CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 4, 1999

H.R. 1922
Citizen Legislature and Political Freedom Act

As ordered reported by the Committee on House Administration on August 2, 1999

SUMMARY

Following the 2000 election cycle, H.R. 1922 would eliminate the Presidential Election Campaign Fund (PECF) and remove limitations on the amount of contributions individuals can make to candidates in federal elections. The bill also would require additional disclosure for certain expenditures of so-called "soft money" by political parties and require increased electronic filing by political committees with the Federal Election Commission (FEC). Finally, the bill would require that political committees report within 24 hours all contributions received during the 90 days preceding an election.

By eliminating any public funding for the quadrennial presidential election campaign, CBO estimates that H.R. 1922 would decrease direct spending by $260 million over the 1999-2004 period and by $585 million over the 1999-2009 period. Implementing the bill would affect the collection of fines and penalties, but CBO estimates that the annual change in governmental receipts would not be significant. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

Subject to the availability of appropriated funds, CBO estimates that implementing H.R. 1922 would cost the FEC about $1 million in fiscal year 2000. In future years, the bill might increase or decrease costs to the FEC. We estimate that the net change in costs would be less than $2 million a year.

H.R. 1922 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill would impose new private-sector mandates as defined in UMRA, but CBO estimates that there would be no net cost for complying with those mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing H.R. 1922 would decrease direct spending, increase governmental receipts, and increase discretionary spending for administrative costs at the FEC. The costs of this legislation fall within budget function 800 (general government).

Direct Spending

H.R. 1922 would eliminate the PECF after the 2000 election cycle. The PECF finances a large share of the costs of Presidential election campaigns. It matches dollar-for-dollar contributions of up to $250 made by individuals to eligible primary candidates, provides payments to major political parties to cover the costs of their nominating conventions, and provides payments to eligible nominated candidates to cover campaign costs associated with the general election. Taxpayers finance the fund by voluntarily designating on their income tax forms a portion of their annual tax liability—$3 for individual filers and $6 for joint returns—to be paid into the PECF. The voluntary earmarking of a portion of taxpayers' tax liability does not affect the amount of taxes owed to the federal government or the amount of any refund owed taxpayers. Thus, the fund is not a source of income for the federal budget. In 1998, taxpayers designated $63.3 million for deposit in the PECF; for the 1996 presidential campaign cycle, the fund made payments of $234 million to eligible candidates and political parties.

Based on our estimate of the amount of voluntary designations that taxpayers will make for tax years 1999 and 2000 and the amount of public funding that will be required for the 2004 and 2008 Presidential election cycles, CBO estimates that eliminating the PECF would decrease direct spending by $585 million over the 1999-2009 period. That amount includes reductions in outlays of $269 million and $298 million, respectively, from not providing public funding for the 2004 and 2008 elections, and a reduction in outlays of $18 million in 2001 related to the 2000 campaign. (The year-by-year impact on outlays is shown in the pay-as-you-go table in the following section. Budget Authority would decline by $65 million a year starting in 2001.)

CBO estimates that the fund's current balance plus designations for tax years 1999 and 2000 would be insufficient to fully fund the cost of the 2000 campaign. Current law provides that payments cannot be made to eligible candidates and parties except to the extent that sufficient funds exist in the PECF to make such payments. Thus, the FEC would be required to provide pro-rata payments to first the primary candidates and then the general election candidates to ensure that total payments for the 2000 campaign do not exceed the fund's balance.

Governmental Receipts

Enacting H.R. 1922 would affect the collection of fines and penalties for violations of campaign finance law. CBO estimates that any change in the amount of annual payments from penalties and fines would not be significant.

Discretionary Spending

After the 2000 cycle for federal elections, H.R. 1922 would require that political committees electronically file their reports with the FEC and report daily on any contribution received during the last 90 days of an election, and would require that the FEC process and post such information on its Internet site within 24 hours of receiving it. Based on information from the FEC, and subject to the availability of appropriations, CBO estimates that implementing H.R. 1922 would cost the FEC about $1 million in fiscal year 2000. This cost would cover the one-time expenses of reconfiguring the FEC's information systems to handle the increased workload from accepting and processing daily reports, as well as writing new regulations implementing the bill's provisions and printing and mailing materials informing candidates and political committees of the new requirements.

In future years, the FEC would have to monitor political parties' compliance with the bill's provisions. Requiring that political parties disclose certain soft money expenditures and that political committees file daily during the last 90 days of an election would add to the FEC's costs, but eliminating limitations on the amount individuals could contribute to federal campaigns would reduce them. Whether the result would be a net increase or decrease in costs is difficult to determine, but CBO estimates that the net change in such costs would be small (less than $2 million a year).

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	0	-18	0	-29	-213	-27	0	-32	-201	-65
Changes in receipts	0	0	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1922 contains no intergovernmental mandates as defined in UMRA and would impose no costs on the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1922 would impose new private-sector mandates on political parties, other political organizations, and candidates for federal office. Section 4 would require the national committees of political parties to include information on the transfer of funds to state and local party organizations in their post-election reports to the Federal Election Commission. Section 4 would also require state and local party organizations to submit copies of their reports to state election authorities to the FEC. Section 5 would require political committees, including party organizations, advocacy groups, and the election committees of candidates for federal office, to submit reports to the FEC in electronic format. The bill would more than offset the costs of these mandates, however, by abolishing existing statutory limits on campaign contributions by individuals. Based on information from the FEC, CBO expects that increased receipts from individuals' contributions would be significantly larger than the cost of the new reporting requirements.

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