PAC 101

An introduction to PACs and the importance of PAC giving

July 9, 2019
Roadmap

- What is a PAC?
- Rules and regulations
- Trends in the 2018 cycle
- Importance of PAC giving
Differences between PACs and Super PACs

**PACs**
First formed in 1944, a Political Action Committee (PAC), is an organization that pools donations from people with similar viewpoints or goals to then spend on election-related activities. PACs are regulated by the Federal Election Commission (FEC), which limits contributions to and from the PAC.

**Super PACs**
Created in 2010, a Super PACs similarly pool money from like-minded individuals and are regulated by the FEC. Super PACs do not have contribution or donation limits, but unlike regular PACs, they cannot donate directly to a candidate.

<table>
<thead>
<tr>
<th>Source</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>“What is a PAC?” Open Secrets</td>
<td>“Super PACs,” Open Secrets; “PACs, Super PACs &amp; Dark Money Groups: What’s the Difference?” CLC, June 20, 2018; “What is a Super PAC and how do they allow the Koch brothers to spend almost a billion dollars on the 2016 election?” National Post.</td>
</tr>
</tbody>
</table>
Understanding the landscape of fundraising in politics, and the various ways to donate

Political committees

**Candidate committees**
- Automatically created when a candidate declares an intention to run
- Money donated goes directly to the candidate’s campaign and must be disclosed to the FEC

**Party committees**
- Fundraise each election cycle in the same way that candidates do
- Parties may only raise "hard money," which is given by individuals and political action committees and is subject to federal contribution limits

**PACs**

Super PACs

- Cannot directly donate to federal candidates or parties
- **Candidate-aligned**
- **Party-aligned**
- **Issue-aligned**

Non-profits

- **501(c)(3) groups** cannot contribute monetarily to campaigns, nor can they endorse candidates or parties.
- **501(c)(3) groups** can engage in nonpartisan activities that encourage political engagement

- Issue groups often have a non-profit **501(c)(4) arm.** They can engage in some political activity, as long as these do not constitute the group’s main purpose. Reporting requirements are more relaxed

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Though complex, rules about campaign finance stem from three main focal points

Three pillars of campaign finance regulation

**Contribution limits**
Contribution limits restrict the size of contributions made to candidates, political action committees, and political parties.

**Reporting & disclosure**
Reporting and disclosure rules require groups that hit spending thresholds to register with the FEC, and publicly disclose contributions and expenditures.

**Source restrictions**
Source restrictions prohibit certain individuals or entities from engaging in campaign activity. Only US citizens or permanent residents are permitted to make contributions or election related expenditures.

While an individual can contribute financially in a variety of ways, certain contributions may be limited

Contribution limits for an individual donor in 2019-2020 federal elections

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candidate committee</td>
<td>$2,800 per election*</td>
</tr>
<tr>
<td>PAC</td>
<td>$5,000 per year</td>
</tr>
<tr>
<td>State/district/local party committee</td>
<td>$10,000 per year (combined)</td>
</tr>
<tr>
<td>National party committee</td>
<td>$35,500 per year*</td>
</tr>
<tr>
<td>Additional national party committee</td>
<td>$106,500 per account per year</td>
</tr>
<tr>
<td>Super PAC</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Non-profit</td>
<td>Unlimited</td>
</tr>
</tbody>
</table>

*Indexed for inflation in odd-numbered years

Different types of political fundraising groups have distinct benefits and limits

Advocacy groups and their regulations

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</thead>
<tbody>
<tr>
<td>Traditional PACs</td>
<td>$5,000 per year</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Super PAC</td>
<td>Unlimited</td>
<td>✓</td>
<td>❌</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>501(c)(4) Non-profit</td>
<td>Unlimited</td>
<td>❌</td>
<td>❌</td>
<td>❌</td>
<td>❌</td>
</tr>
<tr>
<td>527 Non-profit</td>
<td>Unlimited</td>
<td>✓</td>
<td>❌</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Sources: Bloomberg Politics, July 31, 2015; OpenSecrets.com: Center for Responsible Politics; “527s,” OpenSecrets.
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The cost of congressional elections has been expanding, as presidential races appear to level off in cost

The cost of federal elections, 1998-2018

IN THOUSANDS OF USD

Presidential races  Congressional races

39% jump in congressional race costs from 2016 to 2018

Sources: “Cost of Election,” Open Secrets.
In 2018, congressional candidates spent more during a midterm cycle than during the last presidential election cycle.

Candidate spending in Congress, 2000 - 2018

IN THOUSANDS OF USD

- Spending by House candidates
- Spending by Senate candidates

Sources: “Election overview,” OpenSecrets.
The share of contributions made by PACs decreased from 16% to 11% from 2014 to 2018

Percent of contributions by group, 2014 vs. 2018

Both PACs’ and Super PACs’ expenditures increased from 2014 to 2018, while expenditures from nonprofits and 527s decreased.

Expenditures by group, 2014 vs. 2018

USD spent on federal races

<table>
<thead>
<tr>
<th>Group</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>527s</td>
<td>$217,881,341</td>
<td>$182,210,124</td>
</tr>
<tr>
<td>Nonprofits</td>
<td>$163,729,760</td>
<td>$130,671,974</td>
</tr>
<tr>
<td>Super PACs</td>
<td>$345,110,359</td>
<td>$808,703,796</td>
</tr>
<tr>
<td>PACs</td>
<td>$638,955,419</td>
<td>$689,975,386</td>
</tr>
</tbody>
</table>

*Nonprofits reflect giving by 501(c)(4), (5), and (6)s

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In both the House and the Senate, there is a strong correlation between the top spender and winner of an election.

Candidate spending and percent of winners who were top spenders, 2000-2018

IN THOUSANDS OF USD

Understanding the PAC ecosystem, and how it allows you to add your voice to Washington’s agenda

**PACs help by:**

- Giving employees direct access to the political process
- Allowing employees to pool resources to support candidates with shared values

PACs allow you to engage in America’s policies – and its future