



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 17, 2005

H.R. 1316 **527 Fairness Act of 2005**

As ordered reported by the House Committee on House Administration on June 8, 2005

SUMMARY

H.R. 1316 would make several amendments to the Federal Election Campaign Act of 1971. In particular the bill would:

- Require certain political organizations, as defined by section 527 of the Internal Revenue Code, to file reports with the Federal Election Commission (FEC);
- Repeal the aggregate limit on campaign contributions by individuals;
- Raise the limits on transfers between certain political action committees and national party committees;
- Remove spending limits on national political parties;
- Increase limits on contributions to political action committees and index the limits to inflation; and
- Exempt Internet communications from campaign finance rules.

CBO estimates that implementing H.R. 1316 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. 1316 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments because the bill would specifically exclude state and local elections. H.R. 1316 would impose a private-sector mandate as defined in UMRA on certain political organizations.

CBO estimates that the direct cost of the mandate would fall well below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1316 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Estimated Authorization Level	1	*	*	*	*
Estimated Outlays	1	*	*	*	*

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.

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. 1316 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. 1316 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. 1316 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1316 would impose a private-sector mandate as defined in UMRA on certain political organizations. CBO estimates that the direct cost of the mandate would fall well below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

The bill would require certain organizations registered under section 527 of the Internal Revenue Code that are filing financial reports with the Internal Revenue Service to file periodic reports with the FEC as well. Based on information from government sources, the direct cost of complying with the mandate would be minimal.

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