Originally Processed With FOIA(s):
2025-0647-S

FOIA Number:
2025-0647-S

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Campaign Finance Reform

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THE WHITE HOUSE

WASHINGTON

May 21, 1991

Dear Mitch:

In my State of the Union address in January, I expressed my strong desire to achieve genuine campaign finance reform this year. We must curtail special interest influence in elections, promote electoral competition, and increase the participation of individual citizens and the political parties.

Since my first year as President, I have called for abolishing political action committees that are subsidized by corporations, unions, or trade associations. That critical step, combined with measures to reduce unfair advantages of incumbency, would markedly improve both the perception and the reality of our electoral process.

I hope that Congress does not waste this opportunity for reform on efforts to insulate incumbents further, by limiting overall speech in campaigns to challenge them, or on new schemes to provide taxpayer subsidies for congressional elections.

The legislative initiative which you and many of your colleagues recently introduced would eliminate political action committees and accomplish several other reforms I have proposed in the past, including tighter regulation of "soft money" and the use of union dues for political purposes. In addition, your bill promotes electoral competition in several respects consistent with my previous proposals.

The spending limits endorsed in the Boren/Mitchell substitute amendment would disadvantage challengers and thereby entrench incumbents further. Ironically, spending limits tend to favor powerful special interests over individuals, because these interests would retain the financial and organizational resources to work around the limits. Therefore, I intend to veto any campaign finance "reform" legislation which features spending limits funded at the taxpayer's expense.

Further, I am deeply opposed to campaign reform legislation that proposes different rules concerning political action committees for the Senate and House. We must not further balkanize ethics and election reform.

As you know, there are two critical ingredients to campaign reform: curbing the divisive role of special interests and enhancing the quality of representation through real electoral competition. I believe both of these goals can be achieved and are essential to revitalizing our electoral process.

I look forward to working with you and your colleagues to enact meaningful campaign finance reform consistent with these aims.

Sincerely,

The Honorable Mitch McConnell
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

May 1, 1990

MEMORANDUM FOR ANDREW H. CARD, JR.
JAMES R. WRAY
JAMES P. PINKERTON
EDWARD M. ROGERS
DAVID M. CARNEY

FROM: FREDERICK D. NELSON FDN.

THROUGH: C. BOYDEN GRAY CBG
FREDERICK D. MCCLURE FM

SUBJECT: Campaign Finance Reform

Attached for your information is a copy of the background memorandum prepared for Marlin Fitzwater describing certain aspects of the new Dole/McConnell campaign finance proposal announced today.

This memo is not for public distribution; talking points are attached at page 3.

May 1, 1990

Campaign Finance Update (In-house)
Talking Points Attached at Page 3

Several Republican Senators, led by Dole and McConnell, will hold a press conference at noon today to unveil a new campaign finance package. Because they realize that this new plan differs from the President's proposal in certain respects (and might raise certain constitutional problems from the Administration's perspective), the roughly 32 Republican Senate co-sponsors do not anticipate our explicit endorsement. Rather, they hope that the Administration will commend the goals that underlie their approach and, at least by implication, further take issue with competing proposals advancing spending limits and public financing schemes. No one necessarily expects that the bill announced today will be enacted into law, but Senator Dole et al. are seeking to gain the moral high ground from which to gain negotiating power. By continuing to stress the principles that guide the President's own campaign finance reform proposals made last year, the Administration can help its congressional allies and work toward some reasonable enactment offering true reform.

A. Dole Proposal

The new Dole/McConnell proposal would, among other provisions:

- eliminate all Political Action Committees (PACs), including the "non-connected" PACs that would continue to exist under the President's plan not subsidized by corporate or union monies;
- reduce the limit on individual contributions by out-of-state donors from $1,000 to $500;
- establish far reaching bans on "soft money," including a prohibition on any political activity by a tax-exempt, 501(c) corporation;
- allow a "seed money" mechanism by which party committees could match early in-state contributions to challengers;
- raise the limits on what individual contributors may give to opponents of candidates who spend large sums of their own money in the races;
- command broadcasters to sell candidates non-preemptible time at a discounted rate;
- adopt certain provisions of the Bush proposal (codifying the *Beck* decision protecting employee rights, attacking "bundling," limiting gerrymandering).

We need to study the Dole/McConnell package further to determine whether it is so restrictive on speech as to present real constitutional difficulties. By banning even non-connected PACs, for example, and by placing de facto restrictions on how much of their own money candidates can spend, the bill may go beyond what is allowed under the Supreme Court cases permitting restrictions on contributions aimed at reducing corruption.

The proposal on the whole correctly recognizes that it is the source, not the amount of campaign monies that presents the real corruption problem. Thus, the bill operates without imposing overall limits or a cap on campaign expenditures (which would tend to hamper challengers who confront the built-in advantages of incumbent name recognition and perks). It also steers away from costly public financing schemes.

B. The Administration Proposal

The Administration bill, introduced last year by Republican Leaders Dole and Michel, is based upon three guiding principles:

- reducing special interest influence;
- promoting competition/reducing unfair incumbent advantages;
- enhancing the role of individual citizens and the political parties.

The proposal would achieve these goals consistent with constitutional principles. Among other reforms, the Administration bill:

- Eliminates PACs subsidized by corporations, labor unions, and trade associations. These groups account for 90% of all PAC money contributed.
- Tightens limits on "non-connected" PACs, reducing maximum permitted contributions from $5,000 to $2,500 per candidate.
- Requires full disclosure of all "soft money" contributions and assures that "non-federal" dollars are not used to support federal candidates.
- Eliminates certain unfair incumbent advantages by barring the "rollover" of campaign funds from one election to the next, banning use of the frank for unsolicited mass mailings, and ending gerrymandering by requiring neutral redistricting criteria.
- Strengthens political parties by increasing the amounts they can spend on behalf of congressional candidates.

Talking Points

Any reform proposal must be judged by the principles underlying the President's approach:

- attacking special interest influence;
- promoting electoral competition;
- increasing the voice of individual citizens and the parties.

o We have not fully analyzed the new Senate proposal, but its goals appear to be in line with our own and we applaud this significant effort toward true reform. We hope to work with Congress to achieve reforms along the lines suggested by the President last year.

o We commend the Senate Republicans for sharing our conclusion that true campaign finance reform must be aimed not at protecting incumbents but at reducing special interest influence on the election process.

o Special interest influence is best curtailed by eliminating special interest PACs, and both the Administration bill and the new Dole/McConnell proposal flatly abolish PACs subsidized by corporation, labor unions, and trade associations. We must seize this opportunity to eliminate the undue influence of such PACs.

o These proposals stand in stark contrast to other bills that would enshrine special interest PACs by keeping them part of the system and limiting overall contributions (thus maximizing the importance of early special interest PAC money flowing easily to incumbents).

o The new proposal also appears to head in the right direction because it does not seem designed to lock incumbents into office: it recognizes that challengers generally begin at a significant disadvantage and must mount effective campaigns in order to have a chance of winning. The proposal, like the Administration bill, also attacks certain of the unfair incumbent advantages such as taxpayer funded mailings and gerrymandering.

Side By Side Comparison of House and Senate Republicans Campaign Finance Proposals

The Michel Plan	S. 7 [DOLE PLAN]	S1727/H.R.3425 [BUSH PLAN]
I. Political Action Committees (PACs):		
Cut PAC contributions from $5,000 to $1,000 and index the limit in future years. Prohibit transfers of funds among PACs. See also Section VIII.	Lower the PAC contribution limit from $5,000 to $1,000 per candidate per election. Require PACs to give their members the names and addresses of all federal candidates and the national political parties; and require PACs to let their members "earmark" their contributions for particular parties.	Eliminates the exception permitting the organization of PACs connected to corporations, unions, or trade associations. Prohibits corporations, unions, or trade associations from underwriting costs of any "non-connected" or independent PACs. Reduces the contribution limit for "non-connected" PACs from $5000 to $2500 per candidate, per election.
II. Leadership PACs:		
Members can only establish one campaign committee.	No provision.	Limits contributions to leadership PACs by including the amount of

Michel	S.7	S.1727/H.R.3425
		contributions to each of these in the total given to the campaign committee of the candidate or federal office-holder associated with the PAC.
Closes the loophole permitting transfers between campaign committees	No provision.	Same as Michel.
III. <u>Individual Contributions:</u>		
No change from current law.	Increase the individual contribution limit to congressional candidates from $1,000 to $2,000 per candidate per election. No Indexing.	No change from current law.
Restore income tax credit for political contributions to political parties for candidates in the taxpayer's home state up to $250 per taxpayer per year.	No provision.	No provision.
Require that more than 50 percent of a candidate's funds be raised from local sources.	No provision.	No provision.

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IV. Political Parties:		
Remove direct and coordinated expenditure limits in federal general elections in which a candidate is uncontested within the same party. Allow parties to match the value of independent expenditures by special interests against their candidates.	Increase the limit on coordinated expenditures" by national political parties from $.02 to $.05, multiplied by the voting age population of each state, and to $25,000 from $10,000 for Representatives from states with more than one Representative.	Same as S.7 for Section IV.
Allow local parties to raise and spend limited funds to support congressional candidates independent of state/national party limits.	No provision.	
No provision.	Require complete disclosure by all national political party committees of receipts, expenditures, and soft money activities in Presidential and Congressional elections.	

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V. Disclosure Requirements:		
Increase disclosure of corporate, union and nonprofit organizations' expenditures for get-out-the-vote, voter registration drives, voter communications and member communications.	Require corporations, PACs, labor organizations, and non-profits to report all spending "for the purpose of influencing a federal election" through soft money activities, including voter drives, telephone banks, and membership communications.	Requires the disclosure of all soft money accounts by all political party committees regulated by the FEC.
See Section VII for additional requirements.	See Section VII for additional requirements.	See Section VII for additional requirements.
VI. Soft Money:		
Ban "soft money" contributions to national and state political parties for use in federal elections.	See disclosure provisions listed above (Section V).	See disclosure provisions listed above (Section V).
No provision.	No provision.	Requires political parties, labor organizations, and corporations to allocate the costs of general political activities affecting the election of federal and non-federal candidates between their federal and non-federal accounts.

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VII. <u>Independent Expenditures:</u>		
Define "independent expenditure" to prohibit consultation with a candidate or his agents; and require the FEC to hold a hearing within 3 days of any formal complaint of collusion between an independent expenditure committee and a candidate.	Same as Michel.	Increases in the disclosure requirements of unauthorized independent expenditures. Information regarding the sponsorship of such an advertisement would have to be given at both the beginning and the end of the communication, be clearly readable or audible, and include statement that it is not authorized by any candidate.
Require all independently-financed political communications, to disclose the person or organization financing it; require that disclosure be complete and conspicuous;and require timely notice to all candidates of the communications' placement and content.	Same as Michel.	
VIII. <u>Bundling:</u>		
Prohibit Bundling by PACs.	Prohibit all bundling of contributions, except by political party committees.	No provision.

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IX. Millionaire's Loophole:		
Remove all contribution limits for candidates whose opponent(s) plan to spend more than $100,000 of personal funds on their campaign (similar to provision in S.7).	Require Presidential and Congressional candidates to declare upon filing for an election whether they intend to spend or loan more than $250,000 of their personal funds in the race. Raise the individual contribution limit from $2,000 to $10,000 for all opponents of a candidate who declares such an intention.	No provision.
No Provision.	Prohibit candidates from recovering personal funds or loans put into their race from contributions raised after the election.	No provision.

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X. Broadcast Discount/Campaign Cost Reduction:		
No provision.	Allow Presidential and Congressional candidates to purchase non-preemptible time at the lowest unit charge for preemptible time, in the last 45 days before the primary and the last 60 days before the general election.	No provision.
XI. Incumbency:		
No provision.	No provision.	Prohibits rollover of excess campaign funds into the next election cycle.
Eliminates the "grandfather clause" allowing some House members to convert excess campaign funds to personal use.	Does not apply. (Senate Rules)	No provision.
No provision.	No provision.	Prohibits Senators from supplementing their official office accounts with campaign funds.

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Requires that any excess campaign funds be returned pro rata to contributors, be given to national, state, or local party committees, or be used to retire the federal debt.		Same as Michel.
Limit size of franked meeting notices and limit distribution to households within a "normal traveling distance from at least one of the town meetings."	No provision.	No provision.
Require quarterly reports on each member's unsolicited franked mail.	Does not apply to the Senate. (Senate Rules)	No provision.
XII. <u>Tougher Criminal Enforcement</u>		
No provision.	No provision.	Extends statute of limitations from 3 to 5 years.
		Grants the Attorney General access to FEC compliance files pursuant to a criminal investigation or trial.

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XIII. <u>Codify the Beck Decision</u>:		
Sets forth the following employee rights, and requires that unions notify their members of their rights: 1) Employees can not be obligated to pay for the political activities of their union through membership dues. 2) Those who pay agency fees are only obligated to pay for the cost of collective bargaining services the union provides. 3) Those who pay membership dues have the right to have their dues reduced by a pro rata share of the amount the union spends from the membership treasury on	No provision.	Same as Michel for Section XIII.

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political activities.		
4) Employees must be informed of the amount of the full membership dues and related fees; the amount of reduced fees; and the cost of political activities.		
XIV. Limitations on Gerrymandering:		
New standards for congressional reapportionment and redistricting --	No provision.	Same as Michel for Section XIV.
1) Codifies current case law and restores previous statutory requirements that congressional districts be of equal population and be contiguous and compact in form.		
2) Upholds Supreme Court provisions conflicting statutory provisions to clarify that multi-member congressional districts are		

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unconstitutional. 3) limits the division of county and political subdivision boundary lines, as well as redistricting egregious partisan gerrymandering. Nothing in this act shall be construed as superseding any provision of the Voting Rights Act of 1965, as amended. Establishes an expedited federal judicial review procedure of the congressional redistricting process and gives the federal courts exclusive jurisdiction to enforce the standards of the Act.		

XV. Effective Date:

November 7, 1990	November 7, 1989	November 7, 1990