

FEDERAL ELECTION COMMISSION



Press Office
999 E Street, N.W., Washington, D.C. 20463
Phone: Local 202-219-4155 Toll Free 800-424-9530

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CONTACT: FRED EILAND
SHARON SNYDER
SCOTT MOXLEY

CONGRESS INCREASES TAX CHECK-OFF -FEC SAYS '96 PRESIDENTIAL ELECTIONS WILL BE FULLY FUNDED-

WASHINGTON -- The Federal Election Commission projects that the estimated \$100 million public funding shortfall for the 1996 Presidential election has been averted by changing the taxpayer check-off amount from \$1 to \$3.

The change, which begins with 1993 tax returns to be filed next year, was included in the recently passed Budget Reconciliation bill. This statutory change, in essence, adjusts the check-off amount for inflation since 1973.

The FEC, which administers the Presidential Election Campaign Fund, had previously said that without Congressional action, the Fund would be unable to pay any 1996 primary matching funds and only partial grants to general election nominees.

The FEC estimates that payments to the two 1996 national nominating conventions will require \$25.5 million. General election grants are projected at \$128 million, leaving \$22 million available for the initial primary matching fund payouts in January 1996.

FEC Chairman Scott E. Thomas said that the recent Congressional action should ensure funding for 1996, and that FEC projections indicate deposits into the Fund should also be sufficient for at least one additional Presidential election.

Since the change will only be effective for two years prior to the needed funding, the nature of the 1996 primary campaigns could affect funding in the early months. A large number of financially active campaigns could cause the demand for matching funds to exceed the monies available in the early months of 1996. Delays might occur under the present rules by which the Treasury disburses matching funds, but all entitlements would be fully paid.

The FEC based its projections on estimates of the rate of check-off participation among eligible taxpayers, the rate of inflation, and the nature of each Presidential primary campaign.

The projections assume that taxpayer participation will continue to decline, but dollars deposited into the Fund will stabilize after a time. The Reconciliation Act itself, by raising the threshold at which lower income families incur tax liability, will initially cause a reduction in check-off receipts by shrinking the pool of possible

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participants. It is unknown at this time what effect, if any, the increase in the check-off amount itself will have on the participation rate.

The FEC's inflation estimates rise gradually from 3.4% in 1993, to 5% in 1998, and each year thereafter. The rate of inflation will play a critical role in determining how long the increase to \$3 will allow the Fund to remain solvent. For example, an inflation rate of 4% or less in future years would likely permit full funding of elections through the year 2004. Ultimately, however, the effects of inflation on entitlement payments could cause another shortfall in revenue.

Estimates for future matching fund demands are necessarily imprecise because the dynamics of a particular election are unknown. Primary matching fund payments to candidates have been estimated by using the average for 1988 (an unusually expensive campaign) and 1992 (an unusually inexpensive campaign), adjusted for inflation.

The tax check-off is an option provided to taxpayers as one of the first questions they answer on their tax forms each year. The money collected is used to fund party nominating conventions and party nominees in the general election. In the primaries, qualified candidates receive federal matching dollars for some of the monies they raise privately. The tax check-off is the only source of funding for this program - no other tax revenues are used.

Chairman Thomas reiterated the purpose of the check-off Fund saying, "The current system of financing Presidential elections was created for three main reasons: to reduce the influence of special interests who would otherwise contribute or raise large sums of money, to reduce the demands of fundraising, allowing candidates more time to devote to discussing issues, and to promote a more competitive field through a combination of public funding and expenditure limits."

Updates assumptions on Presidential fund receipts and disbursements
(check off changed to \$3 in 1994 - 1993 taxes)

CALENDAR YEAR	CHECKOFF RECEIPTS	COLA ADJUSTMENT	DISBURSEMENTS	REPAYMENTS	APPROXIMATE BALANCE at 12/31/YY
ACTUAL 1989	\$32,285,646	2.514	\$1,843,017	\$22,024	\$82,927,013
ACTUAL 1990	\$32,462,979	2.650	\$2,426	\$39,148	\$115,426,713
ACTUAL 1991	\$32,322,336	2.762	\$21,200,000	\$595,419	\$127,144,468
ACTUAL 1992	\$29,592,735	2.850	\$153,191,152	\$566,078	\$4,061,060
EST FOR 1993	\$27,000,000	2.947	\$1,200,000	\$200,000	\$30,061,060
EST FOR 1994	\$75,000,000	3.054	\$55,000	\$0	\$105,006,060
EST FOR 1995	\$70,500,000	3.176	\$24,428,038	\$0	\$151,078,022
EST FOR 1996	\$69,000,000	3.319	\$190,760,507	\$0	\$29,317,515
EST FOR 1997	\$67,500,000	3.468	\$2,539,161	\$0	\$94,278,354
EST FOR 1998	\$66,300,000	3.641	\$55,000	\$0	\$160,523,354
EST FOR 1999	\$65,100,000	3.823	\$29,130,223	\$0	\$196,493,131
EST FOR 2000	\$65,100,000	4.015	\$229,947,653	\$0	\$31,645,478
EST FOR 2001	\$65,100,000	4.215	\$3,057,042	\$0	\$93,688,436
EST FOR 2002	\$65,100,000	4.426	\$55,000	\$0	\$158,733,436
EST FOR 2003	\$65,100,000	4.647	\$35,407,968	\$0	\$188,425,468
EST FOR 2004	\$65,100,000	4.880	\$279,502,810	\$0	(\$25,977,342)
EST FOR 2005	\$65,100,000	5.124	\$3,715,854	\$0	\$35,406,804
EST FOR 2006	\$65,100,000	5.380	\$55,000	\$0	\$100,451,804
EST FOR 2007	\$65,100,000	5.649	\$43,038,607	\$0	\$122,513,198
EST FOR 2008	\$65,100,000	5.931	\$339,737,412	\$0	(\$152,124,214)

assumptions;

Inflation rates of 3.4% in 93 increasing gradually to 5% in 1998 and each subsequent year
number of eligible boxes checked declines by about 2 million in 1994, and gradually stabilizes thereafter
primary matching payment in each cycle is the average of 1988 and 1992, adjusted for inflation