

Money in Politics



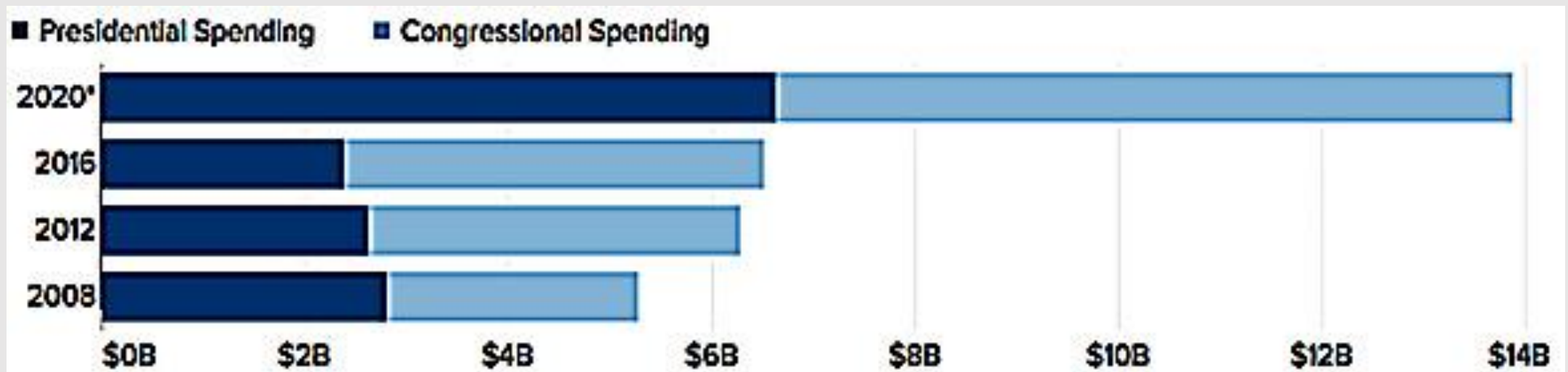
What Money in Politics?

- Campaign **contributions** and **expenditures** for **federal candidates**
- Same issues exist at all levels of government for candidates and ballot measures



Recent Campaign Financing Trends

- Spending is **massively expanding** - **\$14 billion in 2020** (double 2016).
- **Small donations** increased, but by a **third less** than large donations (in dollars).
- **Top 100** donors provided **14%** of the total dollar amount.
- **Highest spenders win 90%** of the time



Current System Reformers and Defenders

Reformers argue:

- Leaders should be **accountable** only to the **voters**
- Big money is **destroying** the peoples' **trust** in government
- Leaders spend **too much time** raising money

Defenders argue:

- Regulation **violates** freedom of **speech** because **money is a form of speech**
- Limiting spending advantages **incumbents**
- **No public money** should be spent financing campaigns
- Public campaign financing forces taxpayers to fund candidates that they **disagree with**.



The Federal Elections Commission (FEC)

- Regulates Federal Campaign Finance
- Collects contribution data and provides disclosure.
- Has six members - **only 3 from one party.**
- President nominates & Senate confirms
- Permanently **deadlocked** – 3 reformers vs. 3 anti- regulation members
- Groups that engage in illegal campaign coordination are almost never punished



Contribution types



Hard Money

- Contributions made **directly** to candidate's campaign
- Subject to FEC **limits**.
- Contributions from **corporations** and **unions prohibited**.



Soft Money

- Contributions made to **PACs, political parties and Independent Expenditure committees**
- Not regulated by the FEC
- Definition has been modified by **court decisions, laws and regulations** to allow **Independent Expenditures Committees** to **avoid contribution limits, donor disclosure, and expressed advocacy** (e.g. "vote for") restrictions.

Contribution Types (cont.)

Large Contributions

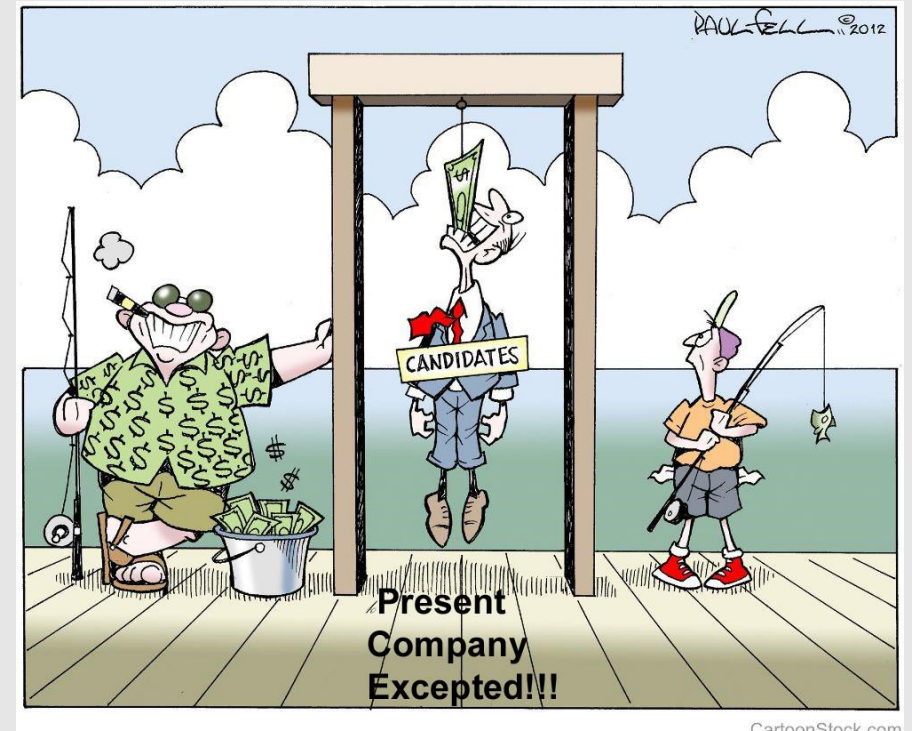
- Greater than \$200.
- **Must be reported** to FEC, but **not** necessarily identifying the **original** donor.
- The **dollar gap** between **small** and **large** donations is **widening**, not narrowing.

Small Contributions

- \$200 or less
- **Reporting** to the FEC is **not required**.
- **Number of contributions increased** more than **220%** in 2020
- Comprised **27%** of **money raised** in 2020, **double** that in **2016**
- Increased the number of **out-of-state** contributions, for some candidates by a **lot**.
- Fund raising appeals with **matches** are **almost never true**

Donor Characteristics

- Donations of fewer than **400 super wealthy families** comprise **nearly half** of all publicly disclosed presidential campaign financing.
- About **12%** of all adults **gave to candidates in 2016.**
- Less than **2%** of the American adult population contributed **more than \$200.**
- Approximately **0.2%** contributed **up to \$2,900** limit to any candidate by an individual.



Contributor Organizations

Political Action Committees (PACs)

- Raise and spend limited **hard money** for electing or defeating candidates
- An organization's PAC will collect money from **employees** or **members** and make contributions to candidates and political parties.
- Most PACs represent **business, labor, or ideological interests**.
- All PACs **must disclose** donors to the FEC.

Types of PACs

Connected PACs

- Can collect from “**restricted class**” (employees, shareholders, union members) and make hard money contribution to a candidate

Non-connected PACs

- Can accept contributions from non-restricted class donors.
- **Received contributions** subject to **FEC limits**
- **Must not cooperate** with the candidate campaign

Leadership PACs

- Formed most often by **elected office holders and candidates** to **circumvent contribution limits** to candidates and parties.
- makes **unlimited Independent Expenditures (IE's)**
- **now allowed to expressly advocate** for a candidate.
- **Less than 45 percent** of leadership PAC money **goes to candidates**. Instead, members use them to pay for vacations, meals, golf club memberships or jobs for relatives.

Types of PACs (cont.)

Parties

- Can contribute **directly** to candidate campaigns
- Subject to **generous** spending limits
- Can make **coordinated** expenditures for candidates outside their campaigns.

Super PACs

- Can **receive unlimited contributions** and can **make unlimited IE's**. **May not coordinate** with candidates or their committees
- The top **1%** of donors account for **96%** of Super PAC funders.
- Contributor **disclosure of donors required, but can be defeated** by FEC rules allowing **monthly or quarterly reports** or by reporting **LLCs** or **501(c)(4)'s** as donors

Hybrid PACs

- **Not affiliated with a candidate** and have the ability to operate both as a **traditional PAC**, contributing funds to a candidate's committee, and as a **super PAC**, which makes IEs.
- Can collect **unlimited** contributions from almost any source for its **IE account**. They may not use those IE funds for its traditional PAC contributions.

501(c) Groups

Nonprofit, tax-exempt groups organized under section 501(c) of the Internal Revenue Code that can engage in varying amounts of political activity, depending on the type of group.

501(c)(3)

- operate for **religious, charitable, scientific or educational** purposes.
- **Not** supposed to engage in **any political activities**, except for voter registration

501(c)(4)

- Commonly called "**social welfare**" organizations
- May engage in political activities which cannot be their **primary purpose**.

Similar restrictions apply to Section **501(c)(5)** for labor and agricultural groups, and to Section **501(c)(6)** for business leagues, chambers of commerce, etc.

Dark Money

- Dark Money is money that can't be traced to its original source.
- Of the \$14 billion spent on federal elections in 2020, **\$1 billion** was dark money.
- Dark Money contributions are commonly made using “**common welfare**” **(501)(c) groups** that don't have to report donors' names or addresses, or by listing **LLC's as donors**, or by **gaming FEC reporting deadlines**.
- **Koch political network** - 25% of outside spending since 2011.
<https://projects.propublica.org/graphics/koch>

Legal Corruption

On July 13, 2021 Huffington Post posted a lengthy expose, entitled “**Exxon Lobbyists Paid 6 Democrats Named In Sting Video Nearly \$333,000**” (https://www.huffpost.com/entry/exxon-mobil-video-senators_n_60ec4dcee4b09f0145f5075f). It features two **Exxon lobbyists** describing how they made campaign contributions to defeat fossil fuel industry regulation and taxes and to defeat clean energy efforts.

Another expose was aired on “60 Minutes” in 2016 of three Republican congressmen describing how they and all congress members are required to spend **30 hours per week** in GOP boiler rooms cold-calling big money contributors (<https://www.cbsnews.com/news/60-minutes-are-members-of-congress-becoming-telemarketers/>). It is a **bipartisan** practice.

Trump’s 2020 campaign made direct payments to people and firms involved in the Washington, D.C. demonstration before a violent mob stormed the U.S. Capitol.

Research shows that contributors gain more **access** to office holders and obtain more government **contracts**.

Court Decisions

Buckley v. Valeo (1976) Supreme Court decision

- Held that limits on campaign spending violated rights to free speech, i.e. **Money is speech.**
- Upheld **contribution limits.** (Not anymore)

Citizens United v. FEC (2010) Supreme Court decision

- Held that the **free speech** clause of the First Amendment prohibits the restriction of **IE's** for political campaigns by corporations, wealthy billionaires, and Super PACs.

Justice John Roberts Again Defends the Lower Classes



Legislation

For the People Act – (HJR 1 – 2021).

- Division 1 - Protecting and expanding voting rights and election security:
- **Division 2 - Reduce the influence of big money in our politics:**
 - Require secret money organizations that spend money in elections to **disclose** their **donors**
 - Require **disclosure** of ad buyers on the ads
 - Create a small donor-focused **matching system**
 - Strengthen **oversight** rules
 - **Overhaul** the **Federal Election Commission** to enforce campaign finance law
 - **Prohibit** the use of **shell companies** to funnel foreign money in U.S. elections
 - Require **government contractors** to **disclose** their political spending
- Division 3 - Ensure an ethical government accountable to the people:

Legislation (Cont.)

“We the People (Constitutional) Amendment” (HJR 48 - 2021)

- **Money is not speech** in all Constitutional matters
- **No Artificial entities**, including, but not limited to, corporations, have **constitutional rights, only humans do**
- Nothing in this amendment shall be construed to abridge **freedom of the press.**

In Conclusion

\$\$\$ Out!

☐ In!