

**Floor Statement of
Congressman Vernon J. Ehlers, MI-03
Chairman, Committee on House Administration
Delivered Wednesday, April 5, 2006**

Re: 527 Reform Act of 2006

I rise in support of H.R. 513, the 527 Reform Act of 2006. Today we have an opportunity to right one of the wrongs of the Bipartisan Campaign Reform Act of 2002. All my friends on the other side of the aisle who voted for BCRA because they believed we needed to “get soft money out of politics” must support this legislation today, because it does indeed get the soft money out of politics.

While BCRA was supposed to curtail the influence of soft money in federal elections, it did not achieve that goal. In the 2004 election cycle, the first conducted under the rules imposed by BCRA, over a half-billion dollars in soft money was spent to influence the outcome. Just four individuals spent over 73 million dollars.¹

While BCRA was supposed to reduce the influence of special interests, it actually empowered these ideologically driven outside groups. The power these outside groups gained came at the direct expense of parties, which saw many of the activities they had traditionally performed limited by BCRA and thence taken over by 527s.

We now have a system where soft money continues to thrive; our political parties—especially those at the state and local level—are increasingly unable to carry out core functions (such as voter registration activities); and the influence of billionaires is greatly enhanced. In some cases the representatives of 527's have made boasts about taking over the party. For example, Eli Pariser of MoveOn.org sent an email to supporters after the 2004 election stating, “Now it's our Party: we bought it, we own it, and we're going to take it back.”²

This does not represent progress. Today we have an opportunity to reverse this negative trend, and restore some balance to our system.

H.R. 513 will require 527 groups spending money to influence federal elections to register as federal political committees and comply with federal campaign finance laws, including limits on the contributions they receive. Thus, 527 groups would be subject to the same contribution limits and source restrictions that are applicable to federal political action committees. There would be no more \$23,000,000 million dollar soft-money contributions from a lone, extremely wealthy donor allowed. When this bill passes, individuals will be limited to \$30,000.

Those 527s that engage exclusively in state or local elections or ballot initiatives would not be restricted by this bill. However, if they engage in federal election activity, such as making public communications that promote, support, attack, or oppose a federal candidate during the year prior to a federal election, or conducting voter drive activities in connection with an election in which a federal candidate appears on the ballot, they will be restricted by this bill.

H.R. 513 would also impose new allocation rules on 527 groups regarding expenses for federal and non-federal activities. For instance, 100 percent of expenses for public communications or voter drive activities that refer only to a federal candidate would have to be paid for with hard money. If both federal and non-federal candidates were mentioned, then at least 50 percent of such expenses would have to be paid for with hard money. In addition, under H.R. 513, at least 50 percent of a 527 group's administrative overhead expenses would have to be paid for with hard money.

¹ According to Center for Responsive Politics data, available at <http://www.opensecrets.org/527s/527indivs.asp?cycle=2004>.

² Scripps Howard News Service, “MoveOn, after catching its breath, roaring back into action,” February 21, 2005.

H.R. 513 has been endorsed by the reform community. Common Cause, Democracy 21, the Campaign Legal Center, and other like-minded groups have sent several letters to House members asking them to support H.R. 513. In a letter sent this week, the groups argued that H.R. 513 is needed in order to close the [QUOTE] “loophole that allowed both Democratic and Republican 527 groups to spend hundreds of millions of dollars in unlimited soft money to influence the 2004 presidential and congressional elections.” [END QUOTE]

Offer a copy of that letter for inclusion in the record.

I know many of my friends on the other side of the aisle are usually interested in what the *New York Times* has to say on these issues, so I would like to include some editorials from the *Times* as well. And an editorial from Today’s *Washington Post* calls on the House to pass this bill.

I expect many of my friends on the other side of the aisle will be arguing that BCRA should not be applied to 527s because they are independent organizations and have no connections to office holders. The claim will be that we have already “severed the link” between large donors and federal officeholders. This is nonsense.

The 527s that have soaked up all this soft money were in many cases set up and staffed by former party operatives and congressional staffers. In some cases, federal officeholders attended fundraising events for these 527s, in an attempt to grant an official stamp of approval and signal to their donors where their soft money donations should be steered.

I don’t intend to name names, but I will include in the record a number of articles that describe how 527s have been set up by people who used to work for federal officeholders or national parties. The soft money shell game we spawned four years ago is clearly demonstrated in these articles. They demonstrate that these so-called “independent” 527’s are in many cases independent in name only. In reality, they have been set up by people who used to work for our parties. They left to organize 527’s to escape the restrictions BCRA placed on the parties. Had their candidate for the Presidency won, many of them would today be working in the Administration. Wouldn’t they feel indebted to the millionaire donors who helped put them in office? Isn’t this what BCRA was supposed to prevent? Let’s stop pretending that these 527s are anything other than campaign organizations established to influence our federal elections.

This is not the first time Congress has dealt with the 527 issue. Six years ago *Roll Call* reported on the debate that was going on at the time and included a quote from a powerful Congressional Leader of the time. In 2000, 527s did not have any disclosure requirements, and a bill was pending to require them to disclose their donors. At an event held to rally support for the bill this Leader was quoted as saying, “Now more than ever, we need to assure the American people that we are not willing to let our system of government be put in jeopardy by wealthy special interest, unregulated foreign money and most importantly a system of secrecy. It is time for disclosure.” The Leader who said those words was Minority Leader Richard Gephardt. We passed a disclosure bill then, but the problem of wealthy special interest money jeopardizing our system of government has only gotten worse in the ensuing six years. Not extending the contributions restrictions in BCRA to all 527s was a terrible mistake that we are today seeking to rectify.

Today we can restore some sanity to our system. The status quo, allowing 527 groups to raise unlimited amounts of soft money while our parties continue to lose power and influence, is unacceptable. It threatens the health of our democracy.

We must subject 527s to the same regulatory restrictions that are applicable to all other parties, candidates, and committees.

I urge my colleagues to support H.R. 513 and reserve the balance of my time.