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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM FOR LEON PANETTA

FROM: Bruce Reed
Paul Weinstein
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Michael Waldman
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SUBJECT: Possible Q&A on President's Campaign Finance Reform Announcement

QUESTION: *What exactly is the President proposing?*

RESPONSE: The President today is calling on Congress to pass the bipartisan campaign finance reform legislation introduced last session by Senators McCain and Feingold. The principles of McCain-Feingold are ones the President has advocated since he first ran for office in 1992 and are the key elements of real reform: spending limits; curbing PACs and lobbying influence; free and discounted broadcast time; and ending the "soft money" system.

The President is challenging Congress to enact this legislation in the first six months of the 105th Congress. He is committed to working closely with the leadership of both parties in achieving this goal. However, if the Congress cannot find the political will to pass this bipartisan bill, then as a last resort, the President will support legislation to establish a binding campaign finance reform commission that will send comprehensive reform legislation to his desk by the end of 1997.

The President also announced today that he agrees with Senators McCain and Feingold that non-citizens should not be able to influence our elections. From now on, the President will only support campaign finance reform that includes the following rule: if you are not a U.S. citizen, you can't contribute.

QUESTION: *Why are you announcing this now?*

RESPONSE: This announcement is consistent with the President's long-standing commitment to campaign finance reform and to changing business as usual in Washington. In the last three years, the President repealed the tax loophole for lobbyist deductions, enacted legislation to make the Congress and the White House live by the same laws Washington applies to rest of the nation, signed legislation to require lobbyists to disclose how much they spend and what they spend it on, enacted the line-Item Veto, and made it easier for millions of Americans to register to vote.

In 1992, the President made campaign finance reform a central piece of his agenda and throughout his first term he pressed the Congress to pass real, bipartisan legislation.

QUESTION: *Both parties have been unable to resolve the campaign finance reform issue for years, why should the American people expect you and Congress to take action next term?*

RESPONSE: Last Congress we enacted Lobbying Disclosure, the Gift Ban, Congressional Accountability Act, the Line-Item Veto. We have a proven track record of getting the job done on political reform. Campaign finance reform is the last step, and most important step. The President believes that the Congress should and must make passage of McCain-Feingold a priority. He is challenging Congress to pass the bipartisan McCain-Feingold bill in the first six months of the 105th Congress, and not deny the American people any longer. If that fails, he will challenge Congress to create a bipartisan commission whose recommendations will become law on a fast-track basis.

QUESTION: *There has been a lot of controversy about foreign contributions to the DNC. Do you think it is wrong to accept contributions from non-citizens?*

RESPONSE: Under the current system, both parties have accepted foreign and non-citizen contributions. The system is broken, and needs to be fixed. The voting public must have confidence that the process is fair and works for them. That is why we agree with Senators McCain and Feingold that real, bipartisan campaign finance reform must include effective limitations on non-citizen contributions. If you are a not a U.S. citizen, you can't contribute.

QUESTION: *Does your support for limitations on non-citizen contributions mean that you will direct the DNC to stop taking such contributions immediately and return those contributions received this election cycle?*

RESPONSE: It is clear that the system is broken and that the rules need to be changed. We support banning these contributions by law. We need quick action by Congress on this issue as part of comprehensive, bipartisan campaign finance reform. While we will not ask the DNC to return contributions already received this election cycle, we will ask them to set up procedures to stop taking such contributions in the future.

QUESTION: *How will you enforce this ban, and how broad will it be? For example, would the ban include U.S. subsidiaries of foreign-owned corporations?*

RESPONSE: Many of the specific details of the ban would have to be worked out with Congress. However, the principle is clear, if you are a not a U.S citizen, you can't contribute -- individual contributors would have to certify citizenship.

With regards to corporate contributions, the McCain-Feingold bill would ban PACs and eliminate the current "soft money" system. Therefore, no corporate entity, foreign or domestic, could make a Federal campaign contribution.

QUESTION: *If you believe it is wrong to accept foreign campaign contributions, is it wrong to accept non-citizen contributions to your legal defense fund?*

RESPONSE: The President's Legal Defense Fund does not accept contributions from registered lobbyists and PACs. In addition, contributions are limited to \$1,000. Currently, the Fund does not take contributions from foreigners, but does take contributions from legal immigrants. (Additional recommended response is: "In the future, the President's legal defense fund will not accept contributions from foreign donors.")

QUESTION: *Aren't you, by endorsing the bipartisan commission as a fallback position, undermining any real hope that McCain-Feingold will pass?*

RESPONSE: The President has been and remains a strong supporter of McCain-Feingold, and believe the principles of that legislation are the key elements of real reform: spending limits; curbing PAC and lobbying influence; free and discounted broadcast time; and ending the "soft money" system. He supports a bipartisan commission only as a last resort, if the Congress lacks the political will to pass McCain Feingold.

QUESTION: *Will this be a number one priority for your administration?*

RESPONSE: This will be a key priority in the President's second term. He has long felt that this is one of the most important issues facing the American political system. We must restore the faith of the American people in their political leadership in order to build a bridge to the 21st century.

QUESTION: *How does your plan compare with Bob Dole's?*

RESPONSE: The President supports the bipartisan McCain-Feingold bill. When he was in the Senate, Bob Dole opposed that legislation. While Senator Dole introduced a bill to create a campaign finance reform commission immediately, the President supported efforts to pass real, bipartisan campaign finance reform. The President continues to support McCain-Feingold, and calls on Congress to pass this legislation in the first six months of the next term. However, if Congress cannot find the political will to pass McCain-Feingold, then as a last resort he supports creating a binding, bipartisan commission that will send a real campaign finance reform bill to his desk by the end of next year. However, Senator Dole and the President do agree that non-citizens should not be able to contribute to campaigns for federal office and that we must end the current "soft money" system.

QUESTION: *How would your plan to ban campaign contributions from foreigners impact unincorporated partnerships?*

RESPONSE: Contributions from unincorporated partnerships would be pro-rated and counted against the \$1,000 individual contribution limit of each partner. For example, if a partnership of ten individuals made a \$1,000 contribution to a campaign, \$100 would be counted against the contribution limit of each partner. If a non-citizen was a member of a partnership, a greater share of the contribution would count against the \$1,000 limit of the other partners. A

partnership which is owned by a majority of non-citizens should be prohibited from making contributions.

QUESTION: *How would the ban on non-citizen contributions affect entities, such as unions, that collect funds for independent political expenditures?*

RESPONSE: Independent political expenditures would not be covered by the ban on campaign contributions by non-citizens. Independent political expenditures would have to be addressed separately from the contributions issue.

QUESTION: *How would your campaign finance reform plan have prevented the contributions that have caused the recent controversy?*

RESPONSE: It is inappropriate to comment on some of those specific incidents because they are currently under investigation. With regards to future elections, passage of McCain-Feingold and the President's proposal to prohibit contributions from non-citizens will greatly insure that the people's interest are protected.

QUESTION: *Doesn't a ban on contributions from non-citizens raise constitutional difficulties?*

RESPONSE: It is unfortunately true that almost any meaningful campaign finance reform proposal raises constitutional issues and will provoke legal challenge. This is inevitable in light of the Supreme Court's view -- which we believe to be mistaken in many cases -- that money is speech and that attempts to limit the influence of money on our political system therefore raise First Amendment problems. We think that even on this view, the Court should approve this measure because of the compelling governmental interest at stake. But we also think the Court should reexamine its premise that the freedom of speech guaranteed by the First Amendment always entails a right to throw money at the political system.

QUESTION: *How does the Supreme Court's decision in Colorado Republican Campaign Committee v. FEC affect the McCain-Feingold bill?*

RESPONSE: The Court's recent decision in Colorado Republican Campaign Committee v. FEC, which disapproved non-voluntary limits on uncoordinated expenditures by political parties, has little or nothing to do with key elements of the McCain-Feingold bill, including voluntary campaign spending limits, restrictions on PACs, and broadcast and postage discounts. It is possible that the decision will require amendment of certain less crucial provisions of the bill, but even this is a complicated legal question needing close scrutiny.