



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 13, 2005

### **H.R. 513** **527 Reform Act of 2005**

*As ordered reported by the House Committee on House Administration  
on June 29, 2005*

#### **SUMMARY**

H.R. 513 would amend the Federal Election Campaign Act of 1971. The legislation would require certain political organizations, as defined by section 527 of the tax code, involved in federal election activities to register with the Federal Election Commission (FEC).

CBO estimates that implementing H.R. 513 would cost about \$1 million in fiscal year 2006, subject to the availability of appropriated funds. In future years, we estimate that the increased costs would not be significant. Enacting the bill also could affect federal revenues by increasing collections of fines and penalties for violating campaign finance laws, but CBO estimates that any such increase would not be significant.

H.R. 513 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would specifically exclude state and local elections; therefore, it would impose no costs on state, local, or tribal governments.

H.R. 513 would impose private-sector mandates, as defined in UMRA, on certain political organizations. CBO estimates that the direct cost of the mandate would be minimal and fall well below the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 513 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

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	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010

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**CHANGES IN SPENDING SUBJECT TO APPROPRIATION <sup>a</sup>**

Estimated Authorization Level	1	*	*	*	*
Estimated Outlays	1	*	*	*	*

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NOTE: \* = less than \$500,000.

a. Enacting the bill could also increase revenues, but CBO estimates any such effects would be less than \$500,000 a year.

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**BASIS OF ESTIMATE**

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2006 and that spending will follow historical patterns for similar programs.

Based on information from the FEC and subject to the availability of appropriated funds, CBO estimates that implementing H.R. 513 would cost the FEC about \$1 million in fiscal year 2006. This cost covers the one-time computer-related expenses as well as writing new regulations to implement the new provisions of the legislation. In future years, the legislation would increase general administrative and maintenance costs to the FEC, but we estimate that those additional costs would not be significant.

Enacting H.R. 513 would likely increase collections of fines and penalties for violations of campaign finance law. Such collections are recorded in the budget as revenues. CBO estimates that the additional collections of penalties and fines would not be significant.

**ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 513 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. The bill would specifically exclude state and local elections; therefore, it would impose no costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 513 would impose private-sector mandates, as defined in UMRA, on certain political organizations. CBO estimates that the direct cost of the mandate would be minimal and fall well below the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation).

The bill would change the definition of a political committee to include certain 527 organizations, as defined by section 527 of the Internal Revenue Code. Those 527 organizations would be required to register as political committees with the FEC and comply with current regulations on federal campaign finance including certain limits on contributions and reporting and disclosure requirements. Based on information from the FEC, CBO estimates that the direct costs associated with those requirements would be minimal.

## **PREVIOUS CBO ESTIMATE**

On July 6, 2005, CBO transmitted a cost estimate for S. 1053, the 527 Reform Act of 2005, as ordered reported by the Senate Committee on Rules and Administration on April 27, 2005. On June 17, 2005, CBO transmitted a cost estimate for H.R. 1316, the 527 Fairness Act of 2005, as ordered reported by the House Committee on House Administration on June 8, 2005. The three pieces of legislation are similar and would all amend the Federal Election Campaign Act of 1971. The estimated federal costs are identical. In addition, all of the bills would impose private-sector mandates on certain political organizations with minimal direct cost. S. 1053 would require the television broadcast industry to charge the lowest unit rate to federal candidates and to the national committee of a political party with rates based on comparison to the preceding year. H.R. 513 and H.R. 1316 do not contain any mandates on the television broadcast industry.

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