

CAMPAIGN FINANCE



Why do we care???

Figure 16. Total contributions to federal campaigns since 1989
From organization (through PAC) and associated individuals

Name	Total Contributions 1989-2014
Goldman Sachs	\$47,062,035
Citigroup Inc.	\$33,714,682
JPMorgan Chase & Co	\$33,258,194
American Bankers Association	\$33,090,521
Bank of America	\$28,531,927
Morgan Stanley	\$27,130,084
USB AG	\$22,422,520
Credit Suisse Group	\$17,780,041
Merrill Lynch	\$14,965,708
Wells Fargo	\$14,763,494
TOTAL	\$272,719,206

Source: Center for Responsive Politics

Is campaign finance a
threat to democracy?





ISSUES

- **Contributions:** From what sources does money come? Where does it go? Should amounts be controlled?
- **Expenditures:** What can different “players” in the campaigns use money for?
- **Disclosure:** Do sources of campaign money need to be known by the public? Should contributors be allowed to remain anonymous?



Federal Election Commission (FEC):

Agency of the federal government which governs the financing of federal elections.

DUTIES

- Disclose campaign finance information.
- Enforce the provisions of the law such as the limits and prohibitions on contributions.
- Oversee the public funding of Presidential elections.



VOCABULARY

Political Action Committee (PAC): An organization set up by a corporation, labor union or interest group that raises and spends campaign money.

SUPER PAC: A PAC that can – under new campaign finance law – accept unlimited contributions from individuals, corporations, unions, etc.

• **“Independent expenditure”** – Super PACs do not coordinate with or contribute directly to candidates.





VOCABULARY

527 organization: An organization under Section 527 of the Internal Revenue Code that raises and spends money to advance political causes. Most PACs and Super PACs are 527 organizations.

Soft money: Funds obtained by political parties that are spent on party activities but not directly on candidate expenses. (GOTV drives).

Hard money: Money contributed directly to a political candidate. These contributions may only come from an individual or a political action committee, and must follow the strict limits set forth by the FEC.

SOURCES OF MONEY

Presidential general elections

- From individuals, political action committees (PACs), and political parties
 - ***Most money comes from individual donors*** (\$100–\$200 a person)
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SUMMARY: CAMPAIGN FINANCE LAW

- **Concerns:**
 - Money can taint politics, corrupt elected officials.
 - Wealthy people will have more influence than others.
- Legislative efforts to regulate campaign finance began in 1907.
- **1974 Reforms:**
 - Limited individual contributions
 - Banned corporate/union donations
 - Established PACs.
- **Buckley v Valeo:** Affirmed that Congress can limit financial contributions to campaigns, but NOT campaign spending

SUMMARY: CAMPAIGN FINANCE LAW

- **McCain-Feingold (BCFRA 2002)**

- Reaffirmed limits on individual contributions.
- Banned soft-money contributions by corporations and unions.
- Established 30-day/60-day ban on independent expenditures for “electioneering communications.”

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- **Citizens United v FEC (2010)**

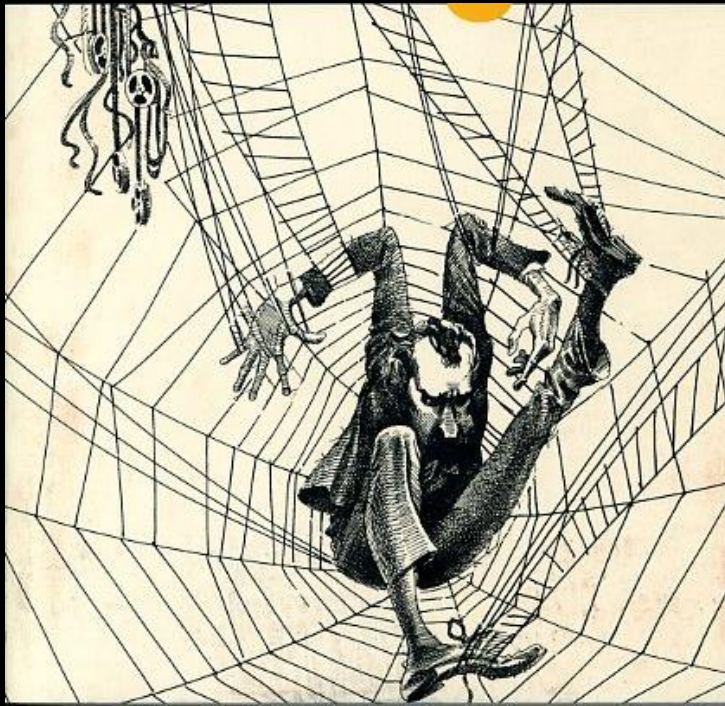
- “Electioneering communications” is a form of free speech.
- Corporations and unions can spend unlimited amounts of money on campaign advocacy.

CAMPAIGN FINANCE REFORM

Congress passed the Federal Election Campaign Act (FECA) in 1971, which provided more strict disclosure requirements, but did NOT provide an administrative authority to enforce the law.

Source: www.fec.gov





SCANDAL & CHANGE

- In 1972, the Watergate scandal and illegal donations from corporations, unions, and individuals catalyzed change.
- Brought about the 1974 federal campaign reform law and Federal Election Commission (FEC)

THE 1974 REFORM LAW

- Set limit on individual donations (\$1,000 per candidate per election)
- Reaffirmed ban on corporate and union donations . . .
- . . . but allowed them to raise money through PACs
- Established the FEC.



REFORM LAW

The 1974 reform produced two problems:

- **Independent expenditures:** an organization or PAC can spend as much as it wishes on advertising as long as it is not coordinated with a candidate's campaign.
 - **Soft money:** unlimited amounts of money may be given to a political party as long as a candidate is not named; this money can then be spent to help candidates with voting drives and so on.
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“The biggest, the original, and the unpluggable loophole” in campaign finance restrictions “is the First Amendment.”

Larry J. Sabato



BUCKLEY V. VALEO

(1975)

IN A NUTSHELL

- Limiting the amount of money a candidate can spend on his/her campaign is unconstitutional.
- Financial contributions to political candidates can be limited by law.
- SC decision:
 - Financial contributions to candidates and campaigns can be limited because such limits guard against corruption.
 - Candidate spending on their own campaigns and independent spending on advocacy do not increase the likelihood of corruption. Thus, limits do violate the First Amendment.



MORE CHANGE: McCain-Feingold

Following 2000 election, desire to reform the 1974 law led to the **Bipartisan Campaign Finance Reform Act of 2002**

aka: "McCain-Feingold"

REFORM LAW: McCain-Feingold

- **Banned soft money contributions** to national parties from corporations and unions after 2002 election
- **Raised the limit on individual donations** to \$2,000 per candidate per election (adjusted for inflation).
- **Sharply restricted independent expenditures;** corporations, unions, trade associations, and nonprofit organizations ***cannot use their own money for an advertisement referring to a candidate by name*** for thirty days before a primary and sixty days before a general election.

Citizens United v. FEC

(2010)

- ***Hillary: The Movie*** was produced and released during the 2008 presidential campaign by David Bossie, conservative activist and president of Citizens United. It was broadcast within 30 days of 2008 Democratic primary elections.
- It expressed specific opinions about the suitability of Hillary Clinton as a U.S. president.
- It violated Section 203 of the BCRA which prohibits corporations and labor unions from funding such “electioneering communications.”



Citizens United v. FEC

ISSUES

- Does the BCRA impose an unconstitutional restriction on corporate funding of campaign communications?



IN A NUTSHELL

Yes. Political spending is a form of speech protected by the Constitution. The government cannot prohibit corporations or unions from spending money to support or oppose political candidates. They may not contribute directly to candidates but may spend unlimited money on other means of persuading voters.