

**Testimony of Gary Kalman,
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On
Repealing Limits on Party Expenses**

April 18, 2007

Chairwoman Feinstein, Senator Bennett and members of the committee I thank you for inviting me to testify today on behalf of the U.S. Public Interest Research Group (U.S. PIRG). U.S. PIRG is the national advocacy office for the federation of state PIRGs.

Our country faces many challenges. Fueled by high profile scandals, voters in last year's election cited congressional corruption as a top issue of concern.

Following the election, Congress responded to the frustration expressed by the electorate with measures like S. 1, which included among other provisions increased disclosure of campaign fundraising activities and new limitations on those seeking privileged access through the purchase of gifts and travel. Similarly, Congress has stepped up oversight of private contractors in matters ranging from the Iraq war to ongoing assistance to those who lost homes and businesses to Hurricane Katrina.

The proposal before the committee today to eliminate the coordination restrictions as written in section 441(a)(d) of the Federal Election Campaign Act seems antithetical to those important steps. U.S. PIRG strongly opposes the proposed change, as it will permit large numbers of individuals to effectively circumvent the existing individual contribution limits and invite large contributions back into the system under the guise of hard money.

I wish to make four points today. (1) Contribution limits matter; (2) lifting the coordination rules between political parties and candidates would open the door to significant increases in the contributions limits; (3) while national political parties now collect only hard money contributions, the proposed changes threaten to undermine the rules that make the distinction between hard and soft money meaningful; and (4) under the current system political parties have been able to effectively promote their favored candidates.

Contribution limits are important to stem both corruption and the appearance of corruption. During the months leading up to the passage of the Bipartisan Campaign Reform Act (BCRA), Congress spent significant time debating whether to raise the individual contribution limits to candidates. Many Senators and reform groups opposed raising the limits from \$1,000 to \$2,000 for fear that it would allow a small group of wealthy individuals to have even greater influence in our elections.

Lifting the coordination rules between parties and candidates would effectively raise the individual limits for any one who could afford such a contribution from \$4,600 to \$61,600 in a two year election cycle. At this level, contributions are well above what average Americans can afford and raise questions about whether very large donors will receive preferential access to legislators once in office. Further, a majority of Senators surely would have rejected this tremendous increase if it had been proposed during the 2002 debate on BCRA.

National political parties are now only permitted to collect hard money contributions, a significant step in removing from parties the ability to collect unlimited contributions. Yet, some have argued that since these contributions are disclosed and limited, the coordination rules are less important. But at what point are the rules defining hard money so relaxed that they begin to lose meaning? Loosening or lifting the coordination rules opens the door to very large contributions that could be easily be routed back to a favored candidate with no meaningful distinction between money sent to the party or to the candidate directly.

Under the current rules, political parties are able to spend unlimited sums in support of their candidates as long as it is not coordinated with the candidates. In *Federal Election Commission v. Colorado*

Republican Federal Campaign Committee, the courts upheld the parties' right to make unlimited independent expenditures. The Court also recognized the important distinction between coordinated and uncoordinated spending. The court upheld the coordination restrictions because it concluded that coordinated spending was tantamount to a direct contribution to the candidate and circumvented the contribution limits.

According to a March 7th statement from the Federal Election Commission, Republican national, state and local committees raised \$602 million and the Democratic counterparts raised \$483 million in the 2006 election cycle. Democratic Party receipts were more than double those in 2002 – the last midterm election. Republican Party committees raised 42% more than in 2002.

Given the experience of this last election cycle, it seems a misplaced concern to worry about the impact and viability of political parties. By all measures, parties are enjoying a resurgence with an influx of new members, smaller donors and increasing resources. These are the signs of a healthy political foundation. Candidates are not marginalized from their parties. In fact, under the current rules, parties in larger states can coordinate spending of more than \$1 million. In California, coordinated spending limits already exceed \$2.2 million.

In closing, I would note that individuals can give to candidates directly, a candidate's leadership PAC, other PACs, national party committees and state and local party committees. Parties also can give directly to candidates. Collectively, a single individual could direct virtually unlimited sums of money to a particular candidate if not for two important restrictions. The first is the aggregate limit on political contributions, this year a little more than \$108,000 for the election cycle. The second is the coordination rules for parties and candidates.

Given the high profile scandals and the growing concern over money and politics among members of the public, now is not the time to roll back these rules.

The question before the committee today is whether to further amplify the voices and potential access of the few by creating a new, legal loophole to circumvent campaign contribution limits. These limits have been debated extensively, approved by Congress and affirmed by the courts as a legitimate defense against corruption and the appearance of corruption.

With heightened awareness and concern among the American people regarding the role of money in politics, this proposed change is both ill-timed and destructive to the framework around which Congress built campaign finance rules over the last 30 years.