

# CAMPAIGN FINANCE REFORMS

HR1/S1 • FOR THE PEOPLE ACT

*HR1/S1, the For the People Act, is a democracy reform bill that was reintroduced in the House of Representatives on January 4, 2021. This document examines some — but by no means all — of the important measures included in this bill related to campaign finance reforms.*



## Why do we need campaign finance reforms?

*To promote a government that is representative of and accountable to the people*

*To protect against foreign election interference*

In 2010, the Supreme Court *Citizens United* decision essentially [removed limits on how much money corporations could spend on political campaigns](#), as long as they were not coordinating directly with candidates. This decision gave rise to a new version of political action committees known as super PACs. Unlike candidates themselves, super PACs can receive unlimited contributions from individuals, unions, or corporations. Between 2010 and 2020, super PACs [spent almost \\$3 billion on federal elections](#).

Why does this matter? The Supreme Court ruled that independent political spending could not be corrupt. Unfortunately, the last decade has included many scandals [involving super PAC money, coordination with candidates, and corruption](#). When money is considered free speech, wealthy donors have a disproportionate influence on elected officials and the electoral process, and this harms our democracy for all of us. MWEG believes “political structures and electoral systems should be designed to maximize participation of and provide equitable access to all citizens in a society” ([PEG 2a](#)), regardless of their relative wealth or poverty.

Furthermore, the issue is compounded by the influence of “[dark money](#)” in our elections, a term that refers to political campaign money originating from undisclosed sources. The presence of dark money in our elections is problematic because it deprives voters of valuable information regarding which outside interests a candidate is funded by and beholden to. This lack of transparency impedes every citizen’s duty to participate in our democracy by casting an informed vote ([PEG 3b](#)). Additionally, shell companies enable illegal funds from foreign countries to be used in U.S. political campaigns with no accountability. This makes it difficult to enforce campaign finance laws and creates vulnerability to foreign interference in our elections.

***Dark money** is campaign funding that is routed through one or more opaque nonprofits, including 501(c)(4) social welfare organizations and 501(c)(6) trade associations. The funds are then used to either support or denigrate a candidate through political ads that can only be traced to the last organization that spent the money. The public can’t see the original source of the money nor the chain of spending, and so it is called dark money. Since 2008, more than [\\$1 billion in dark money](#) has been spent.*

So, what can HR1/S1 do to help address these challenges? Some of these measures focus on repairing previous harms by enhancing protections against foreign election interference and promoting transparency in political spending. Other measures are designed to actively promote campaign finance reforms that would restore power and voice to average Americans, rather than wealthy interests, with a public financing system.

## How does HR1/S1 protect against foreign election interference?

*In light of evidence of [foreign interference in the 2016 U.S. presidential election](#), HR1 introduces significant legislative changes designed to protect our election integrity and prevent future interference.*

### HR1/S1

- Prohibits foreign nationals from establishing corporations to conceal election donations
- Requires officials and employees of political committees to report foreign contacts
- Restricts the exchange of information between a candidate and foreign nations by treating an offer to share non-public campaign material as solicitation of contributions from a foreign national
- Requires the Federal Election Commission to notify a state affected by an election disinformation campaign by foreign nationals so it can respond in a timely manner to the threat
- Prohibits the malicious distribution of materially deceptive audio or visual media — also known as “deep fakes” — prior to a federal election

## How does HR1/S1 promote transparency in political spending?

*There is significant overlap between measures intended to protect against foreign interference in our elections and promote transparency in political spending — at times this can be one and the same. Additionally, there are few existing regulations of online political advertising.*

### HR1/S1

- Enhances requirements regarding disclosure of political spending
  - » Reduces the influence of dark money groups by requiring corporations, nonprofits, and unions that spend more than \$10,000 in an election cycle to disclose their campaign-related disbursements
  - » Requires super PACs and other organizations to disclose in ads their name, their top donors, and the group’s highest ranking official
- Improves oversight of online political advertising
  - » Strengthens “paid for” disclaimers on online advertising to ensure that ads disclose in a clear and conspicuous manner who paid for and authorized them
  - » Requires large online platforms to establish a public database of all requests to purchase political ads of more than \$500
  - » Requires broadcasters, television providers, and online platforms to make reasonable efforts to ensure political ads are not purchased by foreign nationals
- Enables the U.S. Securities and Exchange Commission to adopt rules that would allow shareholders the opportunity to know about political donations by publicly traded companies
- Prepares the way to require government contractors to disclose political spending
- Implements disclosure requirements, donation limits, and spending regulations on presidential inaugural committees

*Super PACs are political action committees that can raise unlimited funds from corporations and individuals. This allows the super rich to skirt campaign contribution limits, [giving them access to and influence over the political process](#). This drowns out the voices of regular voters.*

## How does HR1/S1 stop coordination between super PACs and campaigns?

*While the Citizens United ruling suggested independent political spending would not be problematic, the unfortunate reality is that not all spending has truly been independent, as coordination has existed in some forms between super PACs and campaigns.*

### HR1/S1

- Defines and prohibits “coordinated expenditures” between campaigns and super PACs
- Establishes the “coordinated spender” category to define people who have close ties to the candidate and ensures they cannot operate a super PAC that works in close collaboration with a campaign
- Takes the first step toward requiring all PACs to disclose their political donations prior to Election Day rather than afterward, so voters can be better informed

## How does HR1/S1 empower a more democratic form of campaign financing?

*One of the most powerful reforms to reduce the influence of big money in our democracy is promoting small-dollar donations from average Americans with a publicly funded match. This empowers candidates to raise the funds needed to run a campaign while enabling them to depend on their constituents rather than wealthy interests.*

### HR1/S1

- Recommends a constitutional amendment to overturn *Citizens United* and allow Congress to set limits on using money to influence elections
- Promotes small-dollar public financing of campaigns
  - » Establishes a voucher pilot program in three states to provide qualified individuals with a “My Voice Voucher” worth \$25 to give to the candidate (or candidates — it’s divisible by increments of \$5) of their choice during an election cycle
  - » Establishes a publicly financed 6-1 matching system for small-dollar donations (\$200 or less) in congressional and presidential elections for candidates who meet eligibility criteria
  - » Establishes the “Freedom from Influence Fund” to finance this system, which is funded not by taxpayer money but by a surcharge on settlements paid by corporate law breakers

**Did you know...?** *We’ve had a presidential public financing program since 1976, and every candidate who won their party’s nomination used it from that time until 2008. However, in recent years, the 1-1 match ratio and strict limits on how much a candidate can spend under the program have been insufficient to meet the rising costs of campaigns, and no one has opted to use it since 2012. [HR1/S1 would update it to increase its effectiveness.](#) Funding for the new program will come entirely from assessments on criminal and civil penalties, as well as fines and settlements levied on corporations, corporate officials, and individuals convicted of tax fraud.*

## How does HR1/S1 empower average Americans to run for office?

*Americans who are not independently wealthy face significant obstacles to running for office — these are even more significant for working mothers. A small but important measure in this bill seeks to help average Americans run for office.*

### HR1/S1

- Allows child care, elder care, and health care premiums to be covered by campaign funds for candidates who are not incumbents

## How does HR1/S1 ensure campaign finance laws are enforced independently?

*The Federal Election Commission (FEC) is responsible for enforcing federal campaign finance laws. However, in recent years, its effectiveness has been inhibited by [gridlocks and an incomplete quorum](#). This inaction meant the FEC was unable to respond to campaign finance abuses or threats of foreign election interference.*

### **HR1/S1**

- Reduces the members of the Commission from six to five, with no more than two from the same political party, in order to prevent gridlocks and reduce partisanship
- Requires bipartisan vetting of nominees and prohibits the practice of allowing a member to serve indefinitely past the expiration of their term
- Strengthens the FEC's investigation and enforcement abilities

### **Additional Resources**

- [The Brennan Center: Annotated Guide to the For the People Act of 2021](#)
- [Campaign Legal Center: The Bipartisan Origins & Impact of the For the People Act \(HR1/S1\)](#)