

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a darker shade of blue. The hourglass is centered on the page.

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*Political Action Committees: Their Role in Financing
Congressional Elections*

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Abstract. Political action committees, or PACs, are legal entities through which interest groups raise and spend money in elections. They constitute one of four major sources of funds in congressional elections. While PACs proliferated and became an issue in the 1970s and 1980s, interest groups have long played a major role in funding American political campaigns.

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Political Action Committees: Their Role in Financing Congressional Elections

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Summary

Political action committees, or PACs, are legal entities through which interest groups raise and spend money in elections. They constitute one of four major sources of funds contributed to congressional campaigns, along with individual citizens, political parties, and candidates. While PACs proliferated and became an issue in the 1970s and 1980s, interest groups have long played a major role in funding American elections.

The term *political action committee* is colloquial and does not appear in federal law, and corresponds with two legal expressions—*separate segregated fund* and *political committee*—depending on whether the PAC is affiliated with a sponsoring organization.

Of the 4,027 PACs registered with the Federal Election Commission (FEC) at the end of 2002, 74% were separate segregated funds. Such a fund is essentially a bookkeeping arrangement, wherein an organization prohibited by law from making direct campaign donations from its treasury operates a separate entity (using treasury funds) that seeks voluntary contributions from its “members” for expressly political purposes. Organizations that maintain such funds include labor unions, corporations, trade and health associations, membership groups (*e.g.*, National Rifle Association and National Organization for Women), cooperatives (*e.g.*, dairy cooperatives), and corporations without capital stock (*e.g.*, some savings and loan or shareholder insurance companies).

The remaining 26% of today's PACs are not sponsored by organizations and do not constitute separate segregated funds. These PACs, referred to as *nonconnected* by the FEC, are organized merely by meeting the law's definition of *political committee*—a group that raises or spends \$1,000 or more in a year. Unlike separate segregated funds, these PACs are not required to limit fundraising appeals to specified groups of persons; however, the nonconnected PACs must pay their own administrative and fundraising expenses out of contributions, not having sponsors to underwrite these costs. For the most part, the nonconnected PACs comprise ideological and single-issue groups.

Origin of PACs

PACs had their origin in the 1940s, as a response by organized labor to the 1943 War Labor Disputes Act's prohibition on contributions from union treasuries in connection with federal elections [57 Stat. 167]; this ban was made permanent by the 1947 Labor Management Relations Act [61 Stat. 159]. Unions began to establish separate segregated funds to conduct electioneering activities; and, for the next three decades, labor PACs dominated the field of interest group political activities. Corporations, prohibited since the 1907 Tillman Act [34 Stat. 864] from making contributions in federal elections, were reluctant to establish PACs, in part because of the relative lack of precedent for such endeavors and the concomitant absence of conclusive judicial rulings.

A number of legislative, judicial, and administrative actions in the early and mid-1970s helped pave the way for other groups to explore the PAC option by removing legal ambiguities and granting statutory authority to unions, corporations, trade associations, and others to set up separate segregated funds. In addition to the elimination of legal barriers, the growth of PACs was spurred by a perceived decline in the strength of political parties, by higher contribution limits than those for individuals, and as a response to increased government regulation and involvement in people's lives and livelihoods.

Contribution Limits

The law provides for different sets of limits for two types of PACs: *political committee* and *multicandidate committee*. The limits for a (basic) political committee are \$2,000 per election to a federal candidate, \$25,000 per year to a national political party committee, and \$5,000 per year to another political committee [2 U.S.C. 431(4)]. In these limits, the law treats a political committee as it does an individual citizen, except that committees are not subject to an aggregate, annual limit on all political contributions.

The law allows a political committee to contribute higher amounts by becoming a multicandidate committee, *i.e.*, being registered with the FEC for at least six months, receiving contributions from more than 50 persons, and—except for a state party committee—contributing to at least five federal candidates [2 U.S.C. 441b(b)]. By so qualifying, as the vast majority of PACs do, a PAC is eligible for limits of \$5,000 per election to a federal candidate (such a PAC may also give \$5,000 per year to a political committee and \$15,000 per year to a national party committee).

PAC Statistics

Table 1 shows aggregate PAC data in each election cycle since 1972 in current and constant 2002 dollars: receipts, expenditures, and donations to congressional candidates, which account for the great bulk of federal PAC giving. The gap between expenditures and contributions consists of donations to parties and to state, local, and presidential races, to congressional races in other years, nonconnected PACs' fundraising and administrative costs (which, for separate segregated funds, are paid for by sponsors), and independent expenditures.

As shown in table 1, PAC expenditures have increased greatly since 1972, from \$19.2 million to \$656.5 million in 2002—a nearly 700% increase, controlled for inflation. The data also reveal that the PAC explosion of the 1970s and early 1980s reached a high point in 1986, after which total PAC expenditures leveled off or even declined in constant dollars. Not until 2000 and again in 2002 did inflation-controlled PAC expenditures increase again, and notably so. A similar pattern is seen in contributions to congressional candidates, which rose from \$8.5 million to \$266.1 million in current dollars from 1972-2002. Controlled for inflation, this represented a more than 600% increase. After reaching the constant dollar high point in 1988, aggregate contributions were relatively level until the 2000 and 2002 elections, when significant increases occurred.

Table 1. Financial Activity of PACs: 1972-2002^a

(millions of current and constant 2002 dollars)

Year	Adjusted receipts		Adjusted expenditures		Contributions in congressional races	
	Current \$	Constant \$	Current \$	Constant \$	Current \$	Constant \$
1972	n.a.	--	\$19.2	\$82.6	\$8.5	\$36.6
1974^b	n.a.	--	\$25.0	\$91.2	\$12.5	\$45.6
1976	\$54.0	\$170.7	\$52.9	\$167.3	\$22.6	\$71.5
1978	\$80.0	\$220.7	\$77.4	\$213.6	\$35.2	\$97.1
1980	\$137.7	\$300.6	\$131.2	\$286.4	\$55.2	\$120.5
1982	\$199.5	\$371.9	\$190.2	\$354.6	\$83.6	\$155.9
1984	\$288.7	\$499.9	\$266.8	\$462.0	\$105.3	\$182.3
1986	\$353.4	\$580.1	\$340.0	\$558.1	\$132.7	\$217.8
1988	\$384.6	\$584.9	\$364.2	\$553.8	\$147.8	\$224.8
1990	\$372.1	\$512.2	\$357.6	\$492.2	\$149.7	\$206.1
1992	\$392.8	\$503.7	\$402.4	\$516.0	\$178.6	\$229.0
1994	\$391.8	\$475.6	\$388.1	\$471.1	\$179.6	\$218.0
1996	\$437.4	\$501.5	\$429.9	\$493.0	\$203.9	\$233.8
1998	\$502.6	\$554.7	\$470.8	\$519.6	\$206.8	\$228.2
2000	\$604.9	\$632.0	\$579.4	\$605.3	\$245.3	\$256.3
2002	\$685.3	\$685.3	\$656.5	\$656.5	\$266.1	\$266.1

Sources: For 1972: Herbert E. Alexander, *Financing the 1972 Election* (Lexington: D.C. Heath, 1976), pp. 93, 95; Common Cause, Campaign Finance Monitoring Project, *1972 Federal Campaign Finances: Interest Groups and Political Parties* (Washington, 1974), vol. 1, p. vi. For 1974: [National Information Center on Political Finance] in "Interest Groups: Bigger Spenders on '74 Races," *Congressional Quarterly Weekly Reports*, vol. 32, Sept. 28, 1974, pp. 2583-2584; Common Cause, Campaign Finance Monitoring Project, *1974 Congressional Campaign Finances: Interest Groups and Political Parties* (Washington, 1976), vol. 5, p. xii. For 1976: unpublished FEC data; [Common Cause] in "Interest Group Gifts to 1976 Congressional Campaigns," *Congressional Quarterly Weekly Reports*, vol. 35, Apr. 16, 1977, p. 710. For 1978-2002: U.S. Federal Election Commission, *FEC Reports on Financial Activity: Party and Non-Party Political Committees*, Final Reports and press releases: Apr. 1980, Jan. 1982, Oct. 1983, Nov. 1985, Mar. 1988, Sept. 1989, Oct. 1991, Jan. 1994, Nov. 1995, Apr. 1997, Jun. 1999, May 2001, and Mar. 2003.

^a Data are for full election cycle (election year and previous year), except 1972 contributions data cover the period beginning on April 7, 1972. Contributions reflect only money to candidates running in that election cycle. Constant 2002 dollars, in shaded columns, are based on Consumer Price Index.

^b Adjusted expenditure for 1974 is estimated based on available data.

Table 2 places PAC giving into perspective by showing contributions to congressional candidates in general elections since 1972 as a percentage of campaign receipts. In order to portray the level of receipts that are wholly or partly under candidates' control, the table presents two types of data: total receipts reported by

candidates and political party coordinated expenditures. The latter is a unique form of spending that allows parties to spend money on behalf of their candidates with their cooperation, but without any requirement to report the expenditures in candidates' FEC filings [2 U.S.C. 441a(d)]. Thus, table 2 presents candidate receipts, party coordinated expenditures, PAC contributions to candidates, and the percentage of PAC money in total candidate receipts. The percentage was calculated by dividing the PAC contributions by the sum of candidate receipts and party expenditures.

The data in table 2 show a consistently greater reliance on PAC money among House candidates than among Senate candidates. PACs accounted for between 30% and 40% of House candidate receipts and between 15% and 22% of Senate candidate receipts during most of the years covered. These data also show an increasing PAC role relative to other sources through 1988 among Senate candidates, when a high of 22.3% was reached, and through 1990 among House candidates, when a high of 40.4% of funds came from PACs. After those elections, however, the data show a notable decline followed by a leveling off in the relative PAC role in House elections, and a decline in the next three Senate elections, followed by an increase and then rather constant levels since 1996.

Table 3 documents the PAC proliferation since the 1970s, indicating by category the number of PACs registered at the end of each two-year period. The data fall into six categories devised by the FEC in 1977: corporate; labor; trade, membership, and health; nonconnected; cooperatives; and corporations without capital stock. (The latter two, representing only a small share of contributions, are combined here.) From 1974 to 2002, the number of registered PACs rose from 608 to 4,027, reaching a high of 4,268 in 1988, followed by a general leveling off. While labor's 201 PACs in 1974 made up one-third of all PACs, their 320 PACs in 2002 accounted for just 8% of the total. By contrast, the 89 corporate PACs in 1974 grew to a high of 1,816 in 1988—a more than 1,900% rise—and today constitute 38% of all PACs. The mostly ideological, nonconnected PACs grew from 162 in 1978 (the first year the FEC used this category) to a high of 1,145 in 1992; today 26% of PACs are nonconnected. The fourth major grouping—trade, membership, and health—grew from 318 in 1974 to a high of 975 in 2002.

Table 3 also provides information on the aggregate level of contributions to congressional candidates for each of the FEC categories of PACs. The dollar figures amplify some of the trends shown by the other data in this table. The \$3.6 million given by labor PACs in 1972 constituted 42% of all PAC contributions that year; the \$51.9 million from labor PACs in 2002 accounted for just 20% of all PAC contributions. Some 34% of 2002 contributions were from corporate PACs—\$91.6 million—making it the largest financial category among the six FEC groupings. The second highest level of contributions in 2002 was from the largely business-oriented trade, membership, and health PACs, whose \$71.5 million made up 27% of all PAC donations. The fourth category—nonconnected PACs—accounts for the smallest share of contributions among the major groupings—\$44.6 million in 2002—although it is the second most numerous category. These PACs typically give less in contributions than the others because a large portion of their receipts are spent on their substantial operating costs (often involving expensive direct-mail fundraising).

Table 2. PAC Contributions as a Percentage of Congressional Candidate Receipts: 1972-2002^a
(millions of current dollars)

Year	House				Senate				House and Senate combined			
	Candidate receipts	Party coord. expenditures	PAC contributions ^b	% given by PACs ^c	Candidate receipts	Party coord. expenditures	PAC contributions ^b	% given by PACs ^c	Candidate receipts	Party coord. expenditures	PAC contributions ^b	% given by PACs ^c
1972	\$38.9	n.a.	\$5.4	0.1%	\$23.3	n.a.	\$2.8	0.1%	\$62.2 ^d	n.a.	\$8.5	0.1%
1974	\$45.7	n.a.	\$7.8	17.1%	\$28.2	n.a.	\$3.1	11.0%	\$73.9 ^d	n.a.	\$11.6	15.7%
1976	\$65.7	\$0.3	\$14.7	22.3%	\$39.1	\$0.1	\$5.8	14.8%	\$104.8	\$0.4	\$20.5	19.5%
1978	\$92.2	\$1.6	\$22.9	24.4%	\$66.0	\$3.2	\$8.9	12.9%	\$158.2	\$4.8	\$31.8	19.5%
1980	\$124.6	\$2.7	\$36.0	28.3%	\$76.9	\$6.7	\$15.9	19.0%	\$201.6	\$9.4	\$51.9	24.6%
1982	\$183.9	\$6.3	\$57.9	30.4%	\$116.0	\$11.1	\$21.8	17.2%	\$299.9	\$17.4	\$79.7	25.1%
1984	\$196.1	\$8.1	\$72.9	35.7%	\$147.5	\$11.2	\$27.9	17.6%	\$343.6	\$19.3	\$100.8	27.8%
1986	\$228.4	\$6.2	\$85.2	36.3%	\$192.0	\$16.8	\$44.6	21.4%	\$420.3	\$23.0	\$129.8	29.3%
1988	\$242.5	\$7.1	\$99.1	38.7%	\$182.6	\$16.9	\$44.4	22.3%	\$425.1	\$24.0	\$143.5	32.0%
1990	\$249.5	\$6.3	\$103.4	40.4%	\$178.2	\$12.9	\$40.8	21.4%	\$427.7	\$19.2	\$144.2	32.3%
1992	\$319.1	\$2.8	\$118.1	36.7%	\$189.1	\$28.4	\$45.2	20.8%	\$508.2	\$31.2	\$163.3	30.3%
1994	\$354.8	\$16.2	\$126.6	34.1%	\$270.2	\$21.5	\$43.0	14.7%	\$625.0	\$37.7	\$169.6	25.6%
1996	\$446.0	\$15.0	\$150.6	32.7%	\$222.7	\$19.4	\$41.9	17.3%	\$668.7	\$34.4	\$192.5	27.4%
1998	\$425.7	\$10.4	\$153.5	35.2%	\$247.2	\$18.7	\$47.4	17.8%	\$672.9	\$29.1	\$200.9	28.6%
2000	\$548.0	\$7.6	\$189.9	34.2%	\$373.9	\$16.0	\$50.4	12.9%	\$921.9	\$23.5	\$240.3	25.4%
2002	\$550.3	\$8.1	\$198.5	35.5%	\$289.2	\$11.8	\$56.2	18.7%	\$839.5	\$19.9	\$254.7	29.6%

Sources: For 1972-1974—Gary C. Jacobson, “The Pattern of Campaign Contributions to Candidates for the U.S. House of Representatives, 1972-78,” in U.S. Congress, House Committee on House Administration, *An Analysis of the Impact of the Federal Election Campaign Act, 1972-1978*. Committee Print, 96th Cong., 1st sess. (Washington: GPO, 1979), pp. 20, 24; Michael J. Malbin, “Of Mountains and Molehills: PACs, Campaigns, and Public Policy,” in *Parties, Interest Groups, and Campaign Finance Laws* (Washington: AEI, 1980), pp. 154-155. For 1976—FEC Disclosure Series No. 6 and 9, p. 3 and p. 4; For 1978-86 candidate/PAC data and 1994-96 party data—FEC press releases: Jun. 1979, Jan. 1982, Oct. 1983, Nov. 1985, Mar. 1988, Nov. 1995, and Apr. 1997; For 1976-92 party data—FEC press releases: Apr. 1980, Jan. 1982, Oct. 1983, Nov. 1985, Mar. 1988, Sept. 1989, Oct. 1991, and Jan. 1994. For 1988-98 candidate and 1998 party data—FEC press release: Apr. 1999. For all 2000 data—FEC press release: May 2001. For all 2002 data—FEC press release: Jun. 2003.

^a Financial activity for candidates on the general election ballot only (covering their primary and general elections); primary losers are excluded.

^b These figures reflect only contributions to general election candidates and do not match figures in tables 1 or 3 (except for 1972, which only reflects general election candidate activity in all three tables).

^c Percentages derived by dividing PAC contributions by the sum of candidate receipts and party coordinated expenditures (to get a more accurate measure of relative funding sources, especially the parties).

^d The House and Senate data for 1972 and 1974 do not add up to the combined figures shown here, due to discrepancies among the sources consulted.

Table 3. Number of PACs and Total Congressional Candidate Contributions by Type of PAC: 1972-2002^a
(millions of current dollars)

Year	Corporate		Labor		Trade, membership, and health		Nonconnected		Cooperative & corporation without capital stock		Total	
	No.	Contrib. ^b	No.	Contrib. ^b	No. ^c	Contrib. ^b	No.	Contrib. ^b	No.	Contrib. ^b	No. ^d	Contrib.
1972	n.a.	\$1.7	n.a.	\$3.6	n.a.	\$1.0	n.a.	\$1.5	n.a.	\$0.7	n.a.	\$8.5
1974	89	\$2.5	201	\$6.3	318	\$1.9	--	\$1.4	--	\$0.4	608	\$12.5
1976	443	\$7.1	224	\$8.2	489	\$2.9	--	\$2.8	--	\$1.5	1,146	\$22.6
1978	785	\$9.8	217	\$10.3	453	\$11.3	162	\$2.8	36	\$1.0	1,653	\$35.2
1980	1,206	\$19.2	297	\$13.2	576	\$15.9	374	\$4.9	98	\$2.0	2,551	\$55.2
1982	1,469	\$27.5	380	\$20.3	649	\$21.9	723	\$10.7	150	\$3.2	3,371	\$83.6
1984	1,682	\$35.5	394	\$24.8	698	\$26.7	1,053	\$14.5	182	\$3.8	4,009	\$105.3
1986	1,744	\$46.2	384	\$29.9	745	\$32.9	1,077	\$18.8	207	\$4.9	4,157	\$132.7
1988	1,816	\$50.4	354	\$33.9	786	\$38.9	1,115	\$19.2	197	\$5.4	4,268	\$147.8
1990	1,795	\$53.4	346	\$33.6	774	\$42.5	1,062	\$14.3	195	\$5.8	4,172	\$149.7
1992	1,735	\$64.1	347	\$39.3	770	\$51.3	1,145	\$17.4	198	\$6.5	4,195	\$178.6
1994	1,660	\$64.4	333	\$40.7	792	\$50.3	980	\$17.5	179	\$6.7	3,954	\$179.6
1996	1,642	\$71.3	332	\$46.6	838	\$56.5	1,103	\$22.5	164	\$6.9	4,079	\$203.9
1998	1,567	\$71.1	321	\$43.4	821	\$59.0	935	\$27.1	154	\$6.2	3,798	\$206.8
2000	1,545	\$84.2	317	\$50.2	860	\$68.3	1,026	\$35.6	159	\$7.1	3,907	\$245.3
2002	1,528	\$91.6	320	\$51.9	975	\$71.5	1,055	\$44.6	149	\$6.5	4,027	\$266.1

Sources: Number of PACs: U.S. FEC, *FEC Semi-Annual PAC Count Shows Increase in 2002*, FEC Record, Mar. 2003. Contributions: Common Cause 1972 and 1974 volumes, and "Interest Group Gifts to 1976 Congressional Campaigns;" *FEC Reports on Financial Activity: Party and Non-Party Political Committees*, Final Reports and press release series for 1978-1998. (Financial activity for 1972-76 was tabulated by Common Cause, based on different standards of categorization from those used by the FEC.)

^a Contributions are for two-year cycle (details may not add to total due to rounding), applicable to candidates running for election in that cycle. PAC numbers are as of Dec. 31 for all years.

^b Common Cause, the source of the 1972-1976 dollar figures, used a different method from the FEC to categorize PACs. For purposes of this table's dollar values, Common Cause's "business" PACs are listed as *corporate*; "labor," as *labor*; "health/ lawyers," as *trade/membership/health*; "misc." and "ideological," as *nonconnected*; and "agriculture," as *cooperatives*. This distinction for 1972-1976 contributions is emphasized by showing the figures in *italics*.

^c Numbers include all non-corporate and non-labor PACs for 1974 and 1976.

^d Not all PACs reflected in these totals play an active role in any given election. In 2002, for example, only 3,093 of the 4,027 registered PACs contributed to federal candidates.