

Campaign Finance Reform

*Don't
Take
look
at
it*

April 1, 1997

Memorandum For: Federal Elections Commission

The rules governing our system of financing federal election campaigns are sorely out of date. Enacted more than two decades ago when election campaigns were much less expensive, they have been overtaken by events, by dramatic changes in the nature and cost of campaigns and the flood of money that has followed them. Today, money is raised and spent in ways that simply could not have been imagined when Congress last overhauled our campaign finance laws. We need new changes to reflect the things that have happened in the last 20 years.

With each successive election cycle, money plays a larger role in the election process, while candidates, political committees and others strain to keep up with the escalating cost of campaigns. The American people increasingly perceive an election finance system out of control, and as a result their confidence in government suffers. We have an obligation to restore our campaign finance system to a system that has the broad confidence of the American people. To achieve that end, we must reduce the cost of campaigning and lessen the influence of money and special interests in the political process. An important step towards achieving this purpose would be a ban on so-called "Soft Money".

Bipartisan legislation which I strongly support -- the McCain-Feingold and Shays-Meehan bills -- includes provisions which have the effect of banning the use of soft money to influence federal elections. That legislation must be enacted into law as soon as possible. But even before that law is changed, I am asking that the Federal Election Commission (FEC) step forward and revise its regulations to ban the use of unregulated soft money to influence federal elections.

The regulations governing the use of soft money were issued by the FEC in 1990 pursuant to a federal district court order requiring that regulations be promulgated governing the allocation of federal and nonfederal money used by state and local organizations in connections with efforts on behalf of presidential campaigns. The regulations under 11 CFR 106.5 provide for a method of allocating expenses between federal and nonfederal expenses by party committees. These regulations, and limited additional guidance provided through advisory opinions, are the basis upon which party committees make expenditures and raise funds with respect to federal and state candidates today. The use of so-called soft money by party committees today are largely based on the direction provided in these regulations.

Whatever the merit of those regulations at the time they were adopted, it has become abundantly clear today that they are no longer adequate to the task of regulating current campaigns. The regulations must be revised to provide additional guidance that takes into account the evolution of modern campaigns. The role of "soft money" has grown dramatically in the past several elections so that by the 1996 elections the two parties raised nearly \$300 million; \$154 million by the Republican Party and \$124 by the Democratic Party, more than [triple] the total of four years before.

In total, major party committees spent over three times as much in this last election cycle as four years before. And that does not count the other non-party expenditures that were made to influence the outcome of federal elections.

I believe the FEC should revisit its rules on "soft money" and act to ban the use of soft money in federal elections. The current allocation system is simply outmoded. I propose that the FEC adopt new rules to end the current soft money system by requiring that candidates for federal office and national parties only be permitted to raise and spend "hard money" -- funds subject to the restrictions, contribution limits, and reporting requirements of the 1974 Federal Election Campaign Act (FECA). This ban would apply to all political party committees, as anticipated by the bipartisan campaign finance reform legislation. When the federal district court issued its opinion directing the FEC to promulgate soft money regulations it stated that it was possible that the FEC could conclude that an allocation system will not work to keep soft money from being used to affect federal elections. The FEC decided otherwise in 1990 and adopted an allocation system. Given the rapidly changing use of soft money in national elections, it is time for the FEC to take another look at this issue and revise its regulations.

Accordingly, I am writing to request that you act now, under Section 106.5 of the U.S. Code, to write new regulations banning the use of soft money to influence federal elections. Specifically, you should issue new regulations to do the following:

- Prohibit national political parties (and their congressional campaign committees or agents) from soliciting or receiving any funds not subject to the limitations or prohibitions of the Federal Election Campaign Act. (This would preclude, for example, contributions directly from corporate or union treasuries, or contributions from individuals in excess of the amount an individual can give to a federal party.)
- Prohibit any federal officeholder or candidate (and their agents) from soliciting or receiving any funds not subject to the limitations or prohibitions of FECA.
- Provide that any amount of funds expended by a political party during a federal election year for any activity that influences a federal election (including a get-out-the-vote drive, generic advertising or any communication that mentions a federal candidate) must be paid for from funds subject to FECA. (This would end the allocation system, currently authorized by the FEC, under which "hard" and "soft" money are mixed for campaign activities that affect both state and federal elections.)

I believe we cannot wait any longer to take action. The Founding Fathers understood that we were an experiment. We're still around after all of these years because we have relished the idea that we are an experiment, that America is a work in progress, that we're constantly in the making. We always have to change.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 25, 1997

STATEMENT BY THE PRESIDENT

In my State-of-the-Union Address, I challenged Congress to pass bipartisan campaign finance reform by July 4th -- the date we celebrate the birth of our democracy. The only way that political reform will become law is if citizens raise their voices to demand change. I strongly support the bipartisan legislation introduced by Senators John McCain and Russ Feingold, and Reps. Chris Shays and Marty Meehan. It is real, it is fair, it is tough, and it will curb the role of big money in our politics.

We know the pressing need for reform: the campaign finance laws are two decades out of date, and have been overwhelmed by a flood of money that rises with every election. Above all, campaign finance reform will help us to meet our nation's fundamental challenges. It will help us balance the budget, fight crime, extend health care to our children, protect our young people from the dangers of tobacco. Reform will help make sure that our political system stands for ordinary Americans and helps them in their daily lives.

At Faneuil Hall, the "Cradle of Liberty," and at Independence Hall, our Founders forged our democracy. Now it is up to all of us, in a new time, to renew that democracy, and to make sure that our government represents the national interest, not just narrow interests. I thank those who are fighting for reform and who are gathered at Faneuil Hall for their leadership, and urge all citizens to join in this effort. This year can be the year that we finally pass campaign finance reform.

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THE WHITE HOUSE
WASHINGTON

February 13, 1997

MEMORANDUM TO INTERESTED PARTIES

FROM: Paul Weinstein *PW*
SUBJECT: Comparison of leading campaign finance reform proposals

Enclosed is the latest side-by-side on congressional campaign finance reform bills. This version includes H.R. 600, recently introduced by Congressman Farr.

Please contact me with any comments or questions.

Side-by-Side Comparison of Key Provisions in Leading Campaign Finance Reform Proposals

| | McCain Feingold (S.25) | Shays Meehan (H.R. 493) | Daschle (S.11) | Farr (H.R. 600) |
|------------------------------|---|---|---|--|
| Voluntary Spending Limits | <ul style="list-style-type: none"> • General election limits range from \$950,000 to \$5.5 million. Exact amount within the range determined by formula based on a state's voting age population. • Primary election limit is the lesser of 67% of general election limit or \$2.75 million. • Runoff limit is 20% of general election limit. • General and primary limits are indexed. • Exceptions allowed for taxes; • Exceptions allowed for independent expenditures and non-complying candidate expenditures (see below). | <ul style="list-style-type: none"> • \$600,000 per House election cycle. • Election limit increased by 30% if the candidate wins primary with less than 10% of the vote. • Runoff limits is 20% of general election limit; • Election limit is indexed. | <ul style="list-style-type: none"> • General election limits range from \$1.2 million to \$5.5 million. Exact amount within the range determined by formula based on a state's voting age population. • Primary election limit is the lesser of 67% of general election limit or \$2.75 million. • Runoff limit is 20% of general election limit. • General and primary limits are indexed. • Exceptions allowed for legal and accounting fund and taxes; • Exceptions allowed for independent expenditures and non-complying candidate spending (see below). | <ul style="list-style-type: none"> • \$600,000 spending limit per 2-year cycle. • Special election limits of \$600,000 • An additional \$200,000 may be spent in the general election by a candidate who won primary by 20% or less. • An additional \$200,000 may be spent by a candidate who must face a runoff election after a primary and before a general election. • A candidate may make additional expenditures aggregating not more than \$200,000 in the election cycle if the candidate wins a contested primary election by a margin of 20% or less. • Exemptions from limits when a non-participating opponent raises or spends more than 30% of the cycle limit. • General and primary limits are indexed. |

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| <p>Incentives for Candidates who Comply with Voluntary Spending Limits</p> | <ul style="list-style-type: none"> •30 minutes of free, prime time broadcast time; •all other radio and television broadcast time purchased within 30 days of the primary election and 60 days of the general election provided at 50% of lowest rate charged; • reduced mailing rates (3rd class special non-profit rate) for two mailings to entire state voting age population. | <ul style="list-style-type: none"> •Radio and television broadcast time purchased within 30 days of the primary election and 60 days of the general election provided at 50% of lowest rate charged; • reduced mailing rates (3rd class special non-profit rate) for three mailings to voting age population of the Congressional district. | <ul style="list-style-type: none"> •Radio and television broadcast time purchased within 30 days of the primary election and 60 days of the general election provided at 50% of lowest rate charged; • reduced mailing rates (3rd class special non-profit rate) for two mailings to entire state voting age population. • Funding from Secretary of the Senate to offset non-complying candidate expenditures. | <ul style="list-style-type: none"> •Broadcast time purchased provided at 50% of the lowest rate in the last 30 days of a primary and in the last 60 days of a general election period; •broadcaster will be exempted from requirements if their signal is nationwide or if the requirement would impose economic hardship on the licensee; •makes campaigns of participating candidates eligible for 3rd class, bulk, non-profit rate mailings, with no limits on the dollar amount or value of the postage purchased at this rate under this provision. |
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| <p>Disincentives for Candidates who do not comply with Voluntary Spending Limits</p> | <ul style="list-style-type: none"> • Complying candidates have individual contribution limits raised from \$1,000 per election to \$2,000 per election. • Non-complying candidates receive no reduction in rates for broadcast advertisements. • Complying candidates allowed to raise and spend up to twice the spending limits (and still retain incentives) if non-candidates who exceed spending cap. • Fines and repayment for complying candidates who exceed limits. | <ul style="list-style-type: none"> • Complying candidates have individual contribution limits raised from \$1,000 per election to \$2,000 per election. • Complying candidates allowed to raise and spend up to twice the spending limits (and still retain incentives) if non-candidate exceeds spending cap. • Fines and repayment for complying candidates who exceed limits. | <ul style="list-style-type: none"> • Complying candidates have individual contribution limits raised from \$1,000 per election to \$2,000 per election. • Complying candidates can receive (and spend) up to twice the spending limits (and still retain incentives) if non-complying candidate exceeds spending cap by more than 200%. • If non-complying candidate exceeds cap by more than 200% complying candidate may raise and spend an additional amount of up to 100% of spending cap. • Fines and repayment for complying candidates who exceed limits. | <ul style="list-style-type: none"> • Non-participating candidates who raise or spend more than 30% of the cycle limits must file report with the FEC, which must then notify other candidates within 48 hours; • imposes 35% tax on contributions of principal campaign committees whose candidates exceed the spending limits; • revenues from this provision shall be directed to the FEC for compliance activities. • Non-participating candidates shall not be entitled to the lowest rate for TV broadcast time. |
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| <p>Qualification Requirements for Complying Candidates</p> | <ul style="list-style-type: none"> •Statement vowing compliance with all limits. • Raise 10% of general election limit or \$250,000 from individuals without counting personal funds or out-of-state contributions that exceed 40% of general election limit. | <ul style="list-style-type: none"> •Statement vowing compliance with all limits. • Raise 10% of general election limit (\$60,000) from individuals with only the first \$200 of each contribution counting toward the threshold and 60% of threshold amount (\$36,000) raised from in-state contributors. | <ul style="list-style-type: none"> •Statement vowing compliance with all limits. Raise 5% of general election limits from individuals. | <ul style="list-style-type: none"> •Statement vowing compliance with all limits. •Raise 10% of general election limit counting only the first \$200 in contributions from individuals; •No public benefits to candidates who do not use closed captioning in TV ads. •Violation of any of the spending limits makes a candidate ineligible for public benefits. |
| <p>Limit on Individual PAC Contributions to Candidates</p> | <p>Bans PACs but if ban is unconstitutional, then current \$5,000 per election limit to a candidate reduced to \$1,000.</p> | <p>Current \$5,000 per election PAC limit to a candidate reduced to \$1,000.</p> | <ul style="list-style-type: none"> •Bans PACs but if ban unconstitutional, then current \$5,000 per election limit remains unchanged. • Lowers an individual's contribution to a PAC from \$5,000 to \$1,000. | <p>Sets a maximum limit of \$8,000 from a single PAC per cycle;</p> <ul style="list-style-type: none"> •\$5,000 of which is allowed for one election. •eliminates Leadership PACs. |
| <p>Aggregate PAC Contribution Limits</p> | <ul style="list-style-type: none"> •If PAC ban struck down, complying candidates can raise no more than 20% of spending limit from PACs. | <ul style="list-style-type: none"> •Complying candidates can raise no more than 25% (\$150,000) of spending limits from PACs). | <p>No provision</p> | <ul style="list-style-type: none"> •Limit of \$200,000 per cycle from all PAC sources; •PAC receipts limit is 33 1/3% of spending limit, plus an extra \$100,000 if runoff and \$66,600 if close primary winner. |

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| <p>Aggregate Limit on Individual Contributions to Candidates</p> | <p>No provision</p> | <ul style="list-style-type: none"> • Complying candidates can raise no more than 25% (\$150,000) of spending limit from contributions greater than \$250. | <p>No provision</p> | <ul style="list-style-type: none"> •changes aggregate limit to election cycle basis; •raises limit to \$100,000, of which no more than \$25,000 may go to candidates per year. |
| <p>In-state/Out-of-state Contribution Limits</p> | <ul style="list-style-type: none"> •Complying candidates must raise 60% of spending limits from in-state individual contributors. • Small states exception would allow this requirement to be met if 60% of all contributors reside in-state. | <ul style="list-style-type: none"> •Complying candidates must raise 60% of spending limit from in-state, individual contributors. | <p>No provision</p> | <p>No provision</p> |
| <p>Use of Personal Funds</p> | <ul style="list-style-type: none"> •Complying candidates limited to the lesser of \$250,000 or 10% of general election spending limit. | <ul style="list-style-type: none"> •Complying candidate limited to 10% of general election limit (\$60,000) | <ul style="list-style-type: none"> •Complying candidates limited to \$25,000 per cycle. | <ul style="list-style-type: none"> •Complying candidates limited to \$50,000 per cycle. |

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| <p>Independent Expenditures</p> | <p>•If more than \$10,000 in independent expenditures is made against a complying candidate, the complying candidate may spend an equal amount without violating spending caps.</p> <ul style="list-style-type: none"> • Strict reporting and disclosure requirements in making independent expenditures. • Clarifies that independent expenditures must be truly independent (especially with respect to political parties) and broadens the definition of express advocacy to include all campaign-related communications. | <p>•If more than \$25,000 in independent expenditures is made against a complying candidate, the complying candidate may raise and spend an equal amount without violating spending caps.</p> <ul style="list-style-type: none"> • Strict reporting and disclosure requirements in making independent expenditures. • Clarifies that independent expenditures must be truly independent (especially with respect to political parties) and broadens the definition of express advocacy to include all campaign-related communications. | <p>•If independent expenditures are made against a complying candidate, the complying candidate may receive (and spend) an equal amount without violating spending caps.</p> <ul style="list-style-type: none"> • Strict reporting and disclosure requirements in making independent expenditures. • Clarifies that independent expenditures must be truly independent (especially with respect to political parties) and broadens the definition of express advocacy to include all campaign-related communications. • Broadcasters must provide adjacent broadcast time for candidates to respond to independent expenditures. | <p>•If more than \$2,500 in independent expenditures is made against a complying candidate, the complying candidate may spend additional funds without regard to the spending limits cap</p> <ul style="list-style-type: none"> •party committees can match independent expenditures without the expenditure counting against that party's contribution limit to the candidate. •Clarifies the definition of independent expenditures to contain express advocacy and independent with respect to political parties. |
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| Soft Money | <ul style="list-style-type: none"> •Eliminates the use of soft money in federal elections. • No national or state party committee, may solicit, receive, or spend any funds to impact a federal election which are not subject to current federal law limitations. • Provides for state party grassroots funds for voter registration, GOTV, sample ballots and voter files. •Increases individual aggregate contribution limit from \$25,000 per year to \$30,000 per year to allow funding for grassroots fund. | <ul style="list-style-type: none"> •Eliminates the use of soft money in federal elections. • No national or state party committee, may solicit, receive, or spend any funds to impact a federal election which are not subject to current federal law limitations. • Increases individual aggregate contribution limit to parties from \$20,000 to \$25,000 per year. | <ul style="list-style-type: none"> •Eliminates the use of soft money in federal elections. • No national or state party committee, may solicit, receive, or spend any funds to impact a federal election which are not subject to current federal law limitations. • Provides for state party grassroots funds for voter registration, GOTV, sample ballots and voter files. Individual aggregate limits increased to \$60,000/year with no more than \$25,000/year for individual candidates; • \$20,000/year for state parties and state grassroots funds combined, and \$20,000/year for national parties. | <ul style="list-style-type: none"> •Eliminates the use of soft money in federal elections. •creates a new separate segregated fund established and maintained by state political party committee for making expenditures in connection with federal elections. •national and congressional party committee must disclose all financial activity; •political committees must maintain a non-federal account and must disclose all financial activity including separate schedules for State Party Grassroots Funds; •prohibits federal candidates or officeholders from raising any money for a tax exempt group which they establish, maintain, or control, and which devotes significant activities to voter registration and GOTV drives. |
| Foreign Money | <ul style="list-style-type: none"> •Individuals not qualified to vote are prohibited from making contributions to federal candidates. | <ul style="list-style-type: none"> •Individuals not qualified to vote are prohibited from making contributions to federal candidates. | <ul style="list-style-type: none"> • Foreign nationals and permanent residents prohibited from directing contributions. • Minors' contributions count against parents' limits. | <ul style="list-style-type: none"> •Foreign nationals prohibited from directing contributions •Minors' contributions count against parents' limits. |

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| Bundling | Bans bundling | Bans Bundling | No provision | Bans all bundling except for non-affiliated, non-connected PACs that do not lobby. |
| Franked Mail | <ul style="list-style-type: none"> •Bans franked mass mailings during an election year. | <ul style="list-style-type: none"> •Bans franked mass mailings during an election year. | <ul style="list-style-type: none"> •Bans franked mass mailings during an election year. | No provision |
| FEC Enforcement Provisions | <ul style="list-style-type: none"> •FEC random audit authority. •FEC injunctive authority. •Electronic filing. •FEC expedited procedures authority. Increase penalties for willful violations. | <ul style="list-style-type: none"> •FEC random audit authority. •FEC injunctive authority. •Electronic filing. FEC independent litigation authority •FEC expedited procedures authority •Increase penalties for willful violations. | <ul style="list-style-type: none"> •FEC random audit authority. •FEC injunctive authority. •Electronic filing. FEC independent litigation authority •FEC expedited procedures authority •Increase penalties for willful violations. | <ul style="list-style-type: none"> •FEC random audit authority. •FEC injunctive authority. •Electronic filing. FEC independent litigation authority •FEC expedited procedures authority •Increase penalties for willful violations. |

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February 5, 1997

Enclosed is the side by side comparison of campaign finance reform proposals that you wanted to see.

DAVE
WEINSTEIN

2/3/97

Side-by-Side Comparison of Key Provisions in Leading Campaign Finance Reform Proposals

| | McCain Feingold (S. 25) | Shays Meehan (H.R. 493) | Daschle (S. 11) |
|------------------------------|---|--|---|
| Voluntary Spending Limits | <ul style="list-style-type: none"> •General election limits range from \$950,000 to \$5.5 million. Exact amount within the range determined by formula based on a state's voting age population •Primary election limit is the lesser of 67% of general election limit or \$2.75 million •Runoff limit is 20% of general election limit •General and primary limits are indexed •Exceptions allowed for taxes •Exceptions allowed for independent expenditures and non-complying candidate expenditures (see below) | <ul style="list-style-type: none"> •\$600,000 per House election cycle •Election limit increased by 30% if the candidate wins primary with less than 10% of the vote •Runoff limit is 20% of general election limit •Election limit is indexed | <ul style="list-style-type: none"> •General election limits range from \$1.2 million to \$5.5 million. Exact amount within the range determined by formula based on a state's voting age population •Primary election limit is the lesser of 67% of general election limit or \$2.75 million •Runoff limit is 20% of general election limit •General and primary limits are indexed •Exceptions allowed for legal and accounting fund and taxes •Exceptions allowed for independent expenditures and non-complying candidate spending (see below) |

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| <p>Incentives for Candidates who Comply with Voluntary Spending Limits</p> | <ul style="list-style-type: none"> •30 minutes of free, prime time broadcast time; • all other radio and television broadcast time purchased within 30 days of the primary election and 60 days of the general election provided at 50 percent of lowest rate charged; •reduced mailing rates (3rd class special non-profit rate) for two mailings to entire state voting age population | <ul style="list-style-type: none"> •Radio and television broadcast time purchased within 30 days of the primary election and 60 days of the general election provided at 50 percent of lowest rate charged; •reduced mailing rates (3rd class special non-profit rate) for three mailings to voting age population of the Congressional district | <ul style="list-style-type: none"> •Radio and television broadcast time purchased within 30 days of the primary election and 60 days of the general election provided at 50 percent of lowest rate charged; •reduced mailing rates (3rd class special non-profit rate) for two mailings to entire state voting age population •Funding from Secretary of the Senate to offset non-complying candidate expenditures |
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| <p>Disincentives for Candidates who do <u>not</u> comply with Voluntary Spending limits</p> | <ul style="list-style-type: none"> •Complying candidates have individual contribution limit raised from \$1,000 per election to \$2,000 per election •Non-complying candidates receive no reduction in rates for broadcast advertisements •Complying candidates allowed to raise and spend up to twice the spending limits (and still retain incentives) if non-candidate exceeds spending cap •Fines and repayment for complying candidates who exceed limits | <ul style="list-style-type: none"> •Complying candidates have individual contribution limit raised from \$1,000 per election to \$2,000 per election •Complying candidates allowed to raise and spend up to twice the spending limits (and still retain incentives) if non-candidate exceeds spending cap •Fines and repayment for complying candidates who exceed limits | <ul style="list-style-type: none"> •Complying candidates have individual contribution limit raised from \$1,000 per election to \$2,000 per election •Complying candidates can receive (and spend) up to twice the spending limits (and still retain incentives) if non-complying candidate exceeds spending cap by up to 200% •If non-complying candidate exceeds cap by more than 200%, complying candidate may raise and spend an additional amount of up to 100% of spending cap •Fines and repayment for complying candidates who exceed limits |
| <p>Qualification Requirements for Complying Candidates</p> | <ul style="list-style-type: none"> •Statement vowing compliance with all limits •Raise 10% of general election limit or \$250,000 from individuals without counting personal funds or out-of-state contributions that exceed 40% of general election limit | <ul style="list-style-type: none"> •Statement vowing compliance with all limits •Raise 10% of general election limit (\$60,000) from individuals with only the first \$200 of each contribution counting toward the threshold and 60% of threshold amount (\$36,000) raised from in-state contributors | <ul style="list-style-type: none"> •Statement vowing compliance with all limits •Raise 5% of general election limits from individuals |

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| Limit on Individual PAC Contributions to Candidates | Bans PACs but if ban is unconstitutional, then current \$5,000 per election limit to a candidate reduced to \$1,000 | Current \$5,000 per election PAC limit to a candidate reduced to \$1,000 | Bans PACs but if ban is unconstitutional, then current \$5,000 per election limit remains unchanged •Lowers an individual's contribution to a PAC from \$5,000 to \$1,000 |
| Aggregate PAC Contribution Limits | If PAC ban struck down, complying candidates can raise no more than 20% of spending limit from PACs | Complying candidates can raise no more than 25% (\$150,000) of spending limit from PACs | No provision |
| Aggregate Limit on Individual Contributions to Candidates | No provision | Complying candidates can raise no more than 25% (\$150,000) of spending limit from contributions greater than \$250 | No provision |
| In-state/Out-of-state Contribution Limits | Complying candidates must raise 60% of spending limit from in-state individual contributors. Small states exception would allow this requirement to be met if 60% of all contributors reside in-state | Complying candidates must raise 60% of spending limit from in-state, individual contributors | No provision |
| Use of Personal Funds | Complying candidates limited to the lesser of \$250,000 or 10% of general election spending limit | Complying candidates limited to 10% of general election limit (\$60,000) | Complying candidates limited to \$25,000 per cycle |

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| <p>Independent Expenditures</p> | <ul style="list-style-type: none"> •If more than \$10,000 in independent expenditures is made against a complying candidate, the complying candidate may spend an equal amount without violating spending caps •Strict reporting and disclosure requirements in making independent expenditures •Clarifies that independent expenditures must be truly independent (especially with respect to political parties) and broadens the definition of express advocacy to include all campaign-related communications | <ul style="list-style-type: none"> •If more than \$25,000 in independent expenditures is made against a complying candidate, the complying candidate may raise and spend an equal amount without violating spending caps •Strict reporting and disclosure requirements in making independent expenditures •Clarifies that independent expenditures must be truly independent (especially with respect to political parties) and broadens the definition of express advocacy to include all campaign-related communications | <ul style="list-style-type: none"> •If independent expenditures are made against a complying candidate, the complying candidate may receive (and spend) an equal amount without violating spending caps •Strict reporting and disclosure requirements in making independent expenditures •Clarifies that independent expenditures must be truly independent (especially with respect to political parties) and broadens the definition of express advocacy to include all campaign-related communications •Broadcasters must provide adjacent broadcast time for candidates to respond to independent expenditures |
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| Soft Money | <p>Eliminates the use of soft money in federal elections. No national or state party committee, may solicit, receive, or spend any funds to impact a federal election which are not subject to current federal law limitations</p> <ul style="list-style-type: none"> •Provides for state party grassroots funds for voter registration, GOTV, sample ballots and voter files •Increases individual aggregate contribution limit from \$25,000 per year to \$30,000 per year to allow funding for grassroots fund | <p>Eliminates the use of soft money in federal elections. No national or state party committee, may solicit, receive, or spend any funds to impact a federal election which are not subject to current federal law limitations</p> <ul style="list-style-type: none"> •Increases individual aggregate contribution limit to parties from \$20,000 to \$25,000 per year | <p>Eliminates the use of soft money in federal elections. No national or state party committee, may solicit, receive, or spend funds to impact a federal election which are not subject to current federal law limitations</p> <ul style="list-style-type: none"> •Provides for state party grassroots funds for voter registration, GOTV, sample ballots and voter files •Individual aggregate limits increased to \$60,000/year with no more than \$25,000/year for individual candidates, \$20,000/year for state parties and state grassroots funds combined, and \$20,000/year for nat'l parties |
| Foreign Money | Individuals not qualified to vote are prohibited from making contributions to federal candidates | Individuals not qualified to vote are prohibited from making contributions to federal candidates | Foreign nationals and permanent residents prohibited from directing contributions •Minors' contributions count against parents' limits |
| Bundling | Bans bundling | Bans bundling | No provision |
| Franked Mail | Bans franked mass mailings during an election year | Bans franked mass mailings during an election year | Bans franked mass mailings during an election year |

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| FEC Enforcement Provisions | <ul style="list-style-type: none">•FEC random audit authority•FEC injunctive authority•Electronic filing•FEC expedited procedures authority•increase penalties for willful violations | <ul style="list-style-type: none">•FEC random audit authority•FEC injunctive authority•Electronic filing•FEC independent litigation authority•FEC expedited procedures authority•increase penalties for willful violations | <ul style="list-style-type: none">•FEC random audit authority•FEC injunctive authority•Electronic filing•FEC independent litigation authority•FEC expedited procedures authority•increase penalties for willful violations |
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*Campaign Finance
Reform*

THE WHITE HOUSE
WASHINGTON

January 22, 1997

MEETING WITH THE CONGRESSIONAL SPONSORS OF
BIPARTISAN CAMPAIGN FINANCE REFORM LEGISLATION

DATE: January 23, 1997
LOCATION: Cabinet Room
TIME: 4:15 p.m. to 5:15 p.m.
From: John Hilley *JH*
Peter Jacoby

I. PURPOSE

To conduct a working session with the Congressional sponsors of bipartisan campaign finance reform legislation and representatives from Common Cause to discuss and develop the legislative, political and public relations strategies that will be necessary to enact comprehensive campaign finance reform legislation.

II. BACKGROUND

Your past legislative successes have all begun with a serious effort to develop and coordinate our legislative, political and public relations strategies with the leading Congressional sponsors of the legislation. This meeting will provide you with the opportunity to begin this effort for campaign finance reform.

On January 21, Senators McCain (R-AZ) and Feingold (D-WI) and Representatives Shays (R-CT) and Meehan (D-MA) introduced comprehensive bipartisan reform bills in their respective chambers. In brief, both bills: 1) ban PAC's - with lower PAC limits if the ban is found unconstitutional; 2) provide incentives (such as reduced rate television and radio time and low cost mailing; the Senate bill also provides free television time) for candidates who voluntarily agree to aggregate campaign spending limits; 3) ban political contributions from individuals who are ineligible to vote; 4) ban soft money; 5) make it extremely difficult for political parties to run either independent expenditure ads or express advocacy ads on behalf of their candidates for federal office; 6) expand the definition of independent expenditures to include issue advocacy spending designed to influence voters; 7) ban bundling of campaign contributions, and; 8) improve FEC enforcement capabilities.

Legislative Strategy:

While the legislative, political and public relations strategies will be inextricably intertwined, the question of how to get the votes for passage is paramount.

Passage of serious reform legislation will be very difficult and the Congressional sponsors will have to negotiate with many Members, on both sides of the aisle and on both sides of the Capitol, for support. In the Senate, Senator McConnell (R-KY) has already indicated that he is prepared to lead a filibuster against the McCain-Feingold bill just as he did last session. Consequently, sixty votes will be required to break the filibuster and pass the bill. Assuming that all 45 Democrats vote for the measure, which will require much effort, the Senate sponsors will still need to find 15 votes from the Republican caucus.

You should explore with Senators McCain and Feingold which Senators should be approached to begin negotiations for support. As always, negotiations for Republican support must be done in a way that does not erode Democratic support.

For their part, the House sponsors will have to line up cosponsors as quickly as possible to give their bill critical momentum. Like the Senate, Republican support will be critical and the likelihood of significant Republican support, especially among the Republican moderates, should be explored with Congressman Shays.

It is also critical to develop the right legislative message to send to potential Hill allies. Senator McCain has suggested that given the necessity of negotiating for votes, our position should be flexible. The Senator has suggested that while the McCain-Feingold, Shays-Meehan legislation is a sound framework bill, we are open to changes that will win support as long as the change complies with four key principles: 1) it must have bipartisan support; 2) it must help limit the amount of money currently required to run for federal office; 3) it must help level the playing field between challengers and incumbents; and 4) it must disadvantage one political party for the benefit of the other. We agree that this is a very workable message.

Finally, other legislative strategy concerns include whether we should adopt a Senate first strategy; whether it is in our interest to set a deadline for legislative action, and; the role of the Congressional leadership on both sides of the aisle.

Political and Public Relations Strategy:

The goal of a successful political and public relations strategy should be to create an environment that makes it politically difficult to vote against or successfully filibuster bipartisan campaign finance reform legislation. We should explore how such an environment can be created.

This should include a discussion of how best to mobilize coalitions of public interest groups, business groups, academic groups and others to pressure Congress for reform. Additionally, we should also explore with Common Cause its ability to garner editorial board support for the reform efforts.

Finally, we might also discuss how the Congressional hearings on DNC fundraising will affect our ability to enact campaign finance reform legislation.

III. PARTICIPANTS

See attached list.

IV. PRESS PLAN

No press. Congressional participants will participate in a stake-out following the event.

V. SEQUENCE OF EVENTS

You will enter the room, make brief opening remarks and conduct the meeting.

VI. REMARKS

Talking points attached.

**Talking Points for Campaign Finance Reform Meeting with Common Cause
and the Congressional Sponsors of Campaign Finance Reform**

- Thank you for coming today. This is the best chance in at least a decade to enact meaningful campaign finance reform legislation.
- I am completely committed to seeing a good bill pass and I am willing and anxious work with you and to commit as many of this Administration's resources as necessary to seeing serious campaign finance reform legislation enacted into law.
- I firmly believe that the only way legislation can pass is if it is bipartisan and that is why I believe that this bipartisan core group of Senator McCain, Senator Feingold, Congressman Shays and Congressman Meehan has the best chance of being successful. Thank you for your leadership.
- Before we begin let me say that I believe the final legislative product must embrace four principles to be successful: 1) it must have bipartisan support; 2) it must limit the amount of money it takes to run for federal office; 3) it must level the playing field between challengers and incumbents; and 4) it must not disadvantage one political party at the expense of the other.
- Keeping those principles in mind I want your input on three key subjects:
 - 1) Legislative strategy and tactics -- how do we move in a rapid manner to get the support we need to pass this through both the House and the Senate?
 - 2) Political and public relations strategy -- how do we create an environment that makes it politically difficult to vote against, or successfully filibuster bipartisan campaign finance reform?
 - 3) Message -- what is the message that we need to develop to accomplish both our legislative and public relations strategies?
- Now let me hear your thoughts on how we get this done.

PARTICIPANTS FOR CAMPAIGN FINANCE REFORM MEETING

Thursday, January 23, 1997

The President
The Vice President

Senator Russ Feingold (D-WI)
Senator John McCain (R-AZ)
Rep. Martin Meehan (D-MA)
Rep. Chris Shays (R-CT)

Ann McBride, Common Cause, President
Robert Rozen, Attorney

Erskine Bowles
John Podesta
John Hilley
Ron Klain
Mike McCurry
Rahm Emanuel
Doug Sosnik
Michael Waldman
Bruce Reed
Don Baer

File:
1) CCR
2) P. has seen

2-13-96
→ Ask MP re special int. tax
for enforcement on
free TV or tax
credit
96 DEC 6 PM 4:49

DECEMBER 6, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: DOUG SOSNIK
SUBJECT: CAMPAIGN FINANCE

Norm Ornstein asked that I forward the attached document to you.

Tom Waldman

TO: DOUG SOSNIK
FROM: NORM ORNSTEIN

Ornstein

REFORMING CAMPAIGN FINANCE

The campaign finance system in America has been a problem for some time. But in 1996, it went from the political equivalent of a low-grade fever to Code Blue-- from a chronic problem needing attention sooner or later to a crisis, with a system clearly out of control. The system needs both an immediate fix in a few important areas, and some sustained attention to the broader problems. We need an approach that breaks us out of the unproductive framework-- Democrats insisting on a bottom line of tough spending limits and public financing, Republicans insisting on a bottom line of no spending limits and no public financing-- that has doomed any constructive change for decades. It must instead use constructive ideas to help reduce existing problems without creating large unanticipated new ones.

And any proposal must accommodate the Supreme Court's rulings, from Buckley v. Valeo to this year's Colorado decision, that give wide leeway to individuals and groups independently to raise and spend resources in public and political debate under the First Amendment. If a Constitutional Amendment to alter the impact of the Court's decisions were desirable (and it is not clear that amending the First Amendment is the appropriate course of action,) it is not practical in the near term. So other ways must be found to reform the system within the existing constitutional context-- ways that will achieve the objectives of placing huge donations to candidates or parties off limits; leveling the playing field for outside groups and candidates in political communications in campaigns; enhancing political discourse and dialogue in the campaign; strengthening enforcement and disclosure; and encouraging small individual contributions.

We propose changes in five key areas:

1. **"Soft" Money.** The idea of "soft" money, spending by parties outside federal regulation, emerged in the reforms of the 1970s, as a way to enhance the role and status of party organizations. Unlike the hard money that goes to campaigns, soft money can come directly from corporate coffers and unions, and in unlimited amounts from wealthy individuals. It is harder to trace, ~~less systematically disclosed, and less accountable.~~

Over time, soft money contributions for "party-building and grass roots volunteer activities" (the language of the law) came to be used for broader purposes and evolved into a complex system of parties setting up many separate accounts, sometimes funneling money from the national party to the states or vice versa, or back and forth in dizzying trails. But soft money was a comparatively minor problem in campaign funding until 1992. Parties sharply increased their soft money fundraising and spending for a wide range of political activities, including broadcast ads, both in and out of election season. The escalation increased alarmingly in 1996. Both parties sought and received large sums of money, often in staggering amounts from individuals, companies and other entities, and

poured unprecedented sums of soft money into the equivalent of party-financed campaign ads. There is now evidence that some of this money came illegally from foreign sources.

The original limited role of soft money, as a way to enable funds to be used to enhance the role and capability of the parties, especially the state parties, has been mangled beyond recognition. Still, any change in law must recognize that state parties are governed by state laws; that traditional party-building activities, from voter registration and get-out-the-vote drives to sample ballots, have an inevitable overlap between campaigns for state and local offices and campaigns for federal office, and that the goal of enhancing the role of parties is a laudable and necessary one.

What to do? We propose the following:

1. Eliminate national party committee soft money by eliminating the distinction in law between non-federal and federal party money. In other words, create one pot of national party money, that has similar fund-raising qualifications to the money raised for candidates, namely, no corporate and union funds and limits on sums from individuals. Money may only come from individuals and registered political committees, which are given specific limitations. (See appendix for specific language.)

2. Give parties freedom to allocate the hard resources they are able to raise among their candidates for office as they chose and not subject to existing restrictions, in order to provide a robust role for political parties even as they lose the soft money resources.; this in turn will move the parties away from the subterfuge, encouraged by the Colorado decision, that they are independent of their own candidates.

3. Expand the existing limits on individual contributions to parties. Currently, individuals can give a total of \$25,000 per year in hard money to federal candidates and/or parties, with a sub-limit of \$20,000 to a party (and with no limits on soft money donations.) Change the limits so that individuals can give the current limit of \$25,000 per year to candidates, but create a separate limit of \$25,000 per year to political parties. Index both figures to inflation.

4. Stiffen party disclosure requirements. Currently, parties can transfer unlimited sums to state parties or related entities for use as they wish, without any federal disclosure of the state party expenditure. We propose that any monies transferred from a federal party to a state party or state and local entity be covered by federal disclosure laws, including the source and the nature of any expenditure of the funds, and that any transfers from state parties to federal committees come only from federal accounts.. We also encourage states to continue their own trend of strong state-based disclosure requirements.

2. **Issue Advocacy.** 1996 saw an explosion of political ads both by outside groups, such as the AFL-CIO and business entities, and by both political parties, that were essentially unlimited in funding and outlays because they were classified not as campaign-related independent expenditures but as "issue advocacy" ads. The Court in Buckley v. Valeo defined political ads as those that explicitly advocate the election or defeat of a candidate. This very narrow definition has allowed groups to employ television and radio ads that were political ads in every sense except that they avoided any explicit candidate advocacy. Thus, huge numbers of campaign ads aired that were thinly disguised-- at best-

- as issue ads. They praised or-- more frequently attacked-- specific candidates but ended with the tag line "Call Congressman _____ and tell him to.... (stop "raising taxes," stop "cutting Medicare", etc.)

The Supreme Court has appropriately stated that issue advocacy is protected under the First Amendment, as are independent expenditure campaigns. However, funding for independent expenditure campaigns can be regulated as are candidate and party funding for elections. We believe that there is room for Congress to define with more clarity what is meant by issue advocacy and political campaigning without running afoul of the Court's real intent. Thus we propose:

Any paid communication with the general public that uses a federal candidate's name or likeness within sixty days of a primary or of a general election-- the same times used by Congress to limit lawmakers' postal patron mass mailing communications-- be considered a campaign ad, not an issue advocacy message, and be covered by the same rules that govern independent expenditure campaigns, meaning among other things that they cannot be financed by corporate or union funds, but can use publicly disclosed voluntary contributions in a fashion similar to funds raised by political action committees. (An exemption would apply, as it does in current law, for candidate debates and press coverage.)

This change would not limit in any way groups' ability to communicate in a direct targeted fashion with their own members or constituents. Nor would it limit advertising campaigns or the freedom of parties or independent groups to get their issue-oriented messages out. What it would do is change the funding basis of campaigns that include actual federal candidates to conform to other comparable election-related efforts. The AFL-CIO or the Chamber of Commerce, the Christian Coalition or the Sierra Club, for example, could run whatever ads it wanted, funded as it wished, whenever it wanted that mentioned or referred to no specific candidate for office. It could run ads that mentioned candidates or lawmakers in a similar fashion except during the sixty days before a primary or general election. During the two sixty-day periods, ads could run that mentioned a candidate or used the candidate's likeness-- but *those* ads would have to be funded in the same fashion as other independent expenditure campaigns-- in other words, by publicly disclosed money raised on a voluntary basis by a political committee.

BO-12
KINGMAN

3. Enforcement. The lack of strong enforcement of campaign laws has been a serious problem in the past, but escalated sharply in 1996. The Federal Election Commission is poorly and erratically funded, hampering its ability to gather information, disseminate it in a timely fashion, and use it to investigate or act on complaints of violations of the laws or regulations. The Commission's structure, with six commissioners, three of each major party, makes inevitable frequent deadlock along partisan lines. Little if any penalty results from blatant violations of the campaign laws. Elections are not overturned, and if there are subsequent financial penalties, they are rarely commensurate with the severity of the violations and in any case are of little importance if the violations made the difference between winning and losing. Candidates and parties, knowingly take advantage-- and never more openly than in 1996.

It would be desirable to change the structure of the FEC, including changing the selection of its membership. Given the Buckley decision and the attitudes of lawmakers

from both parties, major structural changes are probably not practical. But there are other ways to create a more viable disclosure and enforcement regimen. We recommend:

1. Move from the current practice of voluntary electronic filing to a mandatory one, with a *de minimus* threshold.
2. Move from annual appropriations for the FEC to two-year or even longer-term funding, with a bipartisan mechanism in Congress to maintain adequate funding for the commission. Congress should also consider an independent funding source for the FEC, such as a modest filing fee for campaigns and related committees.
3. Allow for the possibility of private legal action against campaigns for failure to disclose appropriate information, with the FEC as administrative agent. Streamline the process for allegations of criminal violations, by creating more shared jurisdiction between the FEC and the Justice Department, and fast-tracking the investigation from the FEC to Justice if any significant evidence of fraud exists.
4. Put into legislation a requirement that until a campaign has provided all the requisite contributor information to the FEC, it cannot put a contribution into any account other than an escrow account where the money cannot be spent. In turn, the current ten-day maximum holding period on checks would have to be waived.
5. Adopt a single eight-year term for Commissioners, with no holding over upon expiration. Commissioners' terms should be staggered, so that no two terms expire in the same year. Congress should explore ways to strengthen the office of chairman, including considering creating a new position of non-voting chairman and presiding officer, as the Commission's Chief Administrator.

PAC or
Consultant
tax

4. **Broadcast Bank.** No campaign finance reform will be effective unless it ensures adequate resources for candidates and parties to get their messages across. A positive and constructive campaign finance reform proposal will channel the resources in the most beneficial ways, empowering parties and candidates (including challengers) and encouraging small individual contributions, while removing as much as possible the unfair advantages and subsidies available to independently wealthy, self-financed candidates. At the same time, a constructive reform will try to encourage better debate and deliberation in campaigns by encouraging more candidate-on-screen discourse. In that spirit we propose:

1. Creation of a "broadcast bank" consisting of minutes of television and radio time on all broadcast outlets. Some time will be given to political parties, allocated in the same proportion as the public funding available for presidential campaigns. Other time will be available to individual candidates, as described below. Each party will decide how to allocate the time among its candidates. Such time can be used for ads, provided that no message is less than sixty seconds, and the candidate must appear on screen on television messages, and the candidate's voice and identification used on radio communications.

2. Additional time will be available to candidates who raise above a threshold of \$25,000 in individual, in-state contributions of \$100 or less; for each subsequent such contribution, candidates will receive a voucher for an equivalent amount of broadcast time.

NO OF
CASH VOUCHERS

3. The broadcast bank can be financed in several ways. The first step is to make a tradeoff: the "lowest unit rate" provision, which requires that broadcasters give discounts that average thirty percent on the advertising time they sell political candidates, will be repealed. In return, each broadcaster will be assessed a fee of 30 percent on all the political advertising the broadcaster sells, with the revenues going to the broadcast bank. The second step is to provide additional revenues or broadcast minutes from one or more of a variety of options. One approach would be to auction off whatever space the FCC determines is available in the portion of the spectrum, currently reserved for public safety, channels 60 through 69, which is soon to be broadened by technological advances. A second is to take advantage of a provision of the 1996 Telecommunications Act that requires broadcasters to pay a fee for employment of any ancillary or supplementary portions of the digital spectrum, with the fee set by the FCC and the funds to be placed in the U.S. Treasury; Congress could direct or the FCC could require that the fee be paid in whole or part in broadcast minutes for public purposes, or that the funds be set aside for the bank.

4. Candidates who want to purchase time outside of the broadcast bank system may do so, but must do so at market rates (lowest unit rates would no longer be mandated for such time.)

5. **Small Individual Contributions.** Over the past several years, campaigns for Congress have seen sharp changes in the nature of contributions. A shrinking share of campaign resources have come from small donations from individuals, while steadily increasing shares have come from both larger contributions (\$500 to \$1,000) and political action committees. Of all the sources of private monies that go into our political campaigns, the most desirable and least controversial is that contributed by in-state individuals in small amounts. The more citizens involved in the campaign process, the more stake they have in the political system; a small contribution is a positive way, with no direct link to a legislative product, to enhance the political process.

One of the most significant goals of campaign finance reform, then, is to find ways to encourage small individual contributions, especially in-state, and to encourage candidates to raise more of their funds in this fashion. The key to doing so is:

1. Create a 100% tax credit for in-state contributions to federal candidates of \$100 or less. The credit would apply to the first \$100 an individual gave to candidates-- in other words, \$25. given to each of four candidates would result in a \$100. credit. It would not apply to large contributions; it would be phased out if an individual gave more than \$200 to the candidate.

2. As in #4 above, add a large incentive to candidates to raise more of their resources from small individual in-state contributions by creating a matching voucher system for broadcast time.

3. Consider funding the tax credit for small contributions by assessing campaigns a ten percent fee for large contributions (\$500. or more.) Consider further the tradeoff of raising the individual contribution limit of \$1,000. to \$2,500. to take into account inflation in the two decades since it was instituted while simultaneously assessing the fee for large contributions.

yes

intensity

Special Int. Tax

The reforms above are not top-to-bottom comprehensive changes in the federal campaign financing system. Comprehensive proposals do exist-- although they include radically different approaches. But no comprehensive proposal is practical at the moment, or could in fact "cure" the problems in the system once and for all. Nor would any two of us agree on all or even most of the elements that might be included in a comprehensive package. The changes we propose are doable and sensible, and if enacted, would make a very big positive difference in American campaigns.

File
[O] Campaign Finance Reform
[O] P. has seen

THE PRESIDENT HAS SEEN

12-14-96

December 13, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN HILLEY
BRUCE REED
PETER JACOBY
JIM WEBER

Main thing is to be
mainly something from
Bayonne
BSC

'96 DEC 13 PM 5:51

SUBJECT: CAMPAIGN FINANCE REFORM

As part of a strategy to make campaign finance reform a reality, we have met with key Democratic Members of Congress, labor representatives, party representatives and a core negotiating group from the outside reformers during the past several weeks.

From these meetings it has become clear that seven key issues must be addressed before a Congressional and reform group consensus can be reached on legislation that we could recommend for your support. These issues include: 1) limiting party independent expenditures; 2) curbing spending on issue advocacy; 3) banning "soft" money; 4) contribution limits for individual PACs; 5) in-state and in-district fundraising proposals; 6) proposals to codify the Supreme Court's decision in Communications Workers of America v. Beck, and; 7) restrictions on campaign contributions by non-citizens. In preparation for a meeting with you early next week, please find below the background information on these key issues and a brief summary of our progress toward the resolution of each.

Limiting Party Independent Expenditures

Two issues have emerged as key to successfully passing campaign finance reform. The first is limiting the ability of state and national parties to make independent expenditures on behalf of their candidates for federal office. The second, discussed below, is limiting the ability of parties and outside groups to impact federal races through issue advocacy activities. Both issues are central to a fundamental concern for all Members of Congress -- the inability to accurately predict, and effectively respond to campaign spending by forces other than the political opponent. Without a way to limit, or at least anticipate, the amount of spending by outside groups and the opponent's party, Members are reluctant to adopt a spending limits regime (such as would be imposed by McCain-Feingold) that curbs their ability to respond to such spending.

This past June in Colorado Republican Federal Campaign Committee v. Federal Election Commission, the Supreme Court held that political parties may make independent expenditures on behalf of their candidates as long as those expenditures are not made in coordination with the candidate. The decision overturned an FEC rule which had held that party activities by their nature were coordinated with candidates and therefore could be constitutionally limited under the Federal Election Campaign Act (FECA). The fallout from this ruling was felt almost

immediately during the November elections. In several key races the Republican Senatorial Campaign Committee made large independent expenditures which greatly exceeded the contribution limits that would have been applicable if the FEC's coordinated expenditures standard had remained in place. Additionally, because these were independent expenditures under FECA they could expressly advocate the election or defeat of a clearly identifiable candidate. Finally, because FECA requires that independent expenditures be made with "hard" money (i.e. money raised and disclosed under FECA's contribution limits for individuals, PACs and parties) Democratic party officials were unable to respond in kind given the party's relative "hard" money disadvantage.

Consequently one goal of reform legislation, shared by the FEC, reformers and Democrats alike, is to broaden the definition of party coordination to limit the ability of parties to undertake independent expenditures. Any effort to broaden the definition will be difficult, however, because it must necessarily address the constitutional hurdles in the Colorado decision, which require the FEC to establish actual coordination, rather than a presumption of coordination, when parties act to impact Congressional races. Legislative language to achieve this goal is currently being drafted.

Curbing Issues Advocacy Spending

As noted, Members of Congress, on both sides of the aisle, have become concerned about the impact of spending by third parties on their races. This concern is especially acute with respect to issue advocacy spending. In Buckley v. Valeo, the Supreme Court's 1976 landmark campaign finance decision, the Court held that the only independent expenditures that could be disclosed and regulated under FECA were those used for communications that "expressly advocate the election or defeat of a clearly identified candidate." (This definition has since been codified in FECA) In a footnote in Buckley the Court gave examples of words of express advocacy, including "vote for," "elect," "support," "cast your ballot for," "Smith for Congress," "vote against," "defeat" and "reject." The Court created this narrow definition to draw a clear distinction between "issue discussion" or issue advocacy which has strong First Amendment protections, and the candidate-oriented speech which is the focus of campaign finance laws.

Since 1976, Federal courts have generally held that unless the magic Buckley words are used in a political advertisement or activity, that activity is issue advocacy and therefore cannot be regulated under FECA. Consequently independent groups such as labor unions, the NRA, the Moral Majority, the Christian Coalition and others may use unlimited contributions from wealthy individuals, corporate treasuries or dues-paying members to fund issue advocacy campaigns during an election cycle. Perhaps the most publicized campaign of this nature was the \$35 million media campaign by the AFL-CIO earlier this year to highlight the anti-family positions taken by Congressional Republicans. None of the union ads expressly advocated the election or defeat of these Members and were therefore issue ads outside the scope of FECA. Additionally, national and state party organizations may also run issue advocacy campaigns paid for by "soft" money contributions which, as discussed in more detail below, are

by definition unlimited contributions from corporations, unions or individuals.

Reformers, Congressional Democrats, the FEC and reform-minded Republicans have all indicated a desire to expand the definition of express advocacy to include both the magic words test and a new test that would include campaign activities that, when taken as a whole, could only be interpreted by a reasonable person as advocating the election or defeat of a clearly identified candidate. This would have the effect of bringing a broader range of issue advocacy activities under FECA, thereby limiting the impact of unlimited donations on elections. There is little question, however, that current constitutional jurisprudence favors a narrow definition of express advocacy and it will be a challenge to craft legislative language that expands the definition in a constitutionally defensible manner. We, along with the Office of Legal Counsel at the Department of Justice, are currently reviewing legislative language that purports to achieve this goal.

Banning "Soft" Money

Every credible campaign finance reform initiative during the past several Congresses has contained provisions to ban "soft" money. Soft money is a term used for funds that are raised by state and national parties for party building activities, GOTV efforts, state elections and voter registration drives. Because soft money cannot be spent to directly benefit a federal candidate, it is unregulated by FECA and therefore is not subject to the Act's contribution limits or disclosure requirements. This allows parties to raise soft money in unlimited amounts directly from unions, corporate treasuries and wealthy individuals. Past reform efforts have generally sought to ban national parties from raising and spending soft money while strictly limiting state soft money spending to activities that would not influence a federal campaign.

Events during the November elections have renewed the interest of reformers in banning soft money while causing Democratic party leaders to rethink their past support of ban initiatives. The reformers' renewed zeal stems from the unprecedented levels of soft money raised and spent during this past cycle. Party leaders, however, argue that soft money, which was used extensively by the party to fund issue advocacy campaigns in competitive races, helped Democrats win in many races. Consequently, a resolution of this issue will hinge on an acceptable compromise which provides parties with some sort of new benefit, such as free television time or reduced mailing costs, to offset the loss of soft money resources.

We are currently reviewing legislative language banning soft money and have asked the Democratic leadership for their input on potential offsetting benefits.

Contribution Limits for Individual PACs

Campaign finance reform efforts in the past, including last year's McCain-Feingold bipartisan campaign finance reform bill, have generally proposed to eliminate all PACs from

federal election campaigns. It appears, however, that Senators McCain and Feingold will concede that a PAC ban is unconstitutional and delete the ban from their reform proposal in the new Congress. Instead, the Senators' new proposal, which should be introduced on the first day of the new session, will likely lower the contribution limits for individual PACs giving to a federal candidate from the current \$5,000 per election (\$10,000 per cycle) to \$1,000 per election (\$2,000 per cycle).

Deletion of the PAC ban is favored by both Congressional Democrats and Republicans. However, in the House, where Members raise a high percentage of their contributions from PACs, House Democrats and Republicans will likely oppose the new \$1,000 contribution limit and insist on a significantly higher limit. The House Democratic leadership bill during the last Congress included a \$4,000 per election (\$8,000 per cycle) limit while the House Republican leadership bill lowered the current level to \$2,500 per year. Early indications from House Democrats are that they may accept a \$6,000 per cycle limit, if a contributing PAC is allowed to give up to \$5,000 in a primary election. In the Senate, individual PAC limits have been less controversial since many Senators raise the bulk of their contributions from individuals.

The outside reform groups may accept the deletion of the PAC ban from the McCain-Feingold legislation. It is unclear whether they will endorse a PAC limit higher than the \$1,000 per election level being contemplated by Senators McCain and Feingold. Because we believe that House passage of any campaign finance reform bill will hinge on preserving a substantial portion of the current individual PAC contribution level, we have urged the outside groups to support and ultimately persuade Senators McCain and Feingold to raise their proposed contribution limit.

In the past, you have endorsed legislation banning PACs. If the McCain-Feingold legislation does not contain a ban, it is our recommendation that you endorse a reduction in the current \$5,000 per election contribution level for individual PACs. We are researching the impact of each likely reduction to determine exactly what the new limit should be.

In-State and In-District Fundraising

The McCain-Feingold reform legislation from last Congress required a candidate to raise sixty percent of campaign funds in-state to qualify for the legislation's benefits, such as free television time. The measure also contained, however, a provision for small states which would allow the sixty percent threshold to be met by showing that sixty percent of a candidate's campaign *contributors* resided in-state. While McCain-Feingold applied the in-state provision exclusively to Senate races, House Democrats greatly fear any reform that would require them to raise a majority of their funds either in-state or in-district. For their part, the outside reform groups do not place either in-state or in-district requirements high on their agenda. Consequently, we have asked House Democrats to consider whether an in-state requirement that can be met by showing that either sixty percent of contributions were raised in-state or sixty percent of contributors resided in-state would be acceptable.

Codifying the Supreme Court's Beck Decision

In 1988 the Supreme Court decided a landmark labor law case involving the rights of individual employees to limit a union's use of membership fees and dues. In Communication Workers of America v. Beck the Court held that a union may not, over the objections of *dues-paying nonmember employees*, expend funds collected from them on activities unrelated to collective bargaining activities. As a result of this decision, dues-paying nonmembers may demand a pro-rated return of union dues and fees earmarked for political activity.

Since 1988, Congressional Republicans have pursued efforts to codify the Beck decision. In doing so, however, Republicans have proposed extremely broad interpretations of the Supreme Court's decision, effectively seeking to gut organized labor's participation in the national electoral debate and disable internal union to member communications. The AFL-CIO and its affiliates oppose "codification" of Beck. Congressional Democrats seem, ironically, less energized. Many Hill Democrats appear willing to consider enacting a narrow codification.

Republicans are certain to press Beck issues in the upcoming congressional debate on campaign reform. While Senate Democrats may well filibuster unreasonable Beck provisions, the possibility exists that Republicans may be able to force through unacceptable Beck provisions which they would trumpet as "reform." Such a scenario could result in the choice of either signing a distinctly anti-labor bill or risk being attacked as opposed to reform.

As a result, we may consider whether to pre-empt the Republicans on Beck by including a narrow "codification" as a part of bipartisan reform legislation.

Prohibiting Non-Citizens from Contributing to Federal Campaigns

During the closing weeks of the campaign you publicly stated your support for banning federal campaign contributions from those who cannot vote. Banning non-citizen individuals from federal campaign giving is relatively easy to implement and it has widespread support on both sides of the Hill and on both sides of the aisle. A more difficult question, both from a political perspective and as an implementation issue, is whether such a ban should apply to corporate PAC donations by the U.S. subsidiaries of foreign corporations.

Such a ban will be strongly opposed by companies with U.S. subsidiaries who will fear a diminution in their ability to petition the federal government. Additionally, determining which company is beneficially owned by a foreign interest could prove difficult as a matter of law and enforcement. We are currently reviewing legislative language which purports to ban federal campaign contributions from both individuals and all foreign-owned entities.

cc: Vice President Gore
Leon Panetta
Erskine Bowles
Harold Ickes
Jack Quinn

Status Update on Campaign Finance Reform

December 19, 1996

Last Year's McCain Feingold Bill

- ◆ **Voluntary System of Flexible Spending Limits**
- ◆ **Incentives to Participate -- broadcast discounts/free time, subsidized mailings**
- ◆ **Eliminate "soft" money**
- ◆ **PAC Ban with \$1,000 per election fallback**
- ◆ **Limits on out-of-state contributions**
- ◆ **End "bundling"**
- ◆ **Enhance FEC enforcement**

Administration Supported Additions and Changes

■ Possible Foreign Provisions

- Ban contributions from non-citizens
- Ban contributions from U.S. subsidiaries of foreign-owned corporations

Administration Supported Additions and Changes

- **"Issue" Advocacy within a campaign context**
 - **More robust concept of "express advocacy" expenditures. This would bring more campaign-related expenditures under FECA thereby requiring disclosure and prohibiting use of corporate or union treasury money.**

Administration Supported Additions and Changes

■ Independent Expenditures

- Return party spending to pre-Colorado status through a more robust definition of "coordinated expenditures" limiting ability of party committees to move money into individual races.

Congressional Democrats' Concerns

- **PAC Ban/Individual PAC Contribution Limits**
- **In-state and in-district limits on individual contributions**
- **Bundling/EMILY's List**
- **Elimination of "soft" money**

Reform Groups

Approaches/Problems

■ Common Cause

- Possible move away from overall spending limits. To be replaced by spending limits on categories of spending:
 - ▶ PAC's
 - ▶ Personal Wealth
 - ▶ Individual contributions limits
-

Reform Group Approaches/Problems

■ Ornstein Group

- Complete Abandonment of Spending Limits
- Enhanced Role for Party Committees
 - ◆ Acceptance of Colorado -- Party Committees allowed to move unlimited (hard) dollars into races.
 - ◆ Increase contribution limits to Party Committees
 - ◆ Party Committee control of TV "bank"

Issues

- **Research underway on impact of various approaches**
- **Comprehensive Legislation Factors**
 - **Direction of the bipartisan/reform coalition**
 - **Critical role of spending limits**
 - **Likelihood of inclusion of meaningful incentives (broadcast time, tax credits for small individual contributions)**

Issues

■ Other Approaches

- Small bill -- foreign piece, express advocacy, soft money ban. Small bills can grow into big bills (e.g. addition of unwanted Beck provision).
- Unilateral action -- foreign piece, temporary soft dollar ban
- Constitutional Amendment
- Bipartisan Commission
- Broad-based electoral reform

THE WHITE HOUSE

WASHINGTON

November 11, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: **Background On Campaign Finance Reform For Meeting With
Congressional Leadership**

On Tuesday, November 12, you will be meeting with Congressional Leadership to discuss the legislative agenda for the next term. During your meeting with the Leadership, you should reaffirm your strong support for the bipartisan campaign finance reform bill introduced last Congress by Senators McCain and Feingold. You should emphasize your commitment to seeing McCain-Feingold become law this year and ask that Congress consider the bill as soon as possible.

It is likely that the Republican Leadership will resist quick action on McCain-Feingold and try to shift the focus of the discussion to the question of limiting the use of union dues for political purposes and to the issue of eliminating voluntary spending limits in the bill. On the Democratic side, Senate Minority Leader Daschle supported McCain-Feingold last Congress while House Minority Leader Gephardt supported a Democratic sponsored bill similar to the one you pushed for in the 103rd Congress.

During your first four years in office you have pursued a strong, wide-ranging political reform agenda. You imposed the toughest ethics code on your political appointees, closed the tax provision that allowed corporations to deduct the cost of lobbying expenses, signed the Motor Voter law, and cut the White House staff by 25 percent. Last year, you signed two major reform bills that you had promised to enact when you ran for office in 1992. The Congressional Accountability Act which requires Members of Congress to live by the laws of the land and the Lobbying Disclosure Act.

McCain-Feingold includes many of the campaign finance reform ideas that you first championed in *Putting People First*. These include:

- **Spending Limits and Benefits:** Campaign spending limits would be based on each State's voting-age population.
- **Free Broadcast Time:** Candidates would be entitled to 30 minutes of free broadcast time.

- **Broadcast Discount:** Broadcasters would be required to sell advertising to a complying candidate at 50 percent of the lowest unit rate.
- **Reduced Postage Rate:** Candidates would be able to send up to two pieces of mail to each voting-age resident at the lowest 3rd class non-profit bulk rate.
- **New Variable Contribution Rate:** If a candidate's opponent does not abide by the spending limits or exceeds the limits, the complying candidate's individual contribution limit is raised from \$1,000 to \$2,000 and the complying candidate's spending ceiling is raised by 20 percent.
- **Political Action Committees (PAC) Ban:** The bill would ban PAC contributions to candidates. However, if the PAC ban is ruled unconstitutional, then the PAC contribution would be lowered to \$1,000.
- **Franked Mailings:** Franked mailings are banned in a campaign year.
- **Personal Funds:** Complying candidates cannot spend more than \$250,000 from their personal funds.
- **Bundling:** The bundling of campaign contributions is banned.

*Review Summary on Aid
of belts
PJM*

CFR

The Bipartisan Clean Congress Act of 1995 and Senate Campaign Finance Reform Act of 1995

| | <u>H.R. 2566</u> (Meehan-Smith) | <u>S 1219</u> (McCain-Feingold-Thompson) |
|----------------------------------|---|--|
| PAC Contributions | Eliminates PAC contributions in federal elections. If the ban is ruled unconstitutional, it would limit individual PAC contributions to \$1,000 per election (the same as an individual contribution) and aggregate PAC contributions to any candidate to 25% of the spending limit. | Ban on PAC contributions. If the ban is ruled unconstitutional, backup limits will also be included. They will require candidates to raise less than 20% of their campaign funds from PACs and will lower the PAC contribution limits from \$5,000 to \$1,000 . |
| Voluntary Spending Limits | Sets a limit of \$600,000 in House races with benefits of TV, radio, and postage rate discounts for political advertising. Candidates purchasing TV or radio time 30 days prior to a primary election or 60 days before a general election shall be charged 50% below the lowest charge for the same amount of time for the same period on the same date. Postage rate discount --3 mailings to the voting-age population of the congressional district; 3rd-class, special nonprofit bulk rate. | Spending limits would be based on each state's voting-age population, ranging from a high of \$8.1 million in a large state like California to a low of \$1.5 million in a smaller state like Wyoming. Candidates that voluntarily comply with spending limits would receive free broadcast time (30 min. of free time during prime time), broadcast discounts (at 50% of the lowest rate available), reduced postage rate (send up to 2 pieces of mail to each voting-age resident at the lowest 3rd-class nonprofit bulk rate). |
| Personal Funds | Candidates who agree to this system must also limit personal funds to their campaign, large contributions and out-of-district donations. If their opponents do not adhere to these limits, then complying candidates would receive more generous contribution and spending limits . (See bill for exact figures) | If a complying candidate is faced with an opponent who declares an intent to spend personal funds in excess of \$250,000 , the individual contribution limits are raised for complying candidate from \$1,000 to \$2,000 . |
| Home State Contributions | Requires candidates to raise 60% of contributions from within their home state. At least 50% of the home state amount shall come from individuals residing in the candidate's congressional district. | Requires candidates to raise 60% of contributions from within their home state. |
| Individual Contributions | Caps individual contributions exceeding \$250 to an aggregate limit of no more than 25% of the spending limit. | |

**Lobbyist
Contributions**

Limits contributions from registered lobbyists to \$100 per election (current limit is \$1,000 per election)

Franked Mail

Bans franked mass mailings in the calendar year of an election.

Bans franked mass mailings in the calendar year of an election.

Soft Money

Eliminates the use of soft money in federal elections. **Political parties--no national party committee** may solicit, receive, or spend any funds which are not subject to limitations, prohibitions, or reporting requirements under federal law. This would prohibit national committees from raising unlimited funds for "non-federal" accounts, which have been used to influence federal elections. **State or local party committees** which engage in any activity in a federal election year which might affect the outcome of a federal election can spend only funds subject to limitations, prohibitions and reporting requirements of the Act for such activities. Certain listed state campaign activities are expressly exempted from this requirement. Funds spent by state or local party committees to raise funds to be used for any activity which might affect the outcome of a federal election are also subject to the requirements of federal election law. **No candidate for federal office or federal officeholder** can solicit or receive any funds in connection with a federal election unless such funds are subject to the limitations, prohibitions and reporting requirements of the Act.

No candidate for federal office or federal officeholder can establish or control a **501(c) tax exempt organization** if the organization raised money from the public. **Persons other than political parties--**Requires greater closure for internal communications by corporations and unions that spend in excess of \$2,000 for any activity which might affect the outcome of a federal election, including voter registration and get-out-the-vote activity and any generic campaign activity. A report of such disbursements must be filed with the FEC within 48 hrs. after the disbursements are made (or within 24 hrs.

New limits and full disclosure of soft money contributions. **Political parties--no national party committee** shall solicit or receive any contributions, donations, or transfers of funds, or spend any funds not subject to the limitations, prohibitions, and reporting requirements of this Act. Any amount expended or dispursed by a **State, district, or local party committee** which might affect the outcome of a Federal election shall be made from funds subject to the limitations, prohibitions, and reporting requirements of this Act. Any amount spent to raise funds that are used to pay the costs of any activity which might affect an election outcome shall be made from funds subject to the limitations, prohibitions, and reporting requirements of this Act for any **national, State, district, or local committee**. **No national, State, district, or local comm.** shall solicit any funds for or make any donations to any organization that is exempt from Federal taxation under 26 U.S.C. **No candidate for Federal office, Federal officeholder, or any agent** of such candidate or officeholder, may solicit receive any funds in connection with any Federal election unless such funds are subject to the limitations, prohibitions, and reporting requirements of this Act. **Persons other than political parties--** If any person to which (sec. 325) does not apply makes disbursements for activities described above in excess of \$2,000, such person should file a statement on or before the date that is 48 hrs. before the disbursements are made or in the case that they are required to be made within 14 days of the election, on or before such 14th day.

for such disbursements made within 20 days after the election).

Bundling

Ends the practice of bundling (grouped donations from individuals from the same organization)

Ban on bundling.

Independent Expenditures

Tightens reporting requirements on independent expenditures.

Clarifies definitions relating to independent expenditures. The person making the expenditure shall include any officer, director, employee, or agent of such person.

Political Advertising

Strengthens the disclaimer requirements for political advertising.

Increased disclosure and accountability for those who engage in political advertising.

Use of Campaign Funds for Personal Purposes

Codifies recent FEC regulations on personal use of campaign funds. Candidates may not use campaign funds for inherently personal purposes.

Bans personal use of campaign funds.

CFR

THE WHITE HOUSE
WASHINGTON

November 9, 1996

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: MICHAEL WALDMAN *MW*

SUBJECT: CAMPAIGN FINANCE REFORM

I will be away next week on a long-scheduled vacation (I thought the President was going to be away, too!). I wanted to give you my thoughts on campaign finance reform, in advance of the leadership meeting.

Though I wouldn't have guessed this a week ago, I believe we are now so far out front on this that it won't be enough to simply mouth support for reform -- we have to push hard to pass something, with all that implies. In other words, I believe that the President's emphatic words on election night and since have resolved the entirely reasonable debate over whether we should risk presidential capital: as far as the press and public is concerned, we are risking that capital. (Or, at the very least, we need to push hard enough that a defeat is seen as clearly Congress' fault.)

Moving quickly. History's one lesson on this issue is that the only chance of accomplishing something is to act quickly. (Now is the time when incumbents are weary of fundraising, less worried than usual about the next election, more anxious to get something done.) I would urge trying to get negotiations started right away. Pushing this off even three months into the session, with a floor vote late next year, will make it much harder.

Staffing. I like to joke that I'll know we are serious about this only when I am not working on it! That's a joke, but it's actually true. I strongly urge that a senior person be put in charge of this issue as their principal responsibility. As of now, it is the very part-time responsibility of any number of people (me, John Hilley, Bruce Reed, etc.), which means it is nobody's responsibility. This needs to be someone empowered to speak for the President, convene and corral the various parts of the White House, involve and guide the party and money people, etc. It could be someone already here, or it could be someone brought in from the outside -- a former Member of Congress, a journalist, whatever. (I would be happy to help whoever this is, but I have a more-than-full-time job as speechwriter, and don't want to play the lead role.) (Remember that this issue has always suffered because there is no cabinet department with "ownership.")

The Hill. I know that there is nervousness because Trent Lott was decidedly chilly on this issue. We should recognize: Congress will never be thrilled about this. They arguably could be roped into doing it with us, however, because they face many of the same pressures we do. Nobody can be seen to be "opposed" to reform.

THE WHITE HOUSE
WASHINGTON

October 31, 1996

MEMORANDUM FOR LEON PANETTA

FROM: Bruce Reed

SUBJECT: Campaign Finance Reform Announcement

Attached is a Q&A which outlines the President's campaign finance reform proposal. The consensus recommendation of the working group is that the President should:

- Strongly restate his endorsement of McCain-Feingold and challenge Congress to pass the bill in the first six months of the next term;
- Announce his support --if Congress cannot find the political will to pass McCain-Feingold -- for the creation of a binding, bipartisan commission on campaign finance reform that will send a reform bill to his desk by the end of next year;
- Call on Congress to include in campaign finance reform legislation a ban on contributions from non-citizens.

With regards to the President's campaign finance reform initiative, there are a couple of issues that could be problematic. First, the working group recommends that the President ask his campaign and the Democratic National Committee (DNC) to stop taking contributions from non-citizens immediately. The DNC is concerned about taking unilateral action and prefers that we wait until Congress passes legislation. Second, the working group recommends that to avoid charges of inconsistency, we should apply the same rule to the President's legal defense fund. At present, the fund does not take money from foreigners but legal immigrants are allowed to contribute. Finally, the Justice Department believes that a ban on contributions from non-citizens may be ruled unconstitutional.

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THE WHITE HOUSE

WASHINGTON

October 31, 1996

MEMORANDUM FOR LEON PANETTA

FROM: Bruce Reed
Paul Weinstein
Peter Jacoby

Michael Waldman
Jim Weber
Elena Kagan

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 a 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.

THE WHITE HOUSE

WASHINGTON

October 30, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: MICHAEL WALDMAN
BRUCE REED

SUBJECT: CAMPAIGN FINANCE REFORM

At your request, here is a memorandum outlining the issues and arguments involving campaign finance reform.

Why reform is needed

It is clear that, this year, the existing system of campaign finance rules and limits has been overwhelmed by a flood of private money.

- Spending on congressional races has roughly quadrupled in the past 15 years. Incumbents are now forced to spend an inordinate amount of time fundraising. Most contributions come from lobbyists and PACs. The arguments for congressional campaign finance reform are well known and well rehearsed.
- This year, public attention has suddenly and dramatically focused on the fastest growing phenomenon – soft money. It has been estimated by the press that each party will raise at least \$100 million in soft money. Critics argue that soft money entirely negates the rules established following the Watergate scandal in 1974. In theory, they assert, a contribution to a federal candidate is limited to \$1000, but in fact individuals give hundreds of thousands of dollars. In theory, they assert, contributions to candidates directly from corporations have been illegal since 1904; in fact, through soft money they occur all the time.
- Independent expenditures are taking on a greater role this year, too. The AFL-CIO's \$35 million, countered by independent spending by business and Christian groups, is entirely outside the limits imposed by campaign spending laws.
- A recent Supreme Court decision struck down existing limits on what political parties could spend to benefit candidates.

Your proposals

In the 1992 campaign, you proposed reform that is markedly similar to the current McCain-Feingold bill. In *Putting People First*, you proposed:

- spending limits;
- free TV time;
- PAC limits (PAC contributions reduced to \$1000);
- and a ban on soft money.

On election night and in the days after, you said that campaign reform would be one of your top priorities. In 1993-94, you proposed a plan, along with the congressional Democratic leadership, that included these elements as well as partial public funding for congressional candidates. (In a compromise with congressional Democrats, it also allowed larger PAC contributions.) This legislation passed both chambers, but the conference committee did not meet for a year. In the last week of the congressional session, the two chambers finally agreed, but it was too late; the Republicans, led by Sen. Dole, filibustered the bill to death. We were criticized for failing to push harder for reform at the time.

The McCain-Feingold bill

This is the first genuinely bipartisan campaign finance reform legislation in over a decade. It resembles very closely the proposal you made in 1992. Its provisions include:

- *Voluntary spending limits* - These would be set at \$600,000 per candidate for the House, and at a level varying by state population for the Senate.
- *Free TV time* - Candidates would be given substantial amounts of free TV time, offered by broadcasters as a condition of receiving a license.
- *PAC limits* - The legislation bans PAC contributions. However, it includes a fallback limiting PAC gifts to \$1000 per election (\$2000 per cycle) should the ban be found unconstitutional - which DOJ believes it almost certainly would.
- *Soft money ban*. Like our 1992 and 1993 proposals, this bill would ban large soft money contributions (which it defines as money given to federal or state parties that is designed to influence a federal election). This provision would, in effect, have prevented large contributions from individuals and foreign-owned corporations. (The original McCain-Feingold bill did not specifically address non-citizen contributors or foreign-owned corporations. However, the sponsors have indicated that when they introduce the bill again, it will ban these gifts.)

You endorsed this bill in concept during the 1995 State-of-the-Union, and by name in New Hampshire the next month. Senator Dole refused to allow it to come to the floor of the Senate. After his departure, it was brought to the floor. A majority of Senators supported it (54), but it fell 6 votes short of breaking the GOP filibuster.

The "Handshake" – a bipartisan commission

On June 11, 1995, you agreed publicly with Speaker Gingrich to set up a bipartisan commission, modeled on the base-closing commission, to devise campaign finance reforms.

When you wrote to Speaker Gingrich outlining how it could work, he rebuffed the proposal, complaining it had been made publicly. He failed to respond for months thereafter. It was clear that, under pressure from the House Republican caucus, he was backing away from the proposal.

On August 4, 1995, in a last-ditch attempt to revive the commission idea, you announced that you would appoint two distinguished citizens – John Gardner and Doris Kearns Goodwin – as your appointees to help get the commission started. On your behalf, Gardner called the Speaker's office, and was also rebuffed. Goodwin called Dole's office, who told her that they would only move forward if Gingrich did. In the fall, Gardner quietly withdrew from the effort, and the commission negotiations expired.

In June, 1996, on his last day in office, Sen. Dole introduced legislation setting up a commission that was almost identical to your proposal. He had been a public supporter of such an idea previously, as well.

Today, reform groups and the press are demanding action on legislation, not a commission. They argue that a commission is a stalling tactic, and that McCain-Feingold is bipartisan reform.

Elements of a commission proposal

To work, a commission would have to be bipartisan, distinguished, have tight deadlines, and a mechanism for forcing congressional action. Here is the proposal you made in June, 1995 (which, at the time, was praised as a strong proposal):

- the commission would be bipartisan – 8 members, appointed by the President with the advice and consent of Congress. The President would get two appointees; the Democratic leaders would recommend two; the Speaker would recommend two; and the Senate Majority Leader would recommend two. You also proposed that the members not be Members of Congress or the administration, or officers or counsel to the political parties.
- Firm deadline – Your proposal in 1995 included a 6 month deadline for reporting to Congress.
- "Fast track" consideration for proposals – You proposed that the commission's legislative recommendations be sent first to the President, who sends them on to Congress. They would then be considered on the "fast track" – an up-or-down vote, with no amendments, within 30 days.

Constitutional amendment

In recent years, some Democratic members of Congress have proposed a Constitutional Amendment to address campaign finance reform.

The Supreme Court's 1975 *Buckley v. Valeo* decision held that the First Amendment protects campaign contributions and campaign spending, and that the only permissible rationale for limiting them was narrowly tailored to stopping outright corruption. The court then struck down binding spending limits, and also limits on independent expenditures.

The Court has given recent indication that it intends to read this doctrine even more broadly. In June, it sided with the GOP and struck down limits on party spending.

Sen. Daschle and Rep. Gephardt both have suggested a constitutional amendment that would give Congress the power to regulate campaign spending. This would allow legislation to limit candidate spending, party spending, and independent expenditures.

Such an amendment has been defeated several times on the Senate floor, when it was offered by Sen. Hollings as an alternative to Democratic campaign finance reform legislation.

Common Cause and the other reform groups have opposed the amendment when it has been brought to a vote, because they believe reform can be accomplished under the *Buckley v. Valeo* regime, and because they see it as an evasion of the need for immediate legislation. After all, even if the amendment is passed, Congress would still have to pass campaign finance reform.

11-01-96 04:50PM

THOMAS A. DASCHLE
SOUTH DAKOTA

United States Senate
Office of the Democratic Leader
Washington, DC 20510-7020

FOR IMMEDIATE RELEASE
Friday, November 1, 1996

Contact: Molly Rowley
(202) 224-2939

**DASCHLE BACKS PRESIDENT'S CALL FOR CAMPAIGN FINANCE
REFORM IN FIRST SIX MONTHS OF NEXT CONGRESS**

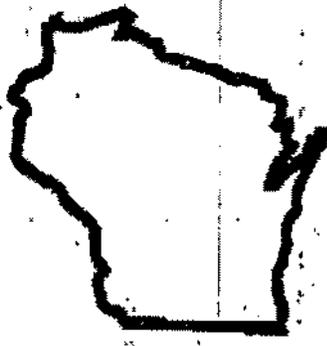
Following is a response by Senate Democratic Leader Tom Daschle to President Clinton's call today for Congress to pass comprehensive campaign finance reform in the first six months of the next Congress:

"I agree with the President that there is no excuse for waiting to pass real campaign finance reform. I'm ready to work with him to pass the McCain-Feingold reforms in the first six months of the next Congress. I hope Republican leaders will match that commitment.

"Ultimately, we may need a constitutional amendment to fix everything that's wrong with the campaign finance system. But we don't need a constitutional amendment to start making changes.

"The McCain-Feingold proposals are the first step. We need to end the spending race by putting limits on campaign spending, setting reasonable limits on PACs, and closing the loopholes that allow corporations to get around the limits in the current law. We also need tougher enforcement of the campaign finance rules. The next Congress can make these changes immediately -- if there is the political will to do it."

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News From: _____

U.S. Senator Russ Feingold

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(202) 224-3321

<http://www.senate.gov/~feing>

Statement By Senator Russ Feingold In Response To President Clinton's Remarks on Campaign Finance Reform 11/1/96

Today, President Clinton reiterated his strong support for campaign finance reform, and specifically the bipartisan legislation I have introduced with Republican Senators John McCain and Fred Thompson. It is important to note that our bipartisan proposal, the first of its kind in over a decade, has received the endorsement of President Clinton, Ross Perot, Common Cause, Public Citizen, the AARP, dozens of Republican and Democratic lawmakers and some 60 newspapers nationwide.

I believe the American people are eager to hear the President's call for action on this critical issue and his effort to garner bipartisan support for reform. As a new poll by the Center for Responsive Politics clearly indicates, Americans are fed up with the tidal wave of campaign cash flowing through Washington, and the levels of support for comprehensive campaign finance reform have not been this high since the dark days of Watergate.

As the President pointed out, we have the valuable opportunity to fundamentally change the current system. For starters, the McCain-Feingold proposal would shut down the unregulated and unlimited "soft money" system that has allowed corporations, labor unions and wealthy individuals to contribute literally millions of dollars to the two political parties. In addition, our proposal, for the first time ever, would give challengers who are not wealthy or well-connected the opportunity to run a competitive campaign against entrenched incumbents. Our proposal simply offers greater and less expensive access to the broadcast media in exchange for a candidate's voluntary agreement to abide by an overall cap on their campaign spending, to limit how much of their personal wealth they spend, and to agree to raise at least 60 percent of their contributions from individuals in their home states.

In response to charges that President Clinton's action is too little too late, let me point out that Bill Clinton has done a great deal more to champion the cause of campaign finance reform than Bob Dole, who as Senate majority leader did everything he could to block Senate consideration of this issue, including his leading the opposition to a Sense of the Senate resolution I offered in 1995 that stressed the importance of campaign finance reform and urged the Senate to consider bipartisan legislation before the end of 1996. Three-fourths of what Mr. Dole proposed this morning is either already in the McCain-Feingold bill, or in the case of restrictions on foreign contributions, will be when it is reintroduced. Bob Dole should just endorse this bill, as President Clinton has done.

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317 First St., Room 107
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425 State St., Room 232
La Crosse, WI 54603
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Green Bay, WI 54303
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Our campaigns have increasingly become more about dollars and cents and less about issues and ideas. This year's explosion in campaign spending, estimated to cost some \$1.6 billion at the federal level, highlights the desperate need to address this issue early in the next Congress. It is paramount that we consider bipartisan campaign reform in the first 100 days of the 105th Congress, and regardless of the outcome of next week's election, I hope that Democrats and Republicans can work together to achieve that goal. When the partisan sniping of the current election is over, I hope we can truly forge a bipartisan consensus.

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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.

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 a 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.

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 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 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: *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. Before leaving Congress, Senator Dole introduced a bill to create a campaign finance reform commission. The President doesn't believe we need another study and that a commission is just delay real 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, 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.

10/13/96 6 15pm

CAMPAIGN FINANCE REFORM INSERT
TO STUMP SPEECH

And on another critical issue that is now before us, your vote will decide. And that issue is campaign finance reform.

We must make this democracy work for the people it is meant to serve. Campaign spending has spiraled out of control. Too much money is pouring in from too many large special interests, and not enough ordinary citizens. The voices of the powerful continue to shout louder than those of the people. We must make our government work for the national interest, not narrow interests; we must make sure that politics serves the people.

My presidential campaign voluntarily accepts no PAC money, and abides by strict limits on what can be spent and on the size of individual contributions. But the law doesn't apply those rules to the political parties, and both parties have used these rules to the fullest to raise money and compete.

Over the past decades, we have made reforms, and we have made some progress. But we have to be honest with ourselves and with the American people: the rules in place today have failed to limit the role of big money.

Both parties have used the rules to raise every dime they can to compete against each other. In this election cycle, the Democratic party has raised \$241 million, and the Republicans, \$209 million. That's what today's rules allow. We all know that America would be better off if the rules were changed.

Throughout my public life, I have fought for political reform. In Arkansas, when the state legislature refused to pass political reform, I went to the people and passed it in a referendum.

We barred top officials from lobbying their own agencies for five years after leaving office.

And we barred them from ever representing foreign governments and foreign companies. The days of the revolving door, when top trade negotiators left to work for the very countries they were negotiating against, are over.

We passed the most sweeping lobbying disclosure bill in 50 years. From now on, professional lobbyists must disclose who they work for, what they are spending, and what bills they are trying to pass or kill.

I challenged Congress to ban gifts from lobbyists -- and they did.

We passed the line-item veto, so the President can stop special interest pork from

becoming law -- the motor voter law to register millions of voters -- the congressional accountability act, to apply to Congress the same laws they pass for everyone else.

And I have fought for real campaign finance reform. I proposed a tough bill which I came into office -- a bill supported by every major reform group in America -- but the Congress wouldn't pass it, and the Republicans -- led by my opponent -- filibustered it to death.

It is clear that the only way to win reform is to do it in a truly bipartisan way. In 1995, when I met with Speaker Gingrich at a town hall in New Hampshire, a citizen asked us if we would create a bipartisan commission -- and we agreed. I believed it offered a real chance for bipartisanship and for action. I even appointed two distinguished citizens to help get it started. But the Republicans walked away. My opponent was then the Majority Leader of the Senate. When we asked him to work with us and establish this commission, he refused.

In fact, campaign finance reform has come before the Senate six congresses in a row. My opponent filibustered it six times. Right before he left office, he blocked his last campaign finance bill.

And we had a chance to take the partisan politics out of this issue this year as well. I supported strong bipartisan legislation that was introduced by Republican Senators John McCain -- my opponent's strong supporter -- and Sen. Fred Thompson, and Democratic Senator Russ Feingold.

They have a good approach. It is based on the principles I ran on in 1992.

We should curb the power of special interests by restricting Political Action Committees and dramatically reducing the amount they can give to candidates. We should ban contributions from lobbyists to those they lobby.

We should end the big money contributions to political parties, known as "soft money." We should prohibit corporations and labor unions from giving directly to parties to help federal candidates. And, for the first time ever, we should restrict the amount that wealthy individuals can give to the parties.

We should set voluntary spending limits for candidates.

And we should give free TV time so that all candidates can talk directly to voters, without the huge and growing expense of buying 30 second ads.

This is a good approach. It was endorsed by Ross Perot, by Common Cause, by the League of Women Voters. It was bipartisan. It was tough. It was real reform.

But my opponent opposed it. He refused to bring it to the floor for a vote. After he left Congress, the legislation was finally voted on. And it was killed by members of my

opponent's party

Today, it is legal for both parties to receive contributions from corporations that are owned by foreign corporations, and from individuals who live here legally but are not yet citizens. The Democrats have raised money this way; so have the Republicans. In fact, the Republicans have raised at least \$2.4 million from foreign corporations -- including foreign tobacco companies, foreign oil companies, foreign automobile manufacturers.

It is time to end this practice. McCain-Feingold will end all corporate contributions. And we should end contributions to either party from individuals who are not citizens. There are many immigrants who play an important role in our country. But the essence of democracy is that the citizens decide. Only citizens can vote, and only citizens should be able to contribute.

And to those who suggest setting up a commission to study this issue, I say: We don't need a study. It is time to end this practice. That should be the rule -- and both parties should abide by it.

There is no more excuse for waiting. Once again, I call on Congress to enact real reform. And delay will merely help those who don't want change. When McCain and Feingold introduce their bill next year, I will introduce it with them. Let's ban foreign contributions, curb the special interests, and open up the airwaves. Let's make it real; let's make it tough; let's make it bipartisan. The American people should know that I personally commit myself and my administration to getting this done, once and for all.

There are many challenges before us as we approach the 21st Century. The challenge of making our democracy work may be the most important of all. Will you help me build that bridge etc.?

PHOTOCOPY
PRESERVATION

Over the last four years, we have worked hard to change business as usual in Washington. During my Presidency, we imposed the toughest Administration ethics on senior government officials, banned gifts from lobbyists to lawmakers, passed the first reform of lobbying rules in almost fifty years, enacted legislation that makes Congress and the White House live by the same laws it applies to the rest of the Nation, signed the historic Line-Item Veto law, and made it easier for millions of Americans to register to vote.

Yet in spite of all these important reforms, our political system is still broken, and needs to be fixed.

The current system of campaign finance laws do not serve the people's interest. There is too much money in politics, and too many special interests holding the purse strings of campaigns. Campaigns have become increasingly negative and debate about real issues gets lost in the onslaught of attack ads.

This is why I continue to strongly support the bipartisan McCain-Feingold campaign finance reform bill. The principles behind this legislation are ones I have supported since I 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.

I also agree with Senators McCain and Feingold that foreigners should not be able to influence our elections. From now on, I will only support campaign finance reform that includes the following principle: Unless you vote, you cannot contribute to candidates for Federal office.

Today, I pledge that I will work with Members on enacting this legislation in the first six months of the next Congress. It is something we must do. However, if the Congress cannot find the political will to pass this bipartisan legislation, then, as a last resort, I will support legislation to establish a binding campaign finance reform commission that will send comprehensive reform legislation to my desk by the end of 1997.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 10/31/96

ACTION/CONCURRENCE/COMMENT DUE BY: 11-1-96 9:30am

CAMPAIGN FINANCE REFORM INSERT

SUBJECT:

| | ACTION | FYI | | ACTION | FYI |
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| VICE PRESIDENT | <input checked="" type="checkbox"/> | <input type="checkbox"/> | McCURRY | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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REMARKS: Comments to this office or to Michael Waldman on the road in Santa Barbara.

RESPONSE:

becoming law ... the motor voter law to register millions of voters ... the congressional accountability act, to apply to Congress the same laws they pass for everyone else.

And I have fought for real campaign finance reform. I proposed a tough bill when I came into office -- a bill supported by every major reform group in America -- but the Congress wouldn't pass it, and the Republicans -- led by my opponent -- filibustered it to death.

It is clear that the only way to win reform is to do it in a truly bipartisan way. In 1995, when I met with Speaker Gingrich at a town hall in New Hampshire, a citizen asked us if we would create a bipartisan commission -- and we agreed. I believed it offered a real chance for bipartisanship and for action. I even appointed two distinguished citizens to help get it started. But the Republicans walked away. My opponent was then the Majority Leader of the Senate. When we asked him to work with us and establish this commission, he refused.

In fact, campaign finance reform has come before the Senate six congresses in a row. My opponent filibustered it six times. Right before he left office, he blocked his last campaign finance bill.

And we had a chance to take the partisan politics out of this issue this year as well. I supported strong bipartisan legislation that was introduced by Republican Senators John McCain -- my opponent's strong supporter -- and Sen. Fred Thompson, and Democratic Senator Russ Feingold.

They have a good approach. It is based on the principles I ran on in 1992.

We should curb the power of special interests by restricting Political Action Committees and dramatically reducing the amount they can give to candidates. We should ban contributions from lobbyists to those they lobby.

We should end the big money contributions to political parties, known as "soft money." We should prohibit corporations and labor unions from giving directly to parties to help federal candidates. And, for the first time ever, we should restrict the amount that wealthy individuals can give to the parties.

We should set voluntary spending limits for candidates.

And we should give free TV time so that all candidates can talk directly to voters, without the huge and growing expense of buying 30 second ads.

This is a good approach. It was endorsed by Ross Perot, by Common Cause, by the League of Women Voters. It was bipartisan. It was tough. It was real reform.

But my opponent opposed it. He refused to bring it to the floor for a vote. After he left Congress, the legislation was finally voted on. And it was killed by members of my

opponent's party.

Today, it is legal for both parties to receive contributions from corporations that are owned by foreign corporations, and from individuals who live here legally but are not yet citizens. The Democrats have raised money this way; so have the Republicans. In fact, the Republicans have raised at least \$2.4 million from foreign corporations -- including foreign tobacco companies, foreign oil companies, foreign automobile manufacturers.

It is time to end this practice. McCain-Feingold will end all corporate contributions. And we should end contributions to either party from individuals who are not citizens. There are many immigrants who play an important role in our country. But the essence of democracy is that the citizens decide. Only citizens can vote, and only citizens should be able to contribute.

And to those who suggest setting up a commission to study this issue, I say: We don't need a study. It is time to end this practice. That should be the rule -- and both parties should abide by it.

There is no more excuse for waiting. Once again, I call on Congress to enact real reform. And delay will merely help those who don't want change. When McCain and Feingold introduce their bill next year, I will introduce it with them. Let's ban foreign contributions, curb the special interests, and open up the airwaves. Let's make it real; let's make it tough; let's make it bipartisan. The American people should know that I personally commit myself and my administration to getting this done, once and for all.

There are many challenges before us as we approach the 21st Century. The challenge of making our democracy work may be the most important of all. Will you help me build that bridge etc.?

Received 11-1-96
10:50 AM

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CAMPAIGN FINANCE REFORM INSERT

**boldfaced sections are the sections
we would like to pre-release to the press**

There is another issue on which your vote will decide -- whether we will reform our politics by passing campaign finance reform.

When I ran for President four years ago, I said I wanted to give the government back to the people. I wanted a government that represents the national interest, not narrow interests . . . a government that stands up for ordinary Americans. That is what I have worked hard to do.

We barred top officials from lobbying their own agencies for five years after leaving office.

And we barred them from ~~ever~~ representing foreign governments and foreign companies. The days of the revolving door, when top trade negotiators left to work for the very countries they were negotiating against, are over.

We passed the most sweeping lobbying disclosure bill in 50 years. From now on, professional lobbyists must disclose who they work for, what they are spending, and what bills they are trying to pass or kill.

I challenged Congress to ban gifts from lobbyists -- and they did.

We passed the line-item veto, so the Presidents can strip special interest pork from legislation . . . the motor voter law to register millions of voters . . . the congressional accountability act, to apply to Congress the same laws they pass for everyone else . . . the White House Accountability Act.

With all these actions, we have made Washington work better, brought politics closer to the people. But there is still more to do. Special interests still have too much say.

Now we have one more big job to do: curbing the power that big special interests have in our elections.

Everybody knows the problems with campaign money: there's too much of it; it takes too much time to raise; and it raises too many questions. The parties are engaged in an escalating arms race; in the past 2 years, the Democrats have raised \$241 million and the Republicans have raised \$399 million.

Raising that much money strains the political system. We have played by the rules. But I know, and you know, that it is time to change the rules.

As President, I have fought for campaign finance reform. I proposed a tough bill when I came into office -- but the Congress wouldn't pass it. The Republicans have been reluctant to

give up their access to big money. And led by my opponent, they filibustered it to death. In fact, campaign finance reform has come before the Senate six congresses in a row. My opponent filibustered it six times. He blocked another one right before he left office.

In 1995, when I met with Speaker Gingrich at a town hall in New Hampshire, a citizen asked us if we would create a bipartisan commission — and we agreed. I believed it offered a real chance for bipartisanship and for action. I even appointed two distinguished citizens to help get it started. But the Republicans walked away. My opponent now says he supports such a commission. But when we had a real chance to succeed, he refused to work with us to start the commission.

And we had a chance to take the partisan politics out of this issue this year as well. I supported strong bipartisan legislation that was introduced by Republican Senators John McCain — my opponent's strong supporter — and Sen. Fred Thompson, and Democratic Senator Russ Feingold.

They have a good approach. It is based on the principles I ran on in 1992.

We should curb the power of special interests by restricting Political Action Committees and dramatically reducing the amount they can give to candidates. We should ban contributions from lobbyists to those they lobby.

We should end the big money contributions to political parties, known as "soft money." We should ban corporations and labor unions from giving directly to parties to help federal candidates. And, for the first time ever, we should restrict the virtually unlimited amount that individuals can now give to the parties.

We should set voluntary spending limits for candidates.

And we should give free TV time so that all candidates can talk directly to voters, without the huge and growing expense of buying 30 second ads.

This is a good approach. It was endorsed by Common Cause and every other major reform group. It was bipartisan. It was tough. It was real reform.

But my opponent opposed it. He refused to bring it to the floor for a vote. After he left Congress to run for President, the Republican leaders finally allowed the legislation to come to a vote. And it was killed by members of my opponent's party.

There is one more issue that reform must deal with.

Today, it is legal for both parties to receive contributions from corporations that are owned by foreign corporations, and from individuals who live here legally but are not citizens. The Democrats have raised money this way, so have the Republicans.

It is time to end this practice. McCain-Feingold would end all corporate contributions. And we should end contributions to either party from individuals who are not citizens. There are many immigrants who play an important role in our country. But the essence of our democracy is that the citizens decide. Only citizens can vote, and only citizens should be able to contribute.

There is no more excuse for waiting. Once again, I call on Congress to enact real reform. And delay will merely help those who don't want change. When McCain and Feingold introduce their bill next year, I will introduce it with them. Real reform will mean a government that is more representative -- not less. The American people should know that I am determined to get this done, once and for all.

We should understand: because in a recent case the Supreme Court has made it impossible to enforce some of the strictest limits, this bill will not solve all our problems. Even as it establishes limits, it will still allow a millionaire to spend endless sums to win office. It may be that further measures are needed. But in the meantime, we have an obligation to act, and act now.

There are many challenges before us as we approach the 21st Century. The challenge of making our democracy work may be the most important of all.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 10/31/96 ACTION/CONCURRENCE/COMMENT DUE BY: ASAP

CAMPAIGN FINANCE REFORM INSERT

SUBJECT: _____

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| VICE PRESIDENT | <input checked="" type="checkbox"/> | <input type="checkbox"/> | McCURRY | <input type="checkbox"/> | <input type="checkbox"/> |
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| HILLEY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| KLAIN | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| LAKE | <input type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| LINDSEY | <input type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS: Comments to Micahel Waldman on the Road

RESPONSE:

10/31/96 6:13pm

CAMPAIGN FINANCE REFORM INSERT
TO STUMP SPEECH

And on another critical issue that is now before us, your vote will decide. And that issue is campaign finance reform.

We must make this democracy work for the people it is meant to serve. Campaign spending has spiralled out of control. Too much money is pouring in from too many large special interests, and not enough ordinary citizens. The voices of the powerful continue to shout louder than those of the people. We must make our government work for the national interest, not narrow interests; we must make sure that politics serves the people.

My presidential campaign voluntarily accepts no PAC money, and abides by strict limits on what can be spent and on the size of individual contributions. But the law doesn't apply these rules to the political parties, and both parties have used these rules to the fullest to raise money and compete.

Over the past decades, we have made reforms, and we have made some progress. But we have to be honest with ourselves and with the American people: the rules in place today have failed to limit the role of big money.

Both parties have used the rules to raise every dime they can to compete against each other. In this election cycle, the Democratic party has raised \$241 million, and the Republicans, \$399 million. That's what today's rules allow. We all know that America would be better off if the rules were changed.

Throughout my public life, I have fought for political reform. In Arkansas, when the state legislature refused to pass political reform, I went to the people and passed it in a referendum.

Same conv. to DC
 We barred top officials from lobbying their own agencies for five years after leaving office.

And we barred them from ever representing foreign governments and foreign companies. The days of the revolving door, when top trade negotiators left to work for the very countries they were negotiating against, are over.

We passed the most sweeping lobbying disclosure bill in 50 years. From now on, professional lobbyists must disclose who they work for, what they are spending, and what bills they are trying to pass or kill.

I challenged Congress to ban gifts from lobbyists -- and they did.

We passed the line-item veto, so the President can stop special interest pork from

becoming law ... the motor voter law to register millions of voters ... the congressional accountability act, to apply to Congress the same laws they pass for everyone else.

And I have fought for real campaign finance reform. I proposed a tough bill when I came into office -- a bill supported by every major reform group in America -- but the Congress wouldn't pass it, and the Republicans -- led by my opponent -- filibustered it to death.

} NO

It is clear that the only way to win reform is to do it in a truly bipartisan way. In 1995, when I met with Speaker Gingrich at a town hall in New Hampshire, a citizen asked us if we would create a bipartisan commission -- and we agreed. I believed it offered a real chance for bipartisanship and for action. I even appointed two distinguished citizens to help get it started. But the Republicans walked away. My opponent was then the Majority Leader of the Senate. When we asked him to work with us and establish this commission, he refused.

} NO

In fact, campaign finance reform has come before the Senate six congresses in a row. My opponent filibustered it six times. Right before he left office, he blocked his last campaign finance bill.

} NO

And we had a chance to take the partisan politics out of this issue this year as well. I supported strong bipartisan legislation that was introduced by Republican Senators John McCain -- my opponent's strong supporter -- and Sen. Fred Thompson, and Democratic Senator Russ Feingold.

They have a good approach. It is based on the principles I ran on in 1992.

We should curb the power of special interests by ^{banning contributions from} restricting Political Action Committees and dramatically reducing the amount they can give to candidates. We should ban contributions from lobbyists to those they lobby.

We should end the big money contributions to political parties, known as "soft money." We should prohibit corporations and labor unions from giving directly to parties to help federal candidates. And, for the first time ever, we should restrict the amount that wealthy individuals can give to the parties.

We should set voluntary spending ~~spending~~ limits for candidates.

And we should give free TV time so that all candidates can talk directly to voters, without the huge and growing expense of buying 30 second ads.

This is a good approach. It was endorsed by Ross Perot, by Common Cause, by the League of Women Voters. It was bipartisan. It was tough. It was real reform.

But my opponent opposed it. He refused to bring it to the floor for a vote. After he left Congress, the legislation was finally voted on. And it was killed by members of my

} NO

opponent's party.

Today, it is legal for both parties to receive contributions from ^{subsidiaries} corporations that are owned by foreign corporations, and from individuals who live here legally but are not yet citizens. The Democrats have raised money this way; so have the Republicans. In fact, the Republicans have raised at least \$2.4 million from foreign corporations -- including foreign tobacco companies, foreign oil companies, foreign automobile manufacturers.

It is time to end this practice. McCain-Feingold will end all corporate ^{campaign} contributions. And we should end contributions to either party from individuals who are not citizens. There are many immigrants who play an important role in our country. But the essence of democracy is that the citizens decide. Only citizens can vote, and only citizens should be able to contribute.

Not wait. Everybody has it from now on, we are shod. Direct DMC to stop when it comes to this, foreign. Not wait for Congress's challenge other parties to do the same.

And to those who suggest setting up a commission to study this issue, I say: We don't need a study. It is time to end this practice. That should be the rule -- and both parties should abide by it.

There is no more excuse for waiting. Once again, I call on Congress to enact real reform. And delay will merely help those who don't want change. When McCain and Feingold introduce their bill next year, I will introduce it with them. Let's ban foreign contributions, curb the special interests, and open up the airwaves. Let's make it real; let's make it tough; let's make it bipartisan. The American people should know that I personally commit myself and my administration to getting this done, once and for all.

There are many challenges before us as we approach the 21st Century. The challenge of making our democracy work may be the most important of all. Will you help me build that bridge etc.?

Feingold OK

November 1, 1996

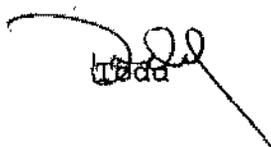
Michael --

I would revise the 5th paragraph of the 6:15 pm version of the campaign finance insert as follows:

"Both parties, the Democrats and Republicans, have used the rules to raise every dime they can to compete against each other. In this election cycle, my party has raised \$241 million and Senator Dole's party has raised even more -- \$399 million. That's what today's rules allow and the unfortunate fact is that if you're going to compete effectively, you need to play by those rules. But make no mistake -- we all know that America would be better off if those rules were changed."

Purpose of this change is that, in my view, it is important for the President to express some recognition that he is not simply above this all -- that it isn't some disembodied Republicans and Democrats out there who are raising all this money -- but that his party (and Dole's party) have done it; that you can't really avoid doing it by today's rules; but that those rules need to be changed. In other words, I think it important that the President take some ownership for this (though certainly no more than Dole) and not suggest that it's all separate and apart from him.

I think the rest of the insert is on target and properly lays blame for lack of progress at Dole's feet. But I think you only get there effectively if you've done what I'm suggesting first.



Todd

cc: Bruce Reed

DEMOCRATIC NATIONAL COMMITTEE

Campaign Finance Reform

Donald L. Fowler
National Chair

To: Harold, Jack, Bruce R.

Christopher J. Dodd
General Chair

Looks to me as striking the right tone.

OFFICE OF THE GENERAL COUNSEL *Please let me*
FAX TRANSMITTAL SHEET *know what you*

think

KW

DATE: 4/16 FAXED: _____ VERIFIED BY: _____

TO: CATHY WALLMAN

OF PAGES: (including cover): 9 FAX #: 456 6279

FROM: JOE SANDLER

PHONE #: JOE SANDLER 202-863-7110, WANDA WHEELER 202-863-7108, NEIL REIFF 202-479-5111

IF YOU HAVE ANY PROBLEMS WITH THIS TRANSMISSION,

PLEASE CALL _____ AT (202) _____

COMMENTS: *For your review. Since we need to get this to the Committee today, I would greatly appreciate it if you could review this & call me as soon as possible. Thanks!*

Tues.

PHONE #: (202) 863-8000
FAX #: (202) 863-8081/8012

THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED. THE MESSAGE MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF THE READER OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT OR THE EMPLOYEE OR A AGENT RESPONSIBLE FOR DELIVERING THE MESSAGE TO THE INTENDED RECIPIENT. YOU ARE NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION, OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY US IMMEDIATELY BY TELEPHONE AND RETURN THE ORIGINAL MESSAGE TO US AT THE ADDRESS BELOW VIA THE U.S. POSTAL SERVICE. THANK YOU.

DRAFT 2 4/16/96

FOR YOUR INTERNAL REVIEW ONLY! DO NOT RELEASE

TESTIMONY OF DONALD L. FOWLER
NATIONAL CHAIRMAN
DEMOCRATIC NATIONAL COMMITTEE

before the
Committee on Rules and Administration
United States Senate

April 17, 1996

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss the issue of campaign finance reform.

The President has made clear his strong commitment to reforming our campaign finance system. We are proud of that commitment and of the hard work the President has already put into this challenging endeavor. Together with lobbying and ethics reforms, on which the Administration and the Congress have already made so much progress, reforming the campaign finance system is something we have to do as part of the massive task of restoring the confidence of ordinary citizens in our institutions of government. Democracy does not and cannot work when vast numbers of people believe the government no longer belongs to them. For these reasons, we support S. 1219, the McCain-Feingold bill, as a bipartisan framework for campaign finance reform. Through

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enactment of McCain-Feingold with these enhancements, we can achieve meaningful campaign finance reform while preserving and enhancing the role of the political parties.

Let me offer some thoughts about the need to strengthen the political parties. Although I am here as National Chairman of the Democratic National Committee, I view these issues from the perspective of my own experiences--as a person who has long been interested in and involved in the political process and, most of all, as someone who has spent 30 years working at every level of party organization. It has been my privilege to serve, over those years, as chairman of my own state party in South Carolina and, for almost 25 years, as a member of the DNC.

During those years, I have witnessed--as all of us have--a significant weakening of the parties as institutions and a decline in their role in American political life. It used to be that the parties were one of the key means by which citizens felt connected to the people who represented them. Through precinct and neighborhood organizations, ordinary citizens were directly involved in the workings of the party; local party officials were in touch with the citizens and in turn reflected their views and needs to the party hierarchy and elected officials. Because parties provided many of the resources their candidates needed to get elected and re-elected, candidates were directly dependent on parties, and once in office, felt a responsibility to the party

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leadership in the Congress and legislative bodies. The result was a linkage between the people, the party and elected officials that has been sorely lacking in recent years.

There are many reasons for the decline of political parties; volumes have been written on the subject. One key factor, to be sure, is the dominance of television. Campaigning used to be a retail business in which parties played a central role in linking people with their government, by performing many basic public and political functions, including voter registration, persuasion and get out the vote. Television shifted campaigning to a business of wholesale, mass communications in which each candidate is required to formulate her own message, to create her own organization and to raise her own substantial funds to get the message on television. And so we have seen candidates increasingly forced to act as individual entrepreneurs, less and less connected to parties.

It is not surprising (and no accident) that the shrinking role of parties has been accompanied by growing alienation of the American people from, and cynicism about, politics and politicians. The linkage, the involvement, once provided by parties is missing. And into the vacuum created by that shrinkage have come any number of institutions, primarily special interest groups of all sorts who now play the key role in brokering the relationship between the citizens and their elected officials. It is these special interest groups who now represent, or purport to represent, various segments

of the population to members of Congress and legislators at all levels of government.

If this entire trend has been an unhealthy one for our democracy--and I believe it has been--than surely part of the solution is to find ways to strengthen political parties as institutions and to enhance and expand their role in American political life.

Part of that burden falls on the party organizations themselves. And in that regard, I am proud to say that our General Chairman, Senator Chris Dodd, and I have made it a priority to begin the business of rebuilding the Democratic Party at the grassroots. We are intensively involved, right now, in building and developing a stronger staff, improving our technology and strengthening the infrastructure of our state party organizations. We have initiated a new national precinct organization program that I believe will be the first step in getting ordinary citizens in their neighborhoods involved in the actual work of the party once again.

We can already point to one significant accomplishment in this respect, which is the development of a model we call the "coordinated campaign." Beginning in the 1990 election cycle, and increasingly since that time, the National Democratic Party has made it a priority to have our state parties create and carry out

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plans to perform the core functions of voter registration, identification, voter contact and get out the vote jointly on behalf of Democratic candidates up and down the ticket.

These Coordinated Campaigns make use of the current legal ability of state parties to conduct grassroots volunteer activities on behalf of federal candidates without counting against contribution and expenditure limits. Coordinated campaigns have been extremely successful--not only in getting our candidates elected, but in unifying candidates around common messages and themes and making the parties, as institutions, once again, a principal vehicle of support for candidates--and thus critically important players in the system.

With that background, let me turn to some fundamental principles that I believe should guide the Congress in formulating campaign finance reform legislation. As the President has articulated, real campaign finance reform must focus on four objectives:

- o First, limit campaign spending;
- o Second, restrict the role of special interests, including PACs;
- o Third, open up the airwaves to all viable candidates; and
- o Fourth, ban the use of soft money, directly or indirectly, in federal campaigns.

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As you know, Mr. Chairman, the President has expressed his support for S. 1219, the McCain-Feingold bill, as the bipartisan framework for accomplishing meaningful campaign finance reform. I am pleased to note that this legislation is also co-sponsored by our General Chair, Senator Dodd.

The McCain-Feingold bill would effectively serve the major goals of campaign finance reform as outlined by the President. First, it would limit campaign spending. The bill would encourage candidates to observe voluntary spending limits in exchange for reduced rate broadcast time and low-cost mailing rates, and by raising contribution limits for a complying candidate facing a non-complying opponent.

Second, the bill would restrict the role of special interests by banning PAC contributions to candidates.

Third, the bill would open up the airwaves by offering reduced rates for broadcast time to candidates complying with the spending limits.

Finally, the bill would ban the use of soft money to help federal candidates. Specifically, the bill would prohibit national parties from raising or spending soft money for their own operations. It would also prohibit state parties from spending non-federal, or soft, money for generic campaign activity and for

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any portion of candidate-specific activity that affects federal candidates. The bill would, however, permit state parties to use non-federal funds, as permitted by state law, for a portion of their administrative expenses, for party meetings and conventions and for activities affecting only state and local candidates.

Under McCain-Faingold, the state parties would continue to be able to conduct an unlimited amount, not only of generic voter registration and get out the vote activity, but also of candidate-specific activity using volunteers--distribution of literature, signs and other materials, mailings handled by volunteers and, for the Presidential campaign, get out the vote phoning, door to door canvassing and similar activities.

These provisions would enhance the role of the parties in several ways. First, with PAC contributions eliminated, the role of the parties' activity on behalf of candidates would become relatively more important. The resources the parties could contribute would consist not only of cash expenditures subject to section 441a(d) limits, but also volunteer grassroots activities which would remain unlimited. These would represent a greater proportion than they now do of the candidate's total resources.

Second, with spending caps imposed on candidates, candidates would require less total contributions than they do now, and more federally-permissible funds would be freed to be contributed to the

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parties.

Third, the spending caps would mean that parties would be spending more than they now do relative to candidates, both for candidate specific activity and for activity that benefits the entire ticket. In the total universe of political money, the parties would become more significant players.

In closing, Mr. Chairman, let me say that the Democratic National Committee stands ready to work with your Committee and its staff in refining the provisions of the McCain-Feingold bill to develop a bipartisan measure that will achieve real reform while preserving and enhancing the role of the political parties. I know the President remains more strongly committed than ever to seeing this task completed, during the current session of Congress. And if this Congress can accomplish that task, you will have rendered an enormous service to the American people and you will have done much to brighten the future of our democracy.

Thank you very much and I would be pleased to answer any questions you may have.

Campaign finance reform

February 27, 1996

FROM: Paul Weinstein

SUBJECT: Campaign Finance Reform

Attached please find a copy of a side by side comparison our office compiled regarding H.R. 2566 (The Bipartisan Clean Congress Act of 1995) and S. 1219 (The Senate Campaign Finance Reform Act of 1995).

Thank you for your cooperation.

The Bipartisan Clean Congress Act of 1995 and Senate Campaign Finance Reform Act of 1995

H.R. 2566 (Meehan-Smith)

S 1219 (McCain-Feingold-
Thompson)

**PAC
Contributions**

Eliminates PAC contributions in federal elections. If the ban is ruled unconstitutional, it would limit individual PAC contributions to \$1,000 per election (the same as an individual contribution) and aggregate PAC contributions to any candidate to 25% of the spending limit.

Ban on PAC contributions. If the ban is ruled unconstitutional, backup limits will also be included. They will require candidates to raise less than 20% of their campaign funds from PACs and will lower the PAC contribution limits from \$5,000 to \$1,000.

**Voluntary
Spending
Limits**

Sets a limit of \$600,000 in House races with benefits of TV, radio, and postage rate discounts for political advertising. Candidates purchasing TV or radio time 30 days prior to a primary election or 60 days before a general election shall be charged 50% below the lowest charge for the same amount of time for the same period on the same date. Postage rate discount—3 mailings to the voting-age population of the congressional district; 3rd-class, special nonprofit bulk rate.

Spending limits would be based on each state's voting-age population, ranging from a high of \$8.1 million in a large state like California to a low of \$1.5 million in a smaller state like Wyoming. Candidates that voluntarily comply with spending limits would receive free broadcast time (30 min. of free time during prime time), broadcast discounts (at 50% of the lowest rate available), reduced postage rate (send up to 2 pieces of mail to each voting-age resident at the lowest 3rd-class nonprofit bulk rate).

Personal Funds

Candidates who agree to this system must also limit personal funds to their campaign, large contributions and out-of-district donations. If their opponents do not adhere to these limits, then complying candidates would receive more generous contribution and spending limits. (See bill for exact figures)

If a complying candidate is faced with an opponent who declares an intent to spend personal funds in excess of \$250,000, the individual contribution limits are raised for complying candidate from \$1,000 to \$2,000.

**Home State
Contributions**

Requires candidates to raise 60% of contributions from within their home state. At least 50% of the home state amount shall come from individuals residing in the candidate's congressional district.

Requires candidates to raise 60% of contributions from within their home state.

**Individual
Contributions**

Caps individual contributions exceeding \$250 to an aggregate limit of no more than 25% of the spending limit.

Lobbyist Contributions

Limits contributions from registered lobbyists to \$100 per election (current limit is \$1,000 per election)

Franked Mail

Bans franked mass mailings in the calendar year of an election.

Bans franked mass mailings in the calendar year of an election.

Soft Money

Eliminates the use of soft money in federal elections. **Political parties--no national party committee** may solicit, receive, or spend any funds which are not subject to limitations, prohibitions, or reporting requirements under federal law. This would prohibit national committees from raising unlimited funds for "non-federal" accounts, which have been used to influence federal elections. **State or local party committees** which engage in any activity in a federal election year which might affect the outcome of a federal election can spend only funds subject to limitations, prohibitions and reporting requirements of the Act for such activities. Certain listed state campaign activities are expressly exempted from this requirement. Funds spent by state or local party committees to raise funds to be used for any activity which might affect the outcome of a federal election are also subject to the requirements of federal election law. **No candidate for federal office or federal officeholder** can solicit or receive any funds in connection with a federal election unless such funds are subject to the limitations, prohibitions and reporting requirements of the Act.

No candidate for federal office or federal officeholder can establish or control a **501(c) tax exempt organization** if the organization raised money from the public. **Persons other than political parties--Requires greater closure** for internal communications by corporations and unions that spend in excess of \$2,000 for any activity which might affect the outcome of a federal election, including voter registration and get-out-the-vote activity and any generic campaign activity.

A report of such disbursements must be filed with the FEC within 48 hrs. after the

New limits and full disclosure of soft money contributions. Political parties--no national party committee shall solicit or receive any contributions, donations, or transfers of funds, or spend any funds not subject to the limitations, prohibitions, and reporting requirements of this Act. Any amount expended or dispensed by a **State, district, or local party committee** which might affect the outcome of a Federal election shall be made from funds subject to the limitations, prohibitions, and reporting requirements of this Act. Any amount spent to raise funds that are used to pay the costs of any activity which might affect an election outcome shall be made from funds subject to the limitations, prohibitions, and reporting requirements of this Act for any **national, State, district, or local committee**. **No national, State, district, or local comm.** shall solicit any funds for or make any donations to any organization that is exempt from Federal taxation under 26 U.S.C. **No candidate for Federal office, Federal officeholder, or any agent** of such candidate or officeholder, may solicit receive any funds in connection with any Federal election unless such funds are subject to the limitations, prohibitions, and reporting requirements of this Act. **Persons other than political parties--** If any person to which (sec. 325) does not apply makes disbursements for activities described above in excess of \$2,000, such person should file a statement on or before the date that is 48 hrs. before the disbursements are made or in the case that they are required to be made within 14 days of the election, on or before such 14th day.

disbursements are made (or within 24 hrs. for such disbursements made within 20 days after the election).

Bundling

Ends the practice of bundling (grouped donations from individuals from the same organization)

Ban on bundling.

Independent Expenditures

Tightens reporting requirements on independent expenditures.

Clarifies definitions relating to independent expenditures. The person making the expenditure shall include any officer, director, employee, or agent of such person.

Political Advertising

Strengthens the disclaimer requirements for political advertising.

Increased disclosure and accountability for those who engage in political advertising.

Use of Campaign Funds for Personal Purposes

Codifies recent FEC regulations on personal use of campaign funds. Candidates may not use campaign funds for inherently personal purposes.

Bans personal use of campaign funds.

THE WHITE HOUSE

WASHINGTON

February 27, 1996

*Campaign Finance
reform*

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Paul Weinstein

SUBJECT: Campaign Finance Reform and Free Television

On Monday February 26, Rupert Murdoch pledged to provide free air time on his Fox Television Network to leading presidential candidates this fall, including an hour on election eve. Under Murdoch's proposal Fox would devote one hour of prime time -- a half hour each for the Democratic and Republican nominees -- to address the American public. Fox's two hundred affiliates would have the option of carrying the segments. Murdoch also promised to give candidates up to ten minutes of time to address ten issues, which would be identified by the public. The spots would air three to four weeks before the general election.

The purpose of this memorandum is to provide you with background on the President's and your position on campaign finance reform legislation and more specifically, free television time for candidates who abide by voluntary spending limits.

Background

Over the last three years the Administration has pursued a strong, wide-ranging political reform agenda. The President imposed the toughest-ethics code on his political appointees, closed the tax provision that allowed corporations to deduct the cost of lobbying expenses, signed the Motor Voter law, and cut the White House staff by 25%. Last year, the President signed two major reform bills that you both had promised to enact during the 1992 campaign. The Congressional Accountability Act with requires Members of Congress to live by the laws of the land and the Lobbying Disclosure Act.

The President and you have consistently supported efforts to provide free and reduced-cost television time to candidates for federal office as a way to control the cost of elections. In 1988, you introduced legislation that would have provided to each of the major party's presidential candidates 6 1/2 hours of free air time. In *Putting People First*, the President and you called for "reducing the cost of television airtime to promote real discussion and turn TV into an instrument of education, not a weapon of political assassination." In addition, the Administration supported legislation in 1993 which included a provision that would have provided a fifty percent discount off the lowest unit rate for broadcast advertising during the sixty days before a general election.

In his February 17th radio address, the President announced his support of the first real bipartisan campaign finance reform legislation in a generation, the McCain-Feingold "Senate Campaign Finance Reform Act of 1995". McCain-Feingold includes many of the

campaign finance reform ideas that you both first championed in *Putting People First*, including free and discounted broadcast time. McCain-Feingold includes the following provisions:

- **Spending Limits and Benefits** -- Campaign spending limits would be based on each State's voting-age population.
- **Free Broadcast Time** -- Candidates would be entitled to 30 minutes of free broadcast time.
- **Broadcast Discounts** -- Broadcasters would be required to sell advertising to a complying candidate at 50 percent of the lowest unit rate.
- **Reduced Postage Rate** -- Candidates would be able to send up to two pieces of mail to each voting-age resident at the lowest 3rd class non-profit bulk rate.
- **New Variable Contribution Rate** -- If a candidate's opponent does not abide by the spending limits or exceeds the limits, the complying candidate's individual contribution limit is raised from \$1,000 to \$2,000 and the complying candidate's spending ceiling is raised by 20 percent.
- **Political Action Committees (PAC) Ban** -- The bill would ban PAC contributions to candidates. However, if the PAC ban is ruled unconstitutional, then the PAC contribution would be lowered to \$1,000.
- **Franked Mailings** -- Franked mailings are banned in the year of a campaign.
- **Personal Funds** -- Complying candidates cannot spend more than \$250,000 from their personal funds.
- **Bundling** -- The bundling of campaign contributions is banned.
- **Soft Money** -- Eliminates the use of "soft money".

Campaign Finance

THE WHITE HOUSE

WASHINGTON

February 1, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: PAUL WEINSTEIN

SUBJECT: Bipartisan Campaign Finance Reform Legislation -- McCain-Feingold

Introduction

During your visit to New Hampshire, you may be asked whether or not you support S. 1219, the "Senate Campaign Finance Reform Act of 1995" (McCain-Feingold). There is large grassroots movement in New Hampshire behind this legislation, led by members of United We Stand and other independent voters.

Background On S. 1219

S. 1219 is the first bipartisan campaign finance reform proposal in nearly a decade. The legislation contains several key reform provisions, most importantly, voluntary spending limits on the overall amount of campaign spending.

We expect a vote on McCain-Feingold in the Senate in approximately one to two months. The House has not yet scheduled their vote. DNC Chairman Chris Dodd and DSCC Chairman Bob Kerrey, along with 12 other Senators, have cosponsored S. 1219 (10 Democrats and 4 Republicans). However, opposition to the proposal exists among some Democratic leaders in the House. In addition, organizations such as Emily's List oppose the bill's provision to ban the bundling of campaign contributions. Senator Dole has not indicated support for the bill.

While you did not mention McCain-Feingold by name in your State of the Union address, your call on Congress to pass the "first bipartisan campaign finance reform legislation in a generation" was interpreted as an endorsement of S. 1219. In addition, your comments on campaign finance reform over the past few months are routinely reported by the press as indicating your support for the bill and most of the organizations who support campaign finance reform assume you support McCain-Feingold.

McCain-Feingold is generally consistent with the campaign finance reform proposal you proposed in *Putting People First* (e.g. limiting PAC contributions to \$1,000, reducing the cost of television airtime, voluntary spending limits). The key provisions of S. 1219 are:

Spending Limits And Benefits --

1. Free Broadcast Time -- Candidates would be entitled to 30 minutes of free time during prime time;
2. Broadcast Discounts -- Broadcasters would be required to sell advertising to candidates at 50% of the lowest available unit rate;
3. Reduced Postage Rates -- Candidates would be able to send up to two pieces of mail to each voting-age resident at the lowest 3rd-class nonprofit bulk rate;
4. New "Variable Contribution Limit" -- If a candidate's opponent does not agree to the spending limit and exceeds that limit, the complying candidates individual contribution limits are raised from \$1,000 to \$2,000 to ensure a level of fairness;

Personal Funds -- If a complying candidate is faced with an opponent who declares an intent to spend personal funds in excess of \$250,000, the individual contribution limits are raised for the complying candidate from \$1,000 to \$2,000;

Home State Campaign Fund Requirement -- Requires candidates to raise 60% of campaign funds from individuals residing in the home state;

Ban On Political Action Committee Contributions -- In case a PAC ban is ruled unconstitutional by the Supreme Court, backup limits on PAC contributions will also be included. These limits will require candidates to raise less than 20% of their campaign funds from PACs and will lower the PAC contribution limits from \$5,000 to \$1,000;

Other Provisions --

1. Ban on Bundling of Campaign Contributions;
2. Ban on Incumbent Use of Franked Mass Mailings During Election Years;
3. New Limits and Full Disclosure on "Soft Money" Contributions;
4. Increased Disclosure and Accountability for Those Engage in Political Advertising.

Recommendation

Your support for McCain-Feingold means you are the only major candidate to support legislation that is strongly backed by Perot and his supporters, independents, and editorial boards across the country. We recommend that you state clearly your support for the legislation if asked for your position in New Hampshire.

THE WHITE HOUSE
WASHINGTON
February 21, 1996

CLOSE HOLD

*Campaign
Finance
Reform*

MEMORANDUM FOR HAROLD ICKES

CC: BRUCE REED

FROM: BILL CURRY
PAUL WEINSTEIN
ELENA KAGAN

SUBJECT: McCain-Feingold (S. 1219)

Per your request, the following memorandum outlines some modifications that Democrats in the Senate may offer to the McCain-Feingold "Senate Campaign Finance Reform Act of 1995." The two primary areas of concern are the bill's (1) prohibition against bundling of campaign funds and (2) limits on out-of-state contributions.

Senators McCain and Feingold are targeting the period between mid-March to the end of April for a vote on S. 1219. They would prefer to move a stand-alone bill but if the Majority Leader does not provide them with floor time they will offer their bill as a rider to another piece of legislation.

We strongly concur with our current strategy of not proposing any specific changes to the bill and maintaining the President's call for quick passage of S. 1219. Any proposals to change the legislation will be seen as an attempt to weaken the bill in order to aid Democrats and will cost the President the credit he received for supporting S. 1219.

I. Bundling

The McCain-Feingold bill would prohibit the bundling of campaign contributions by any organization, firm, corporation, or individual. Bundling occurs when an individual or organization solicits or receives contributions from a number of contributors and "bundles" them for delivery to a candidate.

Because there is no disclosure of bundling activities, we have no data on which party benefits more from bundling practices. We believe, however, that corporations (which tend to favor Republican candidates) and law firms provide considerably more bundled funds to candidates than so-called ideological PACs such as Emily's List and the Council for a Livable World.

Some Senate Democrats may propose an amendment to S. 1219's bundling provision that would exempt ideological PACs (such as Emily's List). A commission appointed by Senators Dole and Mitchell in 1990 recommended that ideological institutions be exempted

from a bundling ban that the commission was proposing as part of a larger campaign finance reform package. Democrats may try to include a similar exemption in S. 1219. An exemption of this kind, however, will draw considerable criticism from reformers, elite press, and Republicans, who will paint it as an attempt to weaken the bundling provisions for self-interested reasons.

2. Out-Of-State Contribution Limits

S. 1219 requires that all candidates who voluntarily comply with the bill's voluntary spending limits and receive associated benefits must raise 60 percent of their campaign funds from individuals residing in the candidate's home state. In the House bill, this provision applies to all candidates, regardless whether they comply with spending limits. This limitation is meant to strengthen ties between elected officials and constituents as well as to control the cost of elections.

The 60 percent requirement may hurt Democratic senatorial candidates. An October 1995 Congressional Research Service (CRS) report on Senate and House candidates from 1990 to 1994 concluded that:

- Out-of-state individual money constitutes a small share of total funding;
- Out-of-state money is more important to Senate than House campaigns, to incumbents than challengers, and to Democrats than Republicans;
- Out-of-state money has grown somewhat as a component, among all types of candidates, except Senate Republicans, who showed no clear trend.
- Democratic Senatorial candidates have, on average, raised only 52 percent of their funds from in-state over the last three election cycles.

It is important to note that since the data does not include contributions under \$200, conclusions derived from this information could be misleading. (Individual contributions exceeding over \$200 accounted for only 39 percent of Senate and 33 percent of House receipts in 1994.)

Some Senate Democrats may propose to lower the threshold from 60 to 50 percent for Senate races. Once again, however, any active support of such an amendment by the President will look like a politically driven effort to dilute the McCain-Feingold bill.

*File
Campaign
Finance
Reform*

TO: Harold Ickes
Erskine Bowles
Don Baer
Doug Sosnick

FROM: Bill Curry
RE: Campaign Finance Reform
DATE: November 27, 1995

The McCain Feingold bill on campaign finance reform (S.1219) and its companion bill in the House (H.R.2566, introduced by Representatives Smith, Shays and Meehan) present us with an opportunity to demonstrate leadership on an issue people care about.

The President should invite the bipartisan sponsors of these bills to meet with him at the White House. At the conclusion of the meeting he should publicly endorse a version of the bill (the House version is closest to our own position). In this way, the President can seize a central leadership role on what is bound to be the principle contested government reform issue of 1996.

The main provisions of the bills are as follows:

- Voluntary Spending Limits (\$600,000 for a House Race, a population-based formula for the Senate);
- Campaign Contribution Limit (House version: \$60,000);
- Outright Ban on PACS (in the event the courts strike this down, there is contingent language sharply limiting PAC activities);
- Large Contribution Limit (House bill limits aggregate of contributions over \$250 to 25% of total contributions);

- Limit on Out-of-State Contributions (to maximum of 40% of total contributions);
- Limit on Lobbyists' Contributions (to \$100 per candidate);
- Outright Bans on Soft Money, "bundling" of contributions and, in the House bill, all Leadership PACS. Franked mailings are banned in election years.
- For all candidates accepting voluntary spending limits, both bills provide half-price television and radio, and reduced rate mailings. If a candidate refuses to accept the limits or exceeds them after accepting them, his/her opponent's contribution and spending limits are doubled, and media and mailing discounts are retained.

Neither of the bills is perfect, but any bill addressing this topic must disappoint both sides to have any chance of passage. These bills have won early bipartisan support, in part because they apportion the pain so evenly between the parties. The bills ban PACs -- something Democrats have historically opposed -- but they also limit both overall spending and large donor contributions -- both opposed fiercely by Republicans.

But the principle reason these bills have attracted so much support and attention is that the public appetite for reform has grown so great. In the eyes of many, campaign contributions are little more than legalized bribery; an exchange of money for influence over public policy. From Perot to Tsongas to Jerry Brown to Pat Buchanan to the "Lamm group," every recent insurgent has sought to capitalize on this issue. Campaign finance reform is sure to be debated this year not only in Congress, but in the Republican primaries and in the general election as well.

Meanwhile, the good government crowd is also cranking up. Public Citizen supports both bills while the League of Women

Voters opposes the Senate bill version but seems likely to support the House version. A few oppose both bills. They insist that any reform include broad based public financing and severe limits on the size of contributions (typically, \$100). A grass roots movement -- supported with foundation money -- will run ballot initiatives proposing various reforms in six states and lobby the issue on a national basis in 1996.

Clearly, we need a full internal discussion of these bills in advance of any meeting with members of Congress. Note though, that there has already been some serious vetting on our side of the aisle. Both Chris Dodd, General Chair of the Democratic Party, and Bob Kerrey, DSCC Chair, are co-sponsors of the Senate Bill. On the other side, Bob Dole is expected to oppose the Senate Bill. Newt Gingrich continues generally to embarrass himself on the issue and will almost certainly oppose the House bill.

There are changes we might propose in each of these bills, but the important thing is to avoid nitpicking and to move the President out front early and decisively. This is the most serious attempt in twenty years to curb the excessive influence of private money on public policy. We should seize the moment.

THE WHITE HOUSE
WASHINGTON

September 6, 1994

*Campaign
Finance
Reform*

MEMORANDUM FOR LEON PANETTA

CC: GEORGE STEPHANOPOULOS
PAT GRIFFIN
HAROLD ICKES
TONY COELHO

FROM: MICHAEL WALDMAN *MW*

SUBJECT: POLITICAL REFORM -- FINISHING THE JOB

Victory on political reform (campaign finance and lobby reform) is within reach. To make this happen, we need to take several discrete, real steps, to act quickly, and to be significantly more involved than we have been to date. It goes without saying that time is extremely short, especially if we want to move on this in time to blunt the GOP "First 100 Days" proposals on institutional reform.

The purpose of this memo is to sketch out the current state of play, and to suggest the things that I believe need to happen to successfully enact this legislation. In any event, I suggest that you convene a meeting (or direct that a meeting be convened) to concretely plan for the next steps.

This is obviously the right positioning for the President right now. In addition, there is a strong party-wide partisan interest in finishing this job. First, reform represents a real opportunity to call the Republicans' bluff on "who is for change." (Thus far, all the criticism has been aimed at the Democrats, but it is the Republicans who are the biggest obstacles to change.) Second, this is the last chance to enact political reform with a distinctly Democratic imprint -- e.g., public financing, spending limits. If the issue is put over until next year, the Democratic leadership will lose control of it altogether -- we will be facing a GOP-Synar-freshman block that will be hard to resist. At the very least, the PAC limits will be reduced from where they are now.

I. CURRENT STATE OF PLAY -- OBSTACLES AND OPPORTUNITIES

As you know, the House and Senate have passed campaign finance reform bills and bills to streamline and strengthen the lobby disclosure laws. In both instances, the chambers are deadlocked, and have not yet appointed conferees.

(Instead, negotiations are proceeding through a leadership "pre-conference.") The principals have met fitfully; the last meeting was in mid-July.

PACs. The major substantive stumbling block remains the symbolically powerful but substantively relatively insignificant issue of individual PAC limits. The Senate bill caps receipts from PACs at 20% of the spending limit, and also cuts the individual limit in half from \$5000 per election to \$2500 (\$10,000 to \$5000 per cycle). The House bill caps receipts from PACs at 1/3 of the spending limit (about \$250,000), but keeps the individual PAC limit where it is. Because the legislation passed the Senate only with seven Republican votes, and these lawmakers have demanded a reduction in the individual PAC limit, Sen. Mitchell will not bring a bill to the floor without some overall reduction in the individual limit.

As a compromise, the Senate has proposed a phase-in of a new \$5000 per cycle limit (which would enable a PAC to give that full amount in either the primary or the general). Rep. Gejdenson has begun to shop this around, although he combines it with a demand that the Senate adopt the House's limits on receipts from large individual contributors. My sense is that Foley and Gejdenson are friendly to the compromise; the whips are opposed (as is Tom O'Donnell); and I'm not sure where Gephardt himself is.

The ice does may be cracking on this issue. CBC members have been among the most vociferous in their defense of PACs. Interestingly, Kwesi Mfume, Maxine Waters and some other CBC members responded to a survey by a reform group that they would support legislation with a phase-out.

Public financing. Conceptually, the leadership (working with OMB) have come up with a menu of ways to pay for public funding. Depending on the formula, it should be possible to pay for this without "general revenue" or "taxpayer dollars." But the Ways and Means Committee has to be brought fully into the process, and must mark up legislation to pay for this.

Thus far, the leadership has kept Glenn Browder -- who speaks for the Southern Democrats on this -- on board with the financing options. But it is always possible that there could be a mass desertion from public financing. It is also possible that this could be flamed by talk show hosts and other anti-government populists. However, it has never yet been the case that this crowd has opposed these reform measures, and actually by-and-large support them.

Republican supporters. The legislation thus far has attracted a fair amount of Republican support (7 Senate votes, 22 House votes). The sharpening partisanship on the Hill may affect the willingness of Republicans to work with us on this legislation. For example, Chafee -- who has been ostracized for his crime

bill apostasy -- was a vote for CFR in the past; whether he would want to buck the party again is an open question. For what it's worth, Mitchell's staff is now more optimistic on this point than in the past.

The Gingrich "100 Days Plan" will likely include a significant institutional reform component. It may include term limits; more likely, it will include the GOP's campaign finance reform proposal. In many ways, this is more immediately saleable than our complex plan -- they would cut individual PAC contributions to \$1000; require that a majority of funds be raised in-district or in-state; restrict bundling (with no EMILY's List exemption) and soft money (including labor expenditures on GOTV, which are not covered by the Democratic plans); no public financing or funding limits.

II. THINGS WE NEED TO DO

Here is a list of things that could move the process forward. This does not pretend to be a full strategy -- just the beginnings of what we need to put in place to make this happen.

A. Finish the deal -- Before we can move forward, we need to break the logjam between the House and Senate. Substantively, the primary obstacle remains the individual PAC limit. In addition, there are other relatively minor matters of drafting (e.g., the restrictions on bundling), which can wait until conferees actually meet.

- The WH should call a meeting with the leadership, devoted to this topic. If possible, Panetta should regularly participate in negotiations (as was the case with the crime bill).

- immediately win agreement to the strategy of enactment of political reform timed to coincide with the GOP "class picture" on 9/27.

- if necessary, propose a White House compromise to move forward on the outstanding issues.

- begin reaching out to the Republicans now

B. Engage the energies of the White House/administration

- Senior White House and DNC officials must play the key role in bringing this to fruition -- Panetta, Coelho, Stephanopoulos, Griffin are ideal. Cutler and Mikva are also possible spokespeople.

- background the press on the issue's priority status (e.g., *WSJ* "Washington Wire," *Newsweek* "Periscope")
- begin reaching out to key constituencies through use of senior WH and administration officials
 - e.g., Congressional Black Caucus -- Brown, Espy, Herman
 - e.g., conservative Democrats (Earl Browder, etc.) -- McLarty, etc.
- sustained involvement by senior Legislative Affairs staff
- regular WH meetings of administration people
- signal to Cabinet that this is a priority for the remainder of the year -- Cabinet members with expertise or relevant jurisdiction (Brown, Reno, Reich, Bentsen)

C. Presidential involvement -- On this issue (as had been the case on NAFTA), the opinionmaking elite will be measuring degrees of administration and presidential commitment. If we are to make this a priority, then, he must be seen to be working on it. This need not be all-consuming; it may simply be necessary to launch a few flares. We also need to be sensitive to the Members' desire to do this "themselves," without presidential hectoring.

- Radio address as soon as possible (rego anniversary, making government work, fighting special interests)
- Major presidential speech tying in "making government work" with health care/ crime/1994 elections "story line"
- Clear directive to speechwriting, communications, etc. that political reform is a remaining legislative priority and must be included in the boilerplate.
- High profile Presidential meetings with lawmakers (e.g., with bipartisan freshmen, or (riskier) with CBC or Southerners)
- Possible Presidential meetings with reform advocates
- Health care tie-in -- If it becomes clear that health care is dead for the session, we should seek to mobilize the health care coalition (who are already unhappy) to push for our political reform bills.

D. Public sales campaign -- Like NAFTA and assault weapons, the opinion elites are already strongly for reform. They need to be prodded to action, and in so doing to associate these issues with President Clinton and the Democrats. This

public campaign can only really happen once the deal is cut, however -- further reason to press that to conclusion.

- op-eds
- editorial board mailings
- radio talk shows

cc: Martha Foley
Bruce Reed

THE WHITE HOUSE
WASHINGTON
December 2, 1993

File
Campaign
Finance

MEMORANDUM FOR THE CHIEF OF STAFF

THROUGH: GEORGE STEPHANOPOULOS
FROM: MICHAEL WALDMAN *MW*
SUBJECT: CAMPAIGN FINANCE REFORM CONFERENCE

As you know, the campaign finance reform bill passed the House and is now headed for conference committee with the Senate. In order to win passage through both Houses, the legislation was crammed with dubious or unconstitutional provisions; in addition, core elements of both bills are in conflict. In order to produce a final product that will be regarded as genuine reform, the conferees will significantly rewrite the legislation.

To date, we have more-or-less kept our distance from this issue as it has worked its way through the Hill. This posture was designed to give the House leadership the running room to gather the votes for initial passage. Other than the announcement of our legislative proposal, the President has never spoken at length on a subject that he has identified as one of the most important. Now, with the conference approaching, I believe that a somewhat different approach is appropriate.

I am asking for authorization to increase the White House's visibility and role on this issue. This would enable us to play a constructive role in negotiating the final product, in conjunction with the congressional leadership. In addition, and just as important, it would allow President Clinton to receive due credit for helping push this legislation through the process. To date, we have received little credit, since we have not sought any. Political reform -- if done right -- can be a way of reaching out to the problematic Perot constituency and show the President's continued willingness to take on the status quo. I believe that a bill signing ceremony won't be enough to identify the President with reform. Alternately, we will not be able to avoid blame if the process breaks down.

This effort should involve three elements, initially:

- *Active participation in the negotiations, preceded by a private indication to the leadership of the seriousness of our intent;*
- *Thorough internal analysis of the legislation, especially for constitutional infirmities (I have already begun working with the White House Counsel's*

office and the Department of Justice to analyze the bills as passed by the House and Senate; the Hill has already asked for this help); and

• *An early public Presidential signal of what his standards and goals are for political reform.* In particular, the President should give a full-fledged speech on his goals for political reform, laying down a marker for the unfolding conference, before the State of the Union. Such a statement should not be minutely detailed ("PACs should be at X level"), but rather identify standards ("We need strong PAC reform that significantly reduces their role in elections," or whatever.) If we move forward, I intend to seek such time from scheduling.

Please let me know what your decision is on this matter.