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Federal Election Commission

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Paper distribution of the FEC Record will end in July 2009.

See page 3 for details.

Court Cases

Public Citizen, Inc. v. FEC

On April 24, 2009, Public Citizen, Inc., and two of its employees, Craig Holman and Taylor Lincoln (the plaintiffs), filed suit against the FEC in the United States District Court for the District of Columbia. The plaintiffs' suit alleges that the FEC acted "contrary to law" when it dismissed their administrative complaint. That complaint alleged that another organization, Americans for Job Security (AJS), had unlawfully failed to register with the FEC as a political committee and had violated other legal requirements of the Federal Election Campaign Act (the Act).

Background

According to the lawsuit, Public Citizen, Inc. is a nonprofit membership organization headquartered in Washington, DC, that advocates the interests of consumers and members of the public before Congress, administrative agencies and the courts on a number of issues. The complaint alleges that AJS is a tax exempt organization under section 501(c)(6) of the Internal Revenue Code, which applies to "business leagues," that is not registered as a political committee with the FEC.

Advisory Opinions

AO 2009-06

Federal Officeholder's State Campaign Committee May Raise Nonfederal Funds to Retire Debts

A U.S. Senator who was formerly a lieutenant governor may, under certain circumstances, solicit, receive and spend funds outside of the Federal Election Campaign Act's (the Act) amount limitations and source prohibitions for the sole purpose of retiring debts from a previous state campaign.

Background

Prior to becoming a U.S. Senator, Senator Jim Risch served as Lieutenant Governor of Idaho. He set up the Jim Risch for Lieutenant Governor Committee (the Committee) as his campaign committee for this state office. As of December 1, 2008, the Committee had outstanding debts of more than \$331,000, which is the balance of a loan Senator Risch made to the committee in connection with the 2002 primary election.

The Committee wishes to raise funds in accordance with Idaho state law to retire this debt. Under Idaho law, individuals, corporations and

Advisory Opinions

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other recognized legal entities may contribute up to \$5,000 per election to state candidate committees. Also, if a political committee has debt outstanding, it may accept additional contributions to retire the debt, subject to the prescribed limits.

Analysis

Under the Act, federal candidates and officeholders cannot raise or spend funds in connection with a nonfederal election unless those funds comply with the amount limitations and source prohibitions of the Act. 2 U.S.C. §441i(e)(1)(B) and 11 CFR 300.62. However, the

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Act provides a limited exception for federal candidates and officeholders who also seek, or have sought, state or local office. Specifically, the restrictions on raising and spending funds for nonfederal elections do not apply to any federal candidate or officeholder who is or was also a candidate for a state or local office, so long as the solicitation, receipt or spending of funds:

- Is solely in connection with his or her state or local campaign;
- Refers only to him or her, to other candidates for that same state or local office, or both; and
- Is permitted under state law.

Because Senator Risch is a federal officeholder, and the Committee is directly established, financed, maintained and controlled by him, the Committee and its agents are subject to the Act's restriction on raising and spending nonfederal funds. 2 U.S.C. §441i(e)(1)(B) and 11 CFR 300.62. However, soliciting, receiving and spending funds solely to retire debts outstanding from a previous state candidacy are actions that are solely in connection with that election to state office. See AO 2007-01. As long as (1) the Committee raises funds solely to retire debts outstanding from Senator Risch's previous state candidacy, (2) the Committee's fundraising solicitations refer only to James Risch, to one or more of his former opponents in the campaign for lieutenant governor of Idaho, or both, and (3) the Committee's fundraising is permitted under Idaho law, the three criteria for the exception will be satisfied and the Committee's proposed fundraising will be permissible.

Date Issued: April 23, 2009; Length: 3 pages.

-Isaac J. Baker

AO 2009-08

Use of Campaign Funds for Home Security Upgrades

Representative Elton Gallegly may use campaign funds to pay for enhanced security for his home without the payments being considered a personal use of campaign funds because the ongoing threat to his safety, and that of his family, would not exist irrespective of his candidacy or his duties as an officeholder.

Background

Representative Gallegly is a member of the US House of Representatives from California, and his wife is his longtime campaign manager. In October and November 2008, Representative Gallegly ran for reelection. On October 23, 2008, a man approached Mrs. Gallegly at her home and claimed to be a gardener looking for work. Mrs. Gallegly told the man that she did not have any work for him, and asked him to leave her property.

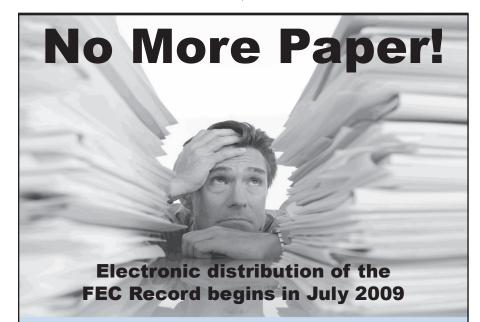
On October 27, 2008, Mrs. Gallegly found a hand-addressed, unstamped letter in her mailbox. The envelope was addressed "To: Elton and republican [sic] party," and was signed by the man who had approached Mrs. Gallegly on her property four days earlier. The letter demanded that he be allowed to stay at the Gallegly residence "or anywhere filled with republicans [sic] for a guaranteed win of office." Mrs. Gallegly contacted the local police department, which instructed the individual not to contact the Galleglys or go to their residence.

On November 7, 2008, the individual entered the Galleglys' property again, and Mrs. Gallegly obtained a Restraining Order and an Order to Stop Harassment. However the individual violated the terms of the Restraining Order when he entered the Galleglys' property a fourth time and hid in the bushes near the front door of their home. The individual was arrested and served thirty days in jail for violating the Restraining Order and was released on probation. After his release, the individual violated the terms of his probation and was arrested again. At the hearing, the judge set the individual's bail at \$100,000, citing the risk he posed to the Congressman's and Mrs. Gallegly's safety.

Representative Gallegly consulted the U.S. Capitol Police about the incidents with the individual. The U.S. Capitol Police recommended various upgrades to Representative Gallegly's home security system which would cost between \$6,000 and \$7,500. Representative Gallegly wishes to pay for the upgrades using campaign funds. He confirmed that the security upgrades would not involve any structural improvements to, and are not intended to increase the value of, the Galleglys' property.

Analysis

The Federal Election Campaign Act (the Act) and Commission regulations prohibit campaign funds from being converted to "per-



Beginning in July 2009, the FEC will no longer print and mail copies of its monthly newsletter, the *Record*, and will instead distribute it electronically. The *Record* will continue to be made available each month on the FEC web site at <u>http://www.fec.gov/pages/record.shtml</u>, and the FEC will notify all registered committees via e-mail each time a new issue is posted.

Individuals and organizations who are not registered with the Commission, but who would like to continue to receive the *Record*, can subscribe through FECMail to receive e-mail notification when a new issue is posted to the web site. Subscribing is easy. Simply visit our web site at <u>http://www.fec.gov/pages/record.shtml</u> and click on the link "Sign-up to receive an e-mail notification when a new issue of the *Record* is posted."

We appreciate your patience as we make this transition. Publishing the *Record* electronically, rather than on paper, will improve efficiency, conserve resources and provide more timely delivery to subscribers. As a service to readers who cannot access the publication on-line, we will offer copies through our automated fax system, Faxline, and will print and mail paper copies upon request. For more information, please contact the Information Division at 800/424-9530 or 202-694-1100. sonal use" by any person. 2 U.S.C. §439a(b)(1) and 11 CFR 113.2(e). Personal use occurs when a contribution or amount is used to fulfill any commitment, obligation or expense of a person that would exist irrespective of the candidate's election campaign or his duties as a federal officeholder. 2 U.S.C. §439a(b)(2).

Certain enumerated expenses are automatically considered personal use under the Act and Commission regulations, such as payments for mortgage, rent and household food items. See 2 U.S.C. §439a(b)(2) and 11 CFR 113.1(g)(1)(i). However, if the expense is not listed under the Act or Commission regulations, the Commission will make a case-bycase determination of whether any other use of campaign funds is personal use. If a candidate can reasonably show that the expense resulted from his campaign or officeholder activities, the Commission will not consider it to be personal use. Explanation and Justification for Final Rules on Personal Use of Campaign Funds, 60 Fed. Reg. 7862, 7867 (Feb. 9, 1995).

Payments for a home security system are not specifically listed as a personal use under the Act or Commission regulations. In this case, the Commission concluded that Representative Gallegly's payment for the home security system from his campaign funds would not be personal use. The Commission found that the content of the individual's letter and the timing of his actions strongly suggest that it was Representative Gallegly's role as a candidate and officeholder that resulted in the threats. Also, the security upgrades were recommended by the U.S. Capitol Police specifically because of the continuing threat posed by the individual. Because the on-going harassment occurred as a result of Representative Gallegly's re-election campaign and public position as a Member of Congress, the

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The Commission has updated its electronic filing format to Version 6.4. On May 14, 2009, FEC File Version 6.4.1.0, supported by the new format, became available for download from the FEC web site at http://www.fec.gov/ elecfil/updatelist.html. The new format includes new FEC Form 3L, which requires disclosure of contributions to candidates, political party committees and Leadership PACs that are bundled by lobbyist/registrants or lobbyist/registrant PACs above a certain threshold amount within a reporting period. More information on these requirements is available on the FEC web site at http://www.fec.gov/info/ guidance/hlogabundling.shtml. Committees using commercial software should contact their vendors for more information about the latest software release. Please note that, for electronic filers, any report filed after May 14, 2009, must be filed in Format

Version 6.4 (the new version). Reports filed in previous formats will not be accepted. Thus, for example, all electronic filers must file their July Quarterly reports in Format Version 6.4.

The Commission has additionally released new paper versions of FEC Form 1 and FEC Form 3L to allow paper filers to comply with the new requirements. The paper version of these forms are available on the FEC web site at <u>http://www. fec.gov/info/forms.shtml</u>. The paper versions of these forms may only be used by committees not required to file electronically with the FEC.

Advisory Opinions

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need for the proposed upgrades to the Congressman's security system would not exist irrespective of the Congressman's campaign or duties as a federal officeholder. Therefore the use of campaign funds to pay for these security system upgrades would not constitute personal use of campaign contributions, and would not be prohibited by the Act or Commission regulations.

Date Issued: May 7, 2009; Length: 4 pages.

–Zainab Smith

Advisory Opinion Requests

AOR 2009-12

Use of campaign funds for legal expenses (Coleman for Senate, April 3, 2009)

AOR 2009-13

Political committee status of group of single-member LLCs with common vendor (Black Rock Group, May 27, 2009)

Court Cases

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Under the Act and Supreme Court precedent, organizations whose "major purpose" is the nomination or election of federal candidates and that receive contributions or make expenditures in excess of \$1,000 in a calendar year must register as political committees with the FEC. Political committees are subject to a \$5,000 per calendar year contribution limit from individuals and may not receive contributions from corporations or labor organizations.

On April 11, 2007, the plaintiffs submitted an administrative complaint to the Commission asking the Commission to take action against AJS for failing to register as a political committee, failing to report contributions and expenditures, accepting contributions in excess of \$5,000 from individuals and accepting contributions from corporations. The administrative complaint also claimed that the major purpose of AJS was supporting or opposing candidates for federal office, which thus subjected it to the registration and reporting requirements of the Act.

The Commission was equally divided on whether to find reason to believe that AJS had violated the Act and on February 25, 2009, voted to dismiss the complaint and to take no further action on the matter.

Complaint

The plaintiffs allege that the Commission acted "contrary to law" in its dismissal of the administrative complaint against AJS. Under 2 U.S.C. \$437g(a)(8), dismissal of such a complaint is contrary to law if it rests on an impermissible interpretation of the Act or its implementing regulations or if it is otherwise arbitrary and capricious or an abuse of discretion.

The plaintiffs seek an order declaring that dismissal of their administrative complaint against AJS is contrary to law, an order directing the FEC to conform to the court's declaration within 30 days and all other proper relief.

-Myles Martin

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Compliance

MUR 5408: Rev. Al Sharpton, Sharpton 2004 and National Action Network

The Commission reached settlement agreements totaling \$285,000 in civil penalties with Rev. Alfred C. Sharpton, Sharpton 2004 and the committee's treasurer, Andrew Rivera; and National Action Network, Inc., a non-profit organization Sharpton founded and served as President of since its inception.

Background

During his 2004 Presidential campaign, Sharpton traveled extensively and routinely mixed travel for his campaign committee and National Action Network. An FEC audit and investigation revealed that

Back Issues of the Record Available on the Internet

This issue of the *Record* and all other issues of the *Record* starting with January 1996 are available on the FEC web site as PDF files. Visit the FEC web site at <u>http://</u> <u>www.fec.gov/pages/record.shtml</u> to find monthly *Record* issues.

The web site also provides copies of the Annual Record Index for each completed year of the Record, dating back to 1996. The Annual Record Index lists Record articles for each year by topic, type of Commission action and, in the case of advisory opinions, the names of individuals requesting Commission action.

You will need Adobe® Acrobat® Reader software to view the publication. The FEC's web site has a link that will take you to Adobe's web site, where you can download the latest version of the software for free. National Action Network and other entities paid \$387,192 in campaign expenses. The FEC determined that National Action Network made payments totaling \$107,615 for committee expenses and \$73,500 in payments to consultants and vendors for campaign-related work, violating the prohibition against corporate contributions. Sharpton's sole proprietorships, Rev-Als Production and Sharpton Media LLC, also paid \$214,577 in campaign travel expenses and an additional \$65,000 came from unknown sources. None of these in-kind contributions were disclosed in the committee's disclosure reports.

Outcome

Sharpton, his Presidential campaign committee, Sharpton 2004, and Andrew Rivera, in his official capacity as treasurer, agreed to pay a civil penalty of \$208,000 for failing to report accurately all receipts and expenditures, receiving excessive and prohibited in-kind contributions and accepting impermissible corporate contributions. They also agreed to refund \$10,500 in unresolved excessive contributions, disgorge \$9,000 in excessive contributions and refund \$181,115 to National Action Network or disgorge funds to the U.S. Treasury. National Action Network, Inc. and Sharpton, as president, agreed to a civil penalty of \$77,000 for making prohibited contributions to Sharpton 2004.

Respondents also agreed that they misstated receipts and disbursements and cash on hand, understated by \$231,753, received \$15,000 in loans from unknown sources and received \$10,500 in excessive contributions from individuals.

—Myles Martin

PACronyms, Other PAC Publications Available

The Commission annually publishes an alphabetical listing of acronyms, abbreviations and common names of political action committees (PACs).

For each PAC listed, the index provides the full name of the PAC, its city, state, FEC identification number and, if not identifiable from the full name, its connected, sponsoring or affiliated organization.

This index is helpful in identifying PACs that are not readily identified in their reports and statements on file with the FEC.

To order a free copy of PACronyms, call the FEC's Disclosure Division at 800/424-9530 or 202/694-1120.

PACronyms is also available on diskette for \$1 and can be accessed free on the FEC web site at <u>www.fec.gov</u>.

Other PAC indexes, described below, may be ordered from the Disclosure Division. Prepayment is required.

- An alphabetical list of all registered PACs showing each PAC's identification number, address, treasurer and connected organization (\$13.25).
- A list of registered PACs arranged by state providing the same information as above (\$13.25).
- An alphabetical list of organizations sponsoring PACs showing the name of the PAC and its identification number (\$7.50).

The Disclosure Division can also conduct database research to locate federal political committees when only part of the committee name is known. Call the telephone numbers above for assistance or visit the Public Records Office in Washington at 999 E St. NW.

Statistics

Growth in PAC Financial Activity Slows

Financial activity by political action committees (PACs) continued its upward climb in 2007-2008, according to figures compiled by the FEC, though at a slower rate than in recent election cycles. From January 1, 2007, through December 31, 2008, PACs raised \$1.2 billion, up 10.5 percent over 2005-2006, and spent \$1.18 billion, up 11.8 percent over the previous two-year cycle. Comparable growth rates ranged from 18 percent to more than 30 percent during 2004 and 2006. Cash on hand as of December 31, 2008, for the 5,210 PACs totaled \$308.6 million.

PAC contributions to federal candidates in 2007-2008 totaled \$412.8 million, up 11 percent over 2005-2006. Most of the money—\$385.9 million—was given to candidates seeking election in 2008. The remaining \$27 million went to candidates running for office in future years, or to debt retirement for candidates in past cycles.

The charts below summarize PAC contributions to House and Senate candidates from 1998 through 2008, broken down by contributions to Democratic and Republican candidates.

Incumbents continued to receive most of the PAC contributions, as they have in previous elections. House candidates received \$308.3 million from PACs, up 7.8 percent from the previous cycle, while Senate candidates received \$100.1 million, up 16.3 percent over the 2005-2006 cycle. Republican Congressional candidates received \$178.9 million, a decrease of 13.9 percent from the previous cycle, while Democrats received \$233.9 million, an increase of 44.9 percent.

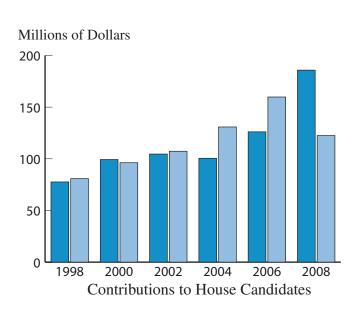
In addition to the \$412.8 million in contributions, PACs made \$135.2 million in independent expenditures for and against candidates, resulting in more than a 250 percent increase over the 2005-2006 cycle, and more than a 100 percent increase over 2003-2004, another Presidential election cycle. Of the \$135.2 million, \$85.3 million was spent on behalf of various candidates and \$49.8 million was spent against them.

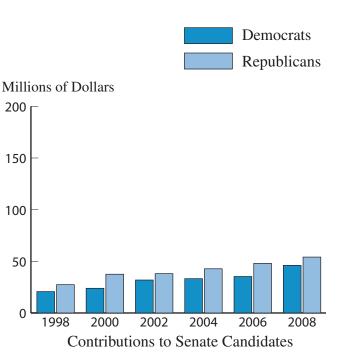
Some PACs (mostly nonconnected committees) also maintain nonfederal accounts and must therefore use a combination of federal and nonfederal funds to pay for activities that relate to both federal and state or local elections (e.g. overhead expenses, etc.). In addition to federal receipts and disbursements, PACs reported spending a total of \$21,810,174 in nonfederal funds (sometimes called "soft" money) for these shared expenses in 2007-2008.

The full Commission press release on PAC activity is available at <u>http://www.fec.gov/press/press2</u> 009/20090415PAC/20090424PAC. shtml.

-Myles Martin

PAC Contributions to Democratic and Republican House and Senate Candidates—1998-2008





Outreach

July Reporting Roundtable

On July 8, 2009, the Commission will host two roundtable sessions on reporting, including disclosure requirements under the Honest Leadership and Open Government Act of 2007 (HLOGA). The reporting workshops will address common filing problems and provide answers to questions committees may have as they prepare to file their July Quarterly, July Monthly or Mid-Year reports. The electronic filing sessions will provide hands-on instruction for committees that use the Commission's FECFile software and will address questions filers may have concerning electronic filing. Attendance is limited to 50 people per reporting session and 16 people per session for the electronic filing workshops; the fee is \$25. The registration form is available on the FEC's web site at http://www.fec. gov/info/outreach.shtml#roundtables and from Faxline, the FEC's automated fax system (202/501-3413, request document 590). For more information, please call the Information Division at 800/424-9530, or locally at 202/694-1100.

-Kathy Carothers

FEC Conference Schedule for 2009

Conference for Campaigns, Party Committees and Corporate/Labor/Trade PACs September 15-16, 2009 Hyatt Regency Chicago, IL

Conference for Campaigns, Party Committees and Corporate/Labor/Trade PACs October 28-29, 2009 Sheraton at Fisherman's Wharf San Francisco, CA

FEC to Hold Summer State Outreach Workshops

Throughout the summer, Communications Specialists from the FEC's Information Division will visit several cities to provide education for committees and staff. These informal state outreach trips will provide PACs, party committees and candidate committees with information on areas of the law specific to their needs. The workshops will be held in Tallahassee, FL; Columbus, OH; and Kansas City, MO. (See box below).

For questions about these workshops, or to register for one of the sessions, please contact staff in the Information Division at 800/424-9530 (or locally at 202/694-1100) or send an e-mail to <u>Conferences@fec.</u> gov with your contact information (name, organization, phone number, fax number and e-mail address). Please identify the particular city in which you wish to attend a session. —Kathy Carothers

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June 24-25, 2009 Tallahassee, FL

July 28-29, 2009 Columbus, OH

August 5-6, 2009 Kansas City, MO

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