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Federal Candidate's or Officeholder's Participation in Membership Organization Fundraising Events

The National Association of Home Builders of the United States (NAHB), and its separate segregated fund (SSF), BUILD-PAC, hold events in conjunction with NAHB's annual convention that raise money for BUILD-PAC and raise funds and awareness for NAHB's "Voter Mobilization" program. As part of these events, federal candidates and officeholders may:

- Attend a meeting for NAHB members to discuss national policy issues and solicit funds for BUILD-PAC;
- Attend a forum to discuss national policy issues with representatives from firms and individuals who have donated to the Voter Mobilization program; and
- Attend an NAHB members' sporting event and make specific

Court Cases

AFL-CIO and DNC Services Corp./DNC v. FEC

On June 20, 2003, the U.S. Court of Appeals for the District of Columbia Circuit upheld the U.S. District Court for the District of Columbia's decision in this case. The appeals court found that the FEC's practice of disclosing documents obtained during an investigation was based on a regulation that, "while not contrary to the plain language of the statute, is nevertheless impermissible because it fails to account for the substantial First Amendment interests implicated in releasing political groups' strategic documents and other internal materials."

Background

On June 17, 1997, the Commission found reason to believe that the plaintiffs had violated the Federal Election Campaign Act (the Act) during the 1995-96 election cycle (MURs 4291, et al.). At the conclusion of its investigation, the Commission voted to take no further action on MURs 4291, et al., and to close the files. In keeping with its long-standing practice of disclosing the investigatory record once a MUR is closed, the Commission

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planned to make public a portion of the investigatory file.

The plaintiffs claimed that public disclosure of the files would cause irreparable injury by revealing confidential information and by chilling the plaintiffs' future efforts to engage in political activities. The plaintiffs asked the Commission not to make the documents public; however, the Commission denied their requests on the grounds that the Commission's regulations under the Act and the Freedom of Information Act (FOIA) required disclosure of the MUR files.

District Court Decision

The plaintiffs had requested summary judgment from the district court, arguing, among other things, that disclosure of the documents would violate the confidentiality provision of the Act, which states that:

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"Any notification or investigation made under [the enforcement] section shall not be made public by the Commission or by any person without the written consent of the person receiving such notification or the person with respect to whom such investigation is made." 2 U.S.C. §437g(a)(12)(A).

The Commission had argued that the Act only protects the confidentiality of ongoing investigations. Once a MUR is closed, the Act requires the Commission to make public the conciliation agreement or the Commission's determination that the Act has not been violated. 2 U.S.C. $\S437g(a)(4)(B)(ii)$. The Commission asserted that the Act's confidentiality provision was intended to protect a MUR respondent from disclosure of the fact that the respondent was under investigation. When the Commission made public its MUR determination, it would also reveal the fact that the respondent had been investigated, leaving nothing to be protected by the confidentiality provision. 2 U.S.C. §437g(a)(12)(A).

The district court, however, concluded that the plain language of the Act barred the Commission from publicizing investigative materials and, thus, that the Commission's interpretation of the statute ran counter to Congressional intent. 2 U.S.C. $\S437g(a)(12)(A)$. The court found that the Act's provision requiring that MUR determinations be made public was a limited exception to the Act's confidentiality provision, not a directive to end the protection of that provision. Moreover, the court concluded that publication of the materials would violate 11 CFR 111.21(a), which implements the Act's confidentiality provision. See the February 2002, *Record*, page 3.

Appeals Court Decision

The appeals court carried out its deliberations under the framework developed by the U.S. Supreme Court in *Chevron U.S.A.*, *Inc.* v.

Natural Resources Defense Council. 467 U.S. 837 (1984). In the Chevron framework, when a court reviews an agency's interpretation of the statute which it administers, the court must address two questions:

- Whether Congress has directly spoken on the question at issue; and
- In a case where the statute is silent or ambiguous with respect to the specific issue, whether the agency's approach is based on a permissible construction of statute.

The first question in this case was whether the Act provides a clear indication of Congressional intent regarding the disclosure of investigatory materials from closed investigations. The Commission argued that 2 U.S.C. $\S437g(a)(12)(A)$ was silent on whether materials from closed investigations could be released. The plaintiffs argued that this provision requires the Commission to keep investigatory files confidential even after the closing of an investigation. According to them, the permissible disclosures are limited to those set out in a separate section of the Act (2 U.S.C. \$437g(a)(4)(B)(ii)) that requires the Commission's disclosure of signed conciliation agreements and its findings that a violation has not occurred.

The court determined that since the statute itself appears to support two plausible interpretations, it is ambiguous enough to proceed to the second stage of the *Chevron* analysis.

In examining whether, in the absence of Congressional intent, the Commission's disclosure policy represents a reasonable construction of the statute, the court noted that "[C]ourts... balance the burdens imposed on individuals and associations against the significance of the governmental interest in disclosure and consider the degree to which the government has tailored the disclosure requirement to serve its interests."

As mentioned above, the plaintiffs argued that the disclosure of the files would cause them irreparable injury by revealing confidential information and by chilling their future efforts to engage in political activities. The Commission argued that its disclosure regulation at 11 CFR 5.4(a)(4) was justified by deterring future violations of the Act, and by providing public accountability for the Commission's actions. Additionally, the Commission argued that it was entitled to deference, as its disclosure policy represented a long-standing practice.

However, the court found that the regulation's requirement that all investigatory materials not already exempted by FOIA be disclosed was not sufficiently tailored "to avoid unnecessarily burdening the First Amendment rights of the political organizations it investigates," like the plaintiffs.

U.S. Court of Appeals for the District of Columbia Circuit, 02-5069.

-Jim Wilson

William J. Stevens, et al. v. FEC

On June 5, 2003, the U.S. District Court for the Northern District of Illinois granted the Commission's motion to dismiss the plaintiffs' complaint. The complaint had challenged the Commission's final determination that the Libertarian Party of Illinois (LPI) and its former treasurer William J. Stevens had failed to file timely the committee's 2001 mid-year report and the assessment of a civil penalty. 2 U.S.C. §434(a). See the October 2002 Record, page 7.

The court found that the plaintiffs' claims were barred by the statute of limitations because they had not appealed the Commission's determination within the 30-day time period allotted by the Federal Election Campaign Act (the Act). 2 U.S.C. §437g(a)(4)(C)(iii). The

court also denied the plaintiffs' request to amend their complaint. Plaintiffs had asked to add 2 U.S.C. §437h as a basis for jurisdiction, in order to challenge whether the Commission has jurisdiction over the types of funds disclosed in the LPI's reports. The plaintiffs argued that the FEC required them to report local and state activity on the midyear report. The court stated that the mid-year report appeared only to require the LPI to report federal contributions and disbursements, with the exception of requiring LPI to report shared federal/nonfederal operating expenditures. The court explained that in Buckley v. Valeo the Supreme Court had already found the compelled disclosure of federal campaign finance activity to be constitutional. The court further reasoned that if the plaintiffs wanted to contest the activity on their report that the Commission used to determine the civil penalty, they should have made this challenge through the Commission's administrative process.

The court granted the Commission's motion to dismiss and denied the plaintiffs' crossmotion for summary judgment.

U.S. District Court for the Northern District of Illinois, 02-C-3291.◆

—Amy Kort

New Litigation

Cox for U.S. Senate, Inc., et al. v. FEC

On May 30, 2003, Cox for U.S. Senate and its treasurer, John H. Cox, filed a complaint in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiffs ask the court to enjoin the Commission from enforcing against them its final determination that they failed to file two 48-Hour Notices and its assessment of a civil money penalty. The plaintiffs also challenge the constitutionality of the

Commission's administrative fine schedule at 11 CFR 111.44.

Background. Mr. Cox was a Senate candidate in the 2002 elections. He made personal loans to his campaign on March 5 and March 12, 2002, both of which fell within the 48-Hour Notice period for contributions received during the 20 days before—up to 48-hours before—an election. The plaintiffs did not file 48-hour notices disclosing these loans, which totaled \$219,507.47.

On September 18, 2002, the Commission found reason-tobelieve (RTB) that the plaintiffs violated 2 U.S.C. §434(a), which requires the timely filing of reports. The RTB notice identified three contributions for which 48-Hour Notices were required but were not filed, including the two loans and a \$5,000 contribution from another source. Based on the FEC's schedule of administrative fine penalties, the Commission calculated a civil penalty of \$22,770, which represented \$100 for each nonfiled notice plus 10 percent of the dollar amount of the contributions not disclosed. The plaintiffs challenged the RTB finding under the administrative process provided for in Commission regulations. 11 CFR 111.35-111.37. On April 15 the FEC Reviewing Officer recommended that the Commission make a final determination that the plaintiffs violated 2 U.S.C. §434(a) and assess a reduced civil money penalty of \$22,150, based on the two loans. The Commission adopted the Reviewing Officer's recommendation and made a final determination on April 29.

Court Complaint. In their complaint, the plaintiffs claim that the court should set aside the Commission's finding and assessment of the civil penalty because their failure to file was inadvertent. The plaintiffs assert that the purpose of election sensitive reports is to eliminate surprise on the part of

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campaigns who would not otherwise know about opponents' pre-election fundraising. According to the complaint, Mr. Cox publicly announced his intention to make the loans, and the plaintiffs' failure to immediately disclose the committee's actual receipt of the loans did not contravene the purpose of 2 U.S.C. §434(a). Furthermore, the plaintiffs contend that basing the amount of the fine on the dollar amount of the contribution in question does not distinguish between honest mistakes and egregious violations. The plaintiffs also argue that circumstances the committee faced just prior to the election, while not qualifying as "extraordinary circumstances" under Commission regulations, justify the complete or substantial waiver of the civil money penalty.

In addition, the plaintiffs ask the court to find that the schedule of penalties under the Commission's administrative fines regulations is unconstitutional because it violates the Fifth and Sixth Amendment rights to due process. The plaintiffs claim that the penalties assessed under the fine schedule are so severe that they become criminal penalties, and that the fine schedule is arranged to treat one-time offenders with large amounts of contributions more harshly than repeat offenders with little activity to report.

Relief. The plaintiffs ask the court to:

- Declare the penalties set forth at 11 CFR 111.44 unconstitutional;
- Enjoin the Commission from enforcing its final determination and assessment of a civil penalty against the plaintiffs; and
- Set aside the final determination and vacate the civil money penalty.

U.S. District Court for the Northern District of Illinois, Eastern Division, 03C-3715.♦

—Amy Kort

FEC v. Dear for Congress

On June 5, 2003, the Commission filed a complaint in the U.S. District Court for the Eastern District of New York against Dear for Congress, Inc., Dear 2000, Inc., Friends of Noach Dear '93 and these committees' treasurer Abraham Roth. The complaint alleges, among other things, that:

- Dear for Congress, Dear 2000 and Mr. Roth accepted hundreds of thousands of dollars in prohibited contributions:
- Dear for Congress, through Mr. Roth, filed FEC reports showing that more than \$300,000 in excessive contributions had been refunded to contributors when, in fact, none of the refunds had been made when the report was filed, and over \$200,000 remains to be refunded; and
- Dear for Congress and Mr. Roth accepted numerous money orders, purportedly from individual contributors, that were not made by the persons identified on the money orders.

The Commission asks the court for a civil penalty, declaratory and injunctive relief and for the maximum civil penalty for each violation.

Background. This complaint arose from FEC administrative matters under review 4935 and 5057. The Federal Election Campaign Act (the Act) limits the aggregate amount that a person may contribute to a federal candidate, and it prohibits any person from making a contribution in the name of another person and any person from knowingly accepting such a contribution. 2 U.S.C. §§441a(f) and 441f. The Act also bars corporations and unions from making contributions from treasury funds to influence a federal election and any person from knowingly receiving such a contribution. 2 U.S.C. §441b(a). Committees and their treasurers are also required to file timely and accurate campaign

finance disclosure reports. 2 U.S.C. §§434(b)(4)(F), 434(b)(8) and 434(a)(6)(A). On May 1, 2003, the Commission found probable cause to believe that the defendants had violated these provisions of the Act, and it filed this suit after failing to reach a conciliation agreement with the defendants. 2 U.S.C. §§437g(a)(4)(A) and (a)(6)(A).

Court Complaint. Mr. Dear was an unsuccessful House candidate in the 1998 New York primary, and Dear for Congress was his campaign committee. During the campaign, Dear for Congress and Mr. Roth accepted several sets of sequentially numbered money orders, purportedly from some 47 individuals, totaling approximately \$40,000. However, the Commission alleges that Dear for Congress campaign staff executed at least some of these money orders. Several money orders were signed in the same handwrit-

FEC Accepts Credit Cards

The Federal Election Commission now accepts American Express, Diners Club and Discover Cards in addition to Visa and MasterCard. While most FEC materials are available free of charge, some campaign finance reports and statements, statistical compilations, indexes and directories require payment. Walk-in visitors and those placing requests by telephone may use any of the above-listed credit cards, cash or checks. Individuals and organizations may also place funds on deposit with the office to purchase these items. Since pre-payment is required, using credit cards or funds placed on deposit can speed the processing and delivery of orders. For further information. contact the Public Records Office at 800/424-9530 (press 3) or 202/ 694-1120.

ing, and many of the individuals whose names appear on the money orders deny making contributions to the committee or contributions via money order. Moreover, the Commission alleges that in accepting these contributions, Mr. Roth failed to comply with the statutory requirement to examine the legality of each of these facially irregular contributions. 2 U.S.C. §432(b)(1).

The Commission also alleges that during the 1998 election cycle, Dear for Congress and Mr. Roth accepted approximately \$564,000 in excessive contributions and did not refund or redesignate the contributions within the 60-day period set by Commission regulations. 11 CFR 103.3(b)(3). Dear for Congress and Mr. Roth also accepted impermissible campaign contributions from several corporations, totaling about \$12,000. Moreover, the committee and Mr. Roth have still not refunded approximately \$200,000 in excessive contributions, and the complaint describes a number of reporting violations by Dear for Congress and Mr. Roth, including falsely reporting refunds of impermissible contributions.

The complaint further alleges that Mr. Dear's nonfederal campaign committee made an excessive contribution to one of his federal campaign committees. In addition to running for the House in 1998, Mr. Dear also campaigned for a New York City council seat. Friends of Dear was his campaign committee for that election, and Mr. Roth served as treasurer. In December 1999, Mr. Dear established Dear 2000 to serve as his principal campaign committee for his campaign to win a House seat in the 2000 primary. Mr. Roth again served as treasurer. During 1999 Friends of Dear purchased an opinion poll for \$40,000 and contributed the results to Dear 2000. The Commission alleges that once Mr. Dear became a candidate for federal office, the donation of the opinion poll resulted in an excessive

in-kind contribution from Friends of Dear, which could only contribute \$1,000 per election to Dear 2000. The Commission alleges that Mr. Roth knowingly accepted this excessive contribution on behalf of Dear 2000 and also failed to report the contribution on the committee's first financial disclosure report, due January 1, 2000.

Relief. The Commission asks the court to:

- Declare that the defendants violated these provisions of the Act:
- Assess appropriate civil penalties;
- Order Dear for Congress and Mr. Roth to disgorge to the U.S.
 Treasury all unrefunded excessive contributions, prohibited corporate contributions and contributions in the name of another; and
- Permanently enjoin the defendants from further similar violations of the Act.

U.S. District Court for the Eastern District of New York, 03CV2897.◆

—Amy Kort

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solicitations for the Voter Mobilization program.¹

Background

For a number of years NAHB, an incorporated membership organization, has conducted a Voter Mobilization program, which consists of partisan communications to NAHB members and their families and communications to the general

public concerning issues significant to the home building industry. The program focuses on voter registration, voter turn-out and direct communication with candidates and officeholders. NAHB supports the program with funds from its operating account, which accepts donations that are not subject to the limits and prohibitions of the Federal Election Campaign Act (the Act). NAHB identified some of its Voter Mobilization activities as falling within the Bipartisan Campaign Reform Act of 2002's (BCRA) definition of "federal election activity." See 2 U.S.C. §431(20)(A). Under the BCRA, if a 501(c) organization such as NAHB participates in voter registration, voter identification, get-out-the-vote or generic campaign activity, a federal candidate or officeholder may only solicit funds to support this activity if the solicitation is made solely to individuals and the amount solicited from any individual does not exceed \$20,000 during any calendar year. 11 CFR 300.65(b).

Further, the Act has long restricted fundraising by incorporated membership organizations for their SSFs, and the BCRA has added new restrictions on the role that federal candidates and officeholders or their agents can play in raising funds. See 2 U.S.C. §441i(e). For example, federal candidates and officeholders may not solicit funds in connection with an election unless the funds are subject to the limits and prohibitions of the Act. 11 CFR 300.61 and 300.62.

Analysis

Attending a members' meeting and soliciting for BUILD-PAC. A federal candidate or officeholder may speak at a meeting for NAHB members and may be listed as a "featured guest" in pre-event materials distributed to the organization's restricted class, as

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¹The Commission determined that a plan to invite the Secretary of Housing and Urban Development to an event is not subject to the limitations of the BCRA or the Act, because the Secretary is not a federal candidate or elected officeholder and, as such, is not subject to the Act's provisions regarding participation at events and solicitations. 11 CFR 100.3 and 100.4.

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long as the materials do not constitute a solicitation for nonfederal funds. See 11 CFR 114.3(a), (c)(1) and (c)(2).

The candidate or officeholder may also solicit contributions to BUILD-PAC at the members' meeting, because the solicitations would be for federally permissible contributions.²

Attending a national policy issues forum. A federal candidate or officeholder may also speak at a meeting for representatives of firms or individuals who have made donations to the Voter Mobilization effort, and may be listed as a featured guest in the pre-event material so long as the material is not a solicitation for nonfederal funds. Merely attending or speaking at the event would not constitute a solicitation.

Attending a membership sporting event and raising funds for BUILD-PAC or Voter Mobilization. NAHB intends to hold an event for its members, such as a golf tournament. In addition to attending the event and being listed in promotional materials as a featured player, a federal candidate or officeholder may solicit contributions on behalf of BUILD-PAC or the Voter Mobilization program. When soliciting contributions to BUILD-PAC, the candidate or officeholder must again comply with the Act's requirements for solicitations on behalf of an SSF.

Solicitations for the Voter Mobilization program would constitute solicitations for voter registration and other activities, some of which will constitute federal election activity under 2 U.S.C. §431(20)(A)(i) and (ii). Thus, a federal candidate or office-

holder may only make a "specific solicitation" on behalf of the Voter Mobilization program, solely soliciting individuals in amounts that do not exceed \$20,000 during any calendar year. 11 CFR 300.65(b).³

Date Issued: June 26, 2003; Length: 7 pages.

—Amy Kort

AO 2003-10 Solicitation of Nonfederal Funds by a Relative of a Federal Candidate

Rory Reid, son of U.S. Senator Harry Reid, may raise nonfederal funds for the Nevada State Democratic Party without being considered an agent of Senator Reid, even if he has acted and continues to act as the Senator's fundraising agent in certain circumstances. Rory Reid's fundraising activities will only be attributed to a federal candidate or officeholder if he is acting on the authority of that candidate or officeholder.

Background

Rory Reid is a Commissioner of Clark County, Nevada, and plans to raise funds on behalf of the Nevada State Democratic Party. He would include his name on invitations and solicitations, make personal appearances at state party fundraisers, place fundraising calls and personally solicit contributors.

Nevada state law permits the party to solicit and accept funds which are prohibited under federal law, including unlimited amounts from individuals, corporations and labor organizations. Commissioner Reid would raise these federally prohibited funds for deposit in the state party's nonfederal account.

"Agency"

The Federal Election Campaign Act (the Act) and Commission regulations prohibit federal candidates and officeholders from soliciting, receiving, directing, transferring or spending funds in connection with a federal or nonfederal election, unless the funds are subject to federal limits and prohibitions. 2 U.S.C. §441i(e)(1). Agents of a federal candidate or officeholder are subject to the same requirements. An "agent" of a federal candidate or officeholder is any person who has actual authority, either express or implied, to solicit, receive, direct, transfer or spend funds in connection with any election. 11 CFR 300.2(b)(3). Also, an agent must be acting on behalf of the candidate or officeholder. 67 FR 49083.

Relevance of Prior Relationships

Though Commissioner Reid is the son of the Senator and may have conducted fundraising for the Senator in the past, neither is sufficient to make Commissioner Reid an agent of the Senator.

Simply being the son of the Senator is not sufficient to make him an agent of the campaign. An agency relationship must be accompanied by actual authority to conduct the fundraising activity on behalf of the campaign.

Likewise, previous fundraising activity on behalf of the Senator would not make Commissioner Reid an agent of the Senator's campaign. The definition of an agent is limited to when the person is acting pursuant to the actual authority of the federal candidate or officeholder. 11 CFR 300.2(b). If Commissioner Reid does not have actual authority to act on behalf of Senator Reid when soliciting nonfederal funds for the state party, then previous fundraising activity is not, in itself, sufficient to prohibit the Commis-

² The solicitation must also meet the requirements for any solicitation on behalf of an SSF, described at 11 CFR part 114.

³ The Commission noted that its analysis and opinions turned on the conduct of the federal candidate or officeholder and would not be affected by any advice or instruction that NAHB planned to give the candidate or officeholder.

sioner from raising nonfederal funds.

Relevance of Contemporaneous Activity

Commissioner Reid may also raise nonfederal funds for the state party even if he is an agent of the Senator's federal campaign at other times. The Senator may at times grant Commissioner Reid actual authority on behalf of his campaign to conduct fundraising. So long as the Commissioner's fundraising for the state party is not done on the authority of the Senator, then it is permissible under federal law. 67 FR 49083.

Date Issued June 16, 2003; Length: 6 pages.♦

—Phillip Deen

AO 2003-13

Qualification of "Membersin-Training" as Members of an Incorporated Membership Organization

ORTHPAC, the separate segregated fund (SSF) of an incorporated membership organization, may solicit its "Members-in-Training." Members-in-Training qualify as members of the organization because they can be sanctioned by ORTHPAC and the overwhelming majority of Members-in-Training eventually become "Members" of the organization.

Background

ORTHPAC is the SSF of the American Academy of Ophthalmology (AAO), an incorporated membership organization. AAO has many different levels of membership, one of which is "Members-in-Training." According to the bylaws of the AAO, Members-in-Training must hold a degree of Doctor of Medicine or Doctor of Osteopathy (or an equivalent degree) and must satisfy other requirements. As with all membership categories, Members-in-Training affirmatively accept an invitation to join the

organization. Members-in-Training do not pay dues or have any voting rights under the bylaws, but they are subject to the AAO's Code of Ethics and may be sanctioned by the organization.

According to the AAO, 80 percent of all ophthalmology residents are Members-in-Training. Upon successful completion of the residency program, a Member-in-Training is invited to become an Active Member/Fellow of the Academy, and 93 percent of all ophthalmologists in the U.S. are AAO members.

Regulations

Under the Federal Election Campaign Act (the Act), a corporation, or a separate segregated fund established by a corporation, may only solicit contributions from its restricted class. 2 U.S.C. §441(b)(4)(A). In the case of incorporated membership organizations, the restricted class includes the executive and administrative staff of the organization, members and the families of those two groups. Commission regulations define "member" to include all persons:

- 1. Satisfying the requirements for membership in an organization;
- Affirmatively accepting an invitation to join the organization; and
- 3. Meeting one of the following criteria:
 - Having some significant financial attachment to the organization, such as a significant investment or ownership stake; or
 - Paying membership dues at least annually; or
 - Having a significant organizational attachment to the membership organization that includes affirmation of membership on at least an annual basis and direct participatory rights in the governance of the organization.

11 CFR 114.1(e)(2).

Analysis

AAO Members-in-Training satisfy the first two criteria for membership set forth in Commission regulations: they meet certain professional requirements for membership and affirmatively accept the invitation to join the organization. They do not, however, have any participatory rights in the governance of the organization, pay dues or have any significant financial attachment to AAO. Therefore, Members-in-Training do not fully satisfy the specific membership standards in the Commission's regulations. However, the regulations allow the Commission to decide on a case-by-case basis whether or not persons who do not meet the specific requirements for membership may nonetheless be treated as members because they have a relatively enduring and independently significant financial or organizational attachment to the organization. 11 CFR 100.134(g) and 114.1(e)(3).

The Commission regulations regarding membership were derived from the Circuit Court decision in Chamber of Commerce v. FEC. In that case, the court noted that being subject to sanction by an organization might be considered "the most significant organizational attachment." 69 F.3d at 605. Moreover, the statistics show that a vast majority of Members-in-Training become full members, which indicates an enduring relationship. Given that Members-in-Training are subject to sanction by AAO, and given that an overwhelming majority of Members-in-Training become full members, the Commission determined that Members-in-Training qualify as members under the Act. As such, they may be solicited by ORTHPAC.

Date issued: June 2, 2003; Length: 8 pages.◆

—Gary Mullen

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Advisory Opinions

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AO 2003-14

Distribution of Apron Pins Bearing PAC Name

Home Depot, Inc.'s political action committee, The Home Depot Better Government Committee (Home Depot PAC), may distribute to PAC contributors apron pins with the Home Depot logo and the word "PAC." Given the design of the pins, their small size and nominal value and the limited manner in which they are likely to be displayed by recipients, the pins do not by themselves encourage or facilitate the making of a contribution and thus do not constitute a solicitation for the PAC. Home Depot PAC may also send a letter accompanying the pin thanking the recipient for his or her contribution.

Background

Under the Federal Election Campaign Act (the Act), a corporation or its PAC may solicit contributions to the PAC from the corporation's restricted class, which consists of the corporation's executive and administrative personnel, its stockholders and their families. Such a solicitation would include, beyond a straightforward request for funds, encouraging support for the PAC or facilitating contributions to it. 2 U.S.C. §441b(b)(4); 11 CFR 114.1(c) and 114.5(g). Solicitations beyond the restricted class are generally prohibited.

Home Depot PAC intends to distribute apron pins to members of its restricted class as a token of appreciation for making a contribution to the PAC. The pin is about one and one-half inches long and depicts the dome of the U.S. Capitol atop the Home Depot logo with the word "PAC" underneath the logo. Each pin is worth less than 50 cents. Home Depot distributes numerous apron pins to its employees for various purposes, and the PAC pin would be similar in size to these

pins. The pins would be sent to the recipients at their homes along with a note thanking them for their contribution. Neither Home Depot nor its PAC would have further communication with the recipients regarding the apron pin.

Every Home Depot employee receives and orange shop apron, but only store employees are required to wear them on a daily basis. Home Depot PAC estimates that only six percent of the pins will be distributed to store employees. The overwhelming majority of recipients only wear their aprons for ceremonial purposes at quarterly corporate meetings. Therefore, approximately 94 percent of the pins would be worn only for ceremonial purposes before members of the restricted class, if at all. Given Home Depot's long tradition of issuing apron pins and their customary display, it is unlikely that recipients would wear the pins other than on their shop aprons. Home Depot and the Home Depot PAC would not encourage or discourage recipients from wearing the apron pin.

Analysis

In past advisory opinions the Commission determined that a communication regarding PAC activity is not a solicitation as long as the information provided neither encourages readers to support the PAC nor facilitates contributions to the PAC.¹ AOs 2000-7, 1991-3,

¹ However, a magazine article that described the process for an employee to establish automatic monthly deductions to the PAC, provided a telephone number to call for more information and included several positive references to the convenience of using the automatic deduction system would be a solicitation. AO 1999-6. Likewise, a solicitation would result from a corporate newsletter's description of PAC fundraising activities that quoted the fund's chairman as commending the enthusiasm of employees who participated. AO 1979-13.

1988-2, 1983-38, 1982-65, 1980-65 and 1979-66. In one instance, the Commission found that a trade association posting of PAC reports "without comment or embellishment" on an access-restricted bulletin board was a "passive conduit of information" that did not constitute a solicitation because it did not encourage support of the PAC or facilitate contributions. AO 1988-2.

In this case, the PAC apron pin by itself does not encourage or facilitate the making of a contribution. The PAC apron pins would do little more than convey information that might generate an inquiry, given that:

- The PAC apron pins consist of the Home Depot logo with the Capitol Dome and the word "PAC";
- The PAC apron pins are of nominal value;
- Home Depot has a tradition of distributing apron pins;
- The PAC pin is unlikely to be conspicuous among the other pins worn; and
- The pins will only have limited exposure to people outside or inside the restricted class.

As long as Home Depot and Home Depot PAC do not monitor the display of PAC pins or otherwise violate the Act's restrictions against coercion, the distribution of the PAC apron pins for display on the shop aprons of members of the restricted class is permissible and does not constitute a solicitation for contributions to the Home Depot PAC under 2 U.S.C. §441b. See also 2 U.S.C. §441b(b)(3) and 11 CFR 114.5(a).

In addition, the Home Depot PAC may send a letter when distributing the pins explaining that the pin is a token of appreciation for PAC contributions. The letter will only be sent to members of the restricted class who have already contributed to the PAC. Under the Act, corporations and their PACs are generally

permitted to solicit and otherwise communicate with members of the restricted class. 2 U.S.C. §441b(b)(2)(A).

Date Issued: June 20, 2003; Length: 4 pages.

—Amy Kort

Advisory Opinion Request

AOR 2003-19

Permissibility of national party committee's sale of old office equipment and furniture in arm's length transactions under the Bipartisan Campaign Reform Act of 2002 (Democratic Congressional Campaign Committee, Inc., June 27, 2003)

Information

IRS Launches New Political Organization Filing and Disclosure Web Site

On July 1, 2003, the Internal Revenue Service launched the new Political Organization Filing and Disclosure web site at www.irs.gov/polorgs (IRS Keyword: political orgs). The new web site makes it easier for political organizations to electronically file required documents and greatly improves the public's access to them. The web site was developed to reflect changes in the filing requirements for section 527 political organizations required by Public Law 107-276 (November 2002).

While political committees filing with the FEC are not required to file IRS Form 8871, Political Organization Notice of Section 527 Status, and Form 8872, Political Organization Report of Contributions and Expenditures, readers of the FEC Record may represent organizations that have an IRS filing requirement or may be interested in searching notices and reports filed with the IRS by political organizations.

The new web site, which is more user friendly and simpler to navigate, contains two major components: the Political Organization Filing Center and the Political Organization Disclosure Page.

The features of the Political Organization Filing Center include:

- Electronic filing of Form 8871;
- Electronic filing of Form 8872;
- Immediate electronic acknowledgment of filing;
- On-screen help;
- The ability to accept data uploads from financial software;
- The ability to save data for viewing, completion and submission at a later time; and
- The ability to view and print submitted forms.

The Political Organization Disclosure page offers an improved tool to support public disclosure of political activity, allowing for a better informed public. The Political Organization Disclosure page can be used to search paper and electronic filings of Forms 8871 and Forms 8872, as well as paper filings of Form 990, Return of Organizations Exempt from Income Tax, filed by political organizations. Searches of paper filings and previously filed data are limited, but the system alerts the user to the boundaries of any search and gives tips on how to achieve the best results. However, from this point forward, the new web site will capture all of the information electronically filed by political organizations, thus significantly expanding the range and amount of searchable information.

Users can conduct three different types of searches:

- The *Basic Search* locates information about political organization by name, the date the report was received or by the EIN (Employer Identification Number).
- The *Advanced Search* has the ability to go beyond the Basic Search by locating a political organization that filed electroni-

- cally by all fields, such as name of the organization's contact person, the amount of a contribution or the name of a contributor.
- The *Popular Search* provides easy access to routine information. A user simply chooses one of the predefined searches, such as a listing of all organizations that filed any Form 8871 on the previous day, persons making yearly contributions in excess of an amount the user determines or persons receiving payment in excess of an amount the user determines.

In addition to the search capabilities, a user can download the entire database of electronically submitted Forms 8871 and Forms 8872.

Users can locate the new Political Organization Filing and Disclosure web site by entering the IRS Keyword "political orgs" from the main page of the IRS web site (www.irs.gov) or by typing in the direct web site address of www.irs.gov/polorgs.

More information is available via the:

- IRS web site: www.irs.gov;
- Political Organization Filing and Disclosure web site (includes information on filing requirements): www.irs.gov/polorgs (IRS Keyword: political orgs)
- IRS toll free number: 1-877-829-5500. Staff at this number answer questions about tax law filing requirements for political organizations and are available from 8:00 a.m. to 6:30 p.m., Eastern time, Monday through Friday.

—Submitted by the Internal Revenue Service

Statistics

House and Senate Candidates Spent \$936 Million on 2002 Campaigns

During 2001-2002, House and Senate candidates spent a total of \$936.4 million on their campaigns. The 2,097 candidates who participated in Congressional primary and general election campaigns raised a total of \$969.5 million dollars during those two years, 7 percent below the record financial activity in the Congressional campaigns of the 2000 elections.

An unusual set of campaigns in large states during 2000 led to extraordinary spending in that campaign, and all of the decline in Congressional campaign activity for

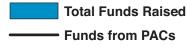
the 2002 elections was found among Senate races. During 2001-2002, Senate candidates raised \$326.1 million and spent \$322.4 million, about 25 percent below 2000 levels. House candidates, by contrast, increased their financial activity during 2001-2002, raising \$643.3 million (5 percent above 2000 totals) while spending \$613.9 million (up 7 percent from the previous election).

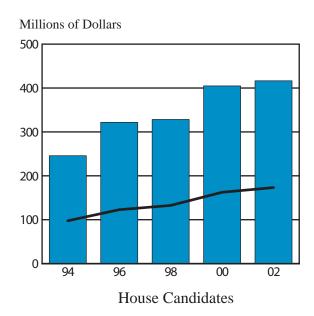
Contributions from individuals totaled \$536.8 million, which, at 55 percent of total receipts, represent the largest source of funds for both House and Senate candidates. Contributions from PACs totaled \$274.3 million, or 28 percent of receipts. Candidates themselves provided \$110.2 million, which represented 11.4 percent of all funding.

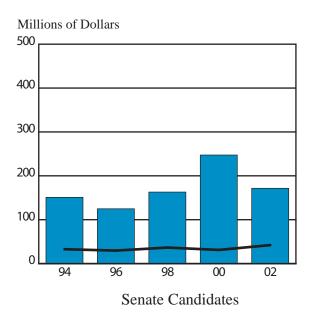
Senate campaigns took in 66 percent of their receipts from individual contributors, while House campaigns took in 50 percent of their receipts from individuals.

PACs, on the other hand, contributed a larger percentage of receipts for House candidates than for Senate candidates, 33 percent as compared to 18 percent. Nevertheless, PAC contributions were the only major source of receipts that increased in Senate campaigns between 2000 and 2002, growing by nearly 16 percent to \$60.2 million. PACs gave House campaigns \$214.1 million, 11 percent more than in 2000. The charts below show the funds raised by winning House and Senate candidates in the past five election cycle, along with the percentage of these funds contributed by PACs.

Total Funds Raised and Funds from PACs for Winning House and Senate Candidates—1994-2002¹







¹ Note that the totals are higher for House candidates than for Senate candidates because of the substantially higher number of House races in each election cycle.

Additional Information

A June 18, 2003, news release provides additional information—including overall summaries of Congressional campaigns based on political party affiliation and candidate status, comparable statistics for seven campaigns cycles and "top 50" rankings of candidates in various categories. The news release is available:

- On the FEC web site at www.fec.gov/news.html;
- From the Public Records office (800/424-9530, press 3) and the Press Office (800/424-9530, press 5); and
- By fax (call the FEC Faxline at 202/501-3413 and request document 615).◆

—Amy Kort

Administrative Fines

Committees Fined for Nonfiled and Late Reports

The Commission recently publicized its final action on 15 new Administrative Fine cases, bringing the total number of cases released to the public to 605, with \$840,966 in fines collected.

Civil money penalties for late reports are determined by the number of days the report was late, the amount of financial activity involved and any prior penalties for violations under the administrative fines regulations. Penalties for late reports—and for reports filed so late as to be considered nonfiled—are also determined by the financial activity for the reporting period and any prior violations. Election sensitive reports, which include reports and notices filed prior to an election (i.e., 12 day pre-election, October quarterly and October monthly reports), receive higher penalties. Penalties for 48-hour notices that are filed late or not at all

Committees Fined and Penalties Assessed

1. Bob Condon for Congress Committee		\$521
2. Briggs for Congress		\$900 ^{2,3}
3. City PAC	April Quarterly 2002	\$900
4. City PAC	July Quarterly 2002	\$550
5. Cohen & Grigsby PAC		\$350
6. Hudson Valley PAC		\$1,350
7. Keyes 2000, Inc.		$$900^{2}$
8. Maximus Inc., PAC (MAXPAC)		\$650
9. Montana for Johnson	July Quarterly 2002	\$9001,2
10. Montana for Johnson	12 Day Pre-Primary 2002	$$2,000^{2}$
11. Political Action Council of Educators		
(United Teachers—Los Angeles)		\$343
12. Raczkowski for Senate		\$4,200
13. Salt PAC		$$3,500^{2}$
14. Skorski for Congress		4
15. Voters for Choice/Friends of Family Planning		\$2,550

¹This penalty was reduced due to the level of activity on the report.

³The committee filed a paper copy of report but was required to file electronically.

⁴The Commission took no further action in this case.

are determined by the amount of the contribution(s) not timely reported and any prior violations.

The committees and the treasurers are assessed civil money penalties when the Commission makes its final determination. Unpaid civil money penalties are referred to the Department of the Treasury for collection.

The committees listed in the chart above, along with their treasurers, were assessed civil money penalties under the administrative fines regulations.

Closed Administrative Fine case files are available through the FEC Press Office, at 800/424-9530 (press 2), and the Public Records Office, at 800/424-9530 (press 3).◆

—Amy Kort

Alternative Dispute Resolution

ADR Program Update

The Commission recently resolved four additional cases under the Alternative Dispute Resolution (ADR) program. The respondents, the alleged violations of the Federal Election Campaign Act (the Act) and the penalties assessed are listed below.

1. The Commission reached agreement with the Bexar County Democratic Party and its treasurer Art A. Hall concerning the committee's failure to continuously disclose debt and its misreporting of cash-on-hand. The respondents

(continued on page 12)

²This penalty has not been collected.

PACronyms, Other PAC Publications Available

The Commission annually publishes *PACronyms*, 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.

The 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 (press 3) or 202/694-1120. *PACronyms* also is available on diskette for \$1 and can be accessed free at www.fec.gov/pages/pacronym.htm.

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 PAC's name and 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.

Alternative Dispute Resolution

(continued from page 11)

agreed to work with staff from the Reports Analysis Division to file amended reports as required. The committee will also appoint a staff person to serve as compliance officer and have that individual develop a manual on reporting requirements. (ADR 079)

- 2. The Commission reached agreement with Transcore Holding. Inc., concerning its failure to register and report with the Commission and making excessive contributions, corporate contributions and contributions in the name of another. The respondent agreed to pay a \$1,500 civil penalty and to adopt and distribute to appropriate personnel a corporate policy advising officers and directors that they are prohibited from consenting to any corporate contribution or expenditure to influence an election. The respondent will also send a representative to an FEC-sponsored conference within the next year. (ADR 080; Pre-MUR 407)
- 3. The Commission reached agreement with the Ashcroft 2000 Committee and its treasurer Garret Lott concerning the committee's failure to continuously report a disputed debt. The respondents agreed to pay a \$1,000 civil penalty and to file amended reports to reflect the disputed debt, which they will continue to report until the debt is resolved. (ADR 091; MUR 5298)
- 4. The Commission dismissed the matter concerning 21st Century Democrats, formerly registered as "Democrats 2000," and its treasurer Michael Lux. The ADR Office concluded that allegations regarding excessive contributions and the respondents' failure to register with the Commission were unsubstantiated. (ADR 092; MUR 5308)◆

—Amy Kort

Election Administration

Commission Submits NVRA Report to Congress

On June 30, 2003, the Commission approved the Office of Election Administration's report to Congress documenting the impact of the National Voter Registration Act of 1993 (NVRA) during the 2001-2002 election cycle, and making recommendations for improvements in election administration.

The report found overall that there are 147,843,598 individuals currently registered to vote in the 44 states covered by the Act and the District of Columbia. According to the study, during the 2001-2002 election cycle:²

- Nationwide, 37,473,694 registration applications or transactions were processed. Over half—19,703,912—were new registrations (i.e., registrations new to the local jurisdiction, as either first-time registrants or registrations across jurisdictional lines).
- Voter registration applications received through motor vehicle offices during 2001-2002 yielded the highest volume of applications ever reported by a single registration method mandated by the NVRA, accounting for 42.77 percent of the total number of registration applications received in the U.S.
- Mail registration programs accounted for 27.64 percent of the

¹ Six states are exempt from the provisions of the NVRA: Idaho, New Hampshire, North Dakota, Minnesota, Wisconsin and Wyoming.

² These figures do not include registrations in most of November and all of December of 2002. Registration activity is generally higher in election cycles with Presidential campaigns.

- total number of applications received during the reporting period.
- The states reported that 8.74 percent of registration applications were duplicate requests for registration by successfully registered voters. The remaining 38.68 percent of the transactions were primarily changes of names and addresses. A total of 15,009,935 names were deleted from the registration lists under the NVRA's list verification procedures, while another 20,596,513 registrants were declared "inactive."

The NVRA also requires the Commission and the Office of Election Administration to make recommendations for the administration of elections under the NVRA. The Help America Vote Act of 2002 incorporated, in whole or in part, three of the Commission's previous recommendations.³ In the current report to Congress, the Commission reiterated its recommendations that:

- The U.S. Postal Service create a new class of mail for "official election material," provided at the most reduced rates possible for the first class treatment of this mail, and provide space in their postal lobbies free of charge to state and local election officials for voter registration material; and
- States develop and implement an on-going, periodic training program for relevant motor vehicle and agency personnel regarding their duties and responsibilities under the NVRA as implemented by the state's law.

The full NVRA report to Congress is available on the FEC web

³ The Help America Vote Act transfers the responsibility for this report to the U.S. Election Assistance Commission. The transfer will take effect once the new commission is established. site at http://www.fec.gov/pages/nvrareport2002/ nvrareport2002.pdf.

-Amy Kort

Public Funding

Democratic and Republican Parties Certified for Convention Funding

The Democratic and Republican convention committees will each receive \$14,592,000 from the U.S. Treasury for planning and conducting their respective 2004 Presidential nominating conventions. On June 27, 2003, the Commission certified that the parties' convention committees have met all eligibility requirements for public funding. 26 U.S.C. \$9008(g) and 11 CFR 9008.3(a)(3) and (4).

The Presidential Election Campaign Fund Act permits all eligible national committees of major and minor parties to receive public funds to pay the official costs of their Presidential nominating conventions. Each major party convention committee is entitled to receive \$4 million, plus an adjustment for inflation (since 1974). 26 U.S.C. §9008(b)(1) and 11 CFR 9008.4(a). Initial payments are made by the U.S. Treasury on or after July 1 of the year preceding the Presidential election. Payments for an additional cost-of-living adjustment will be made in 2004. In exchange for public funding of the conventions, committees agree to certain requirements, including spending limits, the filing of periodic disclosure reports and detailed audits by the Commission.

¹ Originally, the limit was \$2 million, plus COLA. That figure was increased to \$3 million, plus COLA, for the 1980 conventions and to \$4 million, plus COLA, for the 1984 conventions.

The public funding portion of Presidential elections is financed by the Presidential Election Campaign Fund, which receives funds through dollars voluntarily "checked off" by taxpayers on federal income tax forms. The major parties received \$13, 512,000 for the 2000 conventions and \$12, 364,000 for 1996.

The 2004 Democratic National Convention Committee, Inc., will hold its convention in Boston, MA, July 26-29, 2004. The Committee on Arrangements for the 2004 Republican National Convention will have its convention in New York, NY, August 30 through September 2, 2004.

—Amy Kort

Commission Certifies Dean for Primary Matching Payments

On July 3, 2003, the Commission certified that Howard Dean's Presidential primary committee, Howard Dean/Dean for America, is eligible to receive Presidential primary matching payments. 26 U.S.C. §9033(a) and (b); 11 CFR 9033.1 and 9033.3.

Under the Presidential Primary Matching Payment Account Act, the federal government will match up to \$250 of an individual's total contributions to an eligible Presidential primary candidate. A candidate must establish eligibility to receive matching payments by raising in excess of \$5,000 in each of at least 20 states (i.e., over \$100,000). Although an individual may contribute up to \$2,000 to a primary candidate, only a maximum of \$250 per individual applies toward the \$5,000 threshold in each state. Candidates who receive matching payments must agree to limit their spending and submit to an audit by the Commission.

(continued on page 14)

Public Funding

(continued from page 13)

No payments may be made from the Matching Payment Account before January 1 of the Presidential election year. In December 2003, the Secretary of the Treasury will certify eligible candidates' full entitlements based on a review of the matching payment submissions through December 1, 2003.◆

—Amy Kort

Publications

Updated Brochures Available

The Commission has revised its brochures on "Contributions," "Foreign Nationals" and "Special Notices on Political Ads and Solicitations" to reflect changes to the federal campaign finance law made by the Bipartisan Campaign Reform Act of 2002 (BCRA). The updated brochures are available on the Commission's web site at http://www.fec.gov/brochures.html.

Given that the upcoming Supreme Court decision in McConnell et al. v. FEC et al. may affect portions of the BCRA, the Commission does not intend to print copies of these brochures or other forthcoming publications for mass distribution. Instead, the publications will be available on the FEC web site. A limited number of printed copies will also be available for those without Internet access. To request a printed copy, call the Information Division at 800/424-9530 (press 1, then 3) or 202/694-1100.

—Amy Kort

Outreach

Conferences in Chicago and San Diego

In September and October the Commission will hold conferences for House and Senate campaigns, political party committees and corporations, labor organizations, trade associations, membership organizations and their respective PACs. The conferences will consist of a series of workshops conducted by Commissioners and experienced FEC staff who will explain how the federal campaign finance law, as amended by the Bipartisan Campaign Reform Act of 2002 (BCRA), applies to each of these groups. Workshops will specifically address rules for fundraising and reporting, and will explain the new provisions of the BCRA. A representative from the IRS will also be available to answer election-related tax questions.

Conference in Chicago

The Commission will hold a conference in Chicago, IL, September 9-10, 2003, at the Millennium Knickerbocker Hotel. The registration fee for this conference is \$385, which covers the cost of the conference, materials and meals. A \$10 late fee will be assessed for registration forms received after August 18.

The Millennium Knickerbocker Hotel is located at 163 E. Walton Place. A room rate of \$169 per night is available to conference attendees who make room reservations on or before August 18 and identify themselves as attending the FEC conference. Call 800/621-8140 or 312/751-8100 to make reservations, or access the Millennium Knickerbocker's reservations web page via the FEC web site at http://www.fec.gov/pages/infosyc.htm#Conferences.

Conference in San Diego

The FEC will hold a conference in San Diego, CA, October 28-29,

2003, at the Hyatt Regency Islandia. The registration fee is \$385, which covers the cost of the conference, materials and meals. A \$10 late fee will be assessed for registration forms received after October 6.

The Hyatt Regency Islandia is located at 1441 Quivira Road. A room rate of \$159 per night is available for conference attendees who make reservations on or before October 6. To make reservations call 800/233-1234 and state that you are attending the FEC conference, or access the Hyatt Regency Islandia's reservations web page via the FEC web site at http://www.fec.gov/pages/infosvc.htm#Conferences.

Registration Information

Conference registration information is available online. Conference registrations will be accepted on a first-come, first-served basis. Attendance is limited to two attendees per organization. FEC conferences are selling out quickly this year, so please register early. For registration information:

- Call Sylvester Management Corporation at 800/246-7277;
- Visit the FEC web site at http://www.fec.gov/pages/
 infosvc.htm#Conferences; or
- Send an e-mail to lauren@sylvestermanagement.com. —Amy Kort

FEC to Hold State Outreach Training

FEC staff will visit Austin, TX, Denver, CO, and Nashville, TN, in early August to hold free training sessions for federal candidates, party committees and PACs. Information on these sessions is available on the FEC web site at http://www.fec.gov/pages/infosvc.htm#Conferences. To register, call 800/434-9530 (press 1, then 3) or send an e-mail to info@fec.gov.

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BCRA on the FEC's Web Site

The Commission has added a new section to its web site (www.fec.gov) devoted to the Bipartisan Campaign Reform Act of 2002 (BCRA).

The page provides links to:

- The Federal Election Campaign Act, as amended by the BCRA;
- Summaries of major BCRArelated changes to the federal campaign finance law;
- Summaries of current litigation involving challenges to the new law:
- Federal Register notices announcing new and revised Commission regulations that implement the BCRA;
- BCRA-related advisory opinions; and
- Information on educational outreach offered by the Commission, including upcoming Roundtable sessions and the Commission's 2003 conference schedule.

The section also allows individuals to view the Commission's calendar for rulemakings, including dates for the Notices of Proposed Rulemaking, public hearings, final rules and effective dates for regulations concerning:

- Soft money;
- Electioneering Communications;
- Contribution Limitations and Prohibitions;
- Coordinated and Independent Expenditures;
- The Millionaires' Amendment;
- Consolidated Reporting rules;
- Other provisions of the BCRA.

 The BCRA section of the web site will be continuously updated.

 Visit www.fec.gov and click on the BCRA icon.

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