports on a quarterly basis (plus two pre-election reports) with the Secretary of (the respective) State and with the appropriate Federal officer: Clerk of the House (in connection with House campaigns), Secretary of the Senate (in connection with Senate campaigns), and Comptroller General/G.A.O. (concerning Presidential campaigns); reports were to include information on each contribution received and expenditure made of \$100 or more (identifying the name, address, occupation, and principal place of business of the donor or recipient); contributions of \$5,000 or more were to be reported within 48 hours of receipt; disclosure to cover all phases of the election process; imposed spending limits on media advertising by Federal candidates of the greater of \$50,000 or ten cents per eligible voter in the jurisdiction; required broadcasters to sell advertising time to political candidates at the lowest unit rate available to commercial advertisers, during the period of 45 days prior to a primary and 60 days prior to a general election; imposed limits on spending by candidates and their immediate families of \$50,000 for President and Vice President, \$35,000 for Senate, and \$25,000 for House candidates (still in effect, as amended; media limits and candidate limits for House and Senate repealed).
- ° Federal Election Campaign Act Amendments of 1974 [Public Law 93-443]--enacted in response to the Watergate scandals of 1972-1974; imposed contribution limits of \$1,000 per candidate per election and an aggregate \$25,000 a year on all political contributions to Federal candidates and political committees for individuals, and \$5,000 per candidate per election for political and party committees (with no aggregate limit); prohibited cash contributions in excess of \$100; imposed expenditure limits (with annual cost-of-living adjustments) of: \$10 million for Presidential candidates in primaries, \$20 million for Presidential candidates in general elections, \$2 million for major party nominating conventions (less for minor parties), the greater of \$100,000 or eight cents per eligible voter for Senate primary candidates, the greater of \$150,000 or twelve cents per eligible voter for Senate general election candidates, and \$70,000 for House candidates in both primaries and general elections; also, imposed a \$1,000 limit on independent expenditures for or against candidates; (repealed media spending limits in the 1971 Act); allowed the national political parties to spend additional amounts on behalf of their general election candidates: \$10,000 (plus COLA) for House candidates, the greater of \$20,000 (plus COLA) or two cents per eligible voter (plus COLA) for Senate candidates, and two cents per eligible voter (plus COLA) for Presidential candidates (these amounts were in addition to direct contributions); provided public funding for Presidential primaries and nominating conventions: matching fund system in the primaries, with individual donations of \$250 or less matched on an equal basis by Federal funds once threshold fundraising level was attained (\$100,000 in amounts of at least \$5,000 in each of 20 States from donations of \$250 or less); maximum matching funds equal to one-half the spending limit; major party nominating

conventions to be funded fully from public funds; amount of public funds available to general election candidates changed in accordance with new spending limit; established a full-time, bipartisan agency to administer the campaign finance laws, a Federal Election Commission, with six voting members (two each appointed by the President, the Speaker of the House, and the President pro tem of the Senate) and two ex-officio members (the Clerk of the House and the Secretary of the Senate); FEC to have civil enforcement authority, with criminal cases referred to the Justice Department (still in effect, as amended; limits on campaign expenditures in non-publicly funded elections and on independent expenditures repealed).

- ° Tariff Schedules Amendments, 1975 [Public Law 93-625]--doubled maximum tax credit for political contributions to \$25 (\$50 on joint returns) and maximum tax deduction to \$100 (\$200 on joint returns) (repealed by 1978 Revenue Act).
- ° Buckley v. Valeo [424 U.S. 1 (1976)]--Supreme Court upheld contribution limits and disclosure requirements on the ground that they serve the basic vital governmental interest of safeguarding the integrity of the electoral process without unduly burdening the rights of citizens and candidates to engage in political debate; also upheld public funding system for Presidential elections; Court overturned expenditure limits, asserting that, unlike contribution limits, they constituted an undue burden on political expression, without a comparable overriding governmental interest in preventing the actuality or appearance of corruption; the limits struck down included those on overall campaign spending, on spending of personal funds by candidates, and on independent expenditures by individuals or groups; the only spending limits that were upheld were those associated with publicly funded Presidential campaigns (whether on overall campaign activity or on candidates' personal expenditures); Court declared the Federal Election Commission, as constituted, was unconstitutional because it exercised executive branch functions but was appointed, in part, by the Congress.
- ° Federal Election Campaign Act Amendments of 1976 [Public Law 94-283]--primary impetus of its enactment was to reconstitute the Federal Election Commission, with all members to be appointed by the President; established additional contribution limits: \$5,000 on individual donations to a PAC, \$20,000 on individual donations to a national committee of a political party, \$15,000 on PAC donations to a national committee of a political party, and \$17,500 on donations by the national parties' senatorial committees to their general election candidates; imposed a single limit of \$5,000 on all contributions to Federal candidates by political action committees sponsored by the same organization; specified rules for solicitation of funds by PACs associated with unions, corporations, and trade associations; exempted from spending limits of publicly-funded Presidential campaigns those legal and accounting fees incurred in complying with the FECA; cut off matching funds to any candidates who failed to receive at least 10 percent of the vote in two successive primaries, to be restored if and when 20 percent of the vote is garnered in a later primary; required disclosure of independent expenditures of at least \$100 and, within 24

hours, of such expenditures of at least \$1,000 made within 15 days of an election; required disclosure by unions and corporations of partisan internal communications to their members which exceed \$2,000; gave the FEC increased authority to prosecute violations of the law; specified penalties for violations; outlined FEC's responsibilities in issuing advisory opinions and regulations, conducting investigations, and attempting conciliation with alleged violators of the law before seeking prosecution (still in effect, as amended).

- Revenue Act of 1978 [Public Law 95-600]--doubled the maximum tax credit for political contributions to \$50 (\$100 on joint returns); eliminated the tax deduction for political giving (still in effect).
- Federal Election Campaign Act Amendments of 1979 [Public Law 96-187]--impetus for passage was to make the requirements of the FECA less burdensome to candidates, committees, and citizens and to encourage a greater grassroots role for volunteers and for State and local political parties; exempted candidates and local party committees from disclosure requirements if they raised or spent less than \$5,000 in a year; increased threshold for itemizing receipts and expenditures from \$100 to \$200 and for itemizing independent expenditures from \$100 to \$250; allowed State and local parties to spend unlimited amounts on get-out-the-vote and registration drives on behalf of the Presidential ticket and on grassroots campaign materials for volunteer activities without counting it toward the candidate's spending limits; raised from \$2 to \$3 million (plus adjustment for inflation) the amount of public subsidy provided to major party nominating conventions; prohibited use of excess campaign funds by candidates for Federal office, unless already in office at the time of enactment of this law (still in effect).
- Nominating Conventions, 1984 [Public Law 98-355]--increased from \$3 to \$4 million (plus adjustment for inflation) the amount of public subsidy provided to the major political parties for their Presidential nominating conventions (still in effect).

SECTION TWO

CAMPAIGN RECEIPTS—THE SOURCES OF FUNDS

This section discusses the receipts or fundraising side of campaigns by examining the five major sources of funds in campaigns for Federal office. These include: the U.S. Treasury, individual citizens, political action committees, political parties, and candidates themselves. The next five chapters are devoted to each of these sources, offering basic information on the role they play in today's Federal elections, the laws governing that role, and any relevant financial data.

Chapter III discusses the system of public funding available in Presidential elections since 1976, constituting a major component of Presidential campaign treasuries during this period. Public funding is not available in congressional campaigns. The chapter discusses the tax checkoff on Federal tax returns, from which this system derives its funds, along with data on its status since its inception. It also describes the operation of the system in primary elections, nominating conventions, and general elections.

Chapter IV discusses the role of individual citizens as campaign contributors, including information on contribution limits and on tax incentives (including financial data on the use of tax credits and tax deductions). Chapter V discusses political action committees, defining what they are and how they are affected by contribution limits and offering data on their proliferation in number and the growth of their financial role in campaigns in recent years.

Chapter VI discusses the role of the political parties, in terms of their direct contributions to Federal candidates. This includes information on their contribution limits and data on their contributions in recent elections. It specifically excludes the role of the parties in making coordinated expenditures on behalf of candidates and data on the overall finances of the major parties, which are discussed in Chapter X, in the Expenditures section of this report. Chapter VII, the last chapter in this section, offers a brief discussion on the role of candidates as a source of funds for their own campaigns.

III. SOURCES OF FUNDS--THE U.S. TREASURY

Since 1976, Presidential campaigns have been financed in large measure through a public finance system, covering all three stages of the election: the primaries, the nominating conventions, and the general election. The public money comes from the Presidential Election Campaign Fund, a special account in the U.S. Treasury which is funded through an optional dollar checkoff on Federal income tax returns. The public funds are available to candidates (and political parties for their conventions) on an optional basis, once they meet certain requirements and pledge to comply with the expenditure limits and other restrictions imposed by the law.

The Federal Election Commission administers the system, certifying the eligibility of candidates to receive funds, authorizing Treasury payments to them, and conducting audits to ensure that funds are spent in compliance with the law.

THE PRESIDENTIAL ELECTION CAMPAIGN FUND

Payments into the Fund: The Tax Checkoff

The tax checkoff, that first appeared on Federal income tax returns for 1972, allows each taxpayer to designate one dollar of general treasury funds to the Presidential Election Campaign Fund. As stated on the tax returns, the filer's tax liability is not affected by checking the "Yes" box. The Secretary

of the Treasury makes monthly transfers of money to the Fund from the general treasury in amounts equal to those designated on the tax returns. Within the Fund, the Secretary of the Treasury maintains one account for general election candidates and conventions and another account for primary candidates (the Presidential Primary Matching Payment Account).

Disbursements From the Fund

All requests for public funds must be made to the FEC, which, upon ascertaining that the candidate or party has met the eligibility requirements, certifies the amount and requests payment by the Secretary of the Treasury directly to the candidate or party. Subsidies may be made available for the nominating conventions as early as July 1 of the year before the election, for primary candidates after January 1 of the election year, and to the general election candidates once they have achieved eligibility as party nominees.

In the event that insufficient funds are available to meet anticipated requests for election subsidies, the law provides for money to be put aside first for the party conventions and then on a pro-rated basis for the general and primary election candidates. The law prohibits any shortfall in the Fund to be replenished by additional appropriations by the Congress. To date, there have been sufficient funds to pay for all costs allowed under the law.

Financial Data

Table 1 presents information on payments into and disbursements from the Presidential Election Campaign Fund for each year since its inception in the 1972 tax year. For each year, it indicates the amount of money designated for the checkoff on the prior year's returns, the total disbursements from the

TABLE 1. Financial Status of the Tax Checkoff and the Presidential Election Campaign Fund: 1973-1985
(Dollar amounts in millions)

Year ^{1/}	Tax checkoff		Presidential Election Campaign Fund	
	Amount designated	Percent ^{2/} of returns	Disbursements	Year-end balance ^{3/}
1973	\$ 2.4	---	\$ 0.0	\$ 2.4
1974	27.6	---	0.0	27.6
1975	31.7	---	2.6	39.6
1976	33.7	---	69.5	23.8
1977	36.6	27.5%	0.5	60.9
1978	39.2	28.6%	0.006	100.3
1979	35.9	25.4%	1.1	135.2
1980	38.8	27.4%	-101.4	73.8
1981	41.0	28.7%	0.6	114.4
1982	39.0	27.0%	0.001	153.5
1983	35.6	24.2%	-11.8	177.3
1984	35.0	23.7%	120.1	92.7
1985	34.7	23.0%	1.6	125.9

^{1/} Year indicates the year the funds were received or disbursed from the Fund; checkoff data based on tax returns for the previous year (but filed in the year indicated).

^{2/} Percentage of tax returns designating \$1 (individual returns) or \$2 (joint returns), reflecting returns processed in that fiscal (as opposed to calendar) year.

^{3/} Year-end balance may not be easily reconciled with other data, in part because of repayments from candidates and parties following post-election audits.

Source: Department of Treasury and Internal Revenue Service data, as compiled by the FEC in June 1986 press release.

Fund, and the amount of money in the Fund at year's end. (The year-end balance figures are not easily reconciled with other data, in part because of repayments to the Fund pursuant to FEC audits.) The table also provides the percentage of returns designating one or two dollars for the Fund since 1976.

PRIMARY ELECTIONS

Candidates seeking a political party's nomination for the Presidency may avail themselves of partial public funding of their campaigns through a matching fund system.

Establishing and Maintaining Eligibility

Eligibility is established by raising \$100,000 in amounts of at least \$5,000 from each of 20 States, in contributions from individuals of \$250 or less. Contributions received as of January 1 of the year prior to the election until December 31 of the election year may be eligible for matching funds (including for purposes of debt retirement). Individuals may contribute up to \$1,000 to a Presidential candidate in the primary election phase (the same limit as in other Federal elections), but only the first \$250 of an individual's total contributions to a candidate count toward establishing eligibility.

Candidates who fail to receive at least 10 percent of the popular vote in two successive primary elections lose their eligibility for continued matching fund payments, unless and until they receive at least 20 percent of the vote in a later primary.

Major and Minor Party Candidates

The matching fund system does not distinguish between major and minor party candidates, with the requirement of raising money in small amounts from

contributors in many States and the 10 percent vote requirement considered sufficient tests of a candidate's viability in an election. The requirements for those two forms of popular support are intended to minimize concerns that public money might be used to bolster frivolous candidates. Only one minor party candidate has qualified for matching funds since 1976—Sonia Johnson of the Citizens Party in 1984.

Amount of Matching Funds

Once eligibility is established, contributions from individuals of \$250 or less are matched on an equal basis with Federal money, up to one half of the total limit on primary spending (see below). Only the first \$250 of an individual's total contributions to a candidate count toward qualifying for matching funds.

No funds are paid out until after January 1 of the election year.

Spending Limits

Eligible candidates who choose to receive Federal matching funds must agree to adhere to the following limitations on spending:

- ° an overall national limit on spending prior to the nominating convention: \$10,000,000 plus an adjustment for inflation (based on 1974 dollars), plus an additional 20 percent for certain exempt fundraising costs, plus an unlimited amount for legal and accounting fees incurred in complying with the law (neither of these supplements to the base limit are factored in for purposes of establishing the limit on total matching funds);
- ° a State limit on spending for primaries and caucuses in the respective States: the greater of \$200,000 plus an adjustment for inflation (based on 1974 dollars) or 16 cents times the voting age population plus an adjustment for inflation (based on 1974 dollars); and
- ° a limit on spending of personal or immediate family funds: \$50,000.

With the application of adjustments for inflation, the national spending limit for prenomination campaigns was set in 1976 at \$10.9 million (plus \$2.2 million for fundraising); in 1980, \$14.7 million (plus \$2.9 million for fundraising); and in 1984, \$20.2 million (plus \$4.0 million for fundraising). In 1984, the State spending limits ranged from \$0.4 million to \$6.0 million.

NOMINATING CONVENTIONS

Establishing Eligibility

Each of the two major political parties is automatically entitled to a public grant to pay for the cost of its quadrennial nominating convention. Minor parties (those whose Presidential candidates received between 5 and 25 percent of the popular vote in the preceding election) are also entitled to a public subsidy to defray the costs of nominating conventions. New parties are not eligible for the subsidy.

Amount of Subsidy

The subsidy for major parties is equal to the full amount of the spending limit (see below). For minor parties, the amount of subsidy is to be in the same ratio to the major party's grant as was the votes cast for the minor party's Presidential candidate in the preceding election to the average vote cast for the major parties' candidates in that election.

Spending Limits

The spending limit for parties accepting the public subsidy was set in the 1974 FECA Amendments at \$2 million plus an adjustment for inflation; the

base amount was changed to \$3 million in the 1979 FECA Amendments and to \$4 million in Public Law 98-355, enacted in 1984. Based on the changes in the base amounts and the adjustments for inflation since 1974, the spending limit (and the amount of public subsidy available to each of the major parties) was \$2.2 million in 1976, \$4.4 million in 1980, and \$8.1 million in 1984.

For major parties, the convention committees' must agree to limit spending to the full amount of the grant. No funds from private sources may be accepted, although certain specified services may be provided by the host city and State and local business and labor groups. A minor party qualifying for the convention subsidy may accept additional funds from private sources but is subject to the same spending limit as is the major party.

Since the system was instituted in 1976, no minor party has requested or qualified for the convention subsidy.

GENERAL ELECTIONS

The public funding system in the general election makes available a flat grant to major party nominees, under the condition that no additional funds will be raised or spent by those candidates. The amount of subsidy thus constitutes the expenditure limit for candidates in that election. Unlike the system in place during the prenomination campaign, the general election system distinguishes between major, minor and new party candidates, with the major party nomination considered a sufficient demonstration of electoral viability to warrant a full public subsidy of campaign costs. Minor and new party candidates may be eligible for a lesser amount of public grant.

Major Party Candidates

Major party status under the FECA is determined when the Presidential candidate of that party receives at least 25 percent of the popular vote in

the preceding election; in effect, the Democratic and Republican parties are considered major parties. Once the major parties have nominated their candidates for President and Vice President, the FEC, upon request by the nominees, certifies their eligibility for public funds; the certification is sent to the Secretary of the Treasury for payment. The amount of subsidy available to major party nominees is \$20 million plus an adjustment for inflation (based on 1974 dollars); the actual available subsidy (and spending limit) was \$21.8 million in 1976, \$29.4 million in 1980, and \$40.4 million in 1984.

Major party nominees who accept the public grant must agree not to raise or spend any additional monies in his or her campaign, with the exception that legal and accounting fees incurred in seeking compliance with the FECA may be paid from private funding sources and are not subject to the expenditure limit. In addition, the Presidential and Vice-presidential nominees are subject to a joint limit of \$50,000 on campaign spending from personal and immediate family funds.

New Party Candidates

For nominees of new political parties, those with no prior electoral record, the law provides for post-election subsidies to candidates who receive at least five percent of the popular vote. If that occurs, the candidate may receive a Federal payment in the same ratio to that received by the major party candidates as was the votes received by the new party nominee to the average of votes received by the major party nominees. In only one instance, John Anderson of the National Unity Party in 1980, did a candidate qualify for such a post-election subsidy.

Minor Party Candidates

Public funding is also available to minor party candidates. A minor party nominee is entitled to a subsidy in the same ratio to that available to the major party nominees as was the ratio of votes cast for the minor party's Presidential candidate to the average of votes cast for the major parties' Presidential candidates in the previous election. Additional funds may be raised from private sources, but the candidates must abide by the same spending limit that governs major party nominees (an exemption is allowed for fundraising costs of up to 20 percent of the difference between the spending limit and amount of public funds received). Had Anderson run in 1984 on the National Unity Party line, he would have been eligible for Federal funding as a minor party candidate; he would thus have been the first candidate to have taken advantage of the subsidy for minor party candidates.

FINANCIAL DATA ON PUBLIC SUBSIDIES SINCE 1976

Table 2 presents data on the amount of public funds that subsidized candidates and parties at each phase of the election process since 1976. The number of candidates or parties is listed beside the public funds figure, along with an indication of party affiliation of the recipients.

TABLE 2. Public Subsidies in Presidential Elections: 1976-1984
(Dollar amounts in millions)

	1976		1980		1984	
	Amount	Recipients*	Amount	Recipients*	Amount	Recipients*
Prenomination period	\$24.8	13D/2R	\$31.3	4D/6R	\$36.5	9D/1R/1C
National conventions	\$4.1	1D/1R	\$8.8	1D/1R	\$16.2	1D/1R
General election	\$43.6	1D/1R	\$63.1	1D/1R/1NU	\$80.8	1D/1R
TOTAL AMOUNT	\$72.5		\$103.2		\$133.5	

*Party key: D=Democrat, R=Republican, NU=National Unity, C=Citizens

Source: U.S. Federal Election Commission. Annual Report, 1985.
Washington, 1986. p. 4.

IV. SOURCES OF FUNDS—INDIVIDUAL CITIZENS

The greatest single source of campaign funds raised by candidates for public office takes the form of direct contributions from individual citizens. (This is distinct from individuals giving through PACs and parties.) While it is virtually impossible to state with any certainty the exact share of the average campaign budget which comes from individual givers, much of the academic literature has placed it in the range of 60-70 percent of House and Senate campaign budgets in recent years. ^{5/} A recent study found that the individual givers' component in House campaign budgets fell to 47 percent in the 1984 elections, while accounting for 61 percent in Senate campaigns that same year. ^{6/} Despite the differences in the findings of academic experts and other observers, there is no disagreement that, on average, individual givers provide a greater share of Senate than House campaign revenues and that individual donations constitute the largest single source of the average (non-Federally-funded) campaign budget.

CONTRIBUTION LIMITS

The Federal Election Campaign Act limits contributions by individuals to candidates for Federal office and to political committees seeking to influence elections at the Federal level. The following limits are applicable:

^{5/} Jacobson, Gary C. Money in the 1980 and 1982 Congressional Elections. In Malbin, Michael J. (ed.) Money and Politics in the United States: Financing Elections in the 1980s. Washington, American Enterprise Institute, 1984. p. 39.

^{6/} Conlon, Richard P. The Declining Role of Individual Contributions in Financing Congressional Campaigns. Prepared for Conference on Campaign Financing, University of Virginia Law School, Apr. 3-4, 1986. pp. 37, 41.

- ° \$1,000—to any candidate for Federal office, per election (primary, general, and run-off are each counted as separate elections);
- ° \$20,000—to a national political party committee, per year;
- ° \$5,000—to any other political committee (e.g., PACs), per year
- ° \$25,000—to all Federal candidates and committees, per year.

These limits apply to in-kind contributions (the value of goods and services provided to a campaign) and loans (until they are repaid), as well as to direct monetary donations. Cash contributions of more than \$100 are prohibited. Individuals hosting parties in their homes to benefit candidates may spend up to \$1,000, not subject to the contribution limits. Finally, volunteer services are not subject to the contribution limits, provided the volunteers do not assist the campaign during their normal working hours.

TAX INCENTIVES FOR INDIVIDUAL CONTRIBUTIONS

Since 1972, the Federal Government has provided tax incentives as a means of encouraging individuals to make small donations to political organizations; this policy is intended to offset the role of interest groups and large givers and to provide a broader base of participation in the political process. Under Public Law 92-178, taxpayers between 1972 and 1974 could claim either a 50 percent credit up to \$12.50 (\$25 on joint returns) or a full deduction of up to \$50 (\$100 on joint returns) on the value of all contributions to political candidates and committees at Federal, State and local levels in that tax year. Between 1975 and 1978, under Public Law 93-443, taxpayers could claim a 50 percent credit up to \$25 (\$50 on joint returns) or a full deduction of up to \$100 (\$200 on joint returns). Since 1979, under Public Law 95-600, taxpayers may claim a 50 percent credit of up to \$50 (\$100 on joint returns); the deduction was eliminated by that law.

Table 3 provides data on the use of tax credits and deductions since 1972,

TABLE 3. Use of the Tax Credit and Deduction for Political Contributions on Federal Tax Returns: 1972-1983

Year	Number of tax returns	Number of returns taking credit (deduction) <u>1/</u>	Total value of credits (deductions) <u>1/</u>	Participation rate in tax incentive system <u>2/</u>
1972	77,573,000	1,749,000 (964,000)	\$ 26,549,000 (\$52,280,000)	3.5 %
1973	80,693,000	1,126,017 (646,000)	\$ 17,794,000 (\$39,101,000)	2.2 %
1974	83,340,000	1,374,702 (NA)	\$ 21,975,000 (NA)	1.6 % *
1975	82,229,332	1,571,275 (687,571)	\$ 37,600,000 (\$61,378,000)	2.7 %
1976	84,670,389	2,341,515 (NA)	\$ 60,845,000 (NA)	2.8 % *
1977	86,634,640	2,602,391 (715,582)	\$ 73,666,000 (69,958,000)	3.8 %
1978	89,771,551	3,560,384 (NA)	\$103,873,000 (NA)	4.0 % *
1979	92,694,302	4,069,156	\$193,524,000	4.4 %
1980	93,902,469	5,419,155	\$269,384,000	5.8 %
1981	95,396,123	5,207,442	\$261,965,000	5.5 %
1982	95,337,432	5,243,629	\$269,783,000	5.5 %
1983	96,321,310	4,966,794	\$256,955,000	5.2 %

* Because the IRS did not provide data regarding use of the deduction in these years, these percentages reflect only participation in the tax credit system. They would be higher if the tax deduction participation were included, particularly in view of likely increases thereof during election years.

1/ The deduction was eliminated after 1978.

2/ Percentage of all returns claiming the credit (and the deduction).

Source: U.S. Internal Revenue Service. Statistics of Income: Individual Tax Returns. (annual series)

V. SOURCES OF FUNDS--POLITICAL ACTION COMMITTEES

Political action committees--or PACs, as they are commonly known--are an increasingly important source of funds for political campaigns, especially in congressional elections (where public funding is not available). Although PACs have proliferated greatly in the past decade, interest groups have long played an important role in the funding of American political campaigns.

WHAT ARE POLITICAL ACTION COMMITTEES?

PACs are legal entities through which interest groups raise and contribute money to political candidates. The term "political action committee" is colloquial and does not appear in Federal law; it corresponds with either of two legal expressions--"separate segregated fund" and "political committee"--depending upon whether the PAC is affiliated with a sponsoring organization.

Of the 4,092 political action committees registered with the Federal Election Commission in mid-1986, approximately 75 percent can be classified as separate segregated funds. Such a fund is essentially a bookkeeping arrangement. An organization (usually one prohibited by law from making direct campaign donations from its own treasury) establishes and administers (with funds from its general treasury) a separate entity which, in turn, seeks voluntary contributions from the sponsoring organization's membership for expressly political purposes. Organizations which today maintain separate segregated funds include labor unions, corporations, trade and health associations, membership organizations (such as the National Rifle Association and the National

Organization for Women), cooperatives (such as dairy cooperatives), and corporations without capital stock (such as certain savings and loans or shareholder insurance companies).

The remaining 25 percent of today's PACs are not affiliated with sponsoring organizations and, as such, do not constitute separate segregated funds. Rather, these PACs, referred to as "non-connected" by the FEC, are organized merely by meeting the campaign finance law's definition of a "political committee"--a group which raises or spends \$1,000 or more in a calendar year. Unlike the separate segregated funds, these PACs are not required by law to limit fundraising appeals to finite, designated groups of persons; however, the non-connected PACs must pay their own administrative and fundraising expenses out of contributions, not having sponsoring organizations to underwrite these costs. For the most part, the non-connected PACs are comprised of ideological and single-issue groups.

THE ORIGIN OF PACs

PACs had their origins in the 1940s, as a response by organized labor to the prohibition on union treasury money from being contributed in connection with elections for Federal office. In the wake of the 1943 statute (and the 1947 statute making the prohibition permanent), unions began to establish separate segregated funds to conduct their campaign fundraising and contribution activities, and, for the next three decades, labor PACs dominated the field of interest group political activities. Corporations, prohibited since 1907 from making contributions in connection with Federal elections, were reluctant to establish PACs, in large measure because of the relative lack of precedent for such endeavors and the concomitant absence of conclusive judicial rulings in this area.

A number of legislative, judicial, and administrative actions in the early and mid-1970s helped pave the way for other groups to explore the PAC option, by removing legal ambiguities and by granting specific authority under the law to unions, corporations, trade associations and others to set up separate segregated funds for political purposes. Apart from the elimination of legal barriers, the growth of PACs was spurred by a perceived decline in the strength of political parties, by contribution limits significantly higher than those for individuals, and as a response to increased government regulation of and involvement in people's lives and livelihoods.

CONTRIBUTION LIMITS

The law provides for two different sets of limits for what we refer to as political action committees. The limits for a basic political committee are:

- ° \$1,000—to any candidate for Federal office, per election;
- ° \$20,000—to the national committee of a political party;
- ° \$5,000—to any other political committee.

In terms of these limits, the law treats a political committee as it does an individual citizen, with the major exception being that political committees are not subject to the aggregate, annual limit on all political contributions.

The law allows political committees to qualify for a higher per candidate contribution limit by meeting the requirements of a "multicandidate committee." The latter is defined as a political committee which has been registered with the FEC for at least six months, has received contributions from more than 50 persons, and has contributed to at least five candidates for Federal office. By qualifying as a multicandidate committee, which the vast majority of PACs do, a PAC is subject to the following limits:

- \$5,000--to any candidate for Federal office, per election;
- \$15,000--to the national committee of a political party;
- \$5,000--to any other political committee.

The major distinction between the basic political committee and the multi-candidate committee is the \$5,000 limit per candidate, per election pertaining to the latter, which, by virtue of its comparison with the limit on individuals, has contributed greatly to the proliferation of PACs since the early 1970s.

THE NUMBER OF PACs

Table 4 documents the growth of political action committees since the early 1970s. The table indicates the number of PACs registered at the end of every two year period, according to the six categories devised by the FEC in 1977: corporate, labor, trade/membership/health, non-connected, cooperative, and corporation without capital stock.

TABLE 4. Number of Registered Political Action Committees: 1974 - 1986 1/

Type	1974	1976	1978	1980	1982	1984	1986
Corporate	89	433	785	1206	1469	1682	1734
Labor	201	224	217	297	380	394	386
Trade/ Membership/ Health <u>2/</u>	318	489	453	576	649	698	707
Nonconnected			162	374	723	1053	1063
Cooperative			12	42	47	52	56
Corporation without capital stock			24	56	103	130	146
Total <u>3/</u>	608	1146	1653	2551	3371	4009	4092

1/ Data as of December 31 for each year, except as of July 1 in 1986.

2/ Includes all non-corporate and non-labor PACs through 12/31/76.

3/ Not all PACs reflected in these totals play an active role in any given election. In 1984, 3,046 PACs contributed to Federal candidates.

Source: U.S. Federal Election Commission. FEC Releases New PAC Count (press release): July 14, 1986.

FINANCIAL ACTIVITY OF PACs SINCE 1972

Table 5 provides data on the financial activity of Federally-registered PACs since 1972. For each election, it presents the total adjusted receipts and adjusted expenditures of all PACs and the total amount contributed to all congressional candidates seeking office during that election cycle. Donations are listed only for congressional candidates because they receive by far the largest share of PAC money given in Federal elections and because such data is available in comparable form for all the years covered herein.

TABLE 5. Financial Activity of Political Action Committees: 1972-1984
(full election cycle data)

Election cycle	Adjusted receipts	Adjusted expenditures	Contributions to congressional candidates
1972	N.A.	\$ 19,168,000	\$ 8,500,000
1974	N.A.	\$ 25,000,000	\$ 12,526,586
1976	\$ 54,045,588	\$ 52,894,630	\$ 22,571,912
1978	\$ 79,956,291	\$ 77,412,860	\$ 35,187,215
1980	\$137,728,528	\$131,153,384	\$ 55,217,291
1982	\$199,452,356	\$190,173,539	\$ 83,620,190
1984	\$288,690,535	\$266,822,476	\$105,330,090

Sources: See U.S. Library of Congress. Political Action Committees: Their Evolution, Growth, and Implications For the Political System. CRS Report No. 84-78 GOV, by Joseph E. Cantor. Washington, 1984. Addendum, April 21, 1986. p. 2-3.

The large gap between the level of total expenditures and the total amount of contributions to congressional candidates can be largely accounted for by the following commonly-made PAC expenditures: contributions to State and local candidates, contributions to Presidential candidates, contributions to congressional candidates from past or future election cycles, contributions to political parties, administrative and fundraising costs of non-connected PACs, and independent expenditures.

Table 6 places the level of PAC contributions in the context of total receipts of congressional candidates, thus attempting to put the rising level of PAC donations into perspective. The table indicates the total receipts by congressional candidates running in general elections since 1972, the total PAC contributions to those candidates, and the percentage of overall receipts

constituted by PAC donations. The data demonstrate that the increase in PAC giving has outpaced the overall increases in candidate receipts (and spending), as reflected in the increased share of campaign treasuries emanating from PACs.

TABLE 6. PAC Contributions as a Percentage of Congressional Candidates' Overall Receipts in General Elections: 1972-1984
(Dollar amounts in millions)

Year	Candidate receipts	PAC contributions	Percent Given by PACs
1972	\$ 62.2	\$ 8.5	13.7%
1974	\$ 73.9	\$ 11.6	15.7%
1976	\$104.8	\$ 20.5	19.6%
1978	\$158.2	\$ 31.8	20.1%
1980	\$201.6	\$ 51.9	25.7%
1982	\$299.9	\$ 79.7	26.6%
1984	\$343.6	\$100.8	29.3%

Sources: See U.S. Library of Congress. Political Action Committees: Their Evolution, Growth, and Implications For The Political System. CRS Report No. 84-78 GOV, by Joseph E. Cantor. Washington, 1984. Addendum, April 21, 1986. p. 5.

The final table of data on PACs provides information on the aggregate level of campaign contributions by each of the major types of PAC: labor, corporate, trade/membership/health, non-connected, and other (cooperatives and corporations without capital stock). Prior to 1978 (the first election wherein the FEC categories were used), data for corporate and trade/membership/health PACs are combined under the broader heading of "business-related"; this scheme is based on the widely-held view that most of the groups classified by the FEC as trade/membership/health organizations have a business-orientation.

TABLE 7. Contributions to Congressional Candidates of PACs by Category:
1972-1984 (in millions of dollars)

Type of PAC	1972	1974	1976	1978	1980	1982	1984
Labor	\$3.6	\$6.3	\$8.2	\$10.3	\$13.2	\$20.3	\$24.8
Business- related	2.7	4.4	10.0	---	---	---	---
Corporate	---	---	---	9.8	19.2	27.5	35.5
Trade/ Membership/ Health	---	---	---	11.3	15.9	21.9	26.7
Non-connected	---	.7	1.5	2.8	4.9	10.7	14.5
Other	2.2	1.0	2.8	1.0	2.0	3.2	3.8
Total	\$8.5	\$12.5	\$22.6	\$35.2	\$55.2	\$83.6	\$105.3

Sources: See U.S. Library of Congress. Political Action Committees: Their Evolution, Growth, and Implications For The Political System. CRS Report No. 84-78 GOV, by Joseph E. Cantor. Washington, 1986. Addendum, April 21, 1986. p. 11-12.

VI. SOURCES OF FUNDS--POLITICAL PARTIES

Political parties are an important source of campaign funds at the Federal level, although just how important has been a matter of some dispute in recent years. Statistics compiled by academic experts in the late 1970s appeared to indicate a sharp decline in the role of parties as a funding source of congressional campaigns during that decade. ^{8/} This was viewed by some as evidence of the increasingly disproportionate role being played by PACs, which, in turn, seemed to confirm that special interests were multiplying as the more broadly-based, mediating structures—the parties—were withering. Some saw the apparent decline in the parties' role as the result of changes in the campaign finance laws which restricted political parties from fully assisting their candidates (through contribution limits, etc.).

Since 1980, however, the national parties (particularly the Republican) have shown signs of increased activity both as agents for assisting their candidates and for promoting some degree of unity among elected officials on policy matters. Combined with the growing campaign treasuries by the national party committees (again, particularly true of the GOP), these factors have contributed to a reevaluation of theories about decline of political parties. Indeed, more recent methods of calculation have yielded statistics which show,

^{8/} Jacobson, Gary C. The Pattern of Campaign Contributions to Candidates for the U.S. House of Representatives, 1972-78. In U.S. Congress. House. Committee on House Administration. An Analysis of the Impact of the Federal Election Campaign Act, 1972-1978. From the Institute of Politics, John F. Kennedy School of Government, Harvard University. Committee Print, 96th Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1979. p. 20 (Table 1).

at the very least, a constant role by parties as a funding source and, in Senate campaigns and among Republican candidates, a somewhat growing role. ^{9/}

There are several methods used by the major national parties to provide assistance to their candidates for Congress. This chapter, however, is confined to a discussion of their monetary contributions to candidates; other forms of assistance will be discussed in Chapter IX, in the Expenditures section of this report.

CONTRIBUTION LIMITS

In making contributions, political party committees are treated the same as other political committees, with a limit of \$1,000 or \$5,000 per candidate, per election, depending upon whether they meet the standards of "multicandidate committee." The one exception applies to Senate candidates, to whom the national party committee and the senatorial campaign committee may make a combined donation of up to \$17,500 in the year of the general election.

Because the two major national party committees and the respective senatorial and congressional campaign committees, and many—if not most—of the State party committees, qualify as multicandidate committees, the \$5,000 contribution limit widely applies. In House races, a candidate can receive as much as \$10,000 from the national party committee, \$10,000 from the party's congressional campaign committee, and \$10,000 from the State party committee—a total of \$30,000. (This assumes that no run-off elections occur, in which case the candidate can accept another \$5,000 from each of those three sources, and that the parties are willing to be involved in primary elections.) Senate

^{9/} Ornstein, Norman J. et al. (ed.). Vital Statistics on Congress, 1984-1985 Edition. Washington, American Enterprise Institute, 1984. p. 78-79.

candidates can receive up to \$17,500 from the national and senatorial committees and another \$10,000 from the State committee--a total of \$27,500.

DATA ON PARTY CONTRIBUTIONS

Table 8 presents data on the total contributions by the major political party committees to their candidates for Federal office since 1976. The figures constitute the combined contributions of party committees at the national, state, and local levels. (For Democrats, totals for national committees include the Democratic National Committee, the Democratic Senatorial Campaign Committee, the Democratic Congressional Campaign Committee, and others; for Republicans, national committee totals include the Republican National Committee, the National Republican Senatorial Committee, the National Republican Congressional Committee, and others.) As will be demonstrated in Chapter IX (and specifically in Table 17), these direct contributions constitute only a small share of the financial resources through which the parties assist their candidates for Federal office.

TABLE 8. Political Party Contributions to Federal Candidates: 1976-1984 *

Year	House	Senate	President	Total
<u>Democratic</u>				
1976	\$ 1,465,629	\$ 468,795	\$ N.A.	\$ 1,934,424**
1978	1,358,611	498,727	8,246	1,865,584
1980	1,084,722	546,133	22,351	1,653,206
1982	1,140,165	583,428	40,376	1,763,969
1984	1,321,736	476,199	829,809***	2,627,744***
<u>Republican</u>				
1976	\$ 3,658,310	\$ 930,034	\$ N.A.	\$ 4,588,344**
1978	3,786,331	736,170	-150	4,522,351
1980	3,807,032	700,880	20,465	4,528,377
1982	4,988,877	637,339	0	5,626,216
1984	4,207,482	667,366	5,685	4,880,553

* Data include contributions by political party committees at the national, state and local levels to all Federal candidates; not limited to candidates seeking election during that election cycle or to candidates who met the FEC's reporting threshold of raising or spending at least \$5,000 (except for 1976, which is limited to candidates on the general election ballot).

** Total includes only the figures listed for House and Senate.

*** \$820,922 represents proceeds from joint fundraising activity for various presidential campaigns.

Source: For 1976: Ornstein, Norman J., et al. (ed.). Vital Statistics on Congress, 1984-1985 Edition. Washington, American Enterprise Institute, 1984. p. 84 (from FEC Disclosure Series). For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Final Report: Party and Non-Party Political Committees. Vol. 1--Summary Tables. Washington, 1980. pp. 102-105. For 1980: U.S. Federal Election Commission. FEC Releases Final Figures on 1979-80 Major Political Party Activity (press release, corrected): Feb. 21, 1982. For 1982: U.S. Federal Election Commission. FEC Final Report for 1981-82 Confirms Republicans Outspent Democrats 5 to 1 (press release): Dec. 3, 1983. For 1984: U.S. Federal Election Commission. FEC Final 1984 Report Shows Republicans Still Hold Financial Lead (press release): Dec. 5, 1985.

VII. SOURCES OF FUNDS--CANDIDATES

A final source of campaign funds is the candidates' personal and family wealth. Of the five major sources of funds discussed in this report, this one has generally been the most difficult to gauge on an aggregate level and is the subject of the least comprehensive discussion in the academic and journalistic literature.

The Federal Election Campaign Act Amendments of 1974 imposed a limit on what candidates could contribute from personal and immediate family funds: \$50,000 for President and Vice-president, \$35,000 for Senate, and \$25,000 for House. The Supreme Court's 1976 ruling in the Buckley v. Valeo case held such limits to be unconstitutional, unless they were imposed in conjunction with a public funding system. Hence, while these limits apply to candidates in Presidential elections (if they accept public funding, as most major party candidates do), candidates for the House and Senate are free of restrictions on personal spending.

Candidates for the House and Senate may contribute to or loan their campaigns unlimited amounts of money. The loans may be repaid through the raising of donations from others or, as is often the case, remain unpaid, thus constituting an additional contribution by the candidate. Under the Federal campaign finance laws, loans are treated as contributions for purposes of the contribution limits (in the case of candidates, this means no limits on loans); also, banks may loan campaigns money, often guaranteed by the candidate, in the "ordinary course of business" [2 U.S.C. 431(8)(B)(vii)].

Largely because of candidate loans which may go unpaid for long periods of time, making it difficult to determine whether they should be considered as contributions, aggregate data on the level of candidates' personal money in campaigns has proven difficult to compile. Furthermore, candidate contribution levels are often inflated by incorrect reporting of bank loans to candidates as contributions from the candidate directly. One report placed this source (including contributions and unpaid loans) in the 6-12 percent range in House elections between 1974 and 1982 and between 1-20 percent in Senate elections during this period. ^{10/} According to CRS calculations, 89 percent of House candidates and 78 percent of Senate candidates in 1984 general elections gave or loaned their campaigns \$25,000 or less; only 3 percent of House candidates and 15 percent of Senate candidates gave or loaned their campaigns more than \$100,000. ^{11/}

While these data may be of limited reliability, one should be even more hesitant to draw conclusions about possible trends in candidate giving from periodic newspaper stories about wealthy candidates making very large donations or loans to their campaigns. There are invariably a few notable instances of this in every election year, but there is no firm evidence that wealthy candidates are proving any more or any less numerous or successful than they have been throughout American history, during most of which inadequate disclosure laws made the finding of trends impossible.

^{10/} Conlon, Richard P. A New Problem in Campaign Financing . . . And a Simple Legislative Solution. Prepared for the Law and The Political Process Study Group, 1984 Annual Meeting, American Political Science Association. Washington, Sept. 1, 1984, p. 13.

^{11/} U.S. Library of Congress. Congressional Research Service. Contributions and Loans by Major Party General Election Candidates, 1984. Typed Report, by Kevin Coleman, July 25, 1986. Washington, 1986.

SECTION THREE

CAMPAIGN EXPENDITURES--THE SPENDING BY CANDIDATES AND GROUPS

This section of the report is concerned with the expenditure side of campaigns for Federal office, the spending of money to influence the outcome of these elections. Whereas Section Two dealt with campaign fundraising and the sources of contributions made to candidates, this section discusses the spending of those campaign dollars by the candidates and by other groups as a means of communicating directly with the voters. This section focuses to a large extent on the data on expenditures by the major players in Federal campaigns: the candidates, the political parties, and independent groups.

This section is divided into three chapters. Chapter VIII deals with campaign expenditures by the candidates and their official committees; it is divided into two parts--Presidential and congressional, presenting aggregate (and, for congressional elections, average) data on spending levels in recent elections. Chapter IX discusses the role of the major political parties in spending money to assist their candidates in elections, as opposed to their role in simply contributing money to the candidates (discussed in Chapter VI). Chapter X focuses on political expenditures aimed at influencing elections by individuals and groups operating independently of any candidate's official campaign organization. This form of spending is known as independent expenditures, and it constitutes a significant and unique type of political activity in Federal campaigns.

VIII. CAMPAIGN SPENDING--PRESIDENTIAL AND CONGRESSIONAL CANDIDATES

This chapter presents data on campaign expenditures by candidates for Federal office in recent elections. It is divided into two sections: the first deals with spending by Presidential candidates, the second with congressional candidates. In both cases, aggregate data is presented, covering expenditures by all candidates or major segments thereof, as a means of discerning trends in campaign spending over time.

PRESIDENTIAL ELECTIONS

Statistics on campaign spending in recent Presidential elections are presented in Table 9. The period of time--1976 through 1984--coincides with the existence of public funding in Presidential elections.

The data listed under "Primary" and "General" reflects campaign spending by the candidates of major and minor parties, with the primary objective being to illustrate the extent of campaign spending directly controlled by the candidate (as opposed to the various forms of spending discussed later which may directly or indirectly benefit a candidate, but which is spent without the candidate's authorization).

Two total figures are presented for each election year: the first ("Total") is simply the addition of the first two columns--direct candidate spending. The second ("Estimated Total") reflects the best estimate by experts of the extent of all spending aimed at influencing the Presidential election, whether by candidates, parties, independent groups, corporations and unions, etc.

TABLE 9. Campaign Spending by Presidential Candidates: 1976-1984 *
(Dollar amounts in millions)

Reported candidate spending				
Year	Primary	General	Total	Estimated total--all spending <u>1/</u>
1976	\$ 73.0	\$ 49.8	\$ 122.8	\$ 159.7
1980	107.5	81.8	189.3	275.0
1984	107.3	83.0	190.3	325.0

* Spending by candidates is limited to the amounts spent by the official campaign committees of the candidates--major and minor party combined.

1/ These estimates--all by Dr. Herbert Alexander of the Citizens' Research Foundation--encompass all spending aimed at influencing the Presidential election, whether by the candidates, the national parties, independent groups, unions, and corporations, state and local parties, etc.

Source: 1976 data: Alexander, Herbert E. Financing the 1976 Election. Washington, Congressional Quarterly Press, 1979. pp. 171, 172, 175. 1980 data: Alexander, Herbert E. Financing the 1980 Election. Lexington, D.C. Heath & Co., 1983. p. 111. 1984 data: U.S. Federal Election Commission. Final 1984 Presidential Statistical Report Released (press release): Jun. 4, 1986; Herbert E. Alexander (unpublished data).

This section of the report is confined to a discussion of financial activity directly by the Presidential candidates. As indicated by the "Estimated Total" column in Table 9, there are several other significant ways in which other groups can and do spend money to support or oppose particular candidates. These include (but are not limited to): national party expenditures on behalf of the Presidential ticket (discussed in Chapter IX); independent expenditures by individuals and groups (discussed in Chapter X); partisan internal communications by corporations and labor unions to their members (or executive employees and stockholders); get-out-the-vote and registration drives by unions, corporations, non-profit organizations, and State and local

political parties; and volunteer-oriented activities, campaign paraphernalia, and other party-building activities conducted by State and local political parties. These activities constitute a growing portion of all funds spent on Presidential elections, although most of them are not required to be reported to the FEC, thus making them difficult to monitor.

CONGRESSIONAL ELECTIONS

This section focuses on the level of spending in congressional elections since the early 1970s. Tables of data are included which provide information on overall House and Senate campaign costs during this period, as well as average costs of such campaigns—with breakdowns by party, candidate status (incumbent, challenger, open seat), and election outcome.

Aggregate Campaign Costs

Table 10 contains data on the total amount spent by House and Senate candidates since 1972, with breakdowns for the House, the Senate, and for both chambers combined. It reflects spending by candidates in primaries and general elections (as well as runoffs, where applicable) for each two year election cycle—the election year and the one preceding it. (The exceptions, as noted, are 1972 and 1974, which encompass shorter periods.) These data do not include spending on behalf of the candidates, with or without their cooperation, by party committees and PACs, but they do reflect the best available data on candidate spending during this period.

Table 11 serves as a companion to Table 10, providing the same type of aggregate spending data but only for candidates who ran in the general election. The difference between an entry in Table 10 and in Table 11 for the comparable category is the spending by losers in pre-nomination contests. By eliminating those expenditures, Table 11 more accurately reflects the spending levels in

TABLE 10. Total Campaign Expenditures in House and Senate Elections: 1972-1984*

Year	House Elections	Senate Elections	Total
1972	\$ 46,559,376	\$ 30,746,393	\$ 77,305,769
1974	\$ 53,500,000	\$ 34,700,000	\$ 88,200,000
1976	\$ 71,500,000	\$ 44,000,000	\$115,500,000
1978	\$109,657,601	\$ 85,169,528	\$194,827,129
1980	\$136,031,955	\$102,924,087	\$238,956,042
1982	\$203,980,840	\$138,428,142	\$342,408,982
1984	\$203,557,019	\$170,521,159	\$374,075,178

* These data represent net expenditures (gross expenditures minus transfers between affiliated committees) by candidates in each election, including primary losers as well as those on the general election ballot. Not reflected are expenditures on behalf of these candidates by party committees and independent groups. Expenditures cover the two-year election cycle (the election year and the preceding year), except for the 1974 figure, covering Sept. 1, 1973-Dec. 31, 1974, and the 1972 figure, covering Apr. 7, 1972-Dec. 31, 1972.

Sources: For 1972: Common Cause. Campaign Finance Monitoring Project. 1972 Federal Campaign Finances: Interest Groups and Political Parties. Volume III, p. iv.; also, Common Cause press releases issued with release of its 1972 studies. [Common Cause reported spending on House races by candidates in the general election of \$39,959,376 and spending by Senate general election candidates of \$26,446,393; it reported an additional \$10.9 million spent by House and Senate candidates who lost in primaries but not with respective breakdowns. The figures listed in this table represents the general election data plus a portion of the \$10.9 million spent by primary losers allocated in the same ratio as the actual general election spending for each the House and the Senate]. For 1974: Common Cause. Campaign Finance Monitoring Project. 1974 Congressional Campaign Finances. Volume 1: Senate Races, p. vi. For 1976: Alexander, Herbert E. Financing the 1976 Election. Washington, Congressional Quarterly Press, 1979. p. 176-177. [Figures in this table are based on FEC data for direct candidate expenditures]. For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Interim Report No. 5. U.S. Senate and House Campaigns. Washington, 1979. p. 91, 93. For 1980: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1979-1980. Final Report. U.S. Senate and House Campaigns. Washington, 1982. p. 123. For 1982: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1981-1982. Final Report. U.S. Senate and House Campaigns. Washington, 1983. p. 89. For 1984: U.S. Federal Election Commission. FEC Releases Final Report on 1984 Congressional Races (press release): Dec. 8, 1985.

TABLE 11. Total Campaign Expenditures by House and Senate General Election Candidates: 1972-1984 *

Year	House Elections	Senate Elections	Total
1972.	\$ 39,959,376	\$ 26,446,393	\$ 66,405,769
1974	45,052,424	28,887,191	73,939,615
1976	60,907,960	38,104,745	99,012,705
1978	87,981,737	65,527,235	153,508,972
1980	118,929,989	75,213,376	192,144,965
1982	174,936,469	113,157,523	288,093,992
1984	177,602,743	143,663,582	321,266,325

* These data represent net expenditures (gross expenditures minus transfers between affiliated committees) by House and Senate candidates who ran in the general election, including their expenditures in pre-nomination contests; only primary losers are excluded. Not reflected are expenditures on behalf of these candidates by party committees and independent groups. Figures represent expenditures for the two-year election cycle (the election year and the preceding year), except for the 1974 figure, covering the period of September 1, 1973-December 31, 1974, and the 1972 figure, covering the period of April 7, 1972-December 31, 1972.

Sources: For 1972: Common Cause. Campaign Finance Monitoring Project. 1972 Federal Campaign Finances: Interest Groups and Political Parties. Volume III, p. iv.; also, Common Cause press releases issued with release of its 1972 studies. For 1974: Common Cause. Common Cause Study Reveals \$74 Million Spent by Congressional Candidates Who Ran in 1974 General Elections [press release]: April 11, 1975. For 1976: U.S. Federal Election Commission. FEC Disclosure Series No. 6: 1976 Senatorial Campaigns, Receipts and Expenditures. Washington, 1977. p. 3; and FEC Disclosure Series No. 9: 1976 House of Representatives Campaigns, Receipts and Expenditures. Washington, 1977. p. 4. For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Interim Report No. 5. U.S. Senate and House Campaigns. Washington, 1979. p. 31. For 1980: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1979-1980. Final Report. U.S. Senate and House Campaigns. Washington, 1982. p. 49. For 1982: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1981-1982. Final Report. U.S. Senate and House Campaigns. Washington, 1983. p. 33. For 1984: U.S. Federal Election Commission. FEC Releases Final Report on 1984 Congressional Races (press release): Dec. 8, 1985.

the main arena—the general election. Ideally, one would be able to separate spending in primaries by general election candidates, to provide the true level of spending aimed specifically at the general election. However, reporting procedures make it impossible to do so, presumably because there is no clear delineation between spending directed at primary voters and spending directed at the general electorate. Expenditures made prior to a primary election which is not seriously contested may in fact be intended to influence the general election, and expenditures made after a primary may constitute payments of debts from the primary period. The general election candidates data, despite its limitations, is used by political scientists in calculating other statistics, such as the average campaign costs information which is presented here in Tables 12-15.

Average Campaign Costs

The next four tables provide data on average campaign costs during the past ten years, broken down into various categories. Table 12 provides average costs of all candidates in House and Senate general elections since 1974. Table 13 provides the average costs of all House and Senate candidates, according to their party affiliation. Table 14 provides the costs, according to their electoral status—whether an incumbent, a challenger, or an open seat contender. Table 15 provides the average costs of winning candidates only, since 1976.

It is worth noting that these tables are confined to spending only by major party candidates, as more accurate reflections of the true costs of seeking a House or Senate seat. A different methodology would yield different results, and, indeed, data does exist which conflicts with those in these tables. For example, in compiling similar information, other political

scientists have restricted their data bases to major party candidates who had major party opponents; others may divide total expenditures by the number of major party candidates on the ballot, regardless of whether they met the FEC's reporting threshold (the raising or spending of at least \$5,000). The primary value of such tables is the trends revealed over time, not any specific figure therein; the methodology used becomes less important in that context.

TABLE 12. Average Campaign Expenditures by House and Senate Candidates: 1974-1984 *

Year	House	Senate
1974	\$ 53,384	\$ 437,482
1976	73,425	595,387
1978	107,795	928,903
1980	139,060	1,055,157
1982	209,791	1,710,028
1984	217,416	2,109,710

* Includes primary and general election expenditures by major party general election candidates only (net expenditures, where possible).

Source: For 1974: Ornstein, Norman, et al. Vital Statistics on Congress, 1984-1985 Edition. Washington, American Enterprise Institute for Public Policy Research, 1984. p. 65-66, 69-70 [Based on Common Cause data]. For 1976: U.S. Federal Election Commission. FEC Disclosure Series. No. 6: 1976 Senatorial Campaigns, Receipts and Expenditures. Washington, 1977. p. 6 (includes one independent party candidate); FEC Disclosure Series. No. 9: 1976 House of Representatives Campaigns, Receipts and Expenditures. Washington, 1977. p. 11. For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Interim Report No. 5: U.S. Senate and House Campaigns. Washington, 1979. p. 31; and FEC press release, June 29, 1979. For 1980: U.S. Federal Election Commission. FEC Releases Final Statistics on 1979-80 Congressional Races (press release): Mar. 7, 1982. For 1982: U.S. Federal Election Commission. FEC Releases Final Report on 1981-82 Congressional Elections (press release): Dec. 2, 1983. For 1984: U.S. Federal Election Commission. FEC Releases Final Report on 1984 Congressional Races (press release): Dec. 8, 1985.

TABLE 13. Average Campaign Expenditures by House and Senate Candidates by Party: 1974-1984 *

Year	House		Senate	
	Democrat	Republican	Democrat	Republican
1974	\$ 53,993	\$ 54,835	\$ 487,775	\$ 382,343
1976	74,757	71,945	569,902	616,501
1978	108,502	107,011	730,454	1,151,407
1980	133,105	145,415	1,141,202	971,502
1982	201,607	218,823	1,810,617	1,609,440
1984	219,575	214,962	2,034,733	2,180,402

* Includes primary and general election expenditures by major party general election candidates only (net expenditures, where possible).

Source: For 1974: Ornstein, Norman, et al. Vital Statistics on Congress, 1984-1985 Edition. Washington, American Enterprise Institute for Public Policy Research, 1984. p. 65-66, 69-70 [Based on Common Cause data]. For 1976: U.S. Federal Election Commission. FEC Disclosure Series. No 6: 1976 Senatorial Campaigns, Receipts and Expenditures. Washington, 1977. p. 6; FEC Disclosure Series. No. 9: 1976 House of Representatives Campaigns, Receipts and Expenditures. Washington, 1977. p. 11. For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Interim Report No. 5: U.S. Senate and House Campaigns. Washington, 1979. p. 31; and FEC press release, June 29, 1979. For 1980: U.S. Federal Election Commission. FEC Releases Final Statistics on 1979-80 Congressional Races (press release): Mar. 7, 1982. For 1982: U.S. Federal Election Commission. FEC Releases Final Report on 1981-82 Congressional Elections (press release): Dec. 2, 1983. For 1984: U.S. Federal Election Commission. FEC Releases Final Report on 1984 Congressional Races (press release): Dec. 8, 1985.

TABLE 14. Average Campaign Expenditures by House and Senate Candidates by Candidate Status: 1974-1984 *

Year	Incumbent	Challenger	Open Seat
<u>House</u>			
1974	\$ 56,539	\$ 40,015	\$ 90,426
1976	79,398	50,795	124,506
1978	111,247	75,015	199,482
1980	164,453	99,633	208,059
1982	259,921	128,391	292,512
1984	276,851	126,671	380,285
<u>Senate</u>			
1974	\$ 555,714	\$ 332,579	\$ 401,484
1976	649,801	433,263	756,951
1978	1,341,942	705,437	791,727
1980	1,357,232	845,570	1,119,676
1982	1,762,729	1,170,950	4,141,921
1984	2,484,715	1,040,426	4,465,642

* Includes primary and general election expenditures by major party general election candidates only (net expenditures, where possible).

Source: For 1974 (House and Senate) and 1976 House: Ornstein, Norman, et al. Vital Statistics on Congress, 1984-1985 Edition. Washington, American Enterprise Institute for Public Policy Research, 1984. p. 65-66, 69-70 [Based on Common Cause data for 1974 and FEC data for 1976]. For 1976 Senate: U.S. Federal Election Commission. FEC Disclosure Series. No 6: 1976 Senatorial Campaigns, Receipts and Expenditures. Washington, 1977. p. 6 (includes one Independent candidate). For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Interim Report No. 5: U.S. Senate and House Campaigns. Washington, 1979. p. 38. For 1980: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1979-1980. Final Report: U.S. Senate and House Campaigns. Washington, 1982. p. 57-58 (1980 data based on gross expenditures). For 1982: U.S. Federal Election Commission. FEC Releases Final Report on 1981-82 Congressional Elections (press release): Dec. 2, 1983. For 1984: U.S. Federal Election Commission. FEC Releases Final Report on 1984 Congressional Races (press release): Dec. 8, 1985.

Table 15 provides the average cost of winning candidates for the House and Senate since 1976. By using data for winning candidates only, some political scientists believe that this provides the truest gauge of the level of funding needed for congressional races, i.e., what it costs to win a House or Senate seat. These data are derived from FEC figures on the total amounts spent by winning candidates since 1976; unfortunately, the total figures were rounded to the nearest tenth of a million dollars, making the resulting average figures of limited precision.

TABLE 15. Average Campaign Expenditures by Winning House and Senate Candidates: 1976-1984 *

Year	House	Senate
1976	\$ 87,200	\$ 609,100
1978	126,900	1,208,600
1980	177,300	1,176,500
1982	261,300	2,066,700
1984	289,294	2,954,545

* Calculated by dividing the total expenditures by winning candidates (primary and general election expenditures included) by the number of winners. Total expenditure figures were rounded to nearest tenth of a million dollars; hence, these averages are limited in their precision.

Source: For 1976-1982: U.S. Federal Election Commission. FEC Releases Final Report on 1981-82 Congressional Elections (press release): Dec. 2, 1983; and FEC Releases Final Statistics on 1979-80 Congressional Races (press release): Mar. 7, 1982. For 1984: U.S. Federal Election Commission. FEC Releases Final Report on 1984 Congressional Races (press release): Dec. 8, 1985.

IX. CAMPAIGN SPENDING--POLITICAL PARTIES

This chapter focuses on the role political parties play in assisting candidates beyond direct contributions to their campaigns (see Chapter VI). The parties make campaign expenditures to benefit candidates and also provide various forms of technical and other support to those candidates. Unlike contributions, whereby money is simply transferred so that a candidate may determine how it is spent, these expenditures are made directly by the party according to its own judgment about what form of assistance may prove most helpful. The party expenditures constitute a far greater portion of the major parties' budgets than do their contributions to candidates.

COORDINATED EXPENDITURES

The law provides for a substantial method with which parties may assist their candidates for Federal office, in the form of coordinated expenditures. These expenditures are made in consultation and coordination with the candidate for campaign services (such as TV or radio ads and voter surveys) for which the candidate would otherwise have to pay. These expenditures are made by and reported by the party, not the candidate.

Under 2 U.S.C. 441a(d), the national and State party committees may make such expenditures for their nominees in the general election, subject to limits. In the case of House and Senate candidates, a State committee may designate either a local party affiliate or a national party committee as the agent for making the expenditure, which, in the latter case, has the effect of doubling the coordinated limit for the national party (a common occurrence).

In the case of Presidential candidates in the general election, the national party committees are permitted to spend up to two cents times the VAP plus an adjustment for inflation, based on 1974 dollars. These expenditures may be coordinated with the Presidential and Vice-presidential candidates and are not affected by the restrictions on private sources of money which govern publicly-funded candidates. The limit was set at \$3.2 million in 1976, \$4.6 million in 1980, and \$6.9 million in 1984.

For House candidates in States with more than one congressional district, the national and State parties may each spend up to \$10,000, plus an adjustment for inflation based on 1974 dollars. In 1984, the limit on coordinated expenditures in House races was \$20,200. Hence, the national and State parties could have made combined coordinated expenditures of \$40,400 in behalf of House candidates.

For Senate candidates and for House candidates in single-district States, the parties may make coordinated expenditures of up to \$20,000 (plus adjustment for inflation) or two cents times the voting age population (plus adjustment for inflation), whichever is greater. In 1984, the coordinated expenditure limits ranged from \$40,400 (in single-district States like Delaware and South Dakota) to \$752,409.60 in California. Hence, the national and State parties could have made combined coordinated expenditures on behalf of Senate nominees of between \$80,800 and some \$1.5 million, depending upon the size of the State.

OTHER FORMS OF ASSISTANCE

In addition to contributions and coordinated expenditures, there are other ways in which today's national parties assist their candidates for office. These include "generic" party advertisements designed to boost support for the party candidates at all levels, candidate training schools, research

assistance on district voting patterns and on opponents, opinion polls, get-out-the-vote and registration drives, and party-building activities through transfers of funds to State and local party affiliated committees. These and other forms of assistance may be extremely valuable to candidates, while the benefits derived may be impossible to gauge from FEC reports. Unlike the direct contributions and coordinated expenditures, these forms of assistance are not subject to limits under Federal campaign finance laws.

MAJOR PARTY FINANCIAL ACTIVITY

Table 16 presents data on financial activity of the two major political parties from 1976 - 1984. For each major party, it lists total adjusted receipts and expenditures during that election cycle, with breakdowns for national level and state and local level committees. For Democrats, totals for national committees include the Democratic National Committee, the Democratic Senatorial Campaign Committee, the Democratic Congressional Campaign Committee, Presidential convention committees and others. For Republicans, national committee totals include the Republican National Committee, the National Republican Senatorial Committee, the National Republican Congressional Committee, Presidential convention committees and others.

TABLE 16. Major Political Party Receipts and Expenditures: 1976-1984 *

Year	Party	Level	Adjusted Receipts <u>1/</u>	Adjusted <u>1/</u> Expenditures
1976	Democratic	National	\$ 19,739,851	\$ 19,363,177
		State/local	N.A.	N.A.
		Total	19,739,851	19,363,177
	Republican	National	45,705,886	40,076,187
		State/local	N.A.	N.A.
		Total	45,705,886	40,076,187
1978	Democratic	National	17,675,471	17,896,054
		State/local	8,688,999	8,994,213
		Total	26,364,470	26,890,267
	Republican	National	63,565,824	65,151,133
		State/local	20,960,029	20,728,829
		Total	84,525,853	85,879,962
1980	Democratic	National	28,084,074	26,228,847
		State/local	9,103,520	8,754,177
		Total	37,187,594	34,983,024
	Republican	National	135,746,529	129,209,159
		State/local	33,781,069	32,545,199
		Total	169,527,598	161,754,358
1982	Democratic	National	31,699,725	32,416,212
		State/local	7,567,985	7,731,834
		Total	39,267,710	40,148,046
	Republican	National	191,064,574	189,922,652
		State/local	23,984,934	24,099,337
		Total	215,049,508	214,021,989
1984	Democratic	National	79,959,124	79,272,328
		State/local	18,522,274	18,166,202
		Total	98,481,398	97,438,530
	Republican	National	254,784,869	258,855,816
		State/local	43,129,200	41,931,619
		Total	297,914,069	300,787,435

TABLE 16. Major Political Party Receipts and Expenditures: 1976-1984--continued

* Data for National party committees is largely comprised of financial activity of the national committee, the senatorial campaign committee, the congressional campaign committee, and, where relevant, the presidential convention committee (wherein receipts are from the public treasury).

1/ Adjusted receipts and expenditures represent the gross figures minus the transfers between affiliated party committees.

Source: For 1976: U.S. Federal Election Commission. FEC Disclosure Series. No. 4: National Party Political Committees, Receipts and Expenditures. Democratic and Republican, 1976 Campaign. Washington, 1977. pp. 5-6. For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Final Report: Party and Non-Party Political Committees. Vol. 1--Summary Tables. Washington, 1980. p. 101. For 1980: U.S. Federal Election Commission. FEC Releases Final Figures on 1979-80 Major Political Party Activity (press release, corrected): Feb. 21, 1982. For 1982: U.S. Federal Election Commission. FEC Final Report for 1981-82 Confirms Republicans Outspent Democrats 5 to 1 (press release): Dec. 3, 1983. For 1984: U.S. Federal Election Commission. FEC Final 1984 Report Shows Republicans Still Hold Financial Lead (press release): Dec. 5, 1985.

As Table 16 demonstrates, the Republican Party's resources have grown to extraordinary levels, greatly exceeding the combined resources of the Democratic Party. This has had a clear effect on the relative abilities of each party to assist its candidates for Federal office.

Table 17 serves as a counterpart to the previous one, by indicating the coordinated expenditures by party committees at the national, state, and local levels on behalf of Presidential, Senate and House candidates in each election cycle. (The data includes expenditures on behalf of all Federal candidates, regardless of whether they sought election during that election cycle.) This table reveals that through coordinated expenditures, the parties are able to put significantly larger resources into campaigns than they can through direct contributions (see Table 8 in Chapter VI). Once again, the greater ability of the Republicans to help their candidates vis-a-vis the Democrats is demonstrated in these data.

TABLE 17. Political Party Coordinated Expenditures for Federal Candidates: 1976-1984 *

	House	Senate	President	Total
<u>Democratic</u>				
1976	\$ 500	\$ 4,359	\$ 222,706	\$ 227,565
1978	113,275	285,312	---	398,587
1980	315,386	1,215,869	3,410,933	4,942,188
1982	791,965	2,403,234	106,398	3,301,597
1984	1,819,867	4,404,877	2,787,307	9,012,051
<u>Republican</u>				
1976	\$ 329,583	\$ 113,976	\$ 1,442,773	\$ 1,886,602
1978	1,470,157	2,885,509	---	4,355,666
1980	2,356,527	5,434,796	4,634,150	12,444,473
1982	5,542,902	8,742,061	---	14,284,963
1984	6,308,954	6,762,922	7,011,438	20,083,314

* Data include coordinated expenditures [441a(d) expenditures] by political party committees at the national, state and local levels on behalf of all Federal candidates; not limited to candidates seeking election during that election cycle or to candidates who met the FEC's reporting threshold of raising or spending at least \$5,000.

Source: For 1976: U.S. Federal Election Commission. FEC Disclosure Series. No 4: National Party Political Committee Receipts and Expenditures. Democratic and Republican, 1976 Campaign. Washington, 1977. pp. 31, 34, 36, 39. For 1978: U.S. Federal Election Commission. FEC Reports on Financial Activity, 1977-1978. Final Report: Party and Non-Party Political Committees. Vol. 1--Summary Tables. Washington, 1980. pp. 124-127. For 1980: U.S. Federal Election Commission. FEC Releases Final Figures on 1979-80 Major Political Party Activity (press release, corrected): Feb. 21, 1982. For 1982: U.S. Federal Election Commission. FEC Final Report for 1981-82 Confirms Republicans Outspent Democrats 5 to 1 (press release): Dec. 3, 1983. For 1984: U.S. Federal Election Commission. FEC Final 1984 Report Shows Republicans Still Hold Financial Lead (press release): Dec. 5, 1985.

X. CAMPAIGN SPENDING—INDEPENDENT EXPENDITURES

Independent expenditures constitute a way that individuals and groups can communicate support for or opposition to candidates without any connection to any candidate. The law defines "independent expenditure" as:

. . . an expenditure by a person expressly advocating the election or defeat of a clearly identified candidate which is made without cooperation or consultation with any candidate, or any authorized committee or agency of such candidate, and which is not made in concert with, or at the request or suggestion of, any candidate, or any authorized committee or agent of such candidate. 12/

Although the FECA imposes limits on the amount of money which may be contributed directly to political candidates, there are no limits on independent expenditures. These independent expenditures constitute a distinct category in campaign finance law, in view of the Buckley v. Valeo decision [424 U.S. 1 (1976)] which struck down expenditure limits, independent or otherwise (except those expenditure limits in Presidential elections in which public financing has been accepted).

The FECA Amendments of 1974 had imposed a \$1,000 limit on independent expenditures, as a means of discouraging evasion of the contribution limits. In striking down this limit, the Supreme Court ruled that the alleged benefits of the limit in preventing real or apparent corruption were insufficient to justify the restrictions it placed on First Amendment rights. The Court stated:

The absence of prearrangement and coordination of an expenditure with the candidate or his agent not only undermines the value of the expenditure to the candidate, but also alleviates the danger that expenditures will be given as a quid pro quo for improper commitments from the candidate. 13/

12/ 2 U.S.C. 431 (17)

13/ 424 U.S. 1 at 47.

On the basis of this rationale, the Court thus struck down limits on independent expenditures, while leaving intact the FECA's limits on contributions.

In the wake of the Buckley decision, Congress sought to prevent abuses of independent expenditures by requiring disclosure of such efforts and by providing specific guidelines on what is and is not considered to be an independent expenditure. The 1976 FECA Amendments included a definition of "independent expenditure" (which appears at the opening of this chapter) and also such terms as "clearly identified candidate" (i.e., where the candidate's name or picture or some unambiguous reference appears). 14/ Furthermore, the regulations implementing the FECA (11 C.F.R. 109.1) elaborate on the meaning of other key terms in the "independent expenditure" definition.

Two essential criteria determine whether a political expenditure is considered independent: first, it must be for a communication with voters, and, second, it must be made without any consultation with the candidate's own organization. Any expenditure by an outside individual or group which involves such consultation or coordination is considered to be an in-kind contribution to the campaign, thereby counting toward that individual's or group's contribution limits. The regulations specifically declare that any use of candidate-prepared materials in a communication by an individual or group constitutes an in-kind contribution and not an independent expenditure. 15/

Independent Expenditure Activity

The Buckley decision and the 1976 FECA Amendments cleared the way for citizens to attempt to influence the electoral process in a manner not

14/ 2 U.S.C. 431 (18)

15/ 11 C.F.R. 109.1(d)(1)

restrained by the contribution limits imposed by law. This, together with the greater degree of control which citizens may exercise over spending, accounts for the popularity of independent expenditures among politically active individuals and groups. It is also worth noting that an overwhelming share of these expenditures have been made by PACs, which, as shown in Chapter V, are an important source of both funds and political expertise. Table 18 shows that substantial sums of money have been reportedly spent in this manner since 1976; it also presents the distribution of each year's total expenditures between activities for and against candidates, showing that the great bulk of money in all but one year was spent in support of, rather than opposition to, candidates. (It is important to note that these reported data may greatly overstate the actual amount spent on independent communications with voters; many independent spenders commonly report their significant overhead costs--fundraising, administration, etc.--as part of their independent expenditures total, leaving only some fraction thereof for the costs of advertisements and mailings in support of or opposition to candidates.)

TABLE 18. Independent Expenditures in Federal Elections: 1976-1984

Year	House	Senate	President	Total
1976	\$ 187,880	\$ 198,787	\$ 1,646,540	\$ 2,033,207 (97% F/ 3% A)
1978	143,162	168,125	6,168	\$ 317,455 (76% F/ 24% A)
1980	684,727	1,654,102	13,745,444	\$16,084,273 (86% F/ 14% A)
1982	1,662,796	4,092,597	93,727	\$ 5,849,120 (21% F/ 79% A)
1984	1,339,391	4,626,647	17,468,342	\$23,434,380 (85% F/ 15% A)

(Key: F = For Candidates / A = Against Candidates)

Source: For 1976 and 1978: U.S. Federal Election Commission. FEC Releases Information on Independent Expenditures (press release): Oct. 9, 1980. For 1980: U.S. Federal Election Commission. FEC Study Shows Independent Expenditures Top \$16 Million (press release): Nov. 29, 1981. For 1982: U.S. Federal Election Commission. FEC Issues Final Report on 1981-82 Independent Spending (press release): Oct. 14, 1983. For 1984: U.S. Federal Election Commission. FEC Reports 1983-84 Independent Spending Activity (press release): Oct. 4, 1985.

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