

CAMPAIGN FINANCE AND DISCLOSURE STUDY COMMITTEE

Report to the Legislative Council
and the Members of the
First Session of the Sixty-sixth General Assembly
State of Iowa
1975

F I N A L R E P O R T

CAMPAIGN FINANCE AND DISCLOSURE STUDY COMMITTEE

December, 1974

The Campaign Finance and Disclosure Study Committee was authorized by the Legislative Council pursuant to Senate Concurrent Resolution 121 to formulate recommendations regarding the effectiveness of Chapter 138, Acts of the Sixty-fifth General Assembly, 1973 Session, including 1974 amendments to that law. The following legislators were appointed to the Study Committee:

Senator Willard R. Hansen
Senator John N. Nystrom
Senator Cloyd E. Robinson
Representative Robert M. Carr
Representative Jean Kiser
Representative Lowell E. Norland
Representative James C. West

The first meeting, held on July 2, 1974 was organizational in nature. Senator Hansen was elected Chairman of the Study Committee and Representative Norland was elected Vice Chairman. The Study Committee agreed to examine the following issues during the interim:

1. Establishing limits on out-of-state contributions.
2. Placing limitations on total campaign spending.
3. Examining the mechanical problems resulting from current reporting procedures.
4. Studying the feasibility and desirability of public financing of political campaigns.
5. Determining the desirability of legislation concerning campaign ethics.

PRESENTATIONS TO THE STUDY COMMITTEE

Outlined below are the recommendations received by the Study Committee from individuals, agencies, and organizations during the course of four public hearings. In order to consolidate the list, each suggestion appears only once. However, it should be noted that several of the suggestions were offered by more than one individual or organization.

1. The Honorable Melvin D. Synhorst, Secretary of State

- a. A necessity that adequate funding be provided for the administration of the law.
 - b. Present law imposes penalties for willful violations of the law. Willful violations are almost impossible to prove.
 - c. Problems arise when contributions are given to a state central committee and earmarked for a specific candidate.
2. The Campaign Finance Disclosure Commission
- a. All political committees should be required to file periodic financial reports. As the law is presently written the Commission cannot do what it was created to do: to see that periodic disclosure reports on campaign finances are filed by political committees and that these reports are maintained for public inspection.
 - b. The acceptance and use of anonymous donations should be specifically declared illegal and the law should specify what a candidate or committee should do with anonymous contributions they receive.
 - c. Limits should be set on the amount of money which can be spent in school board and municipal campaign elections.
 - d. To facilitate the Commission in overseeing candidate and committee expenses, the Commission would like to have candidates required to report a list of committees they recognize as supporting them and that such list shall be submitted with their financial reports.
 - e. If the classification of persons who have standing to file complaints is broadened, the Commission should be granted the discretionary power to refer original complaints to the county level.
3. Common Cause (Robert Fulton and James Potgeter)
- a. Proposal for public financing of political campaigns through matching funds.
 - b. Limit of \$1,000 maximum individual campaign contribution to a candidate or campaign committee.
4. Common Cause (Mrs. Betty Kitzman)
- a. Amend the law to clarify provisions relating to in-kind contributions.

- b. Clarify law relative to reporting of goods contributed for sale or auction.
 - c. Amend law to permit any citizen to file a complaint with the Campaign Finance Disclosure Commission.
 - d. Amend law which presently permits the Campaign Finance Disclosure Commission to require county auditors to file summary reports with the Commission periodically, showing whether all committees and candidates who are required to file reports with the auditor have met the filing deadline.
 - e. Recommends changing the reporting dates so as to occur closer to election day thereby giving the public a more accurate view of candidates' campaign expenditures.
5. League of Women Voters of Iowa (Ms. Jeanne Shram Fortner)
- a. Shorten present forms for filing reports for candidates spending under a specified amount.
 - b. Limit the size and type of contributions from all sources including stringent limits on the use of cash.
 - c. Impose more severe penalties for violations of the law.
6. ISPIRG (Mr. Skip Laitner)
- a. Limit the length and cost of political campaigns.
7. James A. Leach
- a. Need for full disclosure of all campaign contributions, monetary or in-kind.
 - b. Need to insure that candidates develop no pressure group or out-of-state obligations.
 - c. Need for candidates to designate any conflicts of interest they may possess through personal financial holdings.
8. Congressman Edward Mezvinsky
- a. Recommend legislation which will provide partial funding of political campaigns.
9. State Representative David M. Stanley
- a. Increase staff and funding of the Campaign Finance Disclosure Commission to improve enforcement of the present law.

- b. No limitation should be placed on contributions from the family of a candidate.
10. Congressman John Culver
- a. Enforcement of a campaign finance and disclosure law must be placed in an independent agency of government.
11. Iowa Association of School Boards (Mr. Ted Sorenson)
- a. Simplify reporting forms for school elections.
12. State Republican Central Committee (Mr. John McDonald)
- a. Adopt same reporting dates as provided by federal law.
 - b. Adopt same reporting requirements relative to the amount of contributions.
 - c. Require one filing committee for each political party.
 - d. Limit out-of-state contributions to candidates to \$100 per individual or organization.
 - e. Limitations on out-of-state contributions should not apply to funds received from national party organizations.
13. State Democratic Central Committee (Mr. Tom Whitney)
- a. Committees involved in bond elections should be subject to the law.
 - b. Provide for automatic voter registration through driver license issuance and filing of income tax returns.
 - c. Separate filing should be required for in-kind contributions.
 - d. Provisions should be added for special filing if the campaign receipts or expenditures exceed 15 or 20% of the total receipts or expenditures between the last filing date and the election.

RECOMMENDATIONS

I. OUT-OF-STATE CONTRIBUTIONS

By a split vote, the Study Committee recommends that no limitations be placed on contributions received by a candidate for public office in Iowa from out-of-state sources. During the course of the debate on this issue it was pointed out that present studies reveal no conclusive evidence to suggest a correlation between the

amount of funds received by a candidate from out-of-state contributors and the candidate's subsequent voting pattern. Chairman Hanson requested that his dissent to this recommendation be recorded. He expressed concern for the increasing amounts of out-of-state contributions being received by candidates for public office in small states where media rates are lower than are the costs for similar advertising in the larger states.

II. LIMITATIONS ON CAMPAIGN CONTRIBUTIONS AND EXPENDITURES

The Study Committee examined two alternative approaches to the problem of limiting the cost of political campaigns. It was recognized that placing definite limitations on the total amount a candidate for public office can spend during his campaign would insure against excessive spending. This approach would also equalize the opportunities afforded a relatively unknown challenger running against an incumbent with an established base of financial support as well as minimize the advantage afforded candidates with extensive personal resources. However, limitations on total campaign expenditures and limits placed only on media expenditures have been declared unconstitutional in the states of Washington and Hawaii. Characteristic differences between campaigns in urban and rural areas would also preclude the establishment of an equitable maximum limitation on total campaign expenditures. For these reasons, the Study Committee recommends the second alternative approach to control the cost of political campaigns achieved by established specific limitations on the size of contributions given by the candidate himself or members of his family and all other individuals and groups with the exclusion of party statutory committees. The following table illustrates the specific limits recommended by the Study Committee according to the level of office sought and the source of the contribution:

<u>Level of Office</u>	<u>Contributor</u>		<u>Candidate and Family</u>
	<u>Individual</u>	<u>Group</u>	
Local (school board, county, municipal)	\$ 125	\$ 125	\$ 1,500
General Assembly	250	250	1,500
State-wide Offices	1,000	1,000	10,000

The dollar values indicated in this table apply to each election in which the candidate's name appears on the ballot. For example, a candidate for local office can receive \$125 from an individual during the primary and another \$125 from the same individual during the general election campaign. While it is recognized that candidates for local offices in the large cities have a constituency greater in number than candidates for state legislative seats, the Study Committee concluded that the lower limits for local offices remain equitable because local candidates in the metropolitan areas have a much broader base from which funds

can be solicited. The limitations in the candidate and family category represent the total amount of funds a candidate can receive from all individuals subject to this classification. Family is defined as any person related by consanguinity or affinity within the third degree.

In establishing these recommended contribution limitations, the Study Committee considered both corresponding federal requirements and the size of contributions received by Iowa candidates during 1974 as reported by the Campaign Finance Disclosure Commission.

III. TECHNICAL AND MECHANICAL IMPROVEMENTS

Recognizing that the present campaign disclosure law creates several mechanical problems in reporting and enforcement, the Study Committee recommends the following amendments to Chapter 56:

1. THE CAMPAIGN FINANCE DISCLOSURE COMMISSION SHOULD BE DESIGNATED AS THE SOLE AGENCY CHARGED WITH IMPLEMENTING THE CAMPAIGN FINANCE AND DISCLOSURE LAW.

It has become apparent that some agency must take primary responsibility for the implementation of the Campaign Disclosure Law.

The present law delegates specific responsibilities to several authorities, while at the same time leaving other tasks necessary to implement the law unassigned. Specifically the law does not designate to any one agency the task of educating the public. It is the opinion of the Campaign Finance Disclosure Commission staff that there is much confusion and misinformation being circulated regarding reporting requirements. The Study Committee recommends one agency, the Campaign Finance Disclosure Commission, be charged with education. Education, the Commission indicates, should include informational meetings both with county officials and with candidates and the public. It should include a manual which explains the Iowa law, shows copies of the Iowa forms, explains how the forms are to be completed, and provides answers to commonly asked questions concerning the law.

The Study Committee further recommends that the Commission also be given the responsibility of distributing the forms. This would facilitate dissemination of educational information directly with the disclosure report forms, statements of organization and dissolution statements.

Current statutes require the filing of disclosure reports, statements of organization and dissolution statements with the office of the Secretary of State. The Study Committee advises that this function be assigned to the Commission to allow easy access to and facilitate the follow-up on those candidates or committees who fail to file as required by law. This recommendation is

promulgated to insure more efficient and accurate monitoring of all reports filed by centralizing the dissemination, filing and overseeing operation.

Reports would continue to be filed with the county auditors to provide local access to disclosure information. The county auditors currently forward the Commission a summary report listing the candidates and committees in their respective counties and which of them have filed reports as required. At the present time, however, the Commission has no way of determining which of these committees should be filing and which should not. If all committees are required to file some kind of report, contact with committees which the county auditors show have not filed anything will be facilitated.

State reports are now filed with the Secretary of State. If reports are required to be filed with the Commission, there is no particular need for the reports to be filed with the Secretary of State. The Commission can fulfill the same public access function as the Secretary of State's office.

The Commission reports that additional staffing will be necessary to assume the increased responsibilities previously described. However, the Secretary of State has testified that his office would also need additional part-time personnel employed during peak reporting periods to fulfill its current statutory duties. The Study Committee concludes that it would be beneficial and desirable to afford the Commission additional staff charged with a wide range of duties relevant to education, the receipt and filing of reports and the general administration of the law.

2. THE REPORTING DEADLINES SHOULD BE CHANGED TO FACILITATE DISCLOSURE WITH POSTMARKS REQUIRED NOT LATER THAN SPECIFIED DATES.

It is the opinion of the Study Committee that a change in filing dates would alleviate some of the difficulties committees now have in meeting deadlines, as well as providing a more complete picture of election expenses. In May and October political committees, particularly the smaller ones, find it most difficult to file a report in five days. On the other hand, current reporting deadlines are structured as to preclude a more accurate view of the financial activities of the larger committees immediately prior to the election. The Study Committee recommends the following changes be made in the current reporting system:

- a. Four mandatory reports should be required covering the periods January 1 - April 30, May 1 - June 31, July 1 - September 30, and October 1 - December 31 of each year.
- b. Reports shall be postmarked not later than May 15, July 15, October 15 and January 15 respectively.
- c. If during a general election year a committee spends or receives over \$500 between May 1 and May 31 or October 1

and October 31, the committee must file a supplemental report postmarked not less than ten days prior to the primary or general election as appropriate.

The change in deadlines from a filing requirement to a postmark system is intended to allay the confusion surrounding current procedures. Because the populace is familiar with postmark deadlines in terms of income tax, many persons are under the mistaken impression that a specified date under the present law is a postmark deadline rather than a filing deadline. Furthermore, under the present system a person placing a report in the mail has no way of knowing whether the report will be received and filed on time or not. By defining the deadline in terms of a postmark, a treasurer will know at the time the report is mailed whether he has complied with the filing requirements.

3. BECAUSE OF THE CONFUSION CREATED AND THE PROBLEMS IN MONITORING REPORTS, WHERE THERE IS A \$100 THRESHOLD, ALL POLITICAL COMMITTEES SHOULD BE REQUIRED TO FILE FINANCIAL REPORTS.

In order to facilitate the monitoring of political committees, the Study Committee recommends that all committees should file a report. At present, the Commission has no way of determining who is complying with the disclosure regulations and who is not. The Commission has indicated that if this recommendation is approved a simple postcard would suffice to inform the Commission when a committee has not received or expended more than \$100.

4. A DEFINITION OF THE TERM "ANONYMOUS CONTRIBUTION" SHOULD BE INCLUDED IN THE LAW.

The Campaign Finance Disclosure Commission expressed concern for the confusion surrounding the phrase "anonymous contribution". It seems that some persons interpret this to apply to any contribution received that is below the reporting threshold. To allay any misunderstanding, the Study Committee recommends Chapter 56 be amended to include the following definition: "An anonymous contribution is a donation received from an unknown contributor." While this definition is presently contained in miscellaneous rule 3.1, the Attorney General has ruled that this regulation is unenforceable because it currently has no statutory support.

5. ANONYMOUS CONTRIBUTIONS RECEIVED IN EXCESS OF \$10 SHALL ESCHEAT TO THE STATE GENERAL FUND.

The present law makes no reference to the acceptance or disposition of anonymous contributions. The Study Committee recommends that candidates and committees be prohibited from accepting anonymous contributions with any funds received in this manner escheating to the state.

6. EACH CANDIDATE FOR PUBLIC OFFICE SHOULD BE LIMITED TO ONLY ONE CAMPAIGN COMMITTEE.

Requiring every candidate to limit himself to one campaign committee would eliminate one of the problems now faced by the Secretary of State's office. Candidates and their committees many times do not use the same name on the reports. If a candidate is required to file one report, it would not matter what name appeared on the report. It could simply be inferred that this is the report for that candidate. Presently, in more than one case, the Secretary of State's office has a file on three committees for a candidate when he in fact only has one. Most candidates have only one committee so limiting a candidate to one committee would impose no hardship.

7. THE MERIT EMPLOYMENT LAW SHOULD BE AMENDED TO EXEMPT THE CAMPAIGN FINANCE DISCLOSURE COMMISSION'S EMPLOYEES FROM MERIT EMPLOYMENT PROVISIONS BECAUSE OF THE COMMISSION'S QUASI-JUDICIAL AND QUASI-INVESTIGATORY FUNCTIONS.

Commission employees are presently exempt from merit employment provisions under an order issued by the Executive Council. Chapter 19A permanently exempts one deputy commissioner and one secretary from the merit system. However, Mr. Charles Rehling, Chairman of the Commission, explained that because all staff members must respect the confidentiality of the reports and complaints they receive, it is felt that a greater degree of freedom is necessary in hiring and firing all staff personnel than is allowed under merit. He also pointed to the inadequacy of merit classifications as they are applied to Commission employees.

While other agencies employ individuals classified solely as hearing officers, persons performing analogous duties for the Commission also function in several other capacities. Mr. Rehling pointed to the organizational problems currently being experienced by the Commission and noted that effective utilization of staff talents is important. Merit employment could possibly afford the Commission more employees because of the narrow categorical classifications than are actually needed at this time. It is recognized that it may be necessary to institute similar changes to reflect the substance of this recommendation in the collective bargaining act.

8. THE BAN ON CORPORATE CONTRIBUTIONS (SECTIONS 491.69 - 491.71, CODE 1973) SHOULD BE INCLUDED IN CHAPTER 56.

Since the ban on corporate contributions plays an integral role in campaign finance and disclosure, it seems only logical to include this provision under the campaign finance chapters of the Code in addition to the chapter on corporations. This recommendation is not intended to place the responsibility for hearing corporate ban violations on the Commission.

9. INCOME TAX CHECK-OFF MONEY DESIGNATED DURING A SPECIFIC YEAR SHOULD BE PAID TO THE PARTIES DURING THAT YEAR.

Under the present procedure, check-off money is paid to the major parties only up to a certain date and any current-year tax returns which have not been processed by the Iowa Department of Revenue by that date will have their designated check-off money withheld until funds are made available for the next general election. The Study Committee recommends that check-off funds designated on tax returns for a particular general election year be payable and usable as soon as all audits are completed and not kept in trust because the Revenue Department did not audit the return during the year in which it was filed.

10. FINANCIAL REPORTS SHOULD BE REQUIRED FROM ORGANIZATIONS INVOLVED WITH BALLOT PROPOSITIONS.

The Study Committee is of the opinion that campaign disclosure by persons or committees supporting or opposing ballot propositions is equally as important as campaign disclosure by candidates for public office. It is recommended that organizations involved in this type of political activity be subject to the requirements of the present law with postmark deadlines established at 30 days prior to and 30 days following the election in which the proposition appears on the ballot. The Study Committee further recommends that the postmark deadline for reports from school board and municipal candidates be changed from 5 days to 10 days prior to the election. (The post election deadline for these elections is already set at 30 days.)

11. REPORTING REQUIREMENTS SHOULD BE ESTABLISHED FOR SPECIAL ELECTIONS.

Special elections to fill vacancies are currently not covered by disclosure requirements. These races are no different in character than general elections and should not be afforded this exceptional status. The Study Committee recommends that candidates in special elections be required to report 10 days prior to and 30 days following the special election.

12. THE COMMISSION SHOULD BE EXTENDED THE DISCRETION TO HIRE A SPECIAL PROSECUTOR FOR GOOD CAUSE AS DETERMINED BY THE COMMISSION.

Under the present law, the Commission can hire a special prosecutor with the approval of the District Court in the event of the Attorney General's refusal to act on a recommendation to prosecute a suspected violation of the disclosure law. However, members of the Commission pointed out that this provision causes excessive delay in waiting for the Attorney General to prosecute particularly in instances where it is obvious that to do so would be against his best interest. Also, approval by the District Court does not require a hearing, resulting in a situation which the Commission contends is unacceptable. For these reasons, the Study Committee agrees that the Commission should be granted the authority to hire a special prosecutor if, in the Commission's judgment, a conflict of interest has arisen and in the interest of justice doing so is required.

13. THE COMMISSION MAY REQUIRE SUCH ADDITIONAL INFORMATION AS IS NECESSARY TO BE INCLUDED ON THE STATEMENTS OF ORGANIZATION AND THE REPORT FORMS.

The present law enumerates the type of information which is to be contained on the reporting forms. The Attorney General has ruled that the law must be amended if additional information is to be supplied. The Commission has pointed to the need to include telephone numbers on reporting forms to facilitate contact with committee treasurers. The Study Committee opts for a more general recommendation allowing the Commission to require any additional information be included on the form as necessary.

14. THE STUDY COMMITTEE RECOMMENDS THAT A NO-PARTY BOX BE INCLUDED IN THE CHECK-OFF PORTION OF THE IOWA INCOME TAX FORM.

It has been reported in testimony that substantial revenue is lost because independents decline to participate in the check-off which requires that \$1 of an individual's tax be designated to one of the two major parties. This recommendation would allow individuals to select a no-party option, the proceeds which would be distributed equally between those political parties recognized in Iowa.

15. IT IS THE CONSENSUS OF THE STUDY COMMITTEE THAT PARTY STATUTORY COMMITTEES BE REQUIRED BY LAW TO CHANNEL 80 PERCENT OF ALL FUNDS RECEIVED FROM THE INCOME TAX CHECK-OFF TO THE PARTY'S CANDIDATES FOR PUBLIC OFFICE.

Presently, according to section 56.22, "the chairman of the state statutory political committee shall distribute the funds received from the director of revenue as he is directed to do so by the party, except that all moneys delegated for the campaigning purposes for the offices of representative in congress, state representative, and state senator shall be distributed on a strictly equal basis to all the party's candidates for those offices". Guaranteeing that a specific portion of check-off money will be used by candidates for their campaigns derives from the assumption that it is the intent of taxpayers electing to participate in the check-off that their money be used for this purpose rather than to cover party administrative costs.

16. THE STUDY COMMITTEE RECOMMENDS THE FOLLOWING TECHNICAL AMENDMENTS TO THE PRESENT LAW.

a. Section 56.5, subsection 2, paragraph g, Code 1975, is amended by striking the words "the candidate or" and by striking the word "additional" and inserting in lieu thereof the word "quarterly". A candidate is not required to file a statement of organization. The affidavit of candidacy fulfills this requirement. The change from "additional" to "quarterly" merely clarifies the fact the reports are to be filed on a quarterly basis.

b. Section 56.5, subsection 4, Code 1975, is amended by striking the word "additional" and inserting in lieu thereof the word "quarterly" for the reason cited above.

c. Section 56.6, subsection 1, Code 1975, is amended by striking the words "Reports from" and "general or run-off". The first change arises from a syntactical error. The phrase now reads "Reports from political committees for municipal and school elective offices shall file reports . . ." The recommended amendment will correct the repetition. The recommendation to strike the words "general or run-off" stems from the confusion surrounding the application of this subsection to school board and municipal candidates. Obviously, it was not the intent of the General Assembly to have candidates for these positions running in odd-numbered years file disclosure reports a year following the contest. This amendment should remedy this situation.

IV. PUBLIC FINANCING OF POLITICAL CAMPAIGNS

At its August 20 meeting, the Study Committee discussed a proposal presented by Common Cause for public financing of political campaigns. Described by its proponents as a matching funds and contribution limitation system, the proposal would make public funds available to General Assembly and nonfederal state-wide candidates who demonstrate a reasonable amount of public support. A candidate would show this by collecting a basic amount of money (called the threshold) in contributions not to exceed a predetermined amount (\$10 in the Common Cause proposal) from private citizens. Having done this, the candidate would then be eligible to receive equal amounts of public money to match these small private contributions up to a maximum limit written into the law. In addition, the proposal places limitations on the maximum contribution a candidate can accept from individual family members or groups. Thus, contributions in excess of the matching amount (\$10) are allowed but are not counted towards the threshold. The proposal also limits total media expenditures.

The Study Committee, by a split vote, rejected the matching funds proposal.

V. CAMPAIGN ETHICS

At its November 21 meeting, the Study Committee entertained brief testimony from the Campaign Finance Disclosure Commission staff regarding the efforts of other states in attacking the problem of unethical campaign practices. It is the consensus of the Study Committee that it is desirable to examine this issue, particular concern being expressed for instances where a willful distortion of a candidate's voting record is advanced. Therefore, the Study Committee recommends that the Legislative Council establish a study committee on campaign ethics during the 1975 interim.

A copy of the bill draft which includes the amendments recommended by the Study Committee is attached and by this reference made a part of the final report.

The bill draft was prepared pursuant to the recommendations of the Study Committee. However, the members of the Study Committee have not had an opportunity to review and submit their suggestions relative to possible corrections to the bill draft.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, income, and any other financial activity.

The second part of the document provides a detailed explanation of the accounting cycle. It outlines the ten steps involved in the process, from identifying the accounting entity to preparing financial statements. Each step is described in detail, with examples provided to illustrate the concepts.

The third part of the document discusses the various types of accounts used in accounting. It explains the difference between assets, liabilities, and equity accounts, and how they are classified. It also discusses the importance of understanding the normal balances for each type of account.

The fourth part of the document provides a comprehensive overview of the accounting equation. It explains how the equation is used to verify the accuracy of the accounting records and how it changes over time as transactions occur.

The fifth part of the document discusses the importance of adjusting entries. It explains how these entries are used to ensure that the financial statements reflect the true financial position of the company at the end of the accounting period.

The sixth part of the document provides a detailed explanation of the closing process. It outlines the steps involved in closing the books, including the transfer of balances from temporary accounts to permanent accounts.

The seventh part of the document discusses the importance of internal controls. It explains how these controls are used to prevent and detect errors and fraud, and how they contribute to the overall reliability of the financial statements.

The eighth part of the document provides a comprehensive overview of the accounting profession. It discusses the various roles and responsibilities of accountants, and the importance of continuing education and professional development.

The ninth part of the document discusses the importance of ethics in accounting. It explains how accountants are expected to adhere to a strict code of ethics, and how this helps to maintain the trust and confidence of the public.

The tenth part of the document provides a comprehensive overview of the accounting industry. It discusses the various sectors in which accountants work, and the challenges and opportunities facing the industry.

Prepared for the Campaign
Finance and Disclosure Study
Committee by the
Legislative Service Bureau

December, 1974

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved: _____

A BILL FOR

1 An Act relating to campaign finance and disclosure and providing
2 penalties for violations.

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

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1 Section 1. Section fifty-six point two (56.2), subsection
2 six (6), Code 1975, is amended to read as follows:

3 6. "Political committee" means a person, including a
4 candidate, or committee, including a statutory political
5 committee, which accepts contributions or makes expenditures
6 or incurs indebtedness in the aggregate of more than one
7 hundred dollars in any one calendar year for the purpose of
8 supporting or opposing a candidate for public office.

9 Sec. 2. Section fifty-six point two (56.2), Code 1975,
10 is amended by adding the following new subsection:

11 NEW SUBSECTION. "Anonymous contribution" means a
12 contribution in excess of ten dollars received by a political
13 committee from an unknown or unidentifiable person.

14 Sec. 3. Section fifty-six point four (56.4), Code 1975,
15 is amended to read as follows:

16 56.4 REPORTS FILED WITH COMMISSIONER COMMISSION. All
17 statements and reports required to be filed under this chapter
18 for a federal or state office shall be filed with the ~~state~~
19 ~~commissioner~~ commission. All statements and reports required
20 to be filed under this chapter for a county, city or school
21 office shall be filed with the commissioner. State statutory
22 political committees shall file all statements and reports
23 with the ~~state-commissioner~~ commission. All other statutory
24 political committees shall file the statements and reports
25 with the ~~appropriate~~ commissioner with a copy sent to the
26 ~~state-commissioner~~ commission.

27 Sec. 4. Section fifty-six point five (56.5), Code 1975,
28 is amended to read as follows:

29 56.5 ORGANIZATION STATEMENT.

30 1. Every political committee which receives or expends
31 any amount of money or incurs indebtedness shall file a
32 statement of organization within ten days from the date of
33 its organization. For the purposes of this section, "political
34 committee" means a person or committee, but not a candidate,
35 including a statutory committee which accepts any contributions

1 or makes any expenditures for the purpose of supporting or
2 opposing a candidate for public office.

3 2. The statement of organization shall include:

4 a. The name and mailing address of the political committee.

5 b. The name, mailing address, and position of the political
6 committee officers.

7 c. The name, mailing address, and position of the custodian
8 of records and accounts.

9 d. The name, address, office sought, and the party
10 affiliation of all candidates whom the political committee
11 is supporting and if the political committee is supporting
12 the entire ticket of any party, the name of the party.

13 e. The disposition of funds which will be made in the
14 event of dissolution if the committee is not a statutory
15 committee.

16 f. Such other information as may be required by this
17 chapter or rules adopted pursuant to this chapter.

18 g. A signed statement by ~~the-candidate-or~~ an officer of
19 the political party which shall be in the following form:

20 "I am aware that I am required to file ~~additional~~ quarterly
21 reports if I receive or expend more than one hundred dollars
22 for the purpose of supporting or opposing any candidate for
23 public office."

24 3. Any change in information previously submitted in a
25 statement of organization or notice in case of dissolution
26 of the political committee shall be reported to the ~~state~~
27 ~~commissioner~~ commission or commissioner not more than thirty
28 days from the date of the change or dissolution.

29 4. All affidavits of candidacy required by law shall
30 contain a sworn statement by the candidate in substantially
31 the following form:

32 "I am aware that I am required to file ~~additional~~ quarterly
33 reports if I receive or expend more than one hundred dollars
34 for the purpose of supporting or opposing any candidate for
35 public office."

1 Sec. 5. Section fifty-six point five (56.5), Code 1975,
2 is amended by adding the following new subsection:

3 NEW SUBSECTION. Copies of all affidavits of candidacy
4 received and filed in the office of the secretary of state
5 shall be forwarded by the secretary of state to the commission
6 not more than three days from the date the affidavit of
7 candidacy is filed.

8 Sec. 6. Section fifty-six point six (56.6), subsection
9 one (1), Code 1975, is amended by striking the subsection
10 and inserting in lieu thereof the following:

11 1. Each treasurer of a political committee shall file
12 with the commission or commissioner reports of contributions
13 received and funds disbursed or indebtedness incurred on forms
14 prescribed by the commission, as follows:

15 a. The reports from all political committees, except as
16 otherwise provided in this subsection, shall be filed for
17 the periods from January first to April thirtieth, May first
18 to June thirtieth, July first to September thirtieth, and
19 October first to December thirty-first. The reports shall
20 be postmarked not later than the fifteenth day of the month
21 following the end of the reporting period. All reports shall
22 be current to the end of the month preceding the filing.
23 The January report shall be the annual report.

24 b. The reports from all political committees for municipal
25 and school elections shall be filed ten days prior to any
26 election in which the name of the candidate which they support
27 or oppose appears on the printed ballot and thirty days
28 following the election.

29 c. The reports from all political committees organized
30 to support or oppose public issues appearing on the ballot
31 at any election shall be filed ten days prior to the election
32 and thirty days following the election.

33 d. In even-numbered years, any political committee which
34 accepts contributions or makes expenditures or incurs
35 indebtedness of more than five hundred dollars between May

1 first and May thirty-first, shall file a supplementary report
2 with the commission which shall be postmarked not less than
3 ten days prior to the election. Any political committee which
4 accepts contributions or makes expenditures or incurs
5 indebtedness of more than five hundred dollars between October
6 first and October thirty-first, shall file a supplementary
7 report with the commission which shall be postmarked not less
8 than ten days prior to the election.

9 Sec. 7. Section fifty-six point six (56.6), subsection
10 two (2), Code 1975, is amended to read as follows:

11 2. If any political committee, after having filed one
12 or more statements of organization, dissolves or determines
13 that it shall no longer receive contributions or make
14 disbursements, the treasurer of the political committee shall
15 notify the ~~state-commissioner~~ commission or the commissioner
16 within thirty days following such dissolution by filing a
17 dissolution report on forms prescribed by the ~~state~~
18 ~~commissioner~~ commission. Moneys refunded in accordance with
19 a dissolution statement shall ~~not~~ be considered a disbursement
20 or expense ~~and~~ but the names of persons receiving refunds
21 shall not be released or reported unless the contributors'
22 names were required to be reported when the contribution was
23 received.

24 Sec. 8. Section fifty-six point six (56.6), subsection
25 three (3), paragraphs h and i, Code 1975, are amended to read
26 as follows:

27 h. The amount and nature of debts and obligations owed
28 in excess of those amounts stated in the schedule in paragraph
29 "b" of this section by or to the political committee, in such
30 form as the ~~state-commissioner~~ commission may prescribe and
31 a continuous reporting of its debts and obligations following
32 the election at such times as the ~~state-commissioner~~ commission
33 may require until such debts and obligations are paid.

34 i. Such other information as ~~may-be-required-by-this~~
35 ~~chapter-or-rules-adopted-pursuant-to-this-chapter~~ the

1 commission may require.

2 Sec. 9. Section fifty-six point six (56.6), subsection
3 four (4), Code 1975, is amended to read as follows:

4 4. The reports required to be filed by this section shall
5 be cumulative during the calendar year, but where there has
6 been no change in an item reported in a previous report during
7 the year, only the amount shall be carried forward. If no
8 contributions have been accepted nor any disbursements made
9 or indebtedness incurred during that reporting period, the
10 treasurer of the political committee shall also be required
11 to file a statement. A candidate who does not receive
12 contributions or expend-an-amount-of-money make expenditures
13 or incur indebtedness in excess of one hundred dollars shall
14 not be required to file disclosure statements.

15 Sec. 10. Section fifty-six point eight (56.8), Code 1975,
16 is amended to read as follows:

17 56.8 COMMISSIONER OF ELECTIONS--DUTIES.

18 1. The ~~state-commissioner~~ commission shall:

19 a. Develop forms for the filing of reports and statements
20 required to be filed under this chapter.

21 b. Furnish the necessary forms to persons required to
22 file reports and statements and to the commissioners.

23 c. Distribute the necessary forms to each commissioner
24 to be furnished to persons required to file reports and
25 statements.

26 d. Recommend rules to the commission to carry out the
27 provisions of this chapter.

28 2. The commissioners shall furnish the necessary forms
29 to persons required to file reports and statements in their
30 office.

31 3. The ~~state-commissioner~~ commission and the commissioner
32 shall:

33 a. Make the reports and statements filed available for
34 public inspection and copying, not later than the end of the
35 day following the day during which a report or statement was

1 received. There may be a charge for the actual cost of copying
2 these reports and statements. Information copied from reports
3 and statements shall not be sold by any person for the purpose
4 of soliciting contributions or for any commercial purpose.

5 b. Preserve the reports and statements for a period of
6 five years from the date of receipt.

7 c. Prepare and publish such other reports as may be deemed
8 appropriate.

9 Sec. 11. Section fifty-six point nine (56.9), subsection
10 four (4), Code 1975, is amended to read as follows:

11 4. The commission shall employ such personnel as are
12 necessary to carry out the duties of the commission, ~~consistent~~
13 ~~with-the-provisions-of-chapter-19A-and~~ subject to the policies
14 of the commission.

15 Sec. 12. Section fifty-six point ten (56.10), subsection
16 four (4), Code 1975, is amended to read as follows:

17 4. Assure that the statements and reports which have been
18 filed in accordance with this chapter are available for public
19 inspection and copying during the regular office hours of
20 the ~~state-and~~ commission and the county commissioners of
21 election.

22 Sec. 13. Section fifty-six point eleven (56.11), subsection
23 three (3), Code 1975, is amended by striking the subsection
24 and inserting in lieu thereof the following:

25 3. If the commission finds that the person, candidate,
26 or political committee has engaged in any act or practice
27 which constitutes²⁷ a violation of this chapter, the commission
28 shall report such a suspected violation. The commission may
29 report the suspected violation to the United States attorney,
30 the attorney general, or the county attorney, as the case
31 may be, with a recommendation of appropriate action to be
32 taken or the commission may employ an attorney to represent
33 it and commence the action.

34 Sec. 14. Section fifty-six point eighteen (56.18), Code
35 1975, is amended to read as follows:

1 56.18 CHECKOFF--INCOME TAX. Any person whose state income
2 tax liability for any taxable year is one dollar or more may
3 designate one dollar of such liability to be paid over to
4 the Iowa election campaign fund for the account of any
5 specified political party, as defined by section 43.2 when
6 submitting his state income tax return to the department of
7 revenue. In the alternative, the taxpayer whose state income
8 tax liability for any taxable year is one dollar or more,
9 may designate one dollar of such liability to be divided
10 equally between the political parties, as defined in section
11 forty-three point two (43.2) of the Code, listed on the tax
12 return. In the case of a joint return of husband and wife
13 having a state income tax liability of two dollars or more,
14 each spouse may designate that one dollar be paid to any such
15 account in the fund. The director of revenue shall revise
16 the income tax form to allow the designation of political
17 contributions to a political party and contributions which
18 are to be divided equally between the political parties on
19 the face of the tax return and immediately above the signature
20 lines.

21 Sec. 15. Section fifty-six point nineteen (56.19), Code
22 1975, is amended to read as follows:

23 56.19 FUND CREATED. The "Iowa election campaign fund"
24 is created within the office of the treasurer of state. The
25 fund shall consist of funds paid by persons having an Iowa
26 income tax liability as provided in section 56.18. The
27 director of revenue shall remit funds collected as provided
28 in section 56.18 to the treasurer of state who shall deposit
29 such funds in the appropriate account within the Iowa election
30 campaign fund. Funds received from contributions which the
31 taxpayer designated to be divided equally between the political
32 parties shall be apportioned by the treasurer of state and
33 deposited in the proper fund. Any interest income received
34 by the treasurer of state from investment of moneys deposited
35 in the fund shall be deposited in the Iowa election campaign

1 fund. Such funds shall be subject to payment to the chairman
2 of the specified political party by the state comptroller
3 in the manner provided in this chapter.

4 Sec. 16. Section fifty-six point twenty-two (56.22), Code
5 1975, is amended to read as follows:

6 56.22 FUNDS--DISTRIBUTION. The chairman of the state
7 statutory political committee shall distribute the funds
8 received from the director as he is directed to do so by the
9 party, except that not less than eighty percent of all moneys
10 received by the state statutory political committee from the
11 Iowa election campaign fund shall be distributed to the
12 political party candidates to be used for campaign purposes
13 and all moneys delegated for the campaigning purposes for
14 the offices of representative in Congress, state
15 representative, and state senator shall be distributed on
16 a strictly equal basis to all the party's candidates for those
17 offices. Funds distributed pursuant to this chapter shall
18 not be used for primary election expenses or for expenses
19 related to the selection of a candidate at a political
20 convention.

21 Sec. 17. Chapter fifty-six (56), Code 1975, is amended
22 by adding sections eighteen (18) through twenty-four (24)
23 of this Act.

24 Sec. 18. NEW SECTION. The expenditure of anonymous
25 contributions received by a candidate or political committee
26 is prohibited. Anonymous contributions received by a candidate
27 or political committee shall escheat to the state. Any
28 candidate or political committee receiving anonymous
29 contributions shall remit such contributions to the state
30 comptroller for deposit in the general fund of the state.

31 Sec. 19. NEW SECTION. Each candidate for public office
32 shall have not more than one political committee organized
33 for the support of the candidate.

34 Sec. 20. NEW SECTION. POLITICAL CONTRIBUTIONS PROHIBITED.
35 It shall be unlawful for any corporation doing business within

1 the state, or any officer, agent, or representative thereof
2 acting for such corporation, to give or contribute any money,
3 property, labor, or thing of value, directly or indirectly,
4 to any member of any political committee, political party,
5 or employee or representative thereof, or to any candidate
6 for any public office or candidate for nomination to any
7 public office or to the representative of such candidate,
8 for campaign expenses or for any political purpose, or to
9 any person, partnership, or corporation for the purpose of
10 influencing or causing such person, partnership, or corporation
11 to influence any elector of the state to vote for or against
12 any candidate for public office or for nomination for public
13 office or to any public officer for the purpose of influencing
14 his official action, but nothing in this section shall be
15 construed to restrain or abridge the liberty of the press
16 or prohibit the consideration and discussion therein of
17 candidacies, nominations, public officers, or political
18 questions.

19 Sec. 21. NEW SECTION. SOLICITATION FROM CORPORATIONS.
20 It shall be unlawful for any member of any political committee,
21 political party, or employee or representative thereof, or
22 candidate for any office or the representative of such
23 candidate, to solicit, request, or knowingly receive from
24 any corporation or any officer, agent, or representative
25 thereof, any money, property, or thing of value belonging
26 to such corporation, for campaign expenses or for any political
27 purpose.

28 Sec. 22. NEW SECTION. VIOLATIONS. Any person convicted
29 of a violation of any of the provisions of sections twenty
30 (20) and twenty-one (21) of this Act shall be subject to
31 imprisonment in the county jail for not less than six months
32 nor more than one year and by a fine not to exceed one thousand
33 dollars.

34 Sec. 23. NEW SECTION. A candidate for public office shall
35 not accept or expend, during any one calendar year, his own

1 funds or funds from persons related to the candidate by
2 consanguinity or affinity within the third degree, in excess
3 of the following amounts for the following offices:

4 1. For the office of any political
5 subdivision of the state.....\$ 1,500.00

6 2. For the office of state senator
7 or state representative.....\$ 1,500.00

8 3. For any state office in which the
9 candidate runs statewide.....\$10,000.00

10 Sec. 24. NEW SECTION. A candidate for elective office
11 shall not accept or expend, during any one calendar year,
12 any contributions received from an individual, except as
13 provided in section twenty-three (23) of this Act, or any
14 group, in excess of the following amounts for the following
15 offices:

16 1. For the office of any political
17 subdivision of the state.....\$ 125.00

18 2. For the office of state senator
19 or state representative.....\$ 250.00

20 3. For any state office in which the
21 candidate runs statewide.....\$1,000.00

22 For purposes of this section, "group" means two or more
23 persons acting jointly in making a contribution in support
24 or opposition of a candidate or public issue submitted at
25 any election.

26 Sec. 25. Section nineteen A point three (19A.3), Code
27 1975, is amended by adding the following new subsection:

28 NEW SUBSECTION. Persons employed by the campaign finance
29 disclosure commission.

30 EXPLANATION

31 This bill contains the recommendations of the Campaign
32 Finance and Disclosure Study Committee to Chapter 56 of the
33 Code. The recommendations found in this bill include:

34 1. Limitations on campaign contributions and expenditures
35 for the candidate and his family, groups, and individuals.

- 1 2. Administration of the campaign finance and disclosure
- 2 law by the Campaign Finance Disclosure Commission.
- 3 3. Adjustment of the reporting periods and dates.
- 4 4. Requiring all political committees to file reports.
- 5 5. Prohibiting the use of anonymous contributions by
- 6 political committees and providing that anonymous contributions
- 7 shall escheat to the state for deposit in the general fund
- 8 of the state.
- 9 6. Exempting Campaign Finance Disclosure Commission
- 10 employees from the merit system.
- 11 7. Designation of a box for no-party contributions on
- 12 the Iowa income tax form with receipts to be divided equally
- 13 among the political parties.
- 14 8. Requiring political committees which oppose or support
- 15 public issues to file financial reports of contributions
- 16 received and expenditures made.
- 17 9. Permitting the Campaign Finance Disclosure Commission
- 18 to employ a special prosecutor.
- 19 10. Requiring state statutory political committees to
- 20 channel 80% of all funds received from the income tax checkoff
- 21 to the party's candidates for public office.

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