July 9, 2021

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Federal Election Commission
1050 First St. NE
Washington, DC 20463

Re: REG 2011-02: Internet Communication Disclaimers

Dear Ms. Stevenson,

For the seventh time in five years, Campaign Legal Center (“CLC”) respectfully writes to urge the Commission to act on REG 2011-02: Internet Communication Disclaimers. This rulemaking has been languishing for almost a decade, during which time the FEC’s regulation of political advertising—especially digital ads, including those on connected television (“CTV”)—has become dangerously outdated.

CTV has obliterated the traditional divide between television and digital media, underscoring how outdated the FEC’s disclaimer rules are, and the need for action now to ensure the transparency of political advertisements on this burgeoning

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3 Connected television, also known as digital or streaming television, refers to online video streaming services—such as Roku, Hulu, Netflix, Disney+, Tubi, and Amazon Prime Video—and the devices on which we watch them, including smart televisions and streaming sticks.
medium. To address this problem and all those raised in CLC’s earlier comments, the Commission must complete this rulemaking.

I. The Decline of Cable and Rise of Connected Television

By the end of 2021, a total of 31.2 million U.S. households will have cancelled their cable television subscriptions—a phenomenon known as “cord cutting.” This includes 6.2 million subscribers lost in 2020, up from 5.8 million in 2019 and 2.3 million in 2018. The decline of cable will only continue to accelerate: in the first quarter of 2021 alone, nearly 1.9 million Americans cancelled their cable subscriptions, and, by 2024, it is estimated that “more than one-third of U.S. households will have cut the pay TV cord.”

Precipitous losses of traditional television customers have coincided with exponential growth of online video subscription services—also known as connected, digital, or streaming television—such as Roku, Hulu, Netflix, Disney+, Tubi, and Amazon Prime Video. For example, by March 2021, after only 16 months in business, Disney+ surpassed 100 million subscribers, reaching roughly half the subscribership of Netflix, the world’s largest streaming service.

Today, “[t]here are now more US households with a connected TV than those with a traditional pay-TV connection.” Roughly 80 percent of American households

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7 eMarketer Editors, *supra* note 4.
have at least one connected television service in their home,\textsuperscript{10} and almost half of American households have three or more.\textsuperscript{11}

More streaming services, in turn, translate into more time spent using connected television—a trend further hastened by COVID-19 and associated increases in home television viewing.\textsuperscript{12} Today, young people aged 18 to 34 spend more time with connected television than with traditional cable; those aged 35 to 49 spend a third of their television time streaming; and even people over 65 spend 8 percent of their daily seven and a half hours of television time on CTV.\textsuperscript{13}

These numbers make clear: connected television, not cable, is the future. But current FEC disclaimer rules do not account for this new medium, which destroys the traditional divide between television and digital media. For example, current rules may require disclaimers on ads viewed on cable, but not when the same ad on the same network is viewed through an online streaming service. Such inconsistency cannot continue; the FEC must act to bring disclaimer rules into the third decade of the 21st century.

II. The Shifting Landscape of Political Advertisements

The ongoing fundamental shift in television viewership has not gone unnoticed by advertisers—including political campaigns and groups—who have embraced the

\begin{itemize}
\item \textsuperscript{10} Isabella Aslarona, \textit{It’s Time To Advertise on Connected TV. Here’s Why.}, BRIDGE (Feb. 25, 2021), \url{https://www.thebridgecorp.com/its-time-to-advertise-on-connected-tv-heres-why}; Brad Adgate, \textit{Heading Into The Final Stretch, Political Advertisers Are Relying More On Connected TV}, FORBES (Oct. 5, 2020), \url{https://www.forbes.com/sites/bradadgate/2020/10/05/heading-into-the-final-stretch-political-advertisers-are-relying-more-on-connected-tv/?sh=5fe32b4e26da} (noting that the Association of National Advertisers expects that 82 percent of U.S. households will be connected television subscribers by 2023, “a penetration figure significantly higher than cable/satellite households”).
\item \textsuperscript{12} See Sara Fischer, \textit{The pandemic sped the shift to digital media}, AXIOS (Mar. 10, 2021), \url{https://www.axios.com/pandemic-sped-digital-media-shift-1e5cf4d7-8238-4c34-9971-41cf4b15f6e8.html} (reporting that connected television usage increased by 33.8 percent during 2020, to an average 1 hour, 17 minutes per day); Colin Dixon, \textit{Connected TV carries the full burden of pandemic viewing in Q3 2020}, NSCREENMEDIA (Mar. 28, 2021), \url{https://nscreenmedia.com/connected-tv-pandemic-streaming-delivers-q3-2020} (noting that connected television “carried the full burden of increased viewing during the continuing pandemic lockdowns,” and now delivers nearly a quarter of all television viewing time).
\item \textsuperscript{13} Dixon, \textit{Connected TV carries the full burden of pandemic viewing in Q3 2020}, supra note 12; see also Lee Raine, \textit{About 6 in 10 Young Adults in U.S. Primarily Use Online Streaming to Watch T.V.}, PEW RESEARCH CENTER (Sept. 13, 2017), \url{https://www.pewresearch.org/fact-tank/2017/09/13/about-6-in-10-young-adults-in-u-s-primarily-use-online-streaming-to-watch-tv/} (finding that 61 percent of people aged 18 to 29 primarily use streaming services to watch television); Berr, supra note 11 (noting that 27 percent of consumers aged 45 and older use a connected television service daily).
\end{itemize}
move from traditional to connected television. As the director of paid media for the Democratic super PAC, Priorities USA Action, explained, “[Streaming] is a sizable piece of the pie, and it continues to get bigger and bigger.”

In 2020, for example, total ad spending on connected television topped $9 billion—up nearly $2 billion from 2019. This included more than $100 million in ad spending by political campaigns. Joe Biden’s presidential campaign alone spent $60 million—more than 20 percent of its media budget—on digital media centered around connected television. And Biden’s director of paid media, Patrick Bonsignore, called political advertisements on connected television a “must-have” for two reasons: connected TV ads “get us in front of a group of voters we won’t be able to reach through traditional set-top box television” and they do so with “the most ‘premium’ ad experience available—a nonskippable video that plays with sound on a large and often connected TV screen.”

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15 Fredreka Schouten, Political advertising grows on streaming services, along with questions about disclosure, CNN (June 3, 2020), https://www.cnn.com/2020/06/03/politics/streaming-services-political-ads/index.html (quoting Danielle Butterfield, director of paid media for Priorities USA Action).


18 Sara Fischer, The future of political advertising is connected TV, AXIOS (Apr. 15, 2021), https://www.axios.com/future-political-advertising-connected-tv-3f31db94-945e-47ef-b200-243b2b1a0f46.html; see also Emily Glazer & Patience Haggin, Trump, Biden Campaigns Turn to Streaming Services to Reach Voters, WALL ST. J. (Sept. 3, 2020), https://www.wsj.com/articles/trump-biden-campaigns-turn-to-streaming-services-to-reach-voters-11599133737 (“Digital video is now attracting more political-ad money than local cable-TV stations, such as regional sports networks, the data show.”). “But political media buyers say [this number] vastly undercounts the activity because third-party agencies often handle the ad buying, making it impossible to track how much most candidates spend with individual companies.” Schouten, supra note 15; see also Paid Programming: Investigating streaming ads during the election season, Our Findings, MOZILLA, https://foundation.mozilla.org/en/campaigns/paid-programming/our-findings/ (last visited June 15, 2021) (“Opacity, not transparency, is the status quo. Few of the platforms we researched offered ad transparency libraries or archives, and those that did proved insufficient. Nearly every platform received a failing grade on ad transparency.”).


20 Id. (quoting Patrick Bonsignore); see also Glazer & Haggin, supra note 18 (“[W]e are focused on meeting voters where they are now—across devices and in their homes on connected TV and digital streaming channels.”) (quoting Patrick Bonsignore).
Given these benefits of connected television, Biden was far from alone in embracing it during the 2020 election. Between November 1 and December 31, 2019, Senator Elizabeth Warren spent at least $326,000 on political ads on Hulu.21 Pete Buttigieg spent nearly $400,000 with Hulu and more than $240,000 with Roku during his presidential campaign.22 And former President Trump, who began reserving connected television ad slots in early 2019, made buys on streaming service platforms during both the Democratic and Republican conventions.23 Outside groups also spent significant amounts of money on connected television advertisements.24

But 2020 was just the beginning of the relationship between connected television and political advertising. In future election cycles, as connected television viewership continues to grow, ads on connected television will play an increasingly larger role in the media strategy of candidates and campaigns.25 The FEC must recognize this and act to ensure that disclaimer laws address the proliferation of political advertisements on connected television.

### III. The Appeal of Connected Television to Political Advertisers

FEC action now is particularly important because political advertisers aren’t just turning to connected television for its viewership; they are doing so because connected television offers a number of other benefits.26 As one reporter explained, connected television “provides targeting within premium, brand-safe content not found on social media, with the agility that traditional TV buying lacks.”27 It’s “the best of both worlds”28—the look and trustworthiness of a traditional television ad

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21 Tony Romm, Political ads are flooding Hulu, Roku and other streaming services, revealing loopholes in federal election laws, WASH. POST (Feb. 20, 2020), https://www.washingtonpost.com/technology/2020/02/20/hulu-roku-political-ads-streaming/.
22 Schouten, supra note 15.
23 Glazer & Haggin, supra note 18 (“These channels have always been a part of our strategy, and we’ve perfected it over four years to ensure the right message is reaching the right voters at the right time ahead of Election Day,’ a Trump campaign spokeswoman said.”).
24 See, e.g., id. (noting that, in 2020, Priorities USA and its affiliates planned to spend 20 to 40 percent of their more than $200 million political advertising budget on streaming services).
25 See, e.g., Fischer, The future of political advertising is connected TV, supra note 18 (“If the current trends of explosive growth in CTV viewership continues, we could see a tipping point where CTV makes up nearly half of political digital ad spend as soon as 2022.”) (quoting Grace Briscoe, vice president of candidates and causes at Centro, a digital ad placement firm that works with campaigns across the country).
26 See, e.g., The Power of CTV: Reaching Persuadable Voters in 2020, supra note 9, at 20 (“CTV works hardest for campaigns.”).
28 Glazer & Haggin, supra note 18 (quoting Michael Beach, chief executive of marketing analytics and software company, Cross Screen Media).
that often cannot be skipped) combined with the nimbleness and targeting capability of a digital ad.29

Connected television offers four main benefits to political advertisers. First, and critically, connected television allows political advertisers to “hon[e] in on specific types of voters—hard-to-reach, undecided, highly influential, and young, particularly in swing and flip states.”30 A 2020 study by Magnite, “the world’s largest independent sell-side ad platform,”31 found that one third of all voters are not reachable via traditional television.32 That percentage is even higher among persuadable voters, 40 percent of whom are not reachable via traditional television.33 Seventy percent of persuadable voters do have connected television, though, including 81 percent of Latino voters and 71 percent of swing-state voters.34 Thus, advertisers have significant incentives to purchase ads on connected television to reach crucial voters.

Second, connected television allows political advertisers to target these voters with greater accuracy than traditional television.35 “Campaigns can use CTV to execute precision targeting at the hyperlocal level,”36 targeting voters “based on household income, education level, number of children or veteran status,” geographic location, or any other number of criteria.37 Some connected television services also allow political advertisers to “tap into technology known as automated content recognition, which tracks what a household is watching”,38 and even to access third-party data.39 The ability to target and gather data about voters with such precision

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29 See, e.g., The Power of CTV: Reaching Persuadable Voters in 2020, supra note 9, at 20 (“CTV brings the specificity of digital targeting to TV’s highly engaging, nonskippable environment.”); Blustein, Connected TV’s Growing But Unclear Role in Political Advertising, supra note 17 (observing that connected television “offer[s] advertisers the ability to reach cord cutters and use granular data to target specific audiences, while delivering a message in a premium environment: the TV screen”).

30 Fairclough, supra note 27.


32 The Power of CTV: Reaching Persuadable Voters in 2020, supra note 9, at 8.

33 Id. at 2.

34 Id. at 9.

35 See, e.g., Memo: How Democrats Can Optimize Media Spending And Stop Wasting Millions, PRIORITIES USA (Apr. 13, 2021), https://priorities.org/memos/memo-how-democrats-can-optimize-media-spending-and-stop-wasting-millions/ (noting that, “particularly in House races, TV is now wildly inefficient with roughly 75% of the spending reaching voters outside of the targeted district”).

36 The Power of CTV: Reaching Persuadable Voters in 2020, supra note 9, at 20.

37 See Glazer & Haggin, supra note 18 (quoting Christiana Cacciapuoti, vice president of partnerships at MadHive Inc., an advertisement technology firm); see also Isabella Aslarona, Political Advertising Is Moving to Connected TV, BRIDGE (Apr. 26, 2021), https://www.thebridgecorp.com/political-advertising-is-moving-to-connected-tv/ (“As more and more political ads are bought on CTV, more messages will be targeted more narrowly to people based on their interests and purchasing habits—just as they are online.”).

38 Glazer & Haggin, supra note 18.

39 MOZILLA, supra note 18 (access to third-party data “means that viewers generally could be targeted with political ads based on causes they support, political party affiliation, their voter registration status, or whether they have cast their ballot already”).
makes political advertising on connected television more efficient and less expensive than legacy cable television.

Third, research shows that advertisements on connected television are more effective at stimulating engagement—including political engagement—than ads on cable television or digital media platforms. For example, the digital marketing platform Bridge reports that “[s]treaming video ads are proven to have 72% consumer recall as well as an engagement rate that is 304% higher than desktop and mobile.”40 Similarly, Magnite found that connected television “drives advocacy and action among 70% of voters,”41 who took an average of two actions after seeing a political advertisement on connected television.42

Fourth, unlike traditional television ads, which are typically purchased in advance at a fixed rate, 60 percent of connected television ads are purchased “via programmatic real-time bidding.”43 Connected television thus enables candidates to change their ads or number of ad buys quickly—a benefit to political advertisers that complicates transparency measures still further.

In sum, connected television “is promising campaigns better targeting, more bang for their buck, and access to millions of viewers who have cut the cord from traditional TV.”45 For these reasons, campaigns have rapidly embraced connected television—making imperative FEC action to clarify the application of FECA’s disclaimer requirements to political advertisements on this medium.

IV. REG 2011-02: A Solution Waiting to Happen

As the U.S. Supreme Court has stressed, and CLC has repeated to the Commission time and again, disclaimers on political advertisements advance core

40 Aslarona, It’s Time to Advertise on Connected TV, supra note 10; see also The Nielsen Total Audience Report: Advertising Across Today’s Media, at 17, NIELSEN (Mar. 2021), https://www.nielsen.com/us/en/insights/report/2021/total-audience-advertising-across-todays-media/ (“66% of people 35-49 and 62% of those 18-34 said they’ve actually taken note of brands being used by the characters in streaming content they’ve watched. What’s more is that 52% of consumers 35-49 and 49% of people 18-34 said they are influenced to purchase the products they’ve seen being used in streaming video content.”).
41 The Power of CTV: Reaching Persuadable Voters in 2020, supra note 9, at 20.
42 Id. at 17; see also id. at 20 (“Researching more information about a candidate or issue, joining the campaign’s mailing list, and even canvassing for a candidate are just a few of the ways voters are responding to digital video political ads.”).
43 Fischer, The future of political advertising is connected TV, supra note 18.
44 See Fairclough, supra note 27 (“With a 24-hour news cycle, campaigns want to make the most of their campaign dollars. Political advertising budgets and goals change quickly: parties may need to spend a large sum within 24-to-48 hours to get an urgent message out, which is easy to do with programmatic and CTV, but nearly impossible through traditional TV buying.”).
45 Roettgers, Political ad dollars are moving online, supra note 14.
First Amendment values.\textsuperscript{46} Disclaimers “insure that voters are fully informed’ about the person or group who is speaking” (and thereby attempting to influence their vote)\textsuperscript{47}; they “provid[e] the electorate with information”\textsuperscript{48} crucial “to evaluate the arguments to which they are being subjected”\textsuperscript{49}; and they “avoid confusion by making clear” by whom ads are funded—a candidate, a political party, a political committee, or some other person.\textsuperscript{50} Disclaimers are equally important to enforcing campaign finance rules by bringing violations to light.\textsuperscript{51}

In sum, disclaimers promote meaningful participation in the political process and ensure that elected officials remain accountable to the people—bedrock principles in a democracy where “[t]he right of citizens to inquire, to hear, to speak, and to use information to reach consensus is a precondition to enlightened self-government and a necessary means to protect it.”\textsuperscript{52} Indeed, disclosure requirements—“certainly in most applications”—are “the least restrictive means of curbing the evils of campaign ignorance and corruption that Congress [has] found to exist.”\textsuperscript{53}

Congress has charged the FEC with administering, interpreting, and enforcing disclaimer laws. But for a decade now, the Commission has failed to act on REG 2011-02, thumping its nose at American voters by refusing to address the explosion of digital advertisements, including those on connected television.

The rapid rise of connected television—and political advertisements on it—illustrates how diverse and quickly evolving digital technology is, and the difficulty of predicting how it will continue to evolve. Connected television has destroyed the distinction between television and digital media, necessitating action by the

\textsuperscript{46} See, e.g., McConnell v. FEC, 540 U.S. 93, 197 (2003) (disclaimers advance the “First Amendment interests of individual citizens seeking to make informed choices in the political marketplace”).

\textsuperscript{47} Citizens United v. FEC, 558 U.S. 310, 368 (2010) (quoting Buckley v. Valeo, 424 U.S. 1, 76 (1976) (per curiam)).

\textsuperscript{48} Id. (quoting McConnell, 540 U.S. at 196).

\textsuperscript{49} Id. (quoting First Nat’l Bank of Boston v. Bellotti, 435 U.S. 765, 792 (1978)).

\textsuperscript{50} Id. A robust body of empirical and scholarly research confirms that knowing the sources of election messaging is a “particularly credible” informational cue for voters seeking to make decisions consistent with their policy preferences. Elizabeth Garrett & Daniel A. Smith, Veiled Political Actors and Campaign Finance Disclosure Laws in Direct Democracy, 4 ELECTION L.J. 295, 296 (2015); see also Abby K. Wood, Campaign Finance Disclosure, 14 ANN. REV. L. & SOC. SCI. 11, 19 (2018) (“Voters use heuristics, or informational shortcuts, to help them make the vote choice most aligned with their priorities without requiring encyclopedic knowledge . . . on every issue.”).

\textsuperscript{51} Buckley, 424 U.S. at 67-68.

\textsuperscript{52} Citizens United, 558 U.S. at 339; see also Buckley, 424 U.S. at 14-15 (“In a republic where the people are sovereign, the ability of the citizenry to make informed choices [in elections] is essential.”); Stromberg v. California, 283 U.S. 359, 369 (1931) (“A fundamental principle of our constitutional system” is the “maintenance of the opportunity for free political discussion to the end that government may be responsive to the will of the people”).

\textsuperscript{53} Buckley, 424 U.S. at 68.
Commission to craft a rule that best accommodates unpredictable technological change.

Any such rule should reinforce that political advertisements—regardless of the medium—must include full disclaimers whenever they meet FECA’s statutory criteria, subject only to the narrowest exemptions. In this way, the Commission can fulfill its statutory mandate to ensure that disclaimers on political advertisements—which benefit the American people—are the default, not the exception.

CLC appreciates the Commission’s consideration of these comments. If the Commission decides to hold a hearing on this matter, CLC respectfully requests an opportunity to testify at that hearing.

Respectfully,

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