FINAL REPORT

PUBLIC CAMPAIGN FINANCE INTERIM STUDY COMMITTEE

February, 1987

The Public Campaign Finance Interim Study Committee was established by the Legislative Council and authorized to conduct three meetings. The following members were appointed to the Committee:

Senator Robert Carr, Co-Chairperson Representative Rod Halvorson, Co-Chairperson Senator Richard Drake Senator Michael Gronstal Senator John Jensen Senator George Kinley Representative Virgil Corey Representative Raymond Lageschulte Representative Jean Lloyd-Jones Representative Jane Teaford

The Committee held its first meeting on October 7, 1986. The Committee reviewed the provisions of House File 2476, which had passed the Bouse but did not reach final passage in the Senate during the last session. The bill established a method of public financing for candidates for state office. Representative Halvorson, a major proponent of the bill, reviewed the limitations on contributions and spending provided in the bill. The Committee also received testimony from representatives of the Republican and Republican Democratic State Central Committees with the representative in opposition to the public financing proposal and the Democratic representative in support of the proposal. The Committee also received testimony from a representative of Common Cause in favor of public financing, and limitations on individual contributions, total contributions, and political action committee contributions. A representative of Associated General Contractors Iowa provided the Committee with some alternative suggestions to of public financing. The Director of the Campaign Finance Disclosure Commission provided the Committee with information regarding the implementation of House File 2476 and the Legislative Service Bureau provided information regarding public financing schemes in other states.

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The second meeting of the Committee was a two-day meeting on November 17-18, 1986. On the first day the Committee received and reviewed material provided from the state of Wisconsin regarding its public financing program and then held a teleconference with the Administrator of the Wisconsin State Election Board. The Administrator told the Committee about the operations of the public financing program, the history of participation in it, and responded to questions by the Committee members.

The Director of the Campaign Finance Disclosure Commission provided summaries of statewide and legislative general election campaign disclosure reports and discussed problems being experienced with the administration of existing statutes. The Legislative Service Bureau provided a review of United States Supreme Court decisions on the subject of campaign finance regulation.

On the second day the Committee discussed the administrative concerns of the Director of the Campaign Finance Disclosure Commission and recommended to the Legislative Council a bill which made the changes recommended by the Director. The bill exempts candidates who are totally self-funded from the requirements of segregating funds and maintaining a separate account in a financial institution, allows the Commission to require a county auditor to furnish a copy of a disclosure report to the commission, requires an out-of-state political committee which makes a contribution to an Iowa candidate, but does not solicit funds in Iowa, to file a verified statement identifying itself, requires a consultant's report to include the persons to whom expenditure disbursements were made, authorizes the Commission to request other pertinent information, and modifies the identification requirement for yard signs.

The Committee discussed House File 2476 and rejected a motion to include the media expenditures of political parties in the limitations on the candidates. The Committee amended the bill by transferring the income tax checkoff funds from the political parties to the political candidates fund beginning with returns filed for tax years beginning after January 1, 1988, applying the limitation on total political action committee contributions to all candidates regardless of whether they participate in public financing, requiring earlier nominations by the petition process and by nonparty political organizations, and providing for a prorating of the monies to the candidates if inadequate revenues are received through the income tax checkoff. After adopting these amendments, the Committee recommended the bill to the Legislative Council.

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HOUSE/SENATE FILE

BY PUBLIC CAMPAIGN FINANCE INTERIM STUDY COMMITTEE

Passed	House,	Date	Passed	Senate,	Date
Vote:	Ayes	Nays	Vote:	Ayes	Nays
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A BILL FOR

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Section 1. <u>NEW SECTION</u>. 56.33 POLITICAL CANDIDATES FUND.
 1. As used in this section unless the context requires
 3 otherwise:

a. "Eligible office" means the offices of state senator,
5 state representative, secretary of agriculture, secretary of
6 state, treasurer of state, auditor of state, attorney general,
7 lieutenant governor, and governor.

b. "Political action committee" means any political
9 committee except a county statutory political committee, a
10 state statutory political committee, a national political
11 party, or a nonparty political organization under chapter 44.

12 c. "Qualifying nomination" means a nomination by a 13 political party as defined by section 43.2, or a nomination 14 under chapter 44 or 45.

2. A candidate for an eligible office who has a qualifying homination may register with the commission for a restricted restricted area and become eligible for a grant from the political scandidates fund. A restricted campaign exists if at least two and all candidates for that eligible office with qualifying nominations have registered for a restricted campaign.

3. Except as provided in subsection 6, if a restricted campaign exists, the candidate's committee of those candidates with qualifying nominations to that eligible office are eligible for the following maximum grant from the political candidates fund and are subject to the following limits on total contributions and expenditures, total contributions which may be received from a political action committee, the largest contribution which may be accepted from any political action committee, and largest contribution from any individual, other than the candidate, for the following respective eligible offices:

32 a. Governor.

33 (1) Total expenditure and contribution limit, one million34 dollars.

35 (2) Total political action committee contribution limit,

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1 two hundred fifty thousand dollars. 2 (3) Largest political action committee contribution limit, 3 two thousand dollars. (4) Largest contribution from any individual limit, two 4 5 thousand dollars. (5) Grant, two hundred fifty thousand dollars. b. Lieutenant governor, attorney general, secretary of 7 8 agriculture, secretary of state, treasurer of state, and 9 auditor of state. (1) Total expenditure and contribution limit, one hundred 10 11 thousand dollars. (2) Total political action committee contribution limit, 12 13 twenty-five thousand dollars. (3) Largest political action committee contribution limit, 14 15 one thousand dollars. (4) Largest contribution from any individual limit, one 16 17 thousand dollars. (5) Grant, twenty-five thousand dollars. 18 c. State senator. 19 20 (1) Total expenditure and contribution limit, eighteen 21 thousand dollars. (2) Total political action committee contribution limit, 22 23 six thousand dollars. (3) Largest political action committee contribution limit, 24 25 five hundred dollars. (4) Largest contribution from any individual limit, five 26 27 hundred dollars. (5) Grant, six thousand dollars. 28 d. State representative. 29 (1) Total expenditure and contribution limit, nine 30 31 thousand dollars. (2) Total political action committee contribution limit, 32 33 three thousand dollars. (3) Largest political action committee contribution limit, 34 35 five hundred dollars.

(4) Largest contribution from any individual limit, five
 2 hundred dollars.

3 (5) Grant, three thousand dollars.

4. If a restricted campaign comes into being, the
5 limitations of subsection 3 apply to contributions received
6 and expenses incurred during the following periods:

7 a. For a candidate nominated by a convention or party
8 state central committee, from the date of the convention until
9 December 31 following the general election.

10 b. For a candidate nominated by a primary election, except 11 as provided in paragraph "c", from the date of filing 12 nomination papers until December 31 following the general 13 election.

14 c. For a candidate nominated at a primary election who had 15 an opponent on the primary election ballot or an opponent who 16 received write-in votes of five percent or more of the votes 17 cast, from the date after the primary election until December 18 31 following the general election; however, the financial 19 balance of the candidate's committee shall be credited against 20 the contribution limit and the cost of campaign supplies still 21 available to the candidate's committee shall be credited 22 against the expenditure limit.

d. For a candidate nominated under chapter 44 or 45, from
the date after the primary election for political parties
until December 31 following the general election.

26 e. For a candidate nominated under chapter 43, 44, or 45
27 for a special election, from the date of nomination until
28 sixty days after the election.

5. A candidate nominated to an eligible office by a political party by the primary election shall file a statement with the commission within fourteen days after the primary election stating whether the candidate is registering for a restricted campaign. A candidate nominated at a convention or 4 by a state central committee shall file the statement within 5 seven days after that meeting. A candidate cannot register

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1 for a restricted campaign if that candidate's political party 2 previously nominated a person for that eligible office at that 3 general election and that person declined to register for a 4 restricted campaign.

A candidate for an eligible office at the general election 5 6 who has been nominated or intends to be nominated under 7 chapter 44 or 45 and who desires to register for a restricted 8 campaign must file the registration statement and the petition 9 as a qualifying nomination within fourteen days after the 10 primary election under chapter 43. If the candidate desires 11 to register for a restricted campaign at a special election, 12 the filings must be made within seven days of the last day a 13 nomination could be made for that office under chapter 43. 14 6. If a candidate for an eligible office with a gualifying 15 nomination declines to register for a restricted campaign, the 16 commission shall transmit the grant amount to which the 17 declining candidate would have been eligible to the other 18 candidate with a qualifying nomination for that eligible 19 office who has registered for a restricted campaign in 20 addition to the grant amount for the registered candidate. 21 The grant amount of the declining candidate transmitted to the 22 other candidate is not subject to the matching funds 23 requirement of subsection 7. If there is more than one other 24 registered candidate with a qualifying nomination for that 25 eligible office the grant amount of the declining candidate 26 shall be divided equally among them. If there is no such 27 opposing candidate at the time, the commission shall hold the 28 funds until a candidate can no longer be placed on the ballot 29 and if there is no opposing candidate who has registered for a 30 restricted campaign at that time, the funds shall be deposited 31 in the political candidates fund.

32 A candidate may register for a restricted campaign and 33 decline to accept the grant amount provided under this 34 section.

35 7. If a candidate receives a grant under this section or

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1 if a restricted campaign exists, the candidate's committee 2 shall expend funds only for proper campaign expenses as 3 defined by the rules of the commission. Such proper campaign 4 expenses include, but are not limited to billboards, 5 pamphlets, bumper stickers, purchase of advertising time and 6 space, employment of staff, the lease or purchase of equipment 7 used predominantly for campaign purposes, the purchase of 8 professional and technical services, rental of office space, 9 payment of personal expenses directly incurred as a result of 10 campaigning, and other similar expenses.

11 8. A registered candidate who is eligible for a grant is 12 entitled to twice as much grant as the candidate receives in 13 contributions from individuals up to the maximum grant amount. 14 However, only the first two hundred fifty dollars of a 15 contribution to a candidate for a statewide office and the 16 first one hundred dollars of a contribution to a candidate for 17 a legislative office qualify for the matching of grant funds. 18 If a candidate's committee has a balance under subsection 4, 19 paragraph "c", that balance qualifies for matching of grant 20 funds to the same extent as the percentage of total 21 contributions which are qualifying contributions by 22 individuals.

9. The commission shall establish by rule the requirements and forms for applications for and its determination of a scandidate's eligibility and entitlement to a grant amount from the political candidates fund. The commission shall cause the payment of grant amounts to be made to those candidates who are entitled to payment under this section. The first payment shall be made by sixty days before the general election. The first payment shall be made seven days before the election at a special election. The commission shall provide procedures for supplemental filings and payments of grant amounts. In If a candidate's committee has a positive balance at the conclusion of the period covered by the restricted campaign and has received a grant under this section, the

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1 candidate's committee shall remit to the commission for 2 deposit in the political candidates fund that proportional 3 amount of the positive balance which the grant amount was to 4 the total amount of contributions. The funds shall be 5 remitted with the January disclosure report for a candidate at 6 the general election and by thirty days after the conclusion 7 of the restricted campaign for a candidate at the special 8 election.

9 11. The political candidates fund is created in the office 10 of the treasurer of state. The money in the fund is 11 appropriated to candidate's committees qualifying under this 12 section and is payable by the director of the department of 13 revenue and finance upon the direction of the commission. If 14 there are not sufficient moneys in the political candidates 15 fund to pay all the grants in full, the director of the 16 department of revenue and finance shall prorate the payments. 17 12. For the purposes of this section an expense occurs 18 during a period of restricted campaign if either the payment 19 is made or the performance is made during the period.

20 Sec. 2. <u>NEW SECTION</u>. 56.34 PENALTY.

21 1. If a candidate's committee exceeds either of the con-22 tribution limits provided in section 56.33 when a restricted 23 campaign exists, the candidate's committee shall deposit into 24 the political candidates fund a civil penalty of an amount 25 equal to twice the amount by which the limit was exceeded.

26 2. The criminal penalty of section 56.16 applies to 27 violations of section 56.33 and may be imposed in addition to 28 the civil penalty in subsection 1.

29 Sec. 3. <u>NEW SECTION</u>. 56.34 POLITICAL ACTION COMMITTEE 30 LIMITS.

31 The limits on total political action committee 32 contributions provided by section 56.33, subsection 3, apply 33 to all candidate's committees for eligible offices regardless 34 of whether a restricted campaign has been filed for or is in 35 effect. Violations of this section are subject to the

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1 criminal penalty of section 56.16.

Sec. 4. Section 44.4, unnumbered paragraph 1, Code 1987,3 is amended to read as follows:

Nominations made under the provisions of this chapter and 5 chapter 45 which are required to be filed in the office of the 6 state commissioner shall be filed in that office not more-than 7 eighty-five-days-nor later than five o'clock p.m. on the 3 sixty-seventh-day-prior-to-the-date-of-the-general-election-to 9 be-held-in-November third Tuesday after the first Monday in 10 June of even-numbered years and not earlier than eighteen days 11 before then; and those nominations made for a special election 12 called pursuant to section 69.14 shall be filed not less than 13 twenty days prior to the date of an election called upon at 14 least forty days' notice and not less than seven days prior to 15 the date of an election called upon at least ten days' notice. 16 Nominations made pursuant to this chapter and chapter 45 which 17 are required to be filed in the office of the commissioner 18 shall be filed in that office not later than five o'clock p.m. 19 on the fifty-fifth day prior to the date of the general 20 election. Nominations made under this chapter or chapter 45 21 for city office shall be filed not more than sixty-five days 22 nor later than five o'clock p.m. on the fortieth day prior to 23 the city election with the city clerk, who shall process them 24 as provided by law.

25 Sec. 5. Section 56.17, subsection 2, Code 1987, is amended 26 by striking the subsection.

27 Sec. 6. Section 56.18, Code 1987, is amended to read as 28 follows:

29 56.18 CHECKOFF -- INCOME TAX.

30 A person whose state income tax liability for any taxable 31 year is one dollar and fifty cents or more may direct that one 32 dollar and fifty cents of that liability be paid over to the 33 Iowa-election-campaign <u>political candidates</u> fund when 34 submitting the person's state income tax return to the 35 department of revenue and finance. In the case of a joint

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1 return of husband and wife having a state income tax liability 2 of three dollars or more, each spouse may direct that one 3 dollar and fifty cents be paid to the fund. The director of 4 revenue and finance shall draft the income tax form to provide 5 spaces on the tax return which the taxpayer may use to 6 designate that contributions made under this section be 7 credited to a-specified-political-party-as-defined-by-section 8 43-27-or-to-the-fowa-election-campaign the political 9 candidates fund as a contribution to-be-shared-by-all-such

10 political-parties-in-the-manner-prescribed-by-section-56+19. 11 The form shall inform the taxpayer of the consequences of the 12 choices provided under this section, but this information may 13 be contained in a footnote or other suitable form if the 14 director of revenue and finance finds-it is not feasible to 15 place the information immediately above the signature line. 16 The action taken by a person for the checkoff is irrevocable. 17 Sec. 7. Sections 56.19 through 56.26, Code 1987, are 18 repealed.

19 Sec. 8. Sections 1 through 7 take effect January 1, 1989.
20 Sections 6 and 7 apply to income tax returns filed for tax
21 years beginning on and after January 1, 1988. Funds received
22 after January 1, 1989 from income tax returns for tax years
23 beginning before January 1, 1988 shall be payable to the
24 political parties as provided in sections 56.18 through 56.26,
25 Code 1987. The reversion which would otherwise occur on
26 January 1, 1989 under section 56.24 shall not occur and the
27 funds shall be retained by the political parties.

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EXPLANATION

29 This bill provides for partial public financing of 30 political campaigns for state offices.

31 Section 1 provides that the candidate must register for a 32 restricted campaign to receive the grant. If all candidates 33 with qualifying nominations register for a restricted 34 campaign, limits are imposed for total contributions, total 35 expenditures, total contributions from political action

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1 committees, and largest political action committee 2 contribution. Qualifying nominations are those made by 3 political parties under chapter 43 and, if a supporting peti-4 tion with adequate signatures is filed, those made by nonparty. 5 political organizations or by petitions under chapters 44 and 6 45. If a candidate registers and the opponent does not, the 7 registering candidate receives both grants and is not subject 8 to the limitations. The grant is a matching grant, up to a 9 maximum amount, based upon contributions from individuals. If 10 a grant is accepted, the nature of a candidate's committee's 11 expenditure is limited. 12 Section 2 provides civil and criminal penalties for 13 candidates in a restricted campaign. Section 3 imposes a limit on total political action 14 15 committee contributions on all candidates for state offices. Sections 4 through 8 transfer the funds from the income tax 16 17 checkoff from the political parties to the political 18 candidates fund beginning with the returns filed for tax years 19 beginning on or after January 1, 1988. 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

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SENATE/HOUSE FILE BY PUBLIC CAMPAIGN FINANCE INTERIM STUDY COMMITTEE

Passed	Senate,	Date	Passed	House,	Date
Vote:	Ayes	Nays	Vote:	Ayes	Nays
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1 Section 1. Section 56.3, subsection 2, Code 1987, is 2 amended to read as follows:

2. Every person who receives contributions in excess of 3 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. A11 14 funds of a committee shall be segregated from any other funds 15 of officers, members, or associates of the committee or the 16 committee's candidate. However, if the candidate's committee 17 receives contributions only from the candidate, the committee 18 is not required to maintain an account in a financial 19 institution or segregate the funds.

20 Sec. 2. Section 56.4, unnumbered paragraph 1, Code 1987, 21 is amended to read as follows:

22 All statements and reports required to be filed under this 23 chapter for a state office shall be filed with the commission. 24 All statements and reports required to be filed under this 25 chapter for a county, city or school office shall be filed 26 with the commissioner. Statements and reports on a ballot 27 issue shall be filed with the commissioner responsible under 28 section 47.2 for conducting the election at which the issue is 29 voted upon, except that statements and reports on a statewide 30 ballot issue shall be filed with the commission. Copies of 31 any reports filed with a commissioner shall be provided by the 32 commissioner to the commission on its request. State 33 statutory political committees shall file all statements and 34 reports with the commission. All other statutory political 35 committees shall file the statements and reports with the

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1 commissioner with a copy sent to the commission.

2 Sec. 3. Section 56.5, subsection 5, Code 1987, is amended 3 to read as follows:

5. En-tieu-of-fiting Unless a political committee has 5 filed the statement of organization under subsections 1 and 2 6 and is filing the disclosure reports under section 56.6, a 7 political committee which is not domiciled in this state and 8 makes a contribution to a candidate's committee or political 9 committee in this state may shall file a verified statement 10 under this subsection with the commission, with a copy to the 11 treasurer of the committee receiving the contribution. The 12 statement shall be attached to the report required of the 13 committee receiving the contribution under section 56.6. The 14 statement shall include the complete name, address and 15 telephone number of the committee, the state or federal 16 jurisdiction under which it is registered or operates, the 17 identification of any parent entity or other affiliates or 18 sponsors, its purpose and the name and address of an Iowa 19 resident authorized to receive service of original notice. 20 Sec. 4. Section 56.6, subsection 3, paragraphs g and 1,

21 Code 1987, are amended to read as follows:

9. The name and mailing address of each person to whom disbursements or loan repayments have been made by the committee from contributions during the reporting period and the amount, purpose, and date of each disbursement except that disbursements of less than five dollars may be shown as miscellaneous disbursements so long as the aggregate miscellaneous disbursements to any one person during a calendar year do not exceed one hundred dollars. If disbursements are made to a consultant, the consultant shall provide the committee with a statement of disbursements made by the consultant during the reporting period showing the name and address of the recipient, amount, purpose and date to the same extent as if made by the candidate which shall be included in the report by the committee.

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Such other <u>pertinent</u> information as may be required by
 this chapter, or by rules adopted pursuant to this chapter, or
 forms <u>approved</u> by the commission.

4 Sec. 3. Section 56.14, Code 1987, is amended to read as 5 follows:

6 56.14 POLITICAL ADVERTISEMENTS.

A person who causes the publication or distribution of 7 8 published material after July 1, 1984, designed to promote or \pm 9 defeat the nomination or election of a candidate for public 10 office or the passage of a constitutional amendment or public 11 measure shall include conspicuously on the published material 12 the identity and address of the person responsible for the 13 material. If the person responsible is an organization, the 14 name of one officer of the organization shall appear on the 15 material. However, if the organization is a committee which 16 has filed a statement of organization under this chapter, only 17 the name of the committee is required to be included on the 18 published material. This section does not apply to the 19 editorials or news articles of a newspaper or magazine which 20 are not political advertisements. For the purpose of this 21 section, "published material" means any newspaper, magazine, 22 shopper, outdoor advertising facility, poster, yard sign 23 including hand lettered signs, direct mailing, brochure, or 24 any other form of printed general public political 25 advertising, however, the identification need not be 26 conspicuous on posters and-yard-signs-including-hand-tettered 27 signs. This section requires that the identification on yard 28 signs be in letters at least one inch high; however, if the 29 yard sign is authorized by the candidate's committee or the 30 candidate, no identification is required by this section. 31 This section does not apply to bumper stickers, pins, buttons, 32 pens, matchbooks and similar small items upon which the 33 inclusion of the disclaimer would be impracticable or to 34 published material which is subject to federal regulations 35 regarding a disclaimer requirement.

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1 EXPLANATION 2 This bill revises several provisions in the chapter on 3 campaign finance disclosure. Section 1 exempts candidates who are totally self-funded 4 5 from the requirements of segregating funds and maintaining a 6 separate account in a financial institution. Section 2 allows the commission to require a county auditor 7 8 to furnish a copy of a disclosure report to the commission. Section 3 requires an out-of-state political committee 9 10 which makes a contribution to an Iowa candidate but does not ll solicit funds in Iowa to file a verified statement identifying 12 itself. This requirement does not apply if the political 13 committee is filing disclosure reports. Section 4 requires a consultant's report to include the 14 15 persons to whom expenditure disbursements were made and 16 authorizes the commission to request other pertinent 17 information. 18 Section 5 requires the identification statement on yard 19 signs to be at least one inch high and exempts yard signs 20 authorized by the candidate or candidate's committee from the 21 identification requirement. 22 23 24 25 26 27 28 29 30 31 32 33 34 35

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