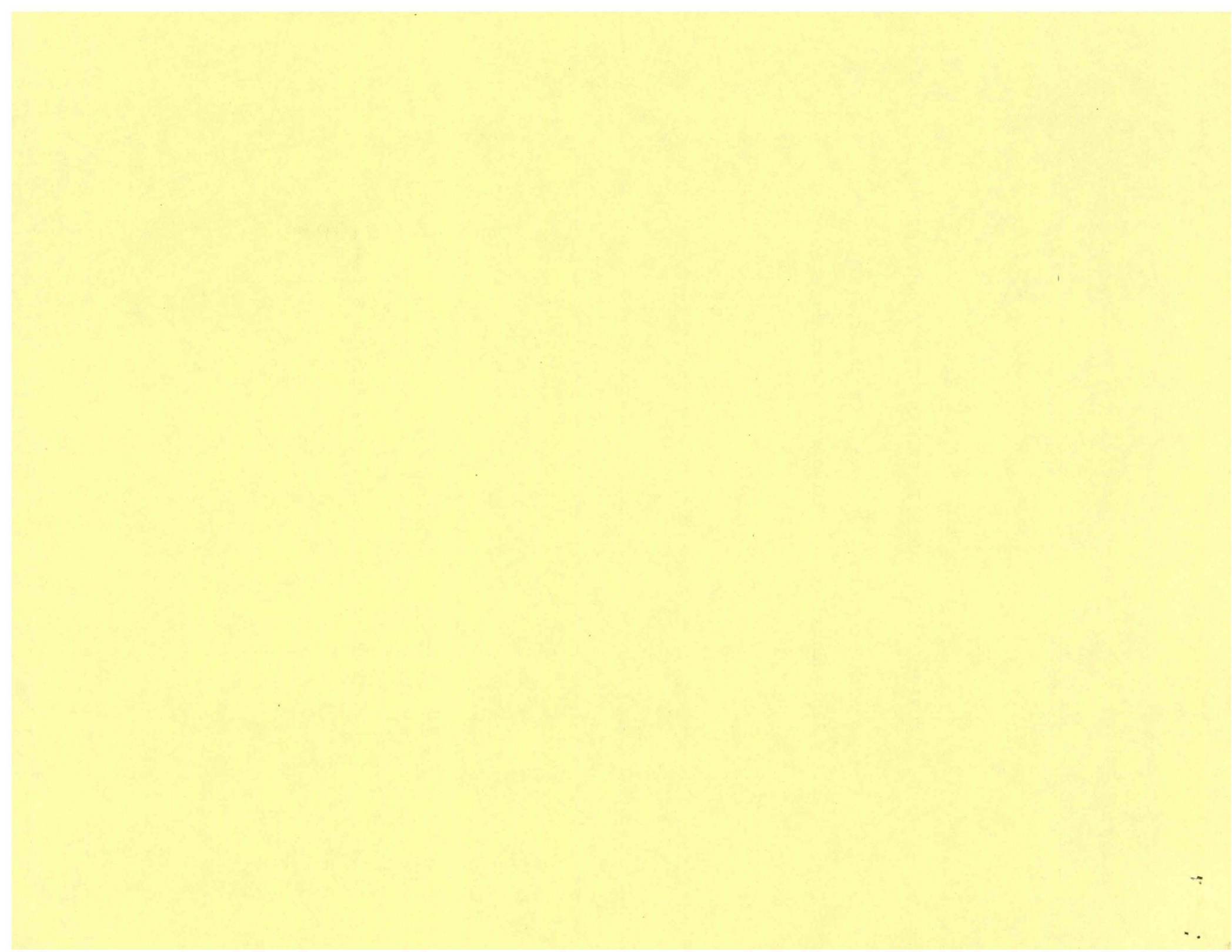


F I N A L R E P O R T
COMPREHENSIVE CAMPAIGN REFORM STUDY COMMITTEE

Senator Michael Gronstal, Co-chairperson
Representative Rod Halvorson, Co-chairperson

Submitted to the General Assembly
January 1990

Prepared by the Legislative Service Bureau



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AUTHORIZATION AND MEMBERSHIP

The Comprehensive Campaign Reform Study Committee was established by the Legislative Council in 1989. The charge of the Committee as specified by the Legislative Council was to "maintain the integrity of Iowa's elections by making recommendations for comprehensive reform in the following areas, including but not limited to: spending and contribution limits, allowable uses of campaign funds, and disclosure requirements."

Members of the Committee were:

Senator Michael Gronstal, Council Bluffs, Co-chairperson
Representative Rod Halvorson, Fort Dodge, Co-chairperson
Senator Linn Fuhrman, Aurelia
Senator John Kibbie, Emmetsburg
Senator Jean Lloyd-Jones, Iowa City
Senator Jack Nystrom, Boone
Representative Darrell Hanson, Manchester
Representative Jack Holveck, Des Moines
Representative Jane Teaford, Cedar Falls
Representative Harold Van Maanen, Oskaloosa

MEETING DAYS

The Committee was authorized three meetings. The meetings were held on August 18, September 21, and October 26, 1989. The August and September meetings were devoted primarily to review of the report of the Governor's Blue Ribbon Task Force on Campaign Finance Disclosure Law, discussion of campaign finance in legislative and gubernatorial races, presentations of recent data and observations with respect to political action committees (PACs), consideration of proposals for public financing for candidates who agree to conduct "restricted" campaigns, and preliminary discussion of other campaign reform proposals. In October the Committee considered a list of proposals and adopted a series of recommendations.

PRESENTATIONS

On August 18, 1989, the following presentations were made to the Committee:

Ms. Kay Williams, Executive Director of the Campaign Finance Disclosure Commission and Chairperson of the Governor's Blue Ribbon Task Force on Campaign Finance Disclosure Law, distributed copies of the recently released final report of the Task Force and provided a description of the composition, procedures, and conclusions of the Task Force. Ms. Williams reviewed the recommendations in detail and called attention to specific areas addressed in the minority report. She responded to questions from Committee members concerning the work of the Task Force.

Co-chairperson Representative Rod Halvorson provided an overview of campaign reform issues in Iowa, including the provisions of House File 377, a public financing bill which was passed by both the House and the Senate in 1987 but was vetoed by the Governor.

Representative Mary Lundby, Chairperson of the Republican Legislative Campaign Committee, presented her own statement and a statement on behalf of Mr. Richard Schwarm, Chairperson of the Republican Party of Iowa. Mr. Schwarm's statement expressed opposition to any form of public financing for campaigns but urged the creation of a bipartisan ethics panel and supported several proposals for campaign reform. Representative Lundby responded to questions relating to comparative campaign costs for incumbents, challengers, and candidates for open seats in legislative races.

Mr. Joe Shannahan, representing the Iowa Democratic Party, spoke in favor of a limit on overall campaign spending for candidates seeking office in Iowa. He stated that the use of partial public financing should not be ruled out as an incentive for candidates to agree to expenditure limits. He discussed with Committee members some of the details of financing in legislative campaigns.

On September 21, the following presentations were made to the Committee:

Mr. Thomas McNulty, representing Common Cause of Iowa, presented his organization's campaign finance report showing data on contributions and expenditures and political action committee participation in the 1988 legislative campaigns. He expressed concern over escalating campaign expenditures and contended that contributions from political action committees widen the advantage of incumbents in legislative races. He supported expenditure limitations tied to partial public financing and mentioned a number of other campaign reform measures favored by his organization.

Ms. Peggy Huppert, who was responsible for preparing the Common Cause report, joined Mr. McNulty in explaining the methodology and describing the findings and conclusions of the report. She participated in extended discussion concerning legislative campaigns, political action committees, restrictions on contributions and expenditures, and public financing mechanisms.

Ms. Judie Hoffman, representing the League of Women Voters, said there are three major issues involved in campaign finance reform: (1) control of spending and the attendant matter of public financing of campaigns; (2) limits on individual contributions and political action committees; and (3) public disclosure of contributions and expenditures. After reviewing relevant court rulings relating to these issues, Ms. Hoffman stated the position of her organization in favor of public financing of campaigns as the only approved constitutional way to place limits on campaign spending. She mentioned a number of other campaign reform proposals favored by the League of Women Voters as means of preventing undue influence by special interest groups and limiting the amount spent on campaigns. Ms. Hoffman answered questions and entered into further discussion with Committee members concerning the issues.

At the invitation of the Committee, persons representing three different political action committees presented their observations and comments. Ms. Joan Grimm of the Associated General Contractors said that her organization favors the current system of voluntary citizen campaign financing and is opposed to full or partial government or taxpayer financing of campaigns. Mr. Chuck Gifford of the United Auto Workers discussed the purposes and effects of political action committee contributions and expressed concern over the viability of the Governor's Task Force recommendations in the absence of spending limits and public financing. Mr. Ed Failor of Iowans for Tax Relief and Taxpayers United emphasized the value of the political action committee structure in improving overall public disclosure of campaign financing. He discussed the advantages of having financing through nonparty organizations in addition to political parties, and asserted that contributions to and expenditures by PACs are not a source of campaign finance abuse. He stated his opposition to a system of public financing for candidates' campaigns.

Representative Darrell Hanson presented a series of campaign finance reform proposals sponsored by a group of House Republicans during the 1989 Legislative Session. He explained that the proposals relate to limits on the source and size of campaign contributions, limits on the use and transfer of campaign funds, and measures to strengthen the disclosure process. He noted that the proposals do not include any mechanisms for public financing or expenditure limits.

Mr. Mike Day, Communications Director of the Republican Party of Iowa, presented a statement containing suggestions from Governor Terry E. Branstad on the subject of campaign finance reform as it pertains to gubernatorial races. The suggestions included full disclosure of family assets and income sources by all gubernatorial candidates and their family members; a requirement for daily disclosures during the final weeks of a campaign; and the

imposition of limits on total PAC contributions and the percentage of campaign contributions a candidate may receive from PACs. Mr. Day said Governor Branstad is opposed to taxpayer financing of campaigns. Committee members discussed with Mr. Day several aspects of gubernatorial campaign financing, including differences between the campaigns of incumbents and challengers.

Mr. Lowell Junkins, former state senator and the Democratic candidate for governor in 1986, addressed the Committee concerning gubernatorial campaign financing. He stated that his testimony is his own and does not necessarily reflect the views of the Democratic party. Mr. Junkins offered a number of observations based on his experience as a gubernatorial candidate and expressed concern over the increased costs of campaigning and the advantages that incumbents have over challengers. He commented that elected officials and others with a personal interest in campaign finance issues may have difficulty maintaining objectivity when considering proposals for reform. He suggested that a public body similar to a jury be set up to hear the issues and problems relating to campaign finance and make the decisions on a more objective basis.

MAJOR ISSUES CONSIDERED BY THE COMMITTEE

The issues considered by the Committee related primarily to the increased cost of campaigns, the competitiveness of races between incumbents and challengers, and the extent to which campaign finance practices may result in a public perception of undue influence by special interests. Much of the discussion centered on proposals to restrict campaign contributions and expenditures. One significant question was whether there should be a system of public financing under which expenditure restrictions could constitutionally be imposed on candidates who choose to accept public funds. Another was the extent to which restrictions should be placed on the use, transfer, and disposition of candidates' campaign funds. Several other issues were raised, many of which had been addressed by the Governor's Task Force. In a number of cases the Committee's final recommendations are similar or parallel to those of the Task Force. The recommendations adopted at the Committee's final meeting are listed below.

RECOMMENDATIONS

The Committee recommends:

Disposition, Use, and Transfer of Campaign Funds

1. That legislation be enacted to require that when a candidate's committee dissolves, leftover funds of a partisan candidate's committee must revert to the applicable city, county,

or state political party, and that the leftover funds of nonpartisan or independent candidates' committees must either be donated to a charitable organization or refunded pro rata to the original contributors.

2. That the law be amended to place restrictions on the types of expenditures which may be made from campaign funds, with a prohibition on any type of expenditure from which the candidate or family members would derive personal benefit or gain. The Committee recommends that the Campaign Finance Disclosure Commission adopt rules to set out specific prohibitions.

3. That the law prohibit separate newsletter or constituent services accounts for which contributions are solicited or accepted.

4. That a prohibition be placed on the transfer of funds (i.e., contributions) from one candidate's committee to another, including a prohibition on the purchase of tickets for candidate fundraisers, dinners, etc. Donations to and purchases of tickets from political parties should be permitted.

Transfers by PACs

5. That the law prohibit transfers of funds from one state-registered political action committee to another and transfers from a state-registered political action committee to a trust.

Honoraria and Consulting Fees

6. That legislation be enacted to prohibit holders of statewide and legislative offices from accepting honoraria from groups, associations, organizations, or individuals with interest in issues before the Legislature, but that actual expenses may be reimbursed and those reimbursed expenses are subject to disclosure by the officeholder.

7. That holders of statewide and legislative offices be required to make full disclosure of all consulting fees received from groups, associations, organizations, or individuals with interest in issues before the Legislature.

Reporting of Contributions During Legislative Session

8. That provisions requiring "fourteen-day reports", showing contributions from political action committees and lobbyists made while the Legislature is in session, be changed so that the responsibility for filing would no longer lie with the candidate's committee but rather with the political action committees and

lobbyists making the contributions. A fourteen-day report should not be required for contributions by political party committees.

Changes in Frequency of Reporting

9. That the law be changed to add a September reporting requirement for candidates for statewide office and legislative candidates.

10. That the reporting requirements for political action committees in election years be increased to include a supplementary report on the Friday preceding the primary or general election if the committee receives or disburses contributions of \$1,000 or more after the close of the period covered by the last report filed prior to that election. The requirement should coincide with the time line for supplementary reports filed by candidates for statewide office and legislative candidates.

11. That the number of reports required from partisan political committees in nonelection years be reduced from four to two, with reports required only on January 20 and October 20 respectively.

Reporting Threshold

12. That the level of financial activity which triggers disclosure reports remain at the current \$250 threshold, but with the threshold set at \$500 for any candidate who submits an affidavit certifying that the candidate will spend only the candidate's own money and that the amount will be under \$500.

Detail on Reports

13. That the Campaign Finance Disclosure Commission develop drafts of proposed administrative rules to require a more detailed classification of contributions and expenditures on financial disclosure forms and that the two standing Committees on State Government be given an opportunity to review and comment prior to the formal rulemaking process.

Reporting of Independent Expenditures

14. That a new provision be enacted relating to the reporting of certain independent expenditures. The provision should contain language similar to the following:

"REPORT OF INDEPENDENT EXPENDITURES. 1. A person, other than a committee, who makes an independent expenditure for the purpose of supporting or opposing a candidate for public office or a ballot

issue, which totals an amount of \$100 or more in a calendar year, shall file a report of the independent expenditure within 10 days, with the officer designated in section 56.4. The report shall be made on an independent expenditure report form prescribed by the campaign finance disclosure commission and shall include the date of the expenditure, a brief description of the nature of the expenditure, the amount, the name and address of the person to whom it was paid, and the name and address of the person filing the report, together with the name and address of each person who contributed \$100 or more to the expenditure.

"2. As used in this section:

"a. "Independent expenditure" means an expenditure which is not made at the direction of, or under the control of, any candidate's committee or political committee.

"b. "Supporting or opposing a candidate for public office" includes but is not limited to comparing in a paid advertisement the voting records or other evidence of positions taken by two or more named candidates on specific issues."

Income Tax Credit

15. That the Iowa income tax return provide for a direct tax credit for contributions made by individuals to state and local political parties, with the tax credit to be equal to 50 percent of the contributions made, up to \$50 on an individual return (maximum tax credit \$25), and up to \$100 on a joint return (maximum tax credit \$50).

Income Tax Checkoff

16. That the amount of income tax checkoff on the Iowa income tax return be increased from \$1.50 per taxpayer to \$10.00 per taxpayer, with \$2.50 of each \$10.00 to be allocated for distribution to political parties and the remaining \$7.50 to be allocated for distribution to candidates under the partial public financing system recommended in Item 17 below. The increase in the checkoff should take effect for the 1990 tax year for which tax returns will be filed in 1991.

Partial Public Financing

17. That the law be amended to provide a system of partial public financing applicable to gubernatorial and other statewide candidates and legislative candidates. The mechanisms for public financing should be substantially the same as those which would have applied if Senate File 377 of 1987 had not been vetoed by the

Governor. For participating candidates the following dollar amounts should apply:

- a. Spending limits
 - Governor/Lieutenant Governor, \$1,700,000
 - Other statewide offices, \$100,000
 - Senate, \$30,000
 - House, \$15,000
- b. State grants
 - Governor/Lieutenant Governor, \$300,000
 - Other statewide offices, \$25,000
 - Senate, \$10,000
 - House, \$5,000
- c. Limit on aggregate contributions received by the candidate from political action committees
 - Governor/Lieutenant Governor, \$300,000
 - Other statewide offices, \$25,000
 - Senate, \$10,000
 - House, \$5,000
- d. Limit on contributions to the candidate from an individual or individual political action committee
 - Governor/Lieutenant Governor, \$10,000
 - Other statewide offices, \$10,000
 - Senate, \$500
 - House, \$500

The system of partial public financing should apply to the 1992 election for legislative candidates and to the 1994 election for gubernatorial and other statewide candidates.

Miscellaneous

18. That the Campaign Finance Disclosure Commission be given specific authority to levy civil penalties for violations of the sponsor/disclaimer requirements for political advertising under the law.

19. That the law be amended to include a specific prohibition against governmental bodies using public funds to promote or oppose a ballot issue.

20. That a system be established whereby lobbyists are required to register and report when lobbying the executive branch and board and commission members. The mechanism should be similar to that now required for legislative lobbyists.

21. Recognizing that some of the above recommendations will impose additional responsibilities on the Campaign Finance

Disclosure Commission, the Committee urges that these added duties be taken into account during the appropriation process.

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