

POLITICAL CAMPAIGNS STUDY COMMITTEE  
FINAL REPORT

Chair, Mary Ellen Chamberlin

Members

J.G. "Gus" Johnson, Oelwein  
Peg Anderson, Bettendorf  
Jerry Parkin, Des Moines  
Marv Walter, Ames  
Emmanuel Bikakis, Sioux City

William Rabedeaux, Wilton  
Willard Hansen, Des Moines  
Tim Dickson, Des Moines  
Pat Marshall, Cedar Rapids  
Sally Krisel, Ames

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SF 2014 established a Political Campaigns Study Committee, consisting of two appointees each by the majority and minority leaders of both chambers of the legislature, and one appointee each by the chairs of the two state political parties. The eleventh member was specified to be the chair of the Campaign Finance Disclosure Commission. Some appointments were made soon after the bill's July 1 effective date; the final appointments were not made until mid-October. The Committee was charged with submitting a final report on or before January 2, 1985 with its findings of fact and recommendations, and was granted authority to hold two meetings.

The first meeting was held on November 8, 1984 at which time the Committee began its review of its charge and what research would be needed. The members believed the task to be too overwhelming for just two meetings and requested that the Legislative Council grant one additional meeting, which was approved by the Council on November 15, 1984. The committee met again on December 5 and on December 13. The remainder of this report is divided into three parts: I. Issues Examined and Discussed by the Study Committee, and II. Recommendations of the Study Committee and III. Summary.

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I. Issues Examined and Discussed by the Study Committee

INCREASING COSTS AND INCREASING LENGTHS OF CAMPAIGNS FOR IOWA PUBLIC OFFICE

The Committee is concerned about both issues. Attention was given to primary contests, and to the make-up of Iowa voters (about equally split among Democrats, Republicans and Independents for essentially a "three-party" system) which can affect the length of some campaigns.

In the cost of campaigns, the Committee recognized that some of this is attributable to inflation's effect on news ads, printing, postage, gasoline, etc., and also that urban candidates are utilizing more radio and television media than in prior years. The geography of districts influences campaign costs in a contested race; where the urban candidate may encounter higher advertising costs, the rural candidate has more miles to cover and many small newspapers and radio stations to utilize.

#### STATISTICS ON PAC GIVING TO IOWA CANDIDATES

The Committee spent a great deal of time examining statistics of the Campaign Finance Disclosure Commission in the 1984 campaigns and comparing them with available data from prior years. It also heard testimony from Mr. Steve Sovern and from Senator Charles Bruner on the con side of the PAC issue, and from Central Iowa Building Trades PAC and the Iowa Realtors PAC on the pro side. Mr. Sovern, Senator Bruner and the Realtors PAC also provided written materials to support their opinions.

The discussions looked at campaigns in general, but also separated and reviewed PAC activity with unopposed candidates, highly contested races and less active contests. It examined how PACs make decisions on which candidates to support, and the timing of their contributions. It acknowledged solicitations to PACs from candidates, as well as unsolicited funds, and took note that some candidates choose not to accept any PAC money, while other candidates set limits for themselves on PAC money.

#### PACs--WHO ARE THEY, WHY ARE THEY?

The Committee noted that 165 PACs are registered in Iowa, some very large, others very small. Their 1984 giving through October ranged from \$10 to \$84,000, respectively. The sponsors of PACs primarily are so-called special interest entities--corporations, financial institutions, professional associations, union organizations, etc. There are a few so-called ideological PACs--women's issue oriented or tax concerns, for example. PAC managers or administrators and lobbyists are often the same person or persons. A PAC's primary purpose is to support candidates whose voting records and philosophies match the concerns of the PAC. PAC dollars frequently cross party lines; other PACs donate primarily to candidates of one party or another.

#### CANDIDATE PERSONAL WEALTH AND FAMILY MEMBER GIVING

The issue of personal wealth in campaigns was discussed, and in that same vein, the impact of family members' contributions. The Committee believed these issues merited discussion since they can have as much or more impact to some campaign treasuries as PAC money. It reviewed provisions of other states in this area.

#### RESTRICTING OR LIMITING CAMPAIGN EXPENDITURES

Attention was directed to the fact that limited expenditures must be voluntary by candidates, based upon a Supreme Court decision. Limits can be tied in with public financing as a reward, however.

#### PUBLIC FINANCING

Public financing provisions in other states were examined and discussed. The Iowa income tax checkoff distributed to the two political parties was discussed with a consensus that this practice has resulted in strong party organizational building in the state and should be left intact. The Iowa economy and the practicalities of a third income tax checkoff or general fund appropriation for public financing was discussed, with the conclusion that neither was feasible or desirable in the present economy. It also was noted that in states with public financing for candidates, generally the governor and/or statewide races are so financed. In the few states where legislators may apply for public financing, many reject it so that they are not limited in size of campaigns.

### ISSUE OF "INFLUENCE" VERSUS "UNDUE INFLUENCE"

The Committee discussed the fact that many persons and groups influence their legislators and officials. The concern should be whether undue influence is present. Discussion surrounded the dollars donated by PACs, and then the effectiveness or ineffectiveness of the lobbyists of these PACs on their issues. The delicacy of solicited contributions during legislative sessions was covered, pointing up that intimidation is sometimes imposed upon the lobbyist or PAC. The policing of peers (whether it be candidates or lobbyists) exhibits the concern present, as does certain legislative action taken. The Committee is not convinced that there is "undue" influence. PACs may establish access or identity through PAC activities, but there seems to be little correlation between enacted legislation and large donations to candidates. Iowa candidates and PACs appear to be operating in an ethical manner.

### DOLLARS AND SENSE

PAC dollars do represent nearly 50% of legislative campaign contributions to date in 1984 (\$614,457 of \$1,297,509). However, the PAC dollars came from 2,511 donations, of which only 214 were in the amount of \$500 or more to an individual candidate. The average individual PAC contribution to a House candidate was \$156; to a Senate candidate \$225. Republicans received more PAC money than Democrats (\$341,489 to \$272,968).

Although incumbents received the lion's share without a doubt, challengers are starting to pick up more PAC money than in past years. Of the donations of \$500 and over, challengers were recipients of 37%.

The Committee then discussed the 82 candidates who received one or more contributions of \$500 or more. In analyzing the diversity of interests of the PACs no case was made to support any illusion of corruptness. Conversely, the Committee noted that, through disclosure, a profile of the candidate could become visible that could be tracked for legislative activity. If limits were employed, this profile could disappear or be less discernible. The definite benefits of good disclosure were discussed.

### IOWA DISCLOSURE LAW

Having determined that as of today, candidates in Iowa do not appear to be corrupted or unduly influenced by PACs, the emphasis turned to examine current law to determine if it meets the expectations of Iowans and serves the public's interest. Problem areas such as co-mingled bank accounts, great delay in the deposit of receipts, independent committee in-kind advertising, negative campaign ads, levels of itemization, unidentifiable contributors and out-of-state PAC interest in Iowa were discussed.

The consensus of the Committee was that Iowa's disclosure law should be strengthened to assure accurate reporting and accountability of committees. It is believed this will enhance the quality of politics in Iowa.

### II. Recommendations of the Study Committee

The openness and equity of the electoral process in Iowa depends upon the strength of disclosure and enforcement, rather than employing restrictions or prohibitions. The Committee believes that full and accurate disclosure to an adequately funded public agency will provide the voters with a profile of the candidate that could be lost if limits on some or all contributions were imposed.

The Committee concludes that limits could cause candidates and other political committees to create innovative methods to circumvent full disclosure. For example, if the ABC PAC had reached its limit in contributing to Candidate A, it could contribute to the XYZ PAC, which would in turn donate the money to Candidate A. Another method of avoiding the limit would be to organize other PACs (for instance, county or district chapters) and be able to make 2, 10 or 25 contributions at the set limit.

Setting an aggregate limit for all PAC contributions to a candidate could also be a problem. PACs could engage in a footrace to get their contributions to candidate A early in the campaign. Candidate A is faced with early decisions about accepting or refunding the early checks. Certainly, time limits for these decisions would have to be set, or the entire campaign would be spent in refunding previous contributions in order to accept later contributions. These "trade-offs" would certainly cause an aura of undue influence.

The Committee therefore recommends that no limits be imposed on PACs or candidates at this time. It does urge strengthening of the law in the following areas.

1. Candidates' committees and other political committees should be required to set up separate banking accounts. Not only does this assure that all receipts and disbursements are accurately accounted for, but it provides the committee treasurer with an easy reconciliation of the disclosure report. Co-mingling of campaign monies with personal, business or association funds is not a good business practice.

2. Contributions received by a candidate or other political committee should be required to be deposited within seven days of receipt by the treasurer. This provision is found in the laws of most other states; in fact, some require deposit within two days. Again, this is a good business practice which assures safekeeping of the funds and leads to better disclosure. If a treasurer deposits a check which the candidate or committee officer later decides not to accept, a refund check can be issued and the transaction shown on the disclosure report.

3. Contributions received by legislators and state officials from PACs and lobbyists while the legislature is in session should be promptly reported. The Campaign Finance Disclosure Commission currently has an administrative rule in force covering this, which was mandated in its FY85 appropriation bill. The rule will expire June 30, 1985. The provision should be placed in the statute. It is suggested that reporting be by a letter report filed within fourteen days of the receipt of the contribution to simplify the procedure, and then the transaction be reported and reflected in the cash balance on the next required report. This provision will afford the needed timely disclosure and will tend to discourage the small amount of activity that is perceived to be a problem by legislators and the committee. The Committee expressed concern about the solicitation and receipt of campaign contributions from PACs and registered lobbyists during the legislative session. The Committee believes this is more properly addressed by the Legislative Ethics Committee.

4. Individual contributions by family members of a candidate should be identified on the candidates' report. The committee sees no reason to restrict or limit such contributions, but believes the public should know the

contributor's relationship to the candidate. It is suggested this apply to relatives to the third degree of consanguinity and affinity.

5. The Committee recommends that the level for itemization by name and address of contributors to any committee be standardized for all non-party committees at \$25. This itemization level currently exists for candidates at all levels; it would be a change for political action committees. Some of these committees already voluntarily itemize all contributions received for simplicity in recordkeeping. This provision would not only provide better disclosure, but would be assurance that an occasional larger contribution would not be (inadvertently or purposely) lumped in with other unitemized contributions.

6. The Committee recommends that any committee making an independent expenditure on behalf of a candidate (such as sponsoring a newspaper ad, media advertising, special mailings, telephone banks, etc.) be required to disclose within 24 hours the nature of the inkind contribution and its cost at fair market value. The disclosure would be in the form of a letter to the candidate with a copy to the Campaign Finance Disclosure Commission. The candidate also has the needed information to properly report the activity as an inkind contribution if he/she does not object to it. With prompt disclosure, the candidate has the opportunity to disavow connection with the independent committee or even to refute its statements if desired. This provision does not address the concern of the committee of the activities of so-called "negative campaign committees"; the Committee found no solution that did not violate free speech privileges.

7. The Committee also recommends that the statute be amended to provide certain requirements of out-of-state PACs which choose to contribute to candidates for Iowa public office. There appears to be no need at this time to prohibit or restrict such out-of-state money, but there does appear to be a need to better identify and regulate their activity in Iowa.

It is recommended that provisions be adopted to require that a candidate cannot accept out-of-state PAC contributions without a certification letter from the PAC which fully discloses the following: the complete name, address and phone number of the PAC, the state or federal jurisdiction under which it is registered or operates, the identification of its parent entity and its other affiliates or sponsors (if any), its purpose, and the name of an Iowa resident treasurer or agent for service of process. The certification letter should be sent to the Iowa Campaign Finance Disclosure Commission, and a copy of the letter should be attached to the contribution check sent to the candidate's committee.

The current procedure requires a candidate to check with Campaign Finance Disclosure Commission before accepting an out-of-state contribution. If the PAC is not registered and filing, the candidate must either refund the contribution or wait until the PAC is registered to accept the money. The new procedure would simplify procedures for the candidate, as he/she would simply obtain the certification letter and submit it to Campaign Finance Disclosure Commission in order to accept the check. Out-of-state committees which preferred to file full reports on an on-going basis would be permitted to continue to do so, but the procedure for the "one-time" contributor would be easier for both the entity and the Iowa candidate.

8. In a similar way, more specific information should be on file about in-state PACs. Many PACs use acronyms in their names, or adopt names that are philosophic rather than specific. These names do not properly identify the PAC to the Iowa public. Iowa PACs should also list their parent entity, affiliates and/or sponsors so that it is evident who it represents; i.e., a specific corporation, a specific professional association, a specific labor organization, a specific membership or trade organization, etc.

9. The Committee believes the legislation enacted effective January 1, 1984 to provide for supplemental reports by some candidates' committees the Friday before an election serves the public interest. It recommends lowering the threshold for the reports for legislative candidates from \$2,000 to \$1,000, and for statewide candidates other than gubernatorial candidates to \$5,000. The Committee recommends the \$10,000 threshold remain for candidates for governor.

### III. Summary

The Committee is aware that increased PAC activity is perceived to be contributing to the increased cost of legislative campaigns as well as having the potential for undue influence of the legislative agenda. At this time, however, the problems associated with the various PAC limitation plans seem to outweigh any immediate problems with PACs in Iowa. The Committee is recommending strengthening disclosure requirements so that activities of PACs may be more accurately assessed.

It is hoped that PACs and candidates will recognize the concerns of the public relative to length and increasing costs of campaigns and place voluntary limits on their contributions and expenditures. The Committee recommends that this issue be re-examined following the 1986 election with careful scrutiny of two major concerns; increased contributions leading to increased campaign costs, and inappropriate influence on legislators and the legislative agenda. The latter should be monitored during the biennium to provide better information for future study.

### MINORITY REPORT

I concur in the numbered recommendations of the committee, for I feel they address current and potential problems in the area of campaign financing. However, I cannot concur with the recommendation that no limitation be placed upon the total amount of PAC money to be received by a candidate.

I believe that the legislature as a body, legislators as individuals, and the public at large feel a growing concern for the expense of political campaigns in general and the current and potential impact of PACs in particular. It was for this reason that this committee was formed. The testimony received and the materials submitted demonstrate to me that, while PACs probably do not exert an undue influence or impact on campaigns in Iowa at the present time, their influence is growing, the percentage of PAC contributions is dramatically increasing, and now is the time to deal with this issue before it becomes a real problem and much more difficult to handle from both a procedural and political standpoint.

I believe that a reasonable limitation should be placed on the total amount of PAC contributions to be received by a candidate and that these PAC contributions should be received and reported in full prior to the election. I believe that this would also have a salutary effect upon the overall amount of campaign costs which must be kept to a reasonable level.

A review of the statistics provided by the Campaign Finance Disclosure Commission indicates to me that a limitation of total PAC contributions to a Senate candidate in the amount of \$8,000 and to a House candidate in the amount of \$4,000 would be well within the amount currently being received by most candidates but would provide a cap to prevent excesses from occurring in the future. If future costs require an adjustment in these figures, this can be considered by the legislature; but this would at least require debate, public exposure and a record vote. Right now, I feel that the concept of some limitation is vital to the positive public perception of campaign financing in Iowa.

Therefore, I would propose the following recommendations:

1. That total PAC contributions be limited to \$8,000 for any Senate candidate and \$4,000 to any House candidate.
2. That all such PAC contributions be received, deposited and reported on the candidates' October 15 campaign finance disclosure report.

Respectfully submitted,

J. G. Johnson  
Sally Krisel

PROPOSED SENATE/HOUSE FILE \_\_\_\_\_

BY (PROPOSED POLITICAL CAMPAIGNS  
STUDY COMMITTEE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the financing of political campaigns and  
2 the reporting of that financing.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 56.3, subsection 2, Code 1985, is  
2 amended to read as follows:

3 2. Every person who receives contributions in excess of  
4 one hundred dollars for a committee shall, not later than  
5 fifteen days from the date of receipt of the contributions or  
6 on demand of the treasurer, render to the treasurer the  
7 contributions and an account of the total of all  
8 contributions; including the name and address of the persons  
9 making a contribution in excess of ten dollars, the amount of  
10 such contribution, and the date on which the contributions  
11 were received. The treasurer shall deposit all contributions  
12 within seven days of receipt by the treasurer in an account  
13 maintained by the committee in a financial institution. All  
14 funds of a committee shall be segregated from any personal  
15 other funds of officers, members, or associates of the  
16 committee.

17 Sec. 2. Section 56.5, subsection 2, Code 1985, is amended  
18 to read as follows:

19 2. The statement of organization shall include:

20 a. The name, and purpose, mailing address and telephone  
21 number of the committee.

22 b. The name, mailing address, and position of the  
23 committee officers.

24 c. The name, address, office sought, and the party  
25 affiliation of all candidates whom the committee is supporting  
26 and if the committee is supporting the entire ticket of any  
27 party, the name of the party.

28 d. The disposition of funds which will be made in the  
29 event of dissolution if the committee is not a statutory  
30 committee.

31 e. Such other information as may be required by this  
32 chapter or rules adopted pursuant to this chapter.

33 f. A signed statement by the treasurer of the committee  
34 which shall be in the following form:

35 "I am aware that I am required to file disclosure reports

1 if the committee receives contributions, makes expenditures,  
2 or incurs indebtedness in excess of two hundred fifty dollars  
3 in a calendar year for the purpose of supporting or opposing  
4 any candidate for public office or ballot issue."

5 g. The identification of any parent entity or other  
6 affiliates or sponsors.

7 h. The name of the financial institution in which the  
8 committee receipts will be deposited.

9 Sec. 3. Section 56.5, Code 1985, is amended by adding the  
10 following new subsection:

11 NEW SUBSECTION. 5. In lieu of filing the statement of  
12 organization under subsections 1 and 2 and filing the  
13 disclosure reports under section 56.6, a political committee  
14 which is not domiciled in this state and makes a contribution  
15 to a candidate's committee or political committee in this  
16 state may file a verified statement under this subsection with  
17 the commission with a copy to the treasurer of the committee  
18 receiving the contribution. The statement shall be attached  
19 to the report required of the committee receiving the  
20 contribution under section 56.6. The statement shall include  
21 the complete name, address and telephone number of the  
22 committee, the state or federal jurisdiction under which it is  
23 registered or operates, the identification of any parent  
24 entity or other affiliates or sponsors, its purpose and the  
25 name and address of an Iowa resident authorized to receive  
26 service of original notice.

27 Sec. 4. Section 56.6, subsection 1, Code 1985, is amended  
28 by adding the following new lettered paragraph:

29 NEW LETTERED PARAGRAPH. A candidate's committee of a state  
30 officeholder shall file a letter report to be received within  
31 fourteen days of the receipt of any contribution from a  
32 political committee or from a lobbyist registered under the  
33 rules adopted by the general assembly while the general  
34 assembly is in session. The letter report shall notify the  
35 commission of the following:

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- 1 (1) The name of the candidate's committee.
- 2 (2) The name and complete address of the political
- 3 committee or registered lobbyist making the contribution.
- 4 (3) The amount of the contribution.
- 5 (4) The date the contribution was received.
- 6 (5) In the event the contribution was caused by a
- 7 fundraiser, an explanation of the sponsor and type of event
- 8 held.

9 Sec. 5. Section 56.6, subsection 1, paragraph b, Code  
10 1985, is amended to read as follows:

11 b. A candidate's committee of a candidate for statewide  
12 office or the general assembly shall file a supplementary  
13 report in a year in which a primary, general or special  
14 election for that office is held if the committee of a  
15 candidate for statewide-office governor receives ten thousand  
16 dollars or more, a committee of a candidate for any other  
17 statewide office receives five thousand dollars or more, or  
18 the committee of a candidate for the general assembly receives  
19 two one thousand dollars or more after the close of the period  
20 covered by the last report filed prior to that primary,  
21 general or special election. The amounts of contributions  
22 causing a supplementary report under this paragraph shall  
23 include the estimated fair market value of in kind  
24 contributions. The report shall be filed by the Friday  
25 immediately preceding the election and be current through the  
26 Tuesday immediately preceding the election.

27 Sec. 6. Section 56.6, subsection 3, paragraph b,  
28 subparagraph 10, Code 1985, is amended to read as follows:

29 (10) For any other political  
30 committee ..... \$ 50  
31 25

32 Sec. 7. Section 56.6, subsection 3, Code 1985, is amended  
33 by adding the following new lettered paragraph:

34 NEW LETTERED PARAGRAPH. If a person listed under  
35 paragraphs "b", "d", "e", or "f" as making a contribution or

1 loan to or purchase from a candidate's committee is related to  
2 the candidate within the third degree of consanguinity or  
3 affinity, the existence of that person's family relationship  
4 shall be indicated on the report.

5 Sec. 8. Section 56.13, unnumbered paragraph 1, Code 1985,  
6 is amended to read as follows:

7 Action involving a contribution or expenditure which must  
8 be reported under this chapter and which is taken by any  
9 person, candidate's committee or political committee on behalf  
10 of a candidate, if known and approved by the candidate, shall  
11 be deemed action by the candidate. It shall be presumed that a  
12 candidate approves the action if the candidate had knowledge  
13 of it and failed to file a statement of disavowal with the  
14 commissioner or commission and take corrective action within  
15 seventy-two hours of the action. A person, candidate's  
16 committee or political committee taking such action  
17 independently of that candidate's committee shall notify that  
18 candidate's committee in writing within twenty-four hours of  
19 taking the action. The notification shall provide that  
20 candidate's committee with the cost of the promotion at fair  
21 market value. A copy of the notification shall be sent to the  
22 commission. This paragraph does not apply to actions taken by  
23 a county or state statutory political committee.

24 EXPLANATION

25 This bill contains the statutory changes recommended by the  
26 political campaigns study committee.

27 Section 1 requires that the contributions in excess of one  
28 hundred dollars be turned into the treasurer of a political  
29 committee within fifteen days and that the treasurer deposit  
30 them within seven days in an account in a financial  
31 institution that is segregated from all other funds.

32 Section 2 expands the information that must be provided in  
33 the organization statement filed by a committee to include the  
34 committee's telephone number, purpose, parent entity or other  
35 affiliates, and the name of its financial institution.

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1 Section 3 provides an alternative method of filing for out-  
2 of-state committees making a contribution to an Iowa candidate  
3 or political committee.

4 Section 4 codifies the temporary rules regarding the filing  
5 of reports of contributions by political committees or  
6 registered lobbyists to state officeholders while the general  
7 assembly is in session.

8 Section 5 lowers the contribution threshold for the filing  
9 of supplemental reports prior to the election by candidates  
10 for some statewide office and the general assembly.

11 Section 6 lowers the level at which the donor to a  
12 political committee must be identified from fifty to twenty-  
13 five dollars.

14 Section 7 requires that contributions and loans by family  
15 members to a candidate be identified on the disclosure report.

16 Section 8 provides that a person or committee making an  
17 independent expenditure on behalf of a candidate must provide  
18 written notice to the candidate within twenty-four hours of  
19 taking the action.

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