



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 6, 2005

### **S. 1053** **527 Reform Act of 2005**

*As ordered reported by the Senate Committee on Rules and Administration  
on April 27, 2005*

#### **SUMMARY**

S. 1053 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). The bill also would exempt Internet communications from campaign finance rules and would increase the current limits on the amount of certain contributions to political action committees.

CBO estimates that implementing S. 1053 would cost about \$1 million in fiscal year 2006, subject to the availability of appropriated funds. For subsequent years, we estimate that any additional costs to implement the legislation would not be significant. Enacting the bill also could increase the collections of fines and penalties for violations of campaign finance law, but CBO estimates that any such increase would not be significant.

S. 1053 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.

S. 1053 would impose a private-sector mandate, as defined in UMRA, on the television broadcasting industry and certain political organizations. CBO cannot determine whether the direct cost of the private-sector mandate would exceed the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation) because we do not have enough information to accurately estimate the effects of the requirement in the bill.

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

The estimated budgetary impact of S. 1053 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**

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

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

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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 S. 1053 would cost the FEC about \$1 million in fiscal year 2006. This amount would include FEC's costs to issue new regulations as well as one-time administrative and computer-related expenses to handle the increased workload of registering new political groups. In future years, the legislation would increase general administrative and maintenance costs to the FEC, but we estimate that any additional costs would not be significant.

Enacting S. 1053 would likely increase collections of fines and penalties for violations of campaign finance law. Such collections are recorded in the budget as revenues. CBO expects that additional collections would not exceed \$500,000 a year.

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

S. 1053 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments because the bill would specifically exclude state and local elections from its provisions.

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

S. 1053 would impose a private-sector mandate, as defined in UMRA, on the television broadcasting industry. CBO cannot determine whether the direct cost of the private-sector mandate would exceed the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation) because we do not have enough information to accurately estimate the effects of the requirement in the bill.

Currently, television broadcasters are required to provide to federal candidates their lowest unit charge for broadcast time during the 45 days preceding the date of a primary and 60 days preceding the date of a general or special election. S. 1053 would require television broadcast stations and providers of cable or satellite television service to charge the lowest unit rate to such candidates (with rates based on a comparison to the preceding year) and to extend those rates to a national committee of a political party on behalf of the candidate. The bill also would prohibit the broadcast stations from preempting the political advertising by the candidate or the national party except for circumstances beyond the control of the licensee. According to information from industry representatives and government sources, political candidate advertising historically averages about \$500 million to \$600 million in revenues during federal election years. CBO does not have enough information about business practices related to advertising sales to accurately estimate the effects of the requirement on those revenues.

The bill also would change the definition of a political committee to include certain 527 organizations, as defined by section 527 of the Internal Revenue Code, which would require those organizations to register with and provide reports to the Federal Election Commission. The bill also would require political committees to revise how their expenses are allocated and reported to the FEC. Based on information from the FEC, CBO estimates that the direct costs associated with those requirements would be minimal.

## **PREVIOUS CBO ESTIMATE**

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 two pieces of legislation are similar and both would amend the Federal Election Campaign Act of 1971. The estimated federal costs are identical. In addition, both bills would impose private-sector mandates on certain political organizations with minimal direct cost. H.R. 1316 does not contain any mandates on the broadcasting industry.

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