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CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 11, 2001

H.R. 2356
Bipartisan Campaign Reform Act of 2001

As reported by the Committee on House Administration on July 10, 2001

SUMMARY

H.R. 2356 would make numerous amendments to the Federal Election Campaign Act of 1971. In particular, the bill would:

- Raise the amounts that individuals can contribute to federal campaigns each year;
- Prohibit national committees of political parties from soliciting, receiving, directing, transferring, or spending so-called “soft money”;
- Require numerous additional filings and disclosures by political committees with the Federal Election Commission (FEC) for certain expenditures;
- Strengthen the prohibition on foreign contributions to federal campaigns, and increase fines for violations of election laws;
- Direct the General Accounting Office (GAO) to conduct a study of recent publicly financed campaigns in Arizona and Maine; and
- Restrict the advertising rates charged by television broadcasters to candidates for public office.

CBO estimates that implementing H.R. 2356 would cost about \$5 million in fiscal year 2002 and about \$3 million a year thereafter, subject to appropriation of the necessary funds. Those amounts include administrative and compliance costs for the FEC, as well as costs for GAO to prepare the required report.

Enacting the bill also could increase collections of fines, but CBO estimates that any increase would not be significant. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

H.R. 2356 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 2356 would impose several private-sector mandates as defined in UMRA. CBO estimates that the direct costs to the private sector of complying with those mandates would exceed the annual statutory threshold in UMRA (\$113 million in 2001, adjusted annually for inflation) primarily as a result of new mandates on national political party committees and television, cable, and satellite broadcasters. Moreover, CBO estimates that the net direct costs to the private sector could exceed \$300 million in a Presidential election year.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2356 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending for FEC Under Current Law						
Estimated Authorization Level ^a	40	42	43	45	47	48
Estimated Outlays	41	42	43	45	47	48
Proposed Changes						
Estimated Authorization Level	0	5	3	3	3	3
Estimated Outlays	0	5	3	3	3	3
Spending Under H.R. 2356						
Estimated Authorization Level	40	47	46	48	50	51
Estimated Outlays	41	47	46	48	50	51

a. The 2001 level is the amount appropriated for that year. The estimated authorization levels for 2002 through 2006 reflect CBO baseline estimates, assuming adjustments for anticipated inflation.

BASIS OF ESTIMATE

Based on information from the FEC, CBO estimates that the agency would spend about \$2 million in fiscal year 2002 to reconfigure its information systems to handle the increased workload from accepting and processing more reports, to write new regulations implementing the bill's provisions, and to print and mail information to candidates and election committees about the new requirements.

In addition, the FEC would need to ensure compliance with the bill's provisions and investigate possible violations. CBO estimates that conducting those compliance activities would cost \$2 million to \$3 million a year, mainly for additional enforcement and litigation staff.

CBO estimates it would cost GAO less than \$500,000 in fiscal year 2002 to complete the report required by the bill.

Enacting H.R. 2356 could increase collections of fines for violations of campaign finance law. CBO estimates that any additional collections would not be significant. Civil fines are classified as governmental receipts (revenues). Criminal fines are recorded as receipts and deposited in the Crime Victims Fund, then later spent.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act specifies pay-as-you-go procedures for legislation affecting direct spending and receipts. These procedures would apply to H.R. 2356 because it would affect both direct spending and receipts, but CBO estimates that the annual amount of such changes would not be significant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2356 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2356 would make changes to federal campaign finance laws that govern activities in elections for federal office. The bill would amend the Federal Election Campaign Act of 1971 by revising current-law restrictions on contributions and expenditures in federal

elections. H.R. 2356 would impose mandates on many private-sector entities, including: national party committees, state and local party committees, candidates for federal office, federal officeholders, television, cable and satellite broadcasters, persons who pay for election-related communications, labor unions, corporations, persons who contribute to political campaigns for federal office, and Presidential inaugural committees. The two most costly mandates in the bill would prohibit the use of soft money by national political party committees, and change the rules that television, cable and satellite broadcasters apply to set rates for political advertisements. At the same time, the bill would reduce existing requirements governing election-related contributions and expenditures.

The mandate on national political party committees prohibiting the use of soft money would impose direct costs that equal the forgone amount of soft-money contributions offset by savings in the bill. According to the FEC, national party committees raised approximately \$400 million in 2000, \$95 million in 1999, \$150 million in 1998, and \$75 million in 1997 in soft money. Historically, soft-money contributions increase significantly in Presidential election years. During the 2000 election cycle, for example, soft-money contributions for national political parties totaled approximately \$495 million, which represented an increase in soft-money contributions of 475 percent over the 1992 election cycle. CBO, therefore, estimates that the losses as a result of prohibiting soft money would be at least \$400 million in a presidential election year and at least \$75 million in a other election years.

H.R. 2356 also would provide savings as defined in UMRA. The bill would reduce some existing mandates by allowing higher contributions by individuals and thus offset some of the losses resulting from the soft-money prohibition. The bill would increase the following annual limits:

- Individual contributions to Senatorial and Presidential candidates from \$1,000 to \$2,000,
- Individual contributions to national political parties from \$20,000 to \$25,000,
- Individual contributions to state parties from \$5,000 to \$10,000,
- Aggregate limit on all individual contributions from \$25,000 to \$37,500, and
- National party committee contributions to Senatorial candidates from \$17,500 to \$35,000 in an election year.

Further, the bill would provide for future indexing for inflation of certain limitations on annual contributions. The bill would also raise limits on individual and party support for Senate candidates whose opponents exceeds designated level of personal campaign funding.

The increased contribution limits would allow candidates and national and state party committees to accept larger campaign contributions. Based on information from the FEC and other experts, CBO expects that the increment in such contributions could be as much as \$200 million in a Presidential election year. Thus, such savings would only partially offset the losses from the ban on soft-money contributions.

Additional mandates in H.R. 2356 would impose costs on television, cable, and satellite broadcasters by requiring the lowest unit rate broadcast time to be nonpreemptible for candidates (with rates based on comparison to prior 180 days) and requiring the rates to be available to national party committees. The bill also would also require broadcasters to maintain records of requests of broadcast time purchases. Based on the latest figures from the National Association of Broadcasters and the FCC, affected political advertising would bring in revenues of \$400 million to \$500 million in Presidential election years and \$200 million to \$250 million in other election years. CBO does not have enough information to accurately estimate the effects of the requirements in the bill on those revenues. Based on information from industry experts, however, CBO concludes that such losses could exceed \$100 million in a Presidential election year.

H.R. 2356 would also impose private-sector mandates in several additional areas. These areas include: restricting the use of soft money by candidates and state political parties; additional requirements to report information to the FEC about political contributions and expenditures by individuals and political parties; restricting contributions from minors and foreign nationals; restricting disbursements for election-related communications by individuals, labor unions, corporations, and political parties; and prohibiting certain campaign fundraising.

The direct costs associated with additional reporting requirements would not be significant. In general, most entities involved in federal elections must submit reports to the FEC under current law. New requirements in H.R. 2356 also would impose some costs for individuals and organizations who pay for certain election-related communications associated directly and indirectly with federal elections. Finally, mandates that restrict the ability of individuals and organizations to make certain contributions or expenditures would impose additional administrative costs.

PREVIOUS ESTIMATE

Only July 9, 2001, CBO transmitted a cost estimate for H.R. 2360, the Campaign Finance Reform and Grassroots Citizen Participation Act of 2001, as ordered reported by the Committee on House Administration on June 28, 2001. That bill contained some of the provisions in H.R. 2356 and CBO estimated that it would cost the federal government

\$2 million annually, subject to the availability of appropriated funds. Neither bill contains intergovernmental mandates.

Both bills would impose private-sector mandates by placing new restrictions on contributions and expenditures related to federal elections. The mandates in H.R. 2360 would not impose costs above the statutory threshold. The primary mandate in H.R. 2360 would limit the use of soft-money contributions in certain federal election activities. The primary mandates in H.R. 2356 would impose costs above the threshold by banning the use of soft money for national committees and changing the rules that apply to broadcast rates for political advertisements.

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