

NEW CAMPAIGN FINANCE LAW BANS “SOFT MONEY” BUT RAISES THE AMOUNTS INDIVIDUALS MAY CONTRIBUTE TO FEDERAL CANDIDATES AND NATIONAL POLITICAL PARTIES

BACKGROUND

On March 27, 2002 President Bush signed the “Bipartisan Campaign Reform Act of 2002,” the first major revision of federal campaign finance law in three decades. The new law amends the Federal Election Campaign Act of 1971 (“the Act”) to further restrict corporate and labor union political activity, while expanding the ability of individuals to contribute to federal candidates. Current law affecting political action committees (“PACs”) is unchanged.

The new law’s provisions take effect on November 6, 2002, the day following the 2002 Congressional elections. Under an expedited judicial review procedure, some of the new restrictions are being challenged as violations of First Amendment free speech guarantees. Therefore, some provisions described below may not take effect if the Supreme Court invalidates them. In the meantime, current law remains in effect through November 5.

SUMMARY OF CURRENT LAW

Existing limitations on “hard money” contributions¹ to elect federal candidates are summarized in the box below and will continue to govern contributions made through November 5, 2002 for this year’s House and Senate elections.

DONORS	RECIPIENTS					
	Candidate Committees	Federal PACs	Local Party Committees	State Party Committees	National Party Committees	Special Limits
Individuals	\$1,000 per election (primary or general)	\$5,000 per year	\$5,000 per year combined limit		\$20,000 per year	\$25,000 annual max.
Federal PACs	\$5,000 per election (primary or general)	\$5,000 per year	\$5,000 per year combined limit		\$15,000 per year	

¹ Hard-money contributions are regulated by the Federal Election Commission (“FEC”), must be reported to the FEC, and are subject to statutory limitations and public disclosure.

Through the same date, there is *no ceiling* on “soft money”² contributions to national political parties.

Current law also includes an absolute ban on hard-money contributions to federal candidates from the general funds of corporations (including trade associations organized as non-profit corporations) and labor unions. However, individuals affiliated with such organizations may contribute to federal candidates through a PAC organized pursuant to the Act. Contributions by foreign nationals and federal contractors are also prohibited.

SUMMARY OF THE NEW LAW

The new law prohibits all soft money contributions to national parties.

Some soft money contributions to state and local parties will be permissible for “generic” political activities.

Individuals will be able to contribute only “hard money” to national political parties.

However, the new law allows individuals to contribute substantially more hard money to candidates and political parties than was permitted under the old law.

	Recipients -- For Use in Connection with Federal Elections (effective November 6, 2002)				
	Federal Candidates	Federal PACs	State Party Committees	National Party Committees	Special Limits
Individual Donors	\$2,000 per election (primary or general)	\$5,000 per year, per PAC	\$10,000 per year	\$25,000 per year	\$95,000 maximum in the statutory two-year cycle (see below).

There is a new maximum for aggregate federal political contributions, and for certain subcategories of those contributions, made by individuals during any election cycle beginning on January 1 of an odd-numbered year and ending on December 31 of the subsequent even-numbered year, beginning with January 1, 2003 - December 31, 2004.

² Soft money refers to contributions by individuals, corporations, or labor unions to national political parties that are not directed toward the election of federal candidates. They are not regulated but are reported to the FEC.

Individual Maximum	Of which	And of which	However
\$95,000	Not more than \$37,500 may be contributed to federal candidates or candidate committees.	Not more than \$57,500 may be contributed to other political committees of any kind.	Not more than \$37,500 of the \$57,500 may be contributed to political committees which are <i>not</i> national political party committees (e.g., PACs).

Limits on individual contributions will be indexed for inflation beginning in 2003.

Individual contributions to candidates with opponents who fund their campaigns from personal wealth will have higher limits based on statutory formulae.

Existing limits on PAC contributions to candidates and national and state political party committees will be unchanged, and will not be indexed for inflation.

Corporations, unions, and nonprofit interest groups will be prohibited from funding certain broadcast, cable, or satellite television “issue ads” that run immediately before an election.

PACs may fund issue ads without limit, provided ads are not coordinated with candidates.

Individuals and unincorporated associations may fund issue ads, subject to reporting requirements and disclosure of certain contributors.

The funding of issue ads coordinated with a candidate will be deemed hard-money contributions subject to the Act’s limits.

Children under 17 years of age may no longer make political contributions.

Public access to information about political contributions will increase.

The existing criminal ban on the solicitation or receipt of campaign contributions by federal officials, or on federal property, will be expanded.

The existing prohibition on contributions from foreign nationals will be clarified.

Contributions above \$200 to presidential inaugural committees will be disclosed.

By banning soft money, the new law forecloses one of the major vehicles used by individuals, corporations, and labor unions in the past to participate in a broad range of political party activities. New opportunities are opened for individuals to participate more, and more directly, in supporting candidates for federal office through political contributions. The new limitations on particular categories of contributions within the larger contribution ceiling suggest that individuals must prepare to keep careful records to assure compliance with the new law’s

provisions. In addition, individuals participating in the funding of issue ads will be subject to new disclosure requirements.

If you have any questions about provisions of the current law affecting the 2002 elections, or on the new law, please feel free to contact Russell Smith at 202 429-4784.

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