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PUBLIC SECTOR CONSULTANTS, inc.

POLITICAL ACTION COMMITTEES:

THEIR IMPACT ON ELECTIONS AND GOVERNMENT

This publication is part of our continuing series of FISCAL AWARENESS SERVICE materials.

Executive Summary

Political action committees (PACs) have taken on an increasingly important and controversial role in national and state politics. While PACs have existed in some form since the 1940s, legislation in the 1970s, subsequent judicial interpretation of election laws, and growing political sophistication have created an environment conducive to rapid PAC formation by corporations, unions, and other interest groups. PACs permit like-minded citizens to pool their political funds and influence more effectively the governmental process. Yet there are widespread concerns about PAC activity: one is that some elected officials may be unduly influenced by PACS in return for contributions.

Current law requires full disclosure of PAC contributions; however, without timely processing, a vigilant media, and greater public interest in campaign finances, such disclosure is a weak impediment to inappropriate influence and violations of the spirit or the letter of election law.

Introduction

The 1984 United States Congressional races raised important questions about the increasing activity of political action committees (PACs) in financing elections. While criticism of PACs is not new, the level of intensity which the criticism has reached is. Calls for reforming current election laws to reduce the influence of or eliminate PACs are heard on Capitol Hill. To understand the controversy surrounding PACs, it is necessary to examine the development of these organizations in American politics and the role they play today.

History

PACs emerged in the 1940s as a response by labor unions to the Smith-Connelly Act which prohibited labor organizations from contributing funds to candidates running for federal office.¹ The Congress of Industrial Organizations (CIO) began the first PAC to circumvent these restrictions. Other unions followed, setting up PACs which could collect money from union members and distribute it to candidates running for federal office.² Corporations were also prohibited from making contributions to candidates for federal offices; but instead of developing PACs along the union pattern, businesses encouraged their employees to contribute directly to candidates favored by the company. Businesses also channeled political donations through trade associations, public relations firms, and corporate attorneys who worked for candidates running in federal elections.³

Until 1971, PACs existed largely as vehicles to circumvent federal laws concerning campaign contributions. In 1971, Congress passed the Federal Election Campaign Act which included an amendment legitimatizing and regulating PAC activity. This legislation permitted both unions and corporations to set up separate, segregated accounts for the expressed purpose of establishing, soliciting, and administering political contributions.⁴

In 1974, the Federal Election Campaign Act was amended, creating further incentives for PAC development. The amendment permitted government contractors, previously prohibited from campaign giving, to establish

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PACs. A \$5,000 ceiling was imposed on PAC campaign contributions to any one candidate. This was five times higher than the \$1,000 limit placed on contributions made by one individual to a candidate.⁵

In 1975, the Federal Election Commission issued an advisory opinion that authorized new methods corporations could use to a solicit contributions for their PACs. A 1976 ruling by the Supreme Court in the Buckley v. Valeo case permitted unlimited <u>independent</u> expenditures to be made on behalf of candidates by PACs. Inde-

There were roughly 600 (Table 1). PACs registered to participate in federal elections in 1974; in 1983 they numbered more than 3,500, an increase of 433% in nine years.⁶ There are currently 811 PACs registered in Michigan to contribute to state and local candidates.⁷ In 1982, the top ten PACs by expenditure registered to participate in the state general election spent a total of \$1,356,346 (Table 2). A PAC sponsor may have committees operating at both the state and federal levels. For example, the UAW sponsors PACs at the federal and state levels.

TABLE 1 Growth in the Number of PACs Registered to Participate in Federal Elections					
Labor	201	234	240	378	
Corporate	89	550	949	1,536	
Trade, Health, and					
	210	N.A.	512	617	
Membership	318	IN.A.	512	017	

SOURCES: Matthew J. Dunn, Kevin D. Hofman, and Brian T. Moynihan, "The Campaign Finance Reform Act: A Measured Step to Limit the PAC's Role in Congressional Elections," Journal of Legislation 11 (Summer 1984): 502; Jeffery L. Sheler and Robert F. Black, "Is Congress for Sale?" U.S. News and World Report, May 28, 1984, p. 48.

N.A. = Not available.

pendent expenditures are those made without prior knowledge or approval of candidate or his/her campaign а committee. Following these decisions the number of corporate; union; and and membership PACs trade, health registered to participate at the federal level increased rapidly

Beyond the legislation and court decisions that fostered PACs, two other reasons are cited for their growth and spread. The most prominent is the enormous growth in the cost of Congressional campaigns (Table 3). In 1982, the median expenditure in U.S. House campaigns was \$214,267, up 48%

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	TABLE 2		
Top Ten Pacs (By Expenditures) in the 1982 Michigan State General Election			
Rank	Name	Expenditures	
1.	Michigan UAW PAC	\$458,390	
2.	AFL-CIO COPE Contributors Fund	201,356	
3.	MEA PAC	174,003	
4.	UAW SEMPAC	124,12	
5.	Realtors PAC	78,560	
6.	Region I-D UAW PAC	67,950	
7.	Republican National State Election Committee-Mich.	64,000	
8.	JOBS Committee	63,229	
9.	UAW Greater Flint Action Council PAC	62,602	
10.	Michigan Beer and Wine Wholesalers	62,135	
	TOTAL	\$1,356,346	

from 1980.⁸ The median expenditure in the 1982 Senate campaigns was \$1,746,230, an increase of 69% from 1980.⁹ PAC money has been used by candidates to meet these growing costs. There is heated debate about whether PACs are the <u>cause</u> or the result of escalating campaign costs.

Another cause cited for PAC

growth is the decline in power and influence of political parties. Candidates have had to become increasingly independent because of the demise of reliable party organizations and political machines. PACs have, to some extent, replaced the role of political parties in the areas of organizing and fundraising.

TABLE 3				
Median Expenditures on U.S. House and U.S. Senate Campaigns				
	1980	1982	Percent Increase	
HOUSE	\$ 145,292	\$ 214,267	48%	
SENATE	1,031,227	1,746,230	69%	

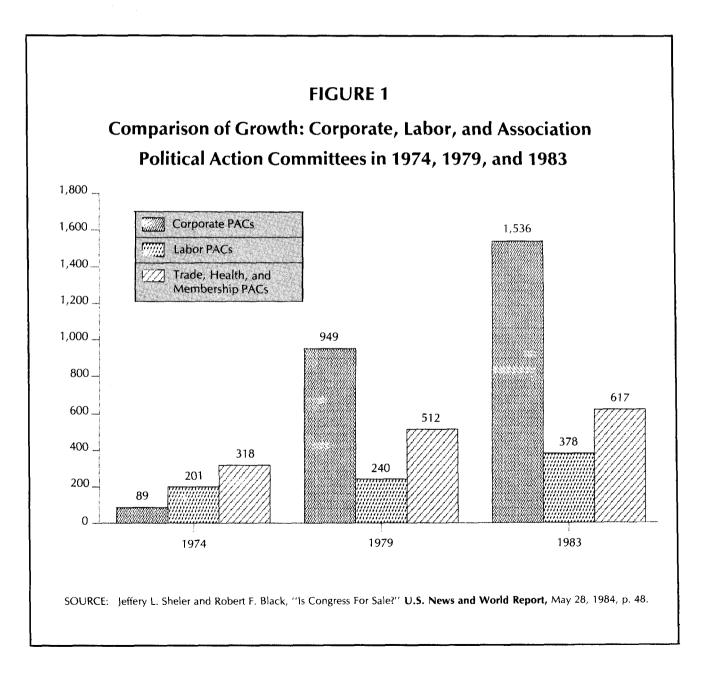
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Types of Pacs

PACs can be separated into three classifications: corporate; labor union; and trade, health, and membership. Labor PACs date back to the 1940s and are spreading more slowly than corporate PACs. Corporate PACs did not begin to appear in large numbers until 1974. The number of trade, health, and membership PACs are growing but also at a slower rate than corporate PACs (Figure 1).

A little over 60% (or 1,536) of national PACs all are corporate PACs.¹⁰ The ten largest business PACs donated a total of \$2,435,207 to federal candidates in 1982 (Table 4), the most recent year for which information is available. While many have assumed corporate PACs tend to favor Republican candidates, this is not necessarily the case. Corporate donations are split almost equally Republican between Democratic and candidates for federal office.



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There were 378 labor PACs in 1983.¹² Despite a slowdown in growth, the top ten labor PACs contributed a total of \$9,515,046 to federal candidates in 1982 (Table 5). Labor PACs donate 94.4% of their money to Democratic candidates.¹³

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Trade, health, and membership PACs include a diversity of associations such as the Associated General Contractors, the American Medical Association, the National Rifle Association, and the National Conservative PAC. The number of national PACs in this group have nearly doubled in the last ten years, from 318 in 1974 to 617 in 1984.14 The top ten PACs in this group donated a total of \$9,855,524 to in 1982 candidates (Table 6). Donations by trade, health, and membership PACs show a slight Republican bias; 56.5% of their donations go to Republican candidates.¹⁵

PACs Today

Collecting money to distribute among candidates is still the major role of PACs (Table 7). The only legal way for a corporation, union, or independent interest group to donate directly to candidates running for federal office is through PACs. While most unions and corporate PACs solicit donations from their own members, many independent PACs widely use direct mail to raise funds. Direct mail is used very successfully by the National Conservative PAC, for instance. It sends out letters notifying the public of issues pending in Congress, states its position on the issues, and requests donations. In the first two months of 1984, the National Conservative PAC raised \$1,300,000 through direct mail.¹⁶

PACs vary in how they use the money they raise. Organizations that rely heavily on direct mail must use a large portion of the funds they collect to cover expenses and salaries. Administrative and operational costs of PACs organized by corporations or unions can be covered by separate, segregated accounts rather than through solicitations, leaving more money available to corporate and union PACs for actual donations.¹⁷

PACs generally divide into two schools of thought on campaign giving: one school supports "anticipated winners," such as all incumbents, on the theory that the PAC can later influence those who have won; the other candidates supports whose views coincide philosophically with the PAC's own (prolabor, conservative, regardless of a candidate's etc.) chances of winning. The most sophisticated PACs blend the two approaches: they support "anticipated winners" unless they are ideologically incompatible. If the "anticipated winner" in a election is unclear, the first type of PAC may donate money to both candidates to assure the PAC will win regardless of which candidate receives the most votes.

Occasionally, PACs will build up funds for use in the future. For example, the Chicago Mercantile Exchange's PAC, the Commodity Futures Political Fund, raised \$1,000,000 in 1982 and used most of it to build a \$650,000 war chest for future use.¹⁸ In other cases, PACs inadvertently accumulate large sums of money because some targeted candidates refuse to accept PAC donations. Oil and gas industry PAC donations are frequently turned down by candidates who worry that acceptance of this money would make them vulnerable to charges of being unduly influenced by the industry.

PACs: The Controversies

Advantage to Incumbents

PACs, in the aggregate, donate well over half of their funds to incumbents.¹⁹ Opponents of PACs as-



TABLE 4

Companies Affiliated with the Top Ten Corporate PACs (By Total Amount Contributed) in the 1982 Federal Election

Corp	orations	Total Amount Contributed
1.	Tenneco	\$454,150
2.	Winn-Dixie Stores	281,375
3.	Harris Corporation	249,250
4.	American Family Corporation	232,775
5.	Fluor Corporation	223,200
6.	Litton Industries	218,550
7.	United Technologies	204,275
8.	Standard Oil Company (Indiana)	193,327
9.	Grumman Corporation	189,978
10.	Philip Morris	188,327
	TOTAL	\$2,435,207
SOL	JRCE: Jeffery L. Sheler and Robert F. Black, ''Is Congress For	Sale?" U.S. News and World Report, May 28, 1984, p. 4

ТАВ	BLE 5
Unions Affiliated with t	the Top Ten Labor PACs
(By Total Amount	Contributed) in the
1982 Fede	ral Election
Unions	Total Amount Contribute
1. United Auto Workers	\$1,628,34
2. Machinists	1,445,45
3. National Education Association	1,183,21
4. AFL-CIO	906,42
5. Seafarers International	850,51
6. United Food and Commercial Workers	729,21
7. United Steelworkers	715,75
8. Operating Engineers	711,53
9. Marine Engineers	701,15
10. Communications Workers	643,42
TOTAL	\$9,515,04

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TABLE 6

Associations Affiliated with the Top Ten Trade, Health, and Membership PACs (By Total Amount Contributed) in the 1982 Federal Election

Trade, Health, and Membership Organizations		Total Amount Contributed	
1.	National Association of Realtors	\$2,115,135	
2.	American Medical Association	1,737,090	
3.	National Association of Home Builders	1,006,628	
4.	American Bankers Association	947,460	
5.	National Automobile Dealers Association	917,295	
6.	National Rifle Association	710,902	
7.	Associated General Contractors	683,766	
8.	American Dental Association	609,450	
9.	National Association of Retired Federal Employees	564,225	
10.	National Association of Life Underwriters	563,573	
	TOTAL	\$9,855,524	

SOURCE: Jeffery L. Sheler and Robert F. Black, "Is Congress For Sale?" U.S. News and World Report, May 28, 1984, p. 49.

sert that by heavily favoring incumbents, elections are distorted and challengers are left in an unfair In other words, PACs have position. made it easier for incumbents to win reelection, which about 90% of incumbents do with regularity. Opponents believe that the advantages of incumbency impede the ability of the electorate to reduce and change the philosophy or direction of government. PACs feel they are wisely donating their funds where they will be most effective: members with longer tenure have greater influence on legislation. Continuity allows Congress the opportunity to accomplish more far-reaching goals than if the makeup of the House and Senate changed dramatically every election.

Costs of Campaigns

The costs of Congressional elections have increased greatly. The average cost of election to the House of Representatives rose from \$50,000 in 1974 to over \$200,000 in 1982.²⁰

According to some, PACs have caused the costs of Congressional While formal PAC elections to soar. donations are limited to \$5,000 per candidate, this can be circumvented through independent expenditures, i.e., money can be spent on a candidate's behalf (usually for advertising) without the candidate's or the campaign committee's approval.

Others contend that growing political sophistication (e.g., survey research and professional marketing strategies) and increasing reliance on costly mass media, such as television, have caused campaign costs to rise, and PAC spending has only kept pace. The PACs argue that, without them, effective campaigns could only be waged by the very wealthy.

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TABLE 7

Top Ten PACs Participating in the 1983-84 Federal Elections, By Receipt and Expenditure^a

РАС	Receipt	Receipt Rank	Expenditure	Expenditure Rank
American Medical Association				
PAC	\$4,032,365	6	\$3,513,763	7
Citizens for the Republic	3,856,745	7	2,754,549	10
Fund for a Conservative				
Majority	5,500,208	3	5,451,498	2
Fund for a Democratic				
Majority	3,556,016	9	2,955,393	9
National Congressional Club	5,695,551	2	5,222,378	3
National Conservative PAC	19,514,822	1	19,332,000	1
NRA Political Victory Fund	3,331,630	10	3,774,796	5
Realtors PAC	4,291,572	5	3,874,782	4
Republican Majority Fund	4,469,645	4	3,531,125	6
Ruff PAC	3,707,512	8	3,499,272	8

SOURCE: Federal Election Commission, "933 Index, Public Records Information Sheet," February 23, 1985.

^aReceipt and expenditure figures will not match. When receipts are higher than expenditures, PACs may use the excess funds to cover expenses or build up money (war chests) for use in later elections. When receipts are less than expenditures, PACs have usually been relying on war chests accumulated from previous elections.

Influence on Elected Officials

The major controversy surrounding PACs involves the degree of influence their donations may have on the people Critics of PACs who accept them. argue that candidates who accept PAC donations are indebted to the special interests of these groups and cite numerous instances which legislators reversed their positions on issues after accepting donations from PACs. Since PACs can raise large sums of money quickly, new members of Congress are thought to be particularly vulnerable to PAC influence because of the large debts they frequently incur getting elected. Many new members accept money from PACs to pay off past campaign debts and start war chests to protect their seats in the next election. Supporters claim that PACs do not have a disproportionate influence on politicians, arguing that the money PACs donate goes primarily to legislators who already support the positions of PAC contributors.

Of considerable concern to both camps is the appearance to the public of a quid pro quo of PAC contributions for votes in Congress. An instance often cited arose in 1982, when a domestic content bill requiring the use of American labor and parts in foreign cars sold in the United States was before the U.S. House of Representatives.²¹ The United Auto Workers

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union strongly supported the legislation. The 215 members of the House who voted for the bill had received \$1.3 million from the UAW's PAC in the preceding two elections -- 18 times as much money as the 188 opponents to the bill.²² Another instance often mentioned took place in 1983 when 250 members of Congress who had received an average of \$6,837 each from dairyindustry PACs during the preceding five years voted against cuts in dairy price supports.23 Valid or not, such instances strengthen public perception that members of Congress are being unduly influenced.

Influence on Congressional Perspective

Another issue involving PACs is whether or not they have altered the perspective of government in the United States, and, if they have, what is the impact? Critics charge that PACs have altered government in the United States by effectively diluting local and regional representation in Congress. Nationally based PACs have forced Congress to address some issues from a national perspective rather than from local points of view. Tn essence, critics say, Congress has lost its regional flavor and its representation of individual viewpoints. Party discipline within the Congress shows signs of weakness.

Supporters claim that PACs have changed government in the United States, but in a constructive way. PACs have increased popular participation in national legislative and electoral processes by educating and PACs raising money from the public. allow groups of individuals from across the nation who share feelings on issues to pool their resources and become an effective voice on Capitol Hill, thereby making the electoral and legislative processes more democratic. The increasing size of the population and complexity of issues has, over time, required a greater degree of coalescing among constituent segments.

Independent Spending

Independent expenditures provide a way to bypass federal limitations on direct PAC contributions to candidates. The Supreme Court in the 1976 case, Buckley v. Valeo, ruled that regulation of independent expenditures could have a chilling effect on free expression of political beliefs and, therefore, was unconstitutional.24 This has been reinforced by a recent court decision. On March 18, 1985, the U.S. Supreme Court, in a 7-to-2 ruling, declared unconstitutional the provision in federal election legislation prohibiting PACs from spending more than \$1,000 to help elect presidential nominees who accept public financing. The Court concluded that the \$1,000 limit violated First Amendment guarantees of free speech and association without adequately guarding against political corruption or the appearance of corruption.²⁵ In a dissenting opinion, Justice White argued that the influence of wealthy contributors, the cost of elections, and the danger of political corruption all will increase as a result of the elimination of the \$1,000 limit.²⁶ While only 12% of 1980 PAC spending fell under the category of independent expenditures, there is an unlimited potential for PACs to use this method to get around contribution limitations.27

Reform

In 1983, a survey undertaken by Center for Responsive Politics the revealed that of the 140 members of Congress surveyed, 76% felt that laws current campaign should be changed.²⁸ Legislation which has been introduced in Congress to limit PACs falls roughly into three categories. One type of legislation would reduce or ban the amount of direct contributions an individual PAC could make to a candidate. Critics argue that such restrictions would cause PACs to increase independent expenditures and find other ways around the law.

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The second type of reform would reduce candidates' dependence on PACs through the imposition of a ceiling on the aggregate amount each candidate could accept from various PACs during an election. Proponents argue that such legislation would reduce the role PACs can play in financing congressional elections. Critics claim that PACs would bypass this type of legislation through increased use of independent expenditures.

Finally, some favor public financing of all federal elections. At this time, public financing is used only in presidential elections. Proponents argue that public financing would restrict the total amount any candidate could spend and would therefore reduce the amount and number of direct contributions candidates could accept from PACs. Opponents of public-financed federal elections object to the cost to the taxpayers of undertaking such a system and the advantages to incumbents of parity in campaign spending (challengers must usually outspend incumbents to win). They point out that candidates, even though publicly financed, still would benefit by unregulated and unlimited independent expenditures.

Conclusion

The most effective safeguard against the abuse of PAC contributions, independent expenditures, and undue influence over politicians is already in place: the timely and complete public disclosure of campaign contributions and expenditures. Federal and state laws mandate disclosure by PACs and by candidates of funds received and spent. This information is filed before and after elections, so the public and the media may scrutinize the monies spent by PACs and contributed to candidates. Voting records for members of Congress and state legislators are also a matter of public record. Enough information is readily available to the public for citizens to determine if a candidate appears to be influenced by PACs. Close public scrutiny of how members of Congress finance their elections and how they vote would be an incentive to eliminate any appearance of impropriety or undue influence due to PAC contributions.

There are, however, disincentives public monitoring of campaign to finances and voting records. While data is collected about how candidates finance their elections and on how PACs collect and spend their money, the information can be voluminous, unorganized, and vague, making timely analysis and disclosure very difficult. Legislation has established guidelines concerning what information must be disclosed by candidates and PACs and when the information must be filed with either federal or state election officials, but few laws establish procedures on how the information must be presented and when it must be made available to the public.

For example, in Michigan, both candidates and PACs were required to file 1984 general election finance data with the Department of State by December 7, 1984.29 As of April 1, 1985, the only information available to the public on the role PACs played in the 1984 state election is contained on the individual PAC and candidate forms on file with the Michigan Department of State. The sheer numbers of registered PACs and the candidates who ran in the 1984 election make it very difficult to examine and analyze total PAC spending and distribution of contributions. Eventually, the Department of State will publish a list ranking PACs by the amount of money they raised. Meanwhile, the Michigan Legislature has been in session for some time, and the influence that PAC donations may or may not have during the early part of the session goes unnoticed until election information finance is compiled in a manner that is usable by the press and the public.

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Processing of the information required by the campaign finance laws has been hampered by a lack of adequate funds to collect, analyze, and disclose campaign finances in a clearer and more timely way.

Public awareness of how legislators finance their campaigns and how they vote on public issues is the best safeguard against the appearance of conflict of interest or undue special interest influence. In the end, the continued credibility and efficacy of democracy rest upon the scrutiny and interest of the citizenry which created it.

NOTES

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¹Lawton Chiles, "PACs: Congress on the Auction Block," **Journal of Legislation** 11 (Summer 1984): 196.

²lbid.

³lbid, p. 197.

⁴Ibid, p. 199.

⁵lbid, p. 201.

⁶Jeffrey L. Sheler and Robert F. Black, "Is Congress for Sale?" U.S. News and World Report, May 28, 1984, p. 47.

⁷Information obtained from the Campaign Finance Reporting Division, Michigan Department of State, February 1985.

⁸Matthew J. Dunn, Kevin K. Hofman, and Brian T. Moynihan, "The Campaign Finance Reform Act: A Measured Step to Limit the PAC's Role in Congressional Elections," Journal of Legislation 11 (Summer 1984): 514.

⁹lbid.

¹⁰Sheler & Black, "Is Congress for Sale?" p. 48.

¹¹Kimberly McDonald, "The Impact of Political Action Committees," **Economic Forum** 12 (Summer 1981): 99.

¹²Sheler & Black, "Is Congress for Sale?" p. 48.

¹³McDonald, "Impact of PACs," p. 100.

¹⁴Sheler & Black, "Is Congress for Sale?" p. 48.

¹⁵McDonald, "Impact of PACs," p. 100.

¹⁶Sheler & Black, "Is Congress for Sale?" p. 48.

¹⁷Rodney N. Smith, "PACs: How the Money Disappears," **Dun's Business Month**, February 1984, p. 38.

¹⁸lbid

¹⁹McDonald, "Impact of PACs," p. 100.

²⁰Smith, "PACs," p. 39.

²¹Sheler & Black, "Is Congress for Sale?" p. 50.

²²Ibid.

²³lbid.

²⁴lbid.

²⁵Aaron Epstein, "PAC Spending Limit Rejected," **Detroit Free Press,** March 19, 1985, p. 1A.

²⁶lbid.

 $^{27}\mbox{Chiles}, \ ^{\prime\prime}\mbox{PACs: Congress on the Auction Block}, ^{\prime\prime}\mbox{ p. 206.}$

²⁸Ibid, p. 211.

²⁹Information obtained from the Campaign Finance Reporting Division, Michigan Department of State, February 1985.

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