In *Election Management 2005* (Seoul, Korea: National Election Commission, Republic of Korea, 2005), pp. 195-213.

Financing Election Campaigns in the United States

※ 미국의 선거운동 자금제도의 원문임

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Unlike the Republic of Korea, the United States has a federal system of government that divides authority between the nation and its fifty states. National laws govern elections for president every four years and for the U.S. Congress every two years, but fifty different sets of laws govern elections for state executive and legislative offices. Because different laws govern elections at national and state levels, one cannot easily describe how election campaigns are financed in America. After reviewing the constitutional framework for national and state elections, this report will summarize state laws on financing election campaign and then focus on national election finance laws. It concludes with comments on the act of contributing.

The Constitutional Framework.

The U. S. Constitution gives individual states some autonomy in deciding what elections to hold and when to hold them. Concerning the election of the President, each state is entitled under the Constitution to cast electoral votes "equal to the whole number of Senators and Representatives" that the state holds in Congress, and states can determine how to select the individuals who cast its electoral votes. Originally, state legislatures chose their states' presidential electors, but pressure grew for citizens themselves to choose the persons who voted on behalf of the state for the nation's highest office. In every state since the mid 1800s, citizens in popular elections have chosen presidential electors.

Concerning elections to the national congress, the Constitution stated that state legislatures shall prescribe "the times, places, and manner of holding elections for Senators and Representatives." However, the Constitution also provided that "Congress may at any time by law make or alter such regulations." In 1845, Congress decided that all *presidential* electors were to be chosen on the first Tuesday after the first Monday in November every four years in even-numbered years, but states could still hold *congressional* elections every two years at other dates. Thirty years later, Congress in 1875 ruled that congressional elections also must be held on the same day as presidential elections.

Every two years since, the United States has held a national election on the first Tuesday after the first Monday in November. Members of Congress are elected every two years, but presidents are elected only every four years. Accordingly, the 2004 election for president and congress was held on Tuesday, November 2. The 2006 election for members of congress only is scheduled for Tuesday, November 7. The next presidential election will be held on Tuesday, November 4, 2008, along with congressional elections.

Although states are still free to hold elections for state and local offices on other dates, the expense of holding elections has led all states to hold state elections concurrently with national elections. However, states follow different timing of election cycles, and they differ as to which officials are popularly elected. Some states elect most executive offices in years with presidential elections; others elect them in years with only congressional elections. While all states elect governors, only 45 elect a lieutenant governor, 39 elect a treasurer, 37 a secretary of state, and so on. Because different states electing different government officials at different time, they have adopted different rules to govern state elections.

To grasp the complexity of financing election campaigns in the United States, one must understand that thousands of campaigns for state offices are held every two years concurrently with election campaigns for national offices. Here is an overview of elections to state offices.

A Brief Summary of State Election Campaign Regulations

According to the Institute on Money in State Politics, more than 18,100 candidates ran for offices at the state level in the 2002 election cycle.[1] These candidates raised $2.1 billion for their campaigns. In addition, many thousands of other candidates ran for county offices and other local offices, spending many millions of additional dollars. These figures are cited simply to show that much spending on election campaigns in the United States occurs on the state and local

1) Institute on Money in State Politics, *State Elections Overview 2002* (See <http://www.followthemoney.org>), p. 3.

levels, outside of national legislation regulating campaign contributions and spending.

Campaign Finance Law 2002 is a compilation of state campaign finance laws published by the United States Federal Election Commission and available on its web site.[2] This 134 page document consists mostly of "charts" that summarize the fifty state laws concerning (1) "Campaign Finance Report Filing Requirements," (2) "Contribution and Solicitation Limitations," and (3) "Expenditure Limitations." (A fourth chart lists "States With Special Tax or Public Financing Provisions.")

Each of these charts contains detailed information. For example, the first chart on "Campaign Finance Report Filing Requirements"

presents information on campaign finance reporting requirements in each jurisdiction, with an emphasis on the requirements for reporting or disclosing campaign-related contributions and expenditures. The chart identifies who is required to report ("required from"); the general contents ("contents"); the time or schedule for filing the reports ("time due"); the office or officer with whom the reports are required to be filed ("filing officer"); additional campaign finance-related reports that are required to be filed, such as a statement of organization or registration statement, the designation of a campaign depository, campaign treasurer, or principal campaign committee ("other reports or statements"); and the state agencies responsible for the administration and enforcement of the campaign finance law in a jurisdiction ("responsible state agency").

Here are the contents from Chart 1 for the nation's largest state, California:

REQUIRED FROM:

Candidates, committees, and elected officeholders. Short forms may be used by candidates and officeholders who raise and spend less than $1,000 in a calendar year. There are three types of committees:

(1) recipient committees, which receive $1,000 or more in contributions in a year;

(2) independent expenditure committees, which make independent expenditures of $1,000 or more in a year; and,

(3) major donor committees, which make contributions of $10,000 or more in a year.

Certain non-committee contributors of $5,000 are required to file reports.

State candidates and ballot measure committees receiving contributions of $1,000 during the 90-day period before an election; committees, including political party committees, that make independent expenditures of $1,000 or more during the 90-day period before an election

CONTENTS:

- Information on all contributions and expenditures.
- Contributions or expenditures of $100 or more must be itemized with contributor information.

2) By Edward D. Feigenbaum and James A. Palmer <http://www.fec.gov/pubrec/cfl/cfl02/cfl02.htm>.

DATE DUE:

- Semi-annual: July 31 and January 31 for all candidates and committees, whether or not they received contributions or made expenditures, and all elected officers, except judges, whose salary is $200 or more per month. Judges and elected officers whose salary is less than $200 per month file only if they received contributions or made expenditures.
- Periodic: For elections in June or November of even-numbered years: March 22, 12 days before June election, October 5, and 12 days before the November election.
- Reports of $1,000 received/spent during 90-day period before an election due within 24 hours

FILING OFFICER AND AVAILABILITY:

- Statewide officers, candidates, and committees: Original and one copy with the Secretary of State, two copies with Registrar-Recorder of Los Angeles County, two copies with Registrar of Voters of the County of San Francisco, and two copies with the filer' s county of domicile.
- State legislature, Board of Equalization, appellate and superior court elections: Original and one copy with Secretary of State, two copies with the county clerk with the largest number of registered voters in the district affected, and two copies with the filer' s county of domicile.
- Other multi-county elections: original and one copy with the county clerk with the largest number of registered voters in the district affected, and two copies with the filer' s county of domicile.
- County offices and municipal courts: original and one copy with the county clerk, two copies with the filer' s county of domicile.
- City offices: original and one copy with city clerk.
- Filings available electronically beginning with the 2000 primary.

OTHER REPORTS OR STATEMENTS:

Committee organization statement; candidate statement of intention; campaign bank account forms; slate mailer organizational statement; large contributor statement; termination report; and various supplemental statements, including one on expenditures for security systems; reports of contributions or expenditures of $5,000 or more outside 90-day election period; special reports for those making or receiving certain contributions for state officers if contributor is seeking a privilege; special reports of independent expenditures; reporting by a slate mailer committee

RESPONSIBLE STATE AGENCY:

- Fair Political Practices Commission 427 J Street, Suite 800; Post Office Box 807; Sacramento, CA; 95804-0807 916/322-5660 866/ASK-FPPC 916/327-2026 FAX www.fppc.ca.gov

This example from only one of three major charts for just one of fifty states illustrates the complexity of state campaign finance regulations. For all practical purposes, every state has its own distinct set of regulations concerning private contributions to election campaigns.

The Institute on Money in State Politics reports that two states (Arizona and Maine) provided full public funding of campaigns for state legislative and statewide executive offices in 2002, but only 400 candidates opted for public funding.[3] A majority of candidates raised funds in the traditional manner, from families, friends, businesses, and labor organizations. Another 400 candidates in other states took advantage of partial public funding systems under the laws of Minnesota, Michigan, Florida, Wisconsin and Massachusetts. In essences, election campaigns for state offices across the United States are funded by private contributions to candidates governed by diverse and complex sets of state laws. One scholar devised an index of 22 items from state rules for campaign finance disclosure and reporting, spending limits and public financing, and contribution limits to capture the variety of state campaign finance laws.[4]

Regulating Campaign Financing in National Elections[5]

The picture is much clearer, although still complicated, for national election campaigns held every two years to elect all 435 members of the House of Representatives and one-third of the members of the Senate. Each state holds one or more campaigns for representative every two years while 33 states (or 34, depending on the year) hold senate campaigns. Every other year, moreover, features a national election for president.

Total campaign receipts for national elections soared over time in both "presidential" and "congressional" election years. The media regularly made news of rising campaign contributions, and the costs of elections seemed out of control. For example, the Washington think-tank, the Center for Responsive Politics,[6] reported that $171 million raised by presidential candidates alone in 1976, compared with $528.9 raised by presidential candidates in 2000-a 300 percent increase! When 1976 dollars are adjusted for inflation, however, $171 million equals $528.6 million in 2000-almost exactly the amount raised in 1976.[7] Nevertheless, political pressure for campaign finance reform grew in the 1990s, and the pressure produced a major congressional reform in 2002.

Understanding the current law on campaign financing for national elections is helped by a quick review of the history of campaign finance in the United States. At the national level, strict campaign financing laws are relatively new to American politics. Early laws had various flaws,

3) *State Elections Overview 2002*, p. 14.

4) Christopher Witko, "Measuring the Stringency of State Campaign Finance Regulation," *State Politics & Policy Quarterly, 5* (Fall, 2005), 295-310

5) Portions of the text come from my chapter on "Nominations, Elections, and Campaigns," in Kenneth Janda, Jeffrey Berry, and Jerry Goldman, *The Challenge of Democracy, 8th edition* (Boston: Houghton Mifflin, 2005), pp. 280-294.

6) See its web site < http://www.opensecrets.org/presidential/index.asp?graph=receipts>

7) The adjustment was made using the calculator at < http://www.westegg.com/inflation/infl.cgi>

and none provided for adequate enforcement. In 1971, during a period of party reform, Congress passed the Federal Election Campaign Act (FECA) that imposed stringent new rules for full reporting of campaign contributions and expenditures in national elections.[8] The need for such stricter legislation soon became apparent. In 1968, before FECA was enacted, House and Senate candidates reported spending \$8.5 million on their campaigns. In 1972, with FECA in force, the same number of candidates admitted spending \$88.9 million.[9]

Presidential campaigns have always been expensive, and the methods of raising campaign funds were often suspect. In 1972, President Richard Nixon' s re-election campaign committee spent more than \$65 million, some of it obtained illegally (for which campaign officials went to jail). Nevertheless, the 1971 law itself had weaknesses, including the failure to establish a single, independent body to monitor and enforce it.

The original FECA was strengthened several times after 1971. A major amendment in 1974 created the *Federal Election Commission (FEC)*, an independent agency of six members appointed by the President with approval of the Senate. The appointments, which last for six years (like appointments to the National Election Commission of Korea), are staggered over time so that no one president appoints the entire Commission. Moreover, no more than three members of the Commission may come from the same political party.[10] The FEC is charged to enforce limits on financial contributions to national campaigns, to require full disclosure of campaign spending, and to administer the public financing of presidential campaigns, which began with the 1976 election. No public funds are allocated to congressional campaigns.

Whereas the original law legalized campaign spending by nonparty groups called *political action committees (PACs)*, the 1974 amendment limited the amounts that PACs could contribute to election campaigns. Also for the first time, the 1974 legislation imposed limits on contributions by individuals and organizations to campaigns for national office-that is, Congress and the presidency. (The law refers to these national offices as "federal" offices; see footnote 7.) The 1974 law aimed at direct contributions to candidates' election campaigns. Politicians called this *hard money* as opposed to *soft money* donated to party committees and not linked to any specific election campaign-e.g., buying computers or cars, remodeling the headquarters, or staffing regional offices. Although the law said that no person could contribute more than \$1,000 in to any candidate for federal office, it neglected soft money donations (sometimes very large sums, over \$1 million) to national party committees. Later, as both parties raised very large sums of "soft money", that aspect of party finance became critical to reformers.

8) Technically speaking, a "federal" system of government includes both "national" and "subnational" (state) governments. Over time in the United States, however, "federal" has come to mean "national." Thus the Federal Election Campaign Act applies only to national not state elections.

9) Federal Election Commission, "The First Ten Years: 1975-1985" (Washington, D.C.: Federal Election Commission, 14 April 1985), p. 1.

10) This requirement implicitly recognizes the partisan nature of the Commission and anticipates that Commissioners will be divided equally between the Republican and Democratic parties. It also implies support of the two party systems in the United States.

Even the limits on hard money contributions for election campaigns drew opposition. People who viewed contributing to political campaigns as an exercise of "free speech" filed lawsuits challenged the 1974 limits as a violation of the First Amendment to the U.S. Constitution that protects freedom of speech. In 1976, the Supreme Court upheld the limits on contributions, but it struck down other limits on *expenses* incurred by individuals or organizations that campaigned independently on behalf of a national candidate.[11] The Court did hold that these independent expenditures were a form of free speech, protected under the First Amendment. Moreover, it limited the FECA only to regulate advertisements advocating a candidate' s election or defeat with such words as "vote for," "vote against," or the equivalent.[12]

The 1974 campaign finance law (with minor amendments) governed national elections in the United States for almost three decades. Years before the disputed 2000 presidential election some politicians expressed alarm at the increasing cost of campaigning and spoke piously about rewriting campaign finance laws. New legislation had little chance of passage, however, because members of Congress feared altering the process that got them elected. In March 2002 a version of a bill originally introduced by Republican senator John McCain (Arizona) and Democratic senator Russell Feingold (Wisconsin) finally passed into law as the *Bipartisan Campaign Reform Act (BCRA)* [pronounced "bikra"] and known informally as the McCain-Feingold bill. BCRA was fiercely challenged from several sources, but it was upheld by the Supreme Court in 2003 and took effect for the 2004 election. To put BCRA into perspective, we must consider it in context of the 1974 legislation.

In general, BCRA 2002 raised the old limits on individual spending in the 1974 act. For example, the 1974 limit of $1,000 in hard money contributed by an individual was raised to $2,000. However, the 2002 law did not raise the $5,000 contribution limit for PACs (political action committees), which many citizens thought already had too much influence in elections. Here are the major limitations on contributions for 2004 under BCRA by *individual citizens:*

- $2,000 to a specific candidate in a separate election during a two-year cycle (primaries, general, and runoff elections count as separate elections)
- $5,000 per year to each state party or political committee
- $20,000 per year to any national party committee
- $95,000 total over a two-year cycle, based on limits to individual candidates and committees

BCRA also allowed the contribution limits for 2004 to be linked to inflation in subsequent elections. Table 1 from the FEC reports the limitations for all sources of contributions-not just from individuals-for the 2005-06

11) The 1976 court case, *Buckley v. Valeo*, is still controversial in American politics.

12) Michael J. Malbin, "Assessing the Bipartisan Campaign Reform Act," in Michael J. Malbin, ed., *The Election after Reform: Money, Politics and the Bipartisan Campaign Reform Act.* (Rowman and Littlefield, forthcoming).

TABLE 1: FEC Limits on Contributions to National Election Campaigns for 2005-06 Election Cycle -by Source and Recipient

Contribution Source:	Recipient of Contribution				
	Each candidate or candidate committee per election	National Party Committee per calendar year	State, District, & Local Party Committee per calendar year	Any other Political Committee per calendar year[1]	Special Limits
An individual	$2,100*	$26,700*	$10,000 (combined)	$5,000	$101,400*[2]
National Party Committee	$5,000	no limit	no limit	$5,000	$37,300*[3]
State/District/Local Party Committees (combined limit)	$5,000	no limit	no limit	$5,000	
PACs (multicandidate)[4]	$5,000	$15,000	$5,000 (combined)	$5,000	
PAC (not multicandidate)	$2,100*[5]	$26,700*	$10,000 (combined)	$5,000	

* These contribution limits are increased for inflation in odd-numbered years.

[1] A contribution earmarked for a candidate through a political committee counts against the original contributor's limit for that candidate. In certain circumstances, the contribution may also count against the contributor's limit to the PAC.

[2] Overall biennial limit: $40,000 to all candidates $61,400 to all PACs and Parties. No more than $40,000 of this amount may be contributed to state and local party committees and PACs.

[3] To Senate candidates per campaign. This limit is shared by the national committee and the Senate campaign committee.

[4] A multicandidate committee is a political committee with more than 50 contributors that has been registered for at least 6 months and, with the exception of state party committees, has made contributions to 5 or more candidates for federal office.

[5] A federal candidate's authorized committee(s) may contribute no more than $2,000 per election to another federal candidate's authorized committee(s).

election cycle. Notice that the limits have already been raised to adjust for inflation.

As indicated in Table 1, the limits on PAC contributions not only remained unchanged from 1974, but the limits were not even adjusted for inflation. This suggests the extent of popular concern about the influence of PAC money in campaigns. The 2002 BCRA also eliminated large "soft money" contributions to political parties, which had grown from $85.1 million in the 1992 election cycle to $495.1 million in the 2000 cycle.[13] (Unlike the contributions raised by presidential candidates from 1976 to 2000, this 500 percent increase

13) Center for Responsive Politics, at < http://www.opensecrets.org/softmoney/softglance.asp>

is only reduced to 400 percent after allowing for inflation.)

During the 2000 election campaign, the national committees of both parties had each channeled over $200 million in soft money to state and local party committees for registration drives and other activities not exclusively devoted to the presidential candidates but helpful to them. By eliminating soft money, BCRA posed a major threat to both parties. According to the FEC:

> Beginning on November 6, 2002, national party committees may not solicit, receive, direct to another person or spend nonfederal funds, that is, funds that are not subject to the limits, prohibitions and reporting requirements of the Act. Moreover, such committees must use only federal funds to raise funds that are used, in whole or in part, for expenditures and disbursements for federal election activity. [14)]

After the 2002 reforms, no one knew how well the Democratic and Republican national party committees would fare in the 2004 election. Actually, the parties did quite well. Both parties took advantage of the increased limits for hard money contribution and developed their infrastructure-e.g., direct mail and Internet capabilities-to raise more money from small donors. A leading campaign finance scholar reported that each national committee "had raised more money in hard dollars *alone* than they raised in hard and soft dollars *combined* in any previous election cycle." [15)] In fact, their combined total of $1.2 billion was about $164 million more than they had raised in hard and soft money for the 2000 election.[16)]

Public Finance of Presidential Campaigns

The 1974 campaign finance law had provided public funds for presidential candidates, and this program was retained under BCRA 2002. To qualify, a candidate must raise at least $5,000 in each of twenty states from private donations no more than $250 each.[17)] The FEC matches these donations up to one-half of a preset spending limit for the primary election campaign. The limit was set in 1974 at $10 million for presidential primary elections and $20 million for general elections, but these limits were increased to allow for inflation. Every candidate for president from 1976 through 1996 accepted public funding of their campaigns and adhered to the limitations on raising and spending campaign funds.

In campaigning for the 2000 Republican nomination for president, two candidates (billionaire Steve Forbes of *Forbes* business magazine and George Bush, Governor of Texas) declined public funding for primary elections and raised their own funds, which allowed them to spend more

14) Federal Election Commission, *Record*, Volume 28 (September 2002), p. 3.
15) Anthony Corrado, "Party Finance in the Wake of BCRA: An Overview," in Michael J. Malbin, ed., *The Election after Reform: Money, Politics and the Bipartisan Campaign Reform Act.*
16) Ibid.
17) In 2004, these donations from individuals and organizations were subject to the increased BCRA 2002 limits ($2,000 and $5,000 respectively).

than the $10 million (plus inflation) permitted if they had accepted public funding. For the 2000 general election, however, both the eventual Republican nominee (George Bush) and his Democratic opponent (Al Gore) accepted public funding and its spending limits.

By 2004, the public funds available to qualifying candidates for presidential primary and general election campaigns had increased to $37.3 and $74.6, respectively. Nevertheless, two Democratic candidates (Howard Dean and John Kerry) declined public matching funds and chose to raise their own funds for the primary campaign, allowing them to spend more than $37.3 million. Although President Bush faced no opposition for renomination in 2004, he also declined public funds for the primary season and raised more than $150 million from private sources. According to law, Bush could spend these funds prior to his nomination at the Republican Convention on September 2 to campaign against his known Democratic opponent, John Kerry. Entering the general election, both major party nominees, President Bush and Senator Kerry, agreed to accept the $74.6 million (adjusted up from $20 million through inflation) for the 2004 campaign. In so doing, they were each limited to spending only that money-which went to each candidate' s campaign committee, not to either party organization. Also, each major party received $14.6 million in public funds for their conventions, and each was subject to a similar limit on how much they could spend on the presidential campaign.[18]

Because every major party nominee for president since 1976 has accepted public funds (and spending limits) for the general election, costs of presidential campaigns have been below Nixon' s 1972 (then) record of $65 million. Total campaign spending in a presidential election is far more than the official limit, however. First, each national committee is permitted to spend extra millions on its conventions and on behalf of its nominees. Second, both national committees spend other millions for other campaign activities during the election cycle. According to the Federal Election Commission, all presidential candidates together in 2004 received more than $1.02 billion for their election campaigns. This amount includes both private and public sources in the primary campaign and public funding for the general election campaign. This was 56% more than receipts collected during the 2000 election campaign, which occurred prior to the Bipartisan Campaign Reform Act of 2002.

National committees of the two major parties did even better, raising more than 13 percent above what they raised in 2000.[19] BCRA 2002 did not reduce the amount of money raised for presidential campaigns, but it did ban the practice of raising soft money by national party committees. However, this ban did not extend to state parties. They were not affected by the national law and could raise money for party building activities if permitted under their states' laws. Moreover, BCRA also allowed issue-advocacy groups, called 527 committees (after

18) Federal Election Commission, "Adjustment to National Convention Entitlements," *Record 30* (May 2004), p. 15.
19) Federal Election Commission, "Party Financial Activity Summarized for the 2004 Election Cycle," Press Release, March 14, 2005.

Section 527 of the Internal Revenue Code which makes them tax-exempt organizations) to raise unlimited amounts of soft money to spend on media advertising, as long as they did not expressly advocate a candidate' s election or defeat. Scholars studying campaign spending by 527 committees after BCRA found that their contributions increased from $151 million in 2002 to $424 million in 2004.[20] Although this increase of $273 million is significant, it clearly does not replace the $495 million that both parties raised in soft money in 2000.

Financing Congressional Campaigns

One might think that a party' s presidential campaign is closely coordinated with its congressional campaigns. However, campaign funds go to the presidential candidate, not to the party, and the national committee does not run the presidential campaign. Presidential candidates may join congressional candidates in public appearances for mutual benefit, but presidential campaigns are usually isolated-financially and otherwise-from congressional campaigns.

One might also think that more money would be raised and spent across the nation for the presidential campaign than for all congressional campaigns-but that would be wrong. In 2004, all congressional candidates raised over $1.2 billion, compared with the $1.02 billion raised by all presidential candidates (including the ten Democratic candidates who ran in presidential primary elections).[21] The large sum is explained by the large number of candidates in congressional elections: 2,219 candidates participated in primary and general election campaigns for the U.S. Congress in 2003-04. Most of the candidates were competing for the 435 seats in the House rather than the 34 Senate seats up for election. Nevertheless, Senate candidates raised relatively more money because they had to compete in larger districts (states) rather than individual house districts, which average about 675,000 people. All Senate candidates spent $497.5 million compared with $708.5 for all House candidates.[22]

Totaling Receipts for Campaign Finance in America

Altogether, over $5.5 billion was raised to conduct election campaigns in America during the most recent election cycles.[23] This amount comes from adding together the totals reported for state and national campaigns reported above. Here is the accounting:

20) Steve Weissman and Ruth Hassan, "BCRA and the 527 Groups," in Malbin, *The Election after Reform: Money, Politics and the Bipartisan Campaign Reform Act.*
21) Federal Election Commission, "Congressional Candidates Spend $1.16 billion during 2003-04," Press Release of June 9, 2005.
22) Ibid.
23) One caveat is that the figure for state campaigns is available only for the 2001-02 cycle, not 2003-04. Given that funds raised for election campaigns only seems to increase, not decrease, the actual amount raised for the 2003-04 election cycle is likely to be greater than $5.5 billion.

Election campaign / fund raiser	Amount Raised	Election Cycle
State offices, executive and legislative	$2.1 billion	2001-2002
National party committees	$1.2 billion	2003-2004
Presidential candidates	$1.02 billion	2003-2004
Congressional candidates	$1.2 billion	2003-2004
Total	$5.52 billion	

Who Contributes to Election Campaigns?

According to national surveys, roughly 5 percent of the population claims to have contributed money to a political party or candidate during a given election cycle. Because of the complexity of state election laws-and perhaps the laxity of those laws-reliable data are not generally available for determining the source of contributions to state election campaigns. Political contributions-to either state or national campaigns-are *not* eligible for an exemption in paying national individual or corporate income taxes, which is the most important form of taxation.

When individuals file their annual federal tax returns, however, they are invited to check a box on their tax forms indicating whether they wish to contribute their tax dollars to the "Presidential Election Campaign Fund." The box bears this notice:

> This fund helps pay for Presidential election campaigns. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. If you want $3 to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have $3 go to the fund. If you check "Yes," your tax or refund will not change.

Revenue raised annually from individual tax returns is allocated to public funding of presidential campaigns. The tax check-off method of allocating revenue for campaign funding was part of the 1971 FECA, when the amount was $1. The amount was raised to $3 in 1993 in an effort to offset the declining percentage of taxpayers who checked the box. The percentage, which reached a high of 29 percent in 1980, dropped to 11 percent in 2002.[24] The low level of participation has jeopardized public funding of presidential elections. Legislation has been introduced to increase the amount of money devoted to public funding to forestall a funding problem. In the 2004 election, the Federal Election Commission was able to fund all qualifying presidential candidates at the legal levels from available funds because candidates Bush, Kerry, and Dean did not accept public funding for their primary campaigns.[25]

Despite the low participation of individual taxpayers in checking off a tax allocation to public funding and despite the fact that only 5 percent of the public claims to have

24) Public Citizen, at <http://www.citizen.org/congress/campaign/issues/pub_fin/articles.cfm?ID=10642>.

25) Federal Election Commission, *Annual Report 2004* (Washington, DC: Federal Election Commission, 2005), p. 41.

contributed to a political party, private contributions from individuals constitute the main source of funds raised by candidates in federal elections. Of the $1.02 billion raised by presidential candidates in 2004, 60 percent came from individuals, 20 percent came through public funding, 14 percent from the cities (Boston and New York) that hosted each parties' nomination conventions, and less than 1 percent from PACs. The rest came from cash transfers of funds left over from prior campaigns undertaken the candidates or by party committees.[26)]

For congressional campaigns, individuals again provided about 60 percent of receipts, but PACs contributed 24 percent, a much larger percentage than for presidential campaigns. Individual candidates' contributions to their own campaigns accounted for 11 percent of all funds raised.[27)] PACs contribute at a much higher rate for congressional candidates mainly because PACs seek to support members of congress who serve on committees dealing with legislation relevant to their economic interests. About 56 percent of PACs are connected to corporations or trade associations, and more than half of these contributes at least $5,000 to a federal election campaign in 2004.[28)] That candidates themselves contribute so much money to their own campaigns indicates that some candidates are very wealthy and spend millions of dollars to win election.

Given that individuals account for about 60 percent of the funds contributed to national election campaigns in the United States, we should examine how candidates solicit and collect campaign contributions from individuals. Here are some restrictions on private contributions:

1. Only U.S. citizens or resident aliens are allowed to make contributions; contributions from foreigners are not allowed.
2. No one can make a contribution in another person's name.
3. No one can contribute more than $100 in cash.

Each candidate for federal office must establish a principal campaign committee to receive all campaign contributions. These campaign committees report the sources and amounts of all contributions to the Federal Election Commission in quarterly and annual reports, which must include the name, address, and date of receipt of all amounts in excess of $50. In addition, they must report the occupation, and employer for persons who contribute a total of $200 to their committee over the duration of the election campaign.

In the past-when candidates solicited funds mainly through direct mail, personal appearances, and door-to-door visitations-they distributed printed forms asking potential contributors to write down their name, address, occupation, and employer. Candidates still raise campaign funds that way, but now many also use the Internet, through which they can ask potential contributors to print out a similar form to be mailed in with a check. A sample printed form from the

26) Federal Election Commission, "2004 Presidential Campaign Financial Activity Summarized."
27) Federal Election Commission, "Congressional Candidates Spend $1.16 Billion during 2003-2004."
28) Federal Election Commission, "PAC Activity Increases for 2004 Elections," Press Release, April 13, 2005.

unsuccessful 2004 congressional campaign of Democratic candidate Tim Bagwell in Illinois' 19th Congressional District is given in Figure 1.

Candidates also use the Internet to raise funds electronically. Note that the form in Figure 1 refers to the candidate's web site at <*www.bagwellforcongress.com/support/*>. That web site, reproduced in part as Figure 2, has another, more elaborate, version of this form. The online form in Figure 2 asks for more information from the contributor and also provides more information about restrictions on contributions.

Figure 1: Paper Form for Contributing to Tim Bagwell's Congressional Campaign

Tim BAGWELL for congress

Contribution Form

Yes, I will support Tim Bagwell's race for the U.S. Congress!

Contribution options:

- **Online at www.bagwellforcongress.com**
- **Check – Make Payable to Bagwell for Congress. Mail in with this completed form to Bagwell for Congress, P.O. Box 211, Olney, IL 62450**
- ____$500 ____$250 ____$100 ____$50 ____$25 ____$10 ____Other
  (Note: Maximum individual contribution per election cycle = $2,000)
- Credit Card:

  1) Please charge the above contribution to my ____Visa ____MC ____AmEx ____Discover OR

  2) Installments – Please bill my credit card $____ per month for ____ months.

  Card #____________________ Exp. Date: __________

  Signature ____________________

Name ____________________

Address ____________________

City ____________________ State __________ Zip __________

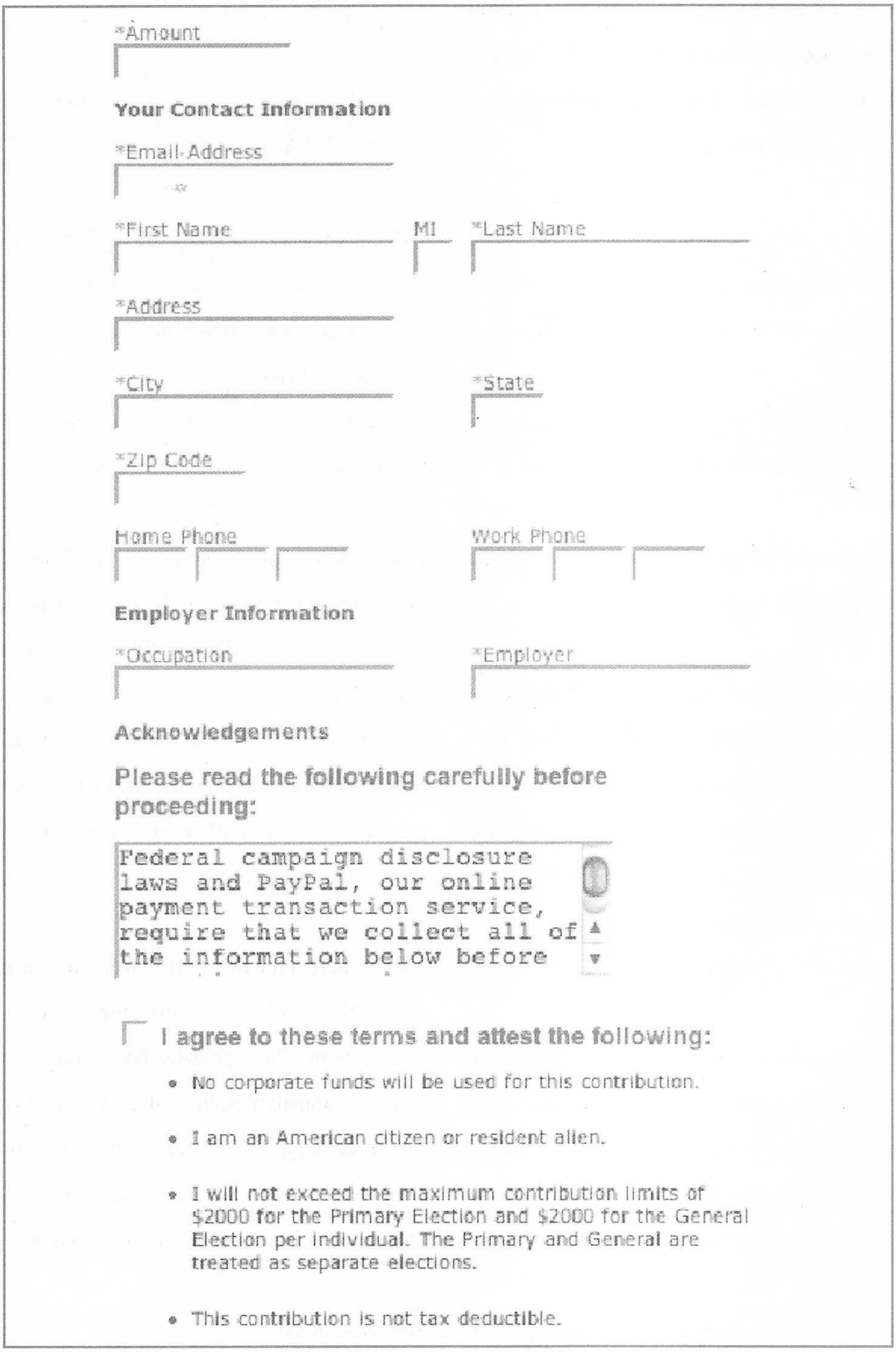
Email ____________________ Telephone __________ Fax __________

Employer/Occupation (required by law) ____________________

________ I am a U.S. Citizen

Paid for by Bagwell for Congress – Contributions to Bagwell for Congress are not tax-deductible – Materials printed in-house

Figure 2: Tim Bagwell for Congress Web Site.



*Amount

Your Contact Information

*Email Address

*First Name MI *Last Name

*Address

*City *State

*Zip Code

Home Phone Work Phone

Employer Information

*Occupation *Employer

Acknowledgements

Please read the following carefully before proceeding:

Federal campaign disclosure laws and PayPal, our online payment transaction service, require that we collect all of the information below before

I agree to these terms and attest the following:

- No corporate funds will be used for this contribution.
- I am an American citizen or resident alien.
- I will not exceed the maximum contribution limits of $2000 for the Primary Election and $2000 for the General Election per individual. The Primary and General are treated as separate elections.
- This contribution is not tax deductible.

The screen capture from the Internet campaign contribution form in Figure 2 contains a box that displays only a portion of its text. Someone reading that form on the Internet can read the entire text by scrolling through the box. Here is the full text:

Federal campaign disclosure laws and PayPal, our online payment transaction service, require that we collect all of the information below before accepting a campaign contribution.

PayPal will collect your payment information (credit card number or checking account information) from a secure connection.

The campaign does not see your payment information, it is processed by a secure PayPal server.

Contributions from individuals are limited to $2,000 for the Primary Election and $2000 for the General Election. (The primary and general elections are considered separate elections, so you may contribute $2,000 for the primary and $2,000 for the general.) Married couples may give $4,000 per couple for the Primary Election and $4000 per couple for the General Election, or $8,000 total.

Corporate contributions to federal campaigns are prohibited. Federal political donations CANNOT be made on a corporation' s credit card or from a corporation' s checking account. Please check the box below to signify that you are using a personal credit card or personal checking account to make this donation. Sole-proprietorships and partnerships may contribute to campaigns.

Only US citizens and resident aliens are allowed to make federal campaign contributions.

NOTE: Our campaign uses the "PayPal" <http://www.paypal.com> system to process electronic contributions. PayPal is an electronic payment service which clears our credit card tra automatically enrolled in a free "PayPal" account. There is no cost or obligation to you whatsoever. This is a secure service, with every account insured against unauthorized transactions, up to $100,000.

Federal law requires the reporting of name, address, occupation and employer of individuals whose aggregate contributions exceed $200. Contributions are not tax deductible and may not exceed $2,000 for the Primary Election and $2,000 for the General Election. Only the first $2,000 of each contribution counts towards an individual total limit of $37,500 to all federal candidates. Corporate contributions are prohibited

Candidate Tim Bagwell' s web site clearly states some of the FEC' s requirements for campaign contributions. The candidate, though unsuccessful in his election campaign, seemed determined to conform to the strict requirements for contribution to elections campaigns in the U.S. when filing quarterly and annual reports to the Federal Election Commission.[29]

29) The FEC web site <www.fec.gov/info/filing.shtml> lists 18 reporting forms for candidates, parties, and others.

Figure 4: Partial FEC Data on Individual Contributions to Tim Bagwell, 2004

Individuals Who Gave To: BAGWELL, TIMOTHY CLARKE

Sorted By Transaction Type Then Last Name

Committee(s) Used In This Query:

BAGWELL FOR CONGRESS

The query you have chosen matched **26** individual contributions.

Contributor	Address	Date	Amount	Employer/Occupation	Image Number
CONTRIBUTIONS FROM AN INDIVIDUAL					
BAGWELL, MARY	OLNEY IL 62450	10/05/2004	1600.00	RETIRED	24038590962
BAGWELL, MARY L	OLNEY IL 62450	10/14/2003	400.00	RETIRED	24038291030
BAGWELL, MARY L	OLNEY IL 62450	11/28/2003	205.00	RETIRED	24038291031
BAGWELL, MARY L	OLNEY IL 62450	02/13/2004	1340.00	RETIRED	24038332700
CRUZEN, BERL	GLENDALE AZ 85312	10/22/2004	300.00		24038643314
FOSTER, KELLY	THOMPSONVILLE IL 62890	09/17/2004	250.00		24038582649
FOSTER, KELLY	THOMPSONVILLE IL 62890	09/23/2004	637.00		24038582648
GARLING, RICH	ISLAND LAKE IL 60042	11/26/2004	1850.00		24038643313
HAMILL, MARK D	HERNDON VA	09/25/2003	200.00	US GEOLOGICAL SURVEY	24038291029
HILL, ANNE M	CARBONDALE IL 62902	09/27/2004	250.00		24038582649
HOERNER, MICHAEL	SPRINGFIELD IL 62703	03/17/2004	1000.00	WEB DESIGN	24038384536
HOERNER, MICHAEL DBA MCL DESIGN	SPRINGFIELD IL 62703	06/14/2004	1000.00	WEB DESIGN	24038462072

Candidate Bagwell also collected about $9,000 from PACs, which is reported on the FEC web site but not displayed here. The FEC also reports the receipts for all candidates in the 2004 election in Illinois' 19th Congressional District. That report is given in Figure 5, which shows that Bagwell raised only $38,734 for his primary and general election campaigns. Another candidate, David Phelps, who formed a committee to run for congress but abandoned his campaign, raised $2,959-which also had to be reported. Bagwell' s major opponent, incumbent Republican John Shimkus raised over $1 million. Figure 5 also illustrates that incumbents (regardless of party) raise campaign funds more easily than challengers. Incumbents, moreover, are far more likely to win reelection. Shimkus, who was serving his fourth term in the House of Representatives, won 69 percent of the vote to Bagwell' s 31 percent.

Figure 5: FEC Data on Campaign Receipts in Illinois' 19th District

Presented by the Federal Election Commission - 2003-2004 Cycle

TRY A: NEW SEARCH **RETURN TO:** FEC HOME PAGE

Candidates that match specified criteria:

Note: Receipts and disbursements (DISB) do not include transfers among committees within the same campaign. Click on the candidate's name to see more detailed financial information.

CANDIDATE NAME	DIST	NET RECEIPTS	NET DISB	CASH	DEBT	THROUGH
Illinois						
BAGWELL, TIMOTHY CLARKE	19	$38,734	$38,229	$501	$1,000	12/31/2004
PHELPS, DAVID D	19	$2,959	$3,187	$0	$0	06/30/2003
SHIMKUS, JOHN M	19	$1,071,896	$544,784	$632,970	$0	12/31/2004

Campaign finance in the United States is complex, but at least the Federal Election Commission makes detailed information on campaign contributions publicly available and accessible.