Module 8: Politics
Topic 3 Content: Campaign Funding

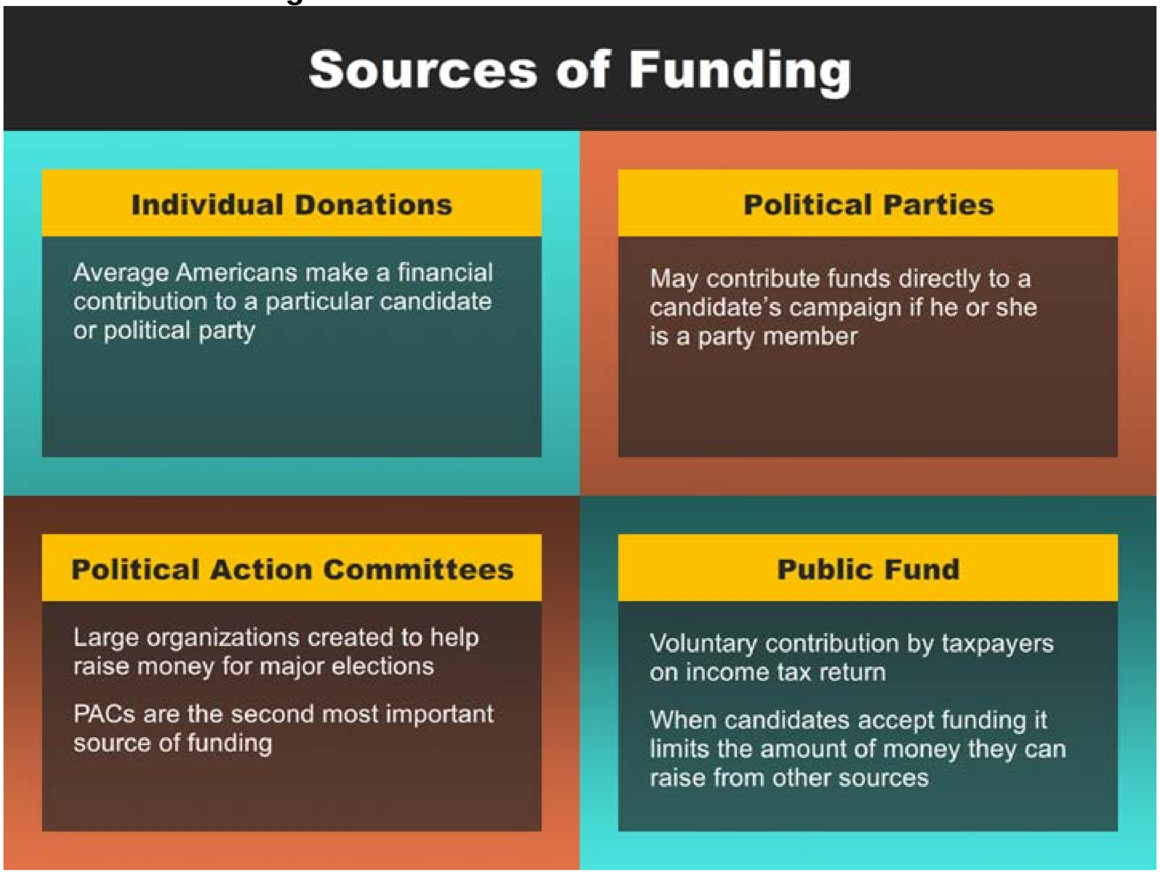
Introduction

Demi Tracy: Running for political office can be prohibitively expensive. The more powerful the position is, the more expensive the campaign is going to be. We asked legislative analyst Bill O'Law to join us for a discussion about campaign funding. Are you there, Bill?

Campaign Funding

Bill O'Law: I'm here, Demi. Running for mayor in an average sized city could cost tens of thousands of dollars. The cost of a campaign for a seat in Congress could run anywhere from hundreds of thousands to several million dollars. In the 2012 presidential election, the major political parties spent more than one billion dollars each.

Sources of Funding



Bill O'Law: You may be wondering where all of this money comes from. The increasingly large cost of political campaigns requires candidates to raise a lot of money, which they do in one of four ways.

Individual donations are the most straightforward method. Average Americans make a financial contribution to help fund a particular candidate or political party.

Political parties are another source of funding. If a candidate belongs to a specific political party, the party may decide to contribute funds directly to the campaign.

Political action committees (PACs) are large organizations created by interest groups that help raise money for major elections. Because of the huge costs of running for office, these are the second most important source of funding, after individual donations.

When people complete their income tax return, they are asked whether they would like to contribute a few dollars to a public fund for qualified presidential candidates. This is voluntary for the taxpayers, but also for potential recipients. When candidates accept public funding, they are limited in the amount of money they can raise from other sources.

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Issues with Campaign Finance

Bill O'Law: Any time large amounts of money are involved there is the risk of corruption. A common criticism of the current system is that candidates must be rich or they must be indebted to large interest groups and wealthy donors. This has led to some moderate restrictions on campaign finance.

Campaign Finance Laws

Campaign Finance Laws

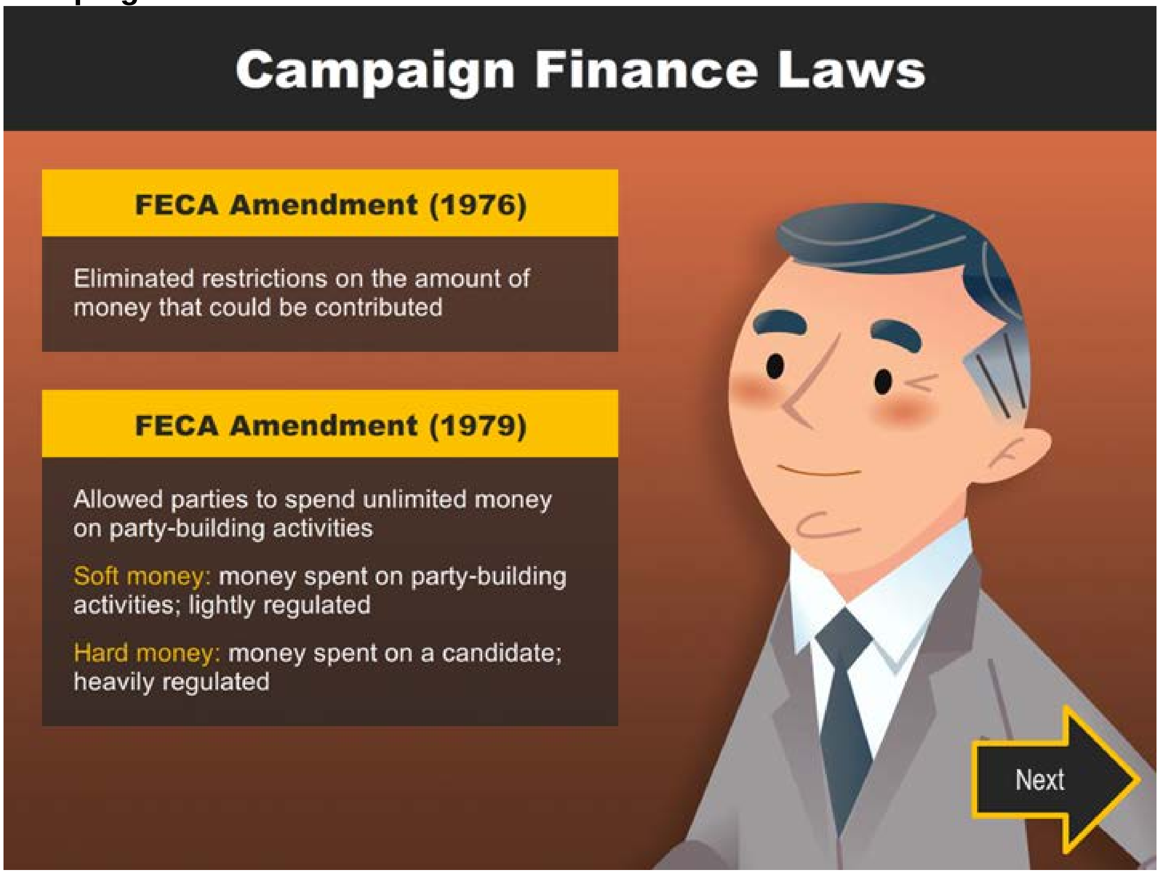
Law	Effect
Tillman Act (1907)	Prevented corporations and banks from contributing to campaigns
Taft-Hartley Act (1947)	Prevented unions from contributing to campaigns; led to creation of PACs
FECA (1971)	Required disclosure of contributions over $200; required candidates to report amount of money spent on campaigns
FECA Amendment (1974)	Created public funding system and set limitations on contribution amounts

Next

Bill O'Law: The first major campaign finance law was the Tillman Act, which was passed in 1907. This Act prevented corporations and national banks from contributing to campaigns. The Taft-Hartley Act of 1947 increased these restrictions by preventing unions from contributing to campaigns. Political Action Committees (PACs) were created to bypass these restrictions, by allowing corporations and unions to anonymously contribute money to the PAC, which the PAC would use to fund a campaign.

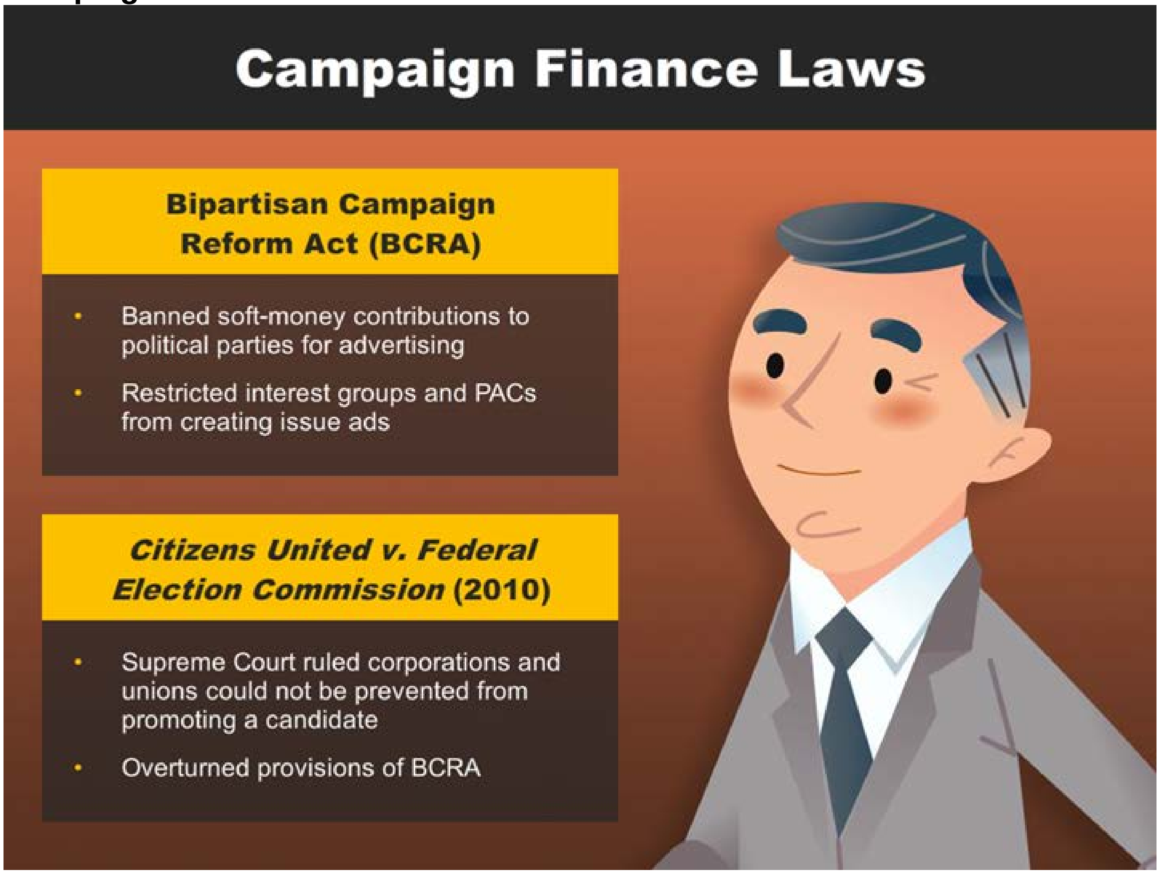
The Federal Election Campaign Act (FECA) was passed in 1971 in an attempt to fix the loophole created by PACs. FECA required all campaigns, parties, and PACs to report individual contributions over two hundred dollars. It also required candidates to disclose the amount of money they spend to get elected. Three years later, an amendment was added to FECA that created the system of public funding for presidential elections and set limitations on the amount of money that could be contributed to campaigns.

Campaign Finance Laws II



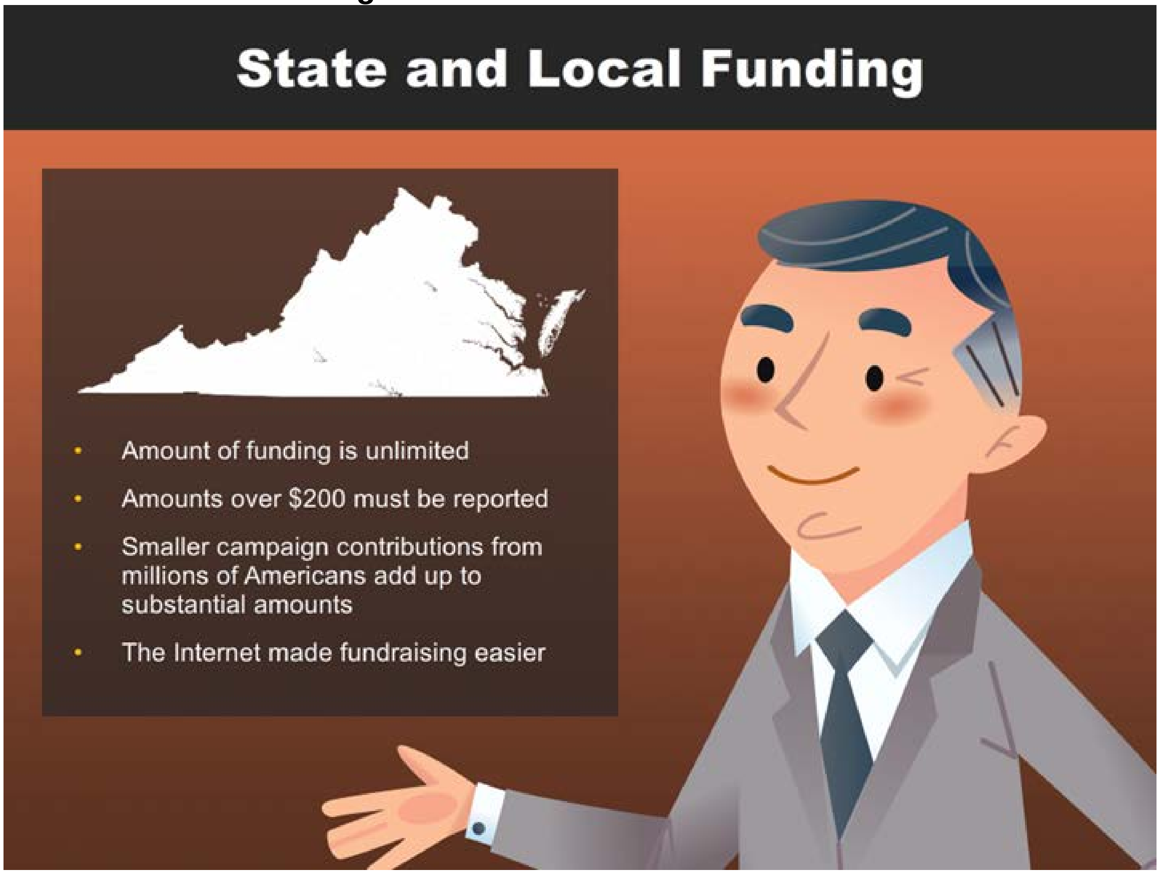
Bill O'Law: The limitations created by the Federal Election Campaign Act (FECA) were repealed by another amendment in 1976. Limitations on the amount of money that could be contributed were eliminated, except for presidential candidates who accept public funding. In 1979, another amendment was added that allowed political parties to spend unlimited amounts of money on party-building activities. "Party-building activities" is a vague term used to describe activities that do not support a particular candidate, but rather the entire political party. For example, a party may spend money on television ads that support the party's platform, but not an individual candidate. The money spent on party-building activities and issue ads is not heavily regulated and is known as "soft money." Money spent on a candidate is subject to many restrictions, and is known as "hard money."

Campaign Finance Laws III



Bill O'Law: This loophole in campaign funding led to vast amounts of soft money being spent on issue ads during elections. In an attempt to control the huge sums of soft money being spent, Congress passed the Bipartisan Campaign Reform Act (BCRA) in 2002. The BCRA banned soft money contributions to political parties for advertising, but also restricted interest groups and PACs from creating issue ads of their own. The BCRA would be challenged by opponents, eventually leading the Supreme Court decision in *Citizens United v. Federal Election Commission* (2010). The Court ruled that under the First Amendment right to free speech, corporations and unions could not be prevented from promoting the election of one candidate over another. This essentially expanded corporate personhood and overturned the provisions of the BCRA which prevented interest groups and PACs from creating their own issue ads. Campaign finance reform continues to be key issue in the U.S. government today.

State and Local Funding



Bill O'Law: This episode has primarily focused on national elections, mainly because of the huge sums of money involved. In state and local campaigns, the funding a candidate receives is unlimited, but it must be also reported when it exceeds two hundred dollars. These small individual contributions may seem irrelevant compared to the millions given by PACs, corporations, and wealthy donors; however, the small contributions from millions of Americans add up. Also, with the ability to contribute money to a campaign online, fundraising has never been easier for the average American. Back to you, Demi.

Ending of Episode

Demi Tracy: Campaign finance reform is an issue you will hear discussed frequently around election time. Thank you, Bill, for helping explain some of the details of this issue to our audience.