

PARTY OPERATIONS

PART 3: PAYING COMMITTEE EXPENSES



August 21, 2013
9:15 a.m. – 10:45 a.m.
Tab #5

Objectives

- ▣ Manage allocation accounts and review proper payment sequence
- ▣ Review Expenses Allocable Between
 - Federal Funds & Nonfederal Funds
 - Federal Funds and Levin Funds
- ▣ Discuss Allocation Methods
 - Fixed Percentage
 - Funds Received
- ▣ Joint Fundraising

Party Committee Accounts

- ▣ Federal account:
 - Used to support federal candidates
 - Activity disclosed to FEC
- ▣ Nonfederal account
 - Used to support state and local candidates
 - Activity disclosed to state election office
- ▣ Levin account (optional)
 - Used to pay a portion of allocable FEA
 - Activity disclosed to FEC

Paying Bills

Two Types of Bills:

- ▣ 100% Federal
 - No allocation permitted
- ▣ Allocable
 - Payment split between:
 - ▣ Federal/nonfederal funds OR
 - ▣ Federal/Levin funds
 - Follow FEC allocation sequence to pay bill

I. Paying the Bills – (Guide, pp. 95-98)

A. Bills Paid in Two Ways

1. **Some Items May be Paid Using 100% Federal Funds**
2. **Other Items May be Paid Using Mix of Federal/Nonfederal or Federal/Levin Funds (i.e., Allocable)**

Bank Accounts

- **Option 1: Use Federal Account**
 - Pay allocable bill from federal account
 - Transfer in appropriate amount of nonfederal or Levin to cover share of each allocated expense

- **Option 2: Establish Allocation Account**
 - Pay all allocable expenses from allocation account
 - Transfer in appropriate amount of nonfederal or Levin to cover share of each allocated expense
 - “Zero balance” account

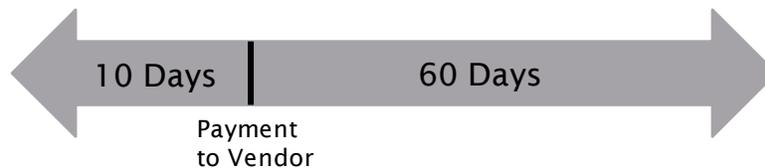
B. Paying for Allocable Expenses (by State, District and Local Party Committees or Unregistered Organizations)

1. **Option 1: Use Federal Account**

Pay total bill from federal account; transfer funds from nonfederal account or Levin funds to federal account to cover nonfederal or Levin share of each allocated expense.
2. **Option 2: Establish Separate Allocation Account**
 - a) Transfer funds from federal and nonfederal accounts to allocation account in amounts equal to federal and nonfederal or Levin shares of each allocable expense.
 - b) Allocation accounts are “zero balance” accounts, which contain only those funds transferred-in for the purpose of paying allocable expenses.
 - c) Do not transfer funds from allocation account to any other account of same committee, and do not make disbursements for any purpose other than payment of allocable expenses.
 - d) Pay all allocable expenses from allocation account for as long as the account is maintained.
 - e) Allocation account is considered a federal account subject to all reporting requirements, but should not be registered and reported separately.

Payment-Transfer Sequence

- ▣ Federal or Allocation account pays total bill
- ▣ Nonfederal/Levin Account transfers its share within a 70-Day window
 - Window opens 10 days before bill is paid
 - Closes 60 days after bill is paid



3. Payment Sequence

a) Transfers of Nonfederal or Levin funds to Federal or Allocation Account

For each payment to the vendor, the committee must transfer funds from the nonfederal account or Levin funds in an amount equal to, or less than, the nonfederal or Levin share of the expense.

b) 70-Day Window for Transfers

- 1) Transfers from the nonfederal account or Levin funds must be made within a 70-day time period: no more than 10 days before or 60 after the payment to the vendor.
- 2) One transfer may cover the nonfederal portion of several shared expenditures, provided the transfer occurs within the 70-day window applicable to all the expenditures covered.

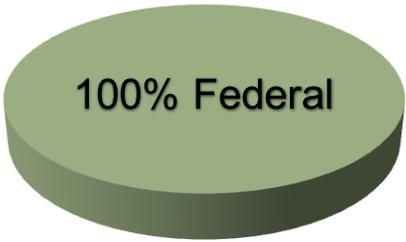
c) Avoid Contribution/Loan

Any transfer that does not meet the requirements for timing is presumed to be a loan or contribution from nonfederal or Levin to federal account, *in violation of the Act*.

d) May Pay More than Federal Share with Federal Account

Party has the option to pay 100% of a shared activity, without reimbursement from the nonfederal account or Levin funds.

Non-Allocable Expenses



100% Federal

- ▣ All payments by national
- ▣ Fundraising for the federal account
- ▣ Exempt activity refers to only federal candidates
- ▣ Type 1 & Type 2 FEA refers to federal candidates
- ▣ Type 3 & Type 4 FEA

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

II. Allocable or Not? – (Guide, pp. 95-96)

A. Expenses That Are 100% Federal

1. ALL Expenses by National Party Committees

National party committees, under the Act, must use 100% federal funds for all expenses and may not raise nonfederal or Levin funds.

11 CFR 106.7(a) and 300.10(a).

2. Certain Expenses by State, District and Local Party Committees

The following expenses are not allocable and must be paid 100% from the party committee's federal funds:

a) Fundraising for Federal Account

Party committees that conduct fundraising activities, programs or events where only federal funds are raised must pay the direct costs of such fundraisers only with federal funds.

11 CFR 300.32(a)(3).

b) Party exempt activities that refer only to one or more candidates for federal office and do not list a candidate for nonfederal office.

11 CFR 106.7(e)(1). Example: A slate card/sample ballot that lists only candidates for federal office and no candidates for nonfederal office.

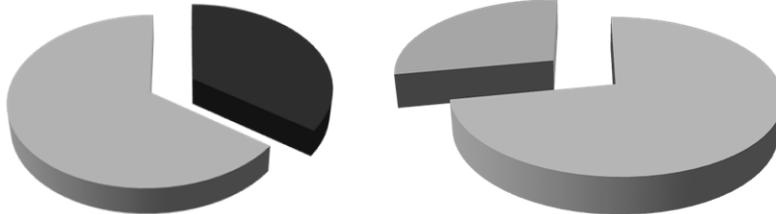
c) Type 1 and Type 2 FEA activities that refer to federal candidates.

11 CFR 300.33(a)(1) and (2). FEA voter registration, voter identification, GOTV and generic campaign activity if the activity references a clearly-identified federal candidate.

- d) **Type 3 FEA Public Communications that PASO**
Payments for public communications that refer to a clearly-identified federal candidate and that promote, support, attack or oppose any federal candidate (regardless of whether a nonfederal candidate is mentioned). 11 CFR 300.33(c)(1).
- e) **Type 4 FEA: Salaries and Wages**
Salaries and wages (including benefits) of employees who spend more than 25% percent of their compensated time per month on activities in connection with federal elections, including FEA. 11 CFR 106.7(d) and (e)(2).

Allocable Expenses

- ▣ Expenses That Are Allocable:
 - ✓ Federal & Nonfederal funds
 - ✓ Federal & Levin funds



Federal + Nonfederal

- ☐ Administrative Expenses
 - Rent
 - Utilities
 - Staff salaries (≤25%)
- ☐ Non-FEA “Exempt Activities”
 - Slate cards
 - Campaign materials
 - Presidential GOTV and voter registration drives
- ☐ Non-FEA Generic Voter Drives
- ☐ Fundraising Costs



Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

- B. Expenses Allocable between Federal and Nonfederal Accounts**
– (11 CFR 106.7(c))
- 1. Administrative Expenses** – (11 CFR 106.7(c)(1) and (2))
 - a) Rent
 - b) Utilities, equipment and office supplies
 - c) Salaries and benefits for certain employees
 - 1) Salaries and wages (including benefits) for employees who spend 25 % or less of their compensated time in a given month on activity in connection with federal elections (including FEA) must be allocated between federal/nonfederal account as an administrative expense. (Previously could be paid 100% nonfederal.)
 - 2) Employees who spend none of their time on FEA or on activity in connection with a federal election in a given month may be paid 100% nonfederal.
 - 2. Party Exempt Activity Conducted in Conjunction with Nonfederal Activity** – (11 CFR 106.7(c)(3))

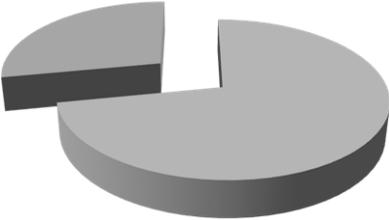
Examples: Slate cards mentioning federal and nonfederal candidates distributed by volunteers (*Note: If exempt activity is also FEA, must be paid for as FEA, not as exempt activity.*) See Party Operations Part 2 (Tab 4) for discussion on Exempt Party Activity.

3. **Costs of Generic Voter Drives – (11 CFR 106.7(c)(5))**
Examples: Expenses for voter identification, voter registration and GOTV drives and any other activities that urge the general public to register or vote, or that promote or oppose a political party, without promoting or opposing a candidate or nonfederal candidate, and that do not qualify as FEA or party exempt activity. 11 CFR 106.6(b)(1)(iii).
(Note: If activity is also FEA, must be paid for as FEA.)
4. **Direct Costs of Federal/Nonfederal Fundraising Events or Programs – (11 CFR 106.7(c)(4))**
Example: Direct costs of event or program, including disbursements for solicitation of funds and planning and administration of actual fundraising events where federal and nonfederal Funds are raised at the same time.

Federal & Levin

Provided no federal candidates named:

- ▣ Type 1 FEA
 - Voter registration 120 days before election
- ▣ Type 2 FEA
 - Voter ID
 - GOTV
 - Generic Campaign Activity
 - ▣ In connection with an election in which a federal candidate appears on the ballot



Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

- C. **Expenses Allocable Between Federal and Levin Funds – (Guide, pp. 110-11)**
 1. **Type 1 FEA**
Voter registration 120 days before election.
 2. **Type 2 FEA**
Voter identification, generic campaign activity and get-out-the-vote activity that does NOT refer to a clearly-identified federal candidate.

III. Allocation Methods (*Guide*, pp. 96-97)

Allocation Methods

▣ **Fixed Percentage Method**

▣ **Funds Received Method**



Method: Fixed Percentage

▣ **Use When Paying:**

- Admin. Expenses
- Exempt Activity
- Non-FEA Voter Drives
- FEA



▣ **Percentage:**

- Presence of a Senate or Presidential candidate on the ballot in next general election
 - ▣ House candidates not a factor
- Percentage used for entire two-year cycle

- A. Fixed Percentage Method**
- 1. Use Fixed Percentage to Allocate**
 - **Administrative Expenses**
 - **Exempt Activity**
 - **Generic Voter Drives**
 - **Federal Election Activity**

Method: Fixed Percentage

Candidates on the Ballot	Federal Share
▪ If both President and Senate on ballot	36%
▪ If President but no Senate on ballot	28%
▪ If Senate but no President on ballot	21%
▪ Neither President nor Senate on ballot	15%

- 2. General Election Ballot**

Percentage of federal funds is determined by presence or absence of a Senate and/or Presidential candidate on the ballot in the next regularly scheduled federal general election. 11 CFR 300.33(b)

 - a) 36% - Both President and Senate
 - b) 28% - President but no Senate
 - c) 21% - Senate but no President
 - d) 15% - Neither President nor Senate
- 3. Two-Year Cycle**

Apply fixed percentage to expenses incurred during two-year period (example 1/1/13 – 12/31/14).

Scenario #1

Using Fixed Percentage: Reporting Allocated Administrative Expenses

Reporting Scenario #1: Reporting Allocated Administrative Expenses

Background: Your records show that the Freedom Party committee's rent is \$5,000 per month. The federal account paid the building owner, Liz Lemon, on May 1, 2014.

1. **How do party committees pay their shared administrative expenses?**

Reporting Scenario #1 Answers:

1. How do party committees pay their shared administrative expenses?

Answer: They allocate between their federal and state (nonfederal) accounts, using the fixed percentage method. New York's fixed percentage ratio for the 2013-2014 election cycle is 15% federal because there is no Senate candidate and no Presidential candidate on the ballot in 2014. So our first step is to apply the fixed percentage for allocated administrative expenses.

Report Ratios. Show completion of Schedule H1 (Method of Allocation for Administrative, Generic Voter Drive and Exempt Activity Costs) by applying the fixed percentage method.

Identify Allocation Ratio

SCHEDULE H1 (FEC Form 3X)

METHOD OF ALLOCATION FOR:

- ALLOCATED FEDERAL AND NONFEDERAL ADMINISTRATIVE, GENERIC VOTER DRIVE AND EXEMPT ACTIVITY COSTS
- ALLOCATED FEDERAL AND LEVIN FUNDS FEDERAL ELECTION ACTIVITY EXPENSES (State, District and Local Party Committees Only)
- ALLOCATED PUBLIC COMMUNICATIONS THAT REFER TO ANY POLITICAL PARTY (BUT NOT A CANDIDATE) (Separate Segregated Funds And Nonconnected Committees Only)

NAME OF COMMITTEE (In Full)

New York Freedom Party Committee

USE ONLY ONE SECTION, A or B

A. State and Local Party Committees

Fixed Percentage (select one)

Presidential-Only Election Year (28% Federal)

Presidential and Senate Election Year (36% Federal)

Senate-Only Election Year (21% Federal)

Non-Presidential and Non-Senate Election Year (15% Federal)

Admin Expense: Step 1

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

2. How do we actually handle making the payment, and making sure each account has paid its share?
3. How does the nonfederal account actually pay its share? When should the account make the transfer? How does the account report this transfer?

How does the federal account report this transfer?

Answer: On Schedule H3 (Transfers from Nonfederal Accounts), show the transfer-in from the nonfederal account for its share of the rent.

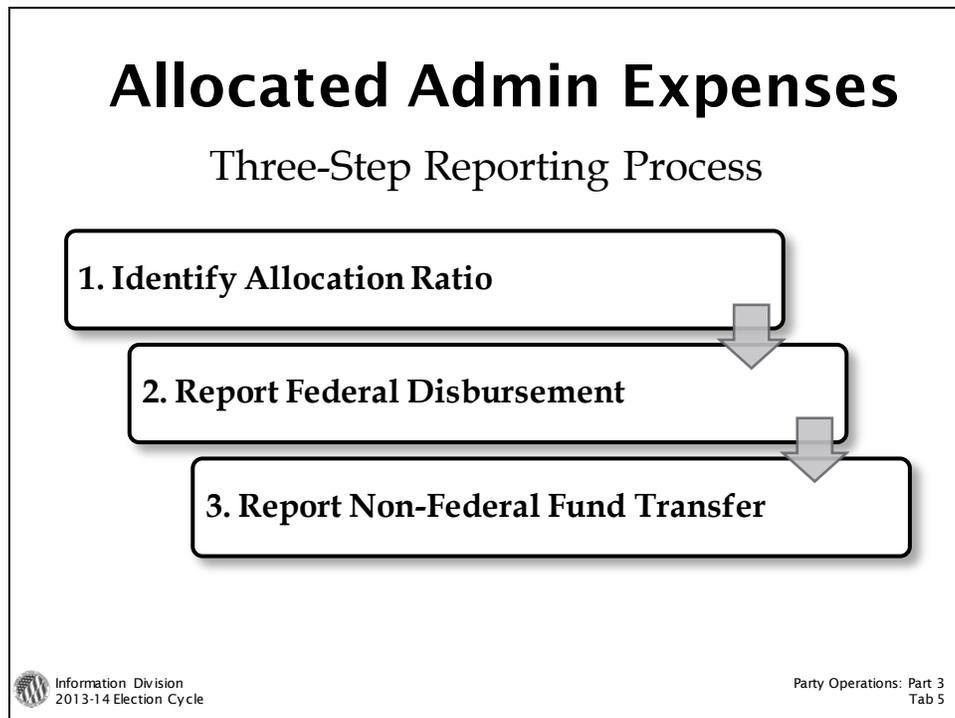
Admin Expense: Step 3

Report Nonfederal Transfer

SCHEDULE H3 (FEC Form 3X) TRANSFERS FROM NONFEDERAL ACCOUNTS FOR ALLOCATED FEDERAL / NONFEDERAL ACTIVITY			PAGE 1 OF 1 FOR LINE 18a OF FORM 3X
NAME OF COMMITTEE (In Full) New York Freedom Party Committee			
NAME OF ACCOUNT Freedom Party Nonfederal Account	DATE OF RECEIPT MM / DD / YYYY 06 / 01 / 2014	TOTAL AMOUNT TRANSFERRED \$4,250.00	
BREAKDOWN OF TRANSFER RECEIVED			
i) Total Administrative			\$4,250.00

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5



Tricky Issues:

Allocated Administrative Expenditures: Report using 3-Step Process on H Schedules:

- **Ratio on Schedule H1**
 - Check ONE line in Section A that applies to your committee.
 - In 2014, the ratio is either 21% Federal or 15% Federal since it is not a Presidential election year.
 - Ratio applies to expenses during two-year cycle (example 1/1/13 – 12/31/14).
 - File H1 with the first report each year that discloses allocable disbursements.
- **Payment on Schedule H4**
 - Include specific purpose.
 - Check appropriate category.
- **Transfer-in of Nonfederal Share on Schedule H3**
 - Use appropriate line (category) for type of expense.

Scenario #2

Using Fixed Percentage: Reporting Allocated FEA Expenditures

Reporting Scenario #2: Allocated FEA

Background: The Freedom Party has raised both Levin funds and federal funds, and now intends to use them to pay for a Voter ID drive in connection with an upcoming summer voter ID drive prior to New York's primary election in September. This activity will begin on June 1, 2014, and will cost \$10,000.

1. **What is the first thing we need to do for an allocated activity, regardless of whether it is administrative, FEA or fundraising?**

Reporting Scenario #2 Answers:

1. **What is the first thing we need to do for an allocated activity, regardless of whether it is administrative, FEA or fundraising?**

Answer: Determine the Ratio. Show Schedule H1 to disclose the fixed percentage ratio, which also applies to allocated FEA. In New York, as we already know, the fixed federal percentage is 15% for the 2013-2014 election cycle.

Identify Allocation Ratio

SCHEDULE H1 (FEC Form 3X)

METHOD OF ALLOCATION FOR:

- ALLOCATED FEDERAL AND NONFEDERAL ADMINISTRATIVE, GENERIC VOTER DRIVE AND EXEMPT ACTIVITY COSTS
- **ALLOCATED FEDERAL AND LEVIN FUNDS FEDERAL ELECTION ACTIVITY EXPENSES** (State, District and Local Party Committees Only)
- ALLOCATED PUBLIC COMMUNICATIONS THAT REFER TO ANY POLITICAL PARTY (BUT NOT A CANDIDATE) (Separate Segregated Funds And Nonconnected Committees Only)

NAME OF COMMITTEE (In Full)
New York Freedom Party Committee

USE ONLY ONE SECTION, A or B

A. State and Local Party Committees

Fixed Percentage (select one)

Presidential-Only Election Year (28% Federal)

Presidential and Senate Election Year (36% Federal)

Senate-Only Election Year (21% Federal)

X Non-Presidential and Non-Senate Election Year (15% Federal)

Allocated FEA: Step 1

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

2. **Now that we know which percentage to use, what do we do next?**

2. Now that we know which percentage to use, what do we do next?

Answer: Report Allocated Expense. The entire amount of the allocable expense is paid out of the federal account. Show reporting, however, on Schedule H6 (Disbursements of Federal and Levin Funds for Allocated Federal Election Activity) of the federal and Levin shares of the Voter ID file cost, based on the allocation ratio (15% of the \$10,000 is \$1,500 (federal share) and 85% of the \$10,000 is \$8,500 (Levin share).

Allocated FEA: Step 2

Report Allocated Expense

SCHEDULE H6 (FEC Form 3X) DISBURSEMENTS OF FEDERAL AND LEVIN FUNDS FOR ALLOCATED FEDERAL ELECTION ACTIVITY (To be used by State, District and Local Party Committees Only)		PAGE 1 OF 1 FOR LINE 30a OF FORM 3X
NAME OF COMMITTEE (in Full) New York Freedom Party Committee		
A. Full Name (Last, First, Middle Initial) / Full Organization Name Voter Strategies		Type of Allocated Activity or Event: <input checked="" type="checkbox"/> Voter Registration <input type="checkbox"/> GOTV <input type="checkbox"/> Voter ID <input type="checkbox"/> Generic Campaign
Mailing Address 123 Duty Road		Allocated Activity or Event Year-To-Date \$10,000.00
City Syracuse NY 13202	Zip Code	Date 06 / 01 / 2014
Purpose of Disbursement Voter ID Campaign Planning		Category/Type
FEDERAL SHARE +	LEVIN SHARE =	TOTAL AMOUNT
\$1,500.00	\$8,500.00	\$10,000.00
SUBTOTAL of Shared Federal and Levin Activity This Page		
FEDERAL SHARE +	LEVIN SHARE =	TOTAL AMOUNT
\$1,500.00	\$8,500.00	\$10,000.00
TOTAL This Period (last page for each line only)(Federal share to 30(a)(i) and Levin share to 30(a)(ii))		
FEDERAL SHARE	LEVIN SHARE	TOTAL AMOUNT
\$1,500.00	8,500.00	\$10,000.00
TOTAL This Period for the Levin Share		

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

3. Now that we know how much each account must pay, what do we do next?

3. Now that we know how much each account must pay, what do we do next?

Answer: Report Transfer-In of Levin Funds. Use Schedule H5 (Transfers of Levin Funds for Allocated FEA) to show the receipt of the transfer-in of Levin funds for the Levin share of the Voter ID activity. Keep in mind that this transfer must be made within a 70-day window: up to 10 days before the payment, or up to 60 days after. In our example here, the transfer into the federal account occurs on June 30, 2014.

Allocated FEA: Step 3

Report Levin Fund Transfer

SCHEDULE H5 (FEC Form 3X)
TRANSFERS OF LEVIN FUNDS RECEIVED FOR
ALLOCATED FEDERAL ELECTION ACTIVITY
 (To be used by State, District and Local Party Committees Only)

PAGE 1 OF 1
FOR LINE 18b OF FORM 3X

NAME OF COMMITTEE (In Full)
New York Freedom Party Committee

NAME OF ACCOUNT	DATE OF RECEIPT	TOTAL AMOUNT TRANSFERRED
NY Freedom Party Levin Account	6 / 30 / 2014	\$8,500.00

BREAKDOWN OF THIS TRANSFER

- i) Voter Registration

VOTER REGISTRATION

 Total Amount Transferred for Voter Registration
- ii) Voter ID

VOTER ID

 Total Amount Transferred for Voter ID
- iii) GOTV

GOTV

 Total Amount Transferred for GOTV
- iv) Generic Campaign Activity

GENERIC CAMPAIGN ACTIVITY

 Total Amount Transferred for Generic Campaign Activity

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

4. Do we have anything else to account for?

4. Do we have anything else to account for?

Answer: Yes. Report Disbursement of Levin Funds. Use Schedule L-B (Itemized Disbursements of Levin Funds) to itemize the transfer-out of Levin funds being disbursed to the federal account (this amount and category of FEA should match your Schedule H5 transaction). Carry totals from Schedule L-B to the appropriate line on Schedule L. In this case, the total must be reported on Line 4(b) of Schedule L.

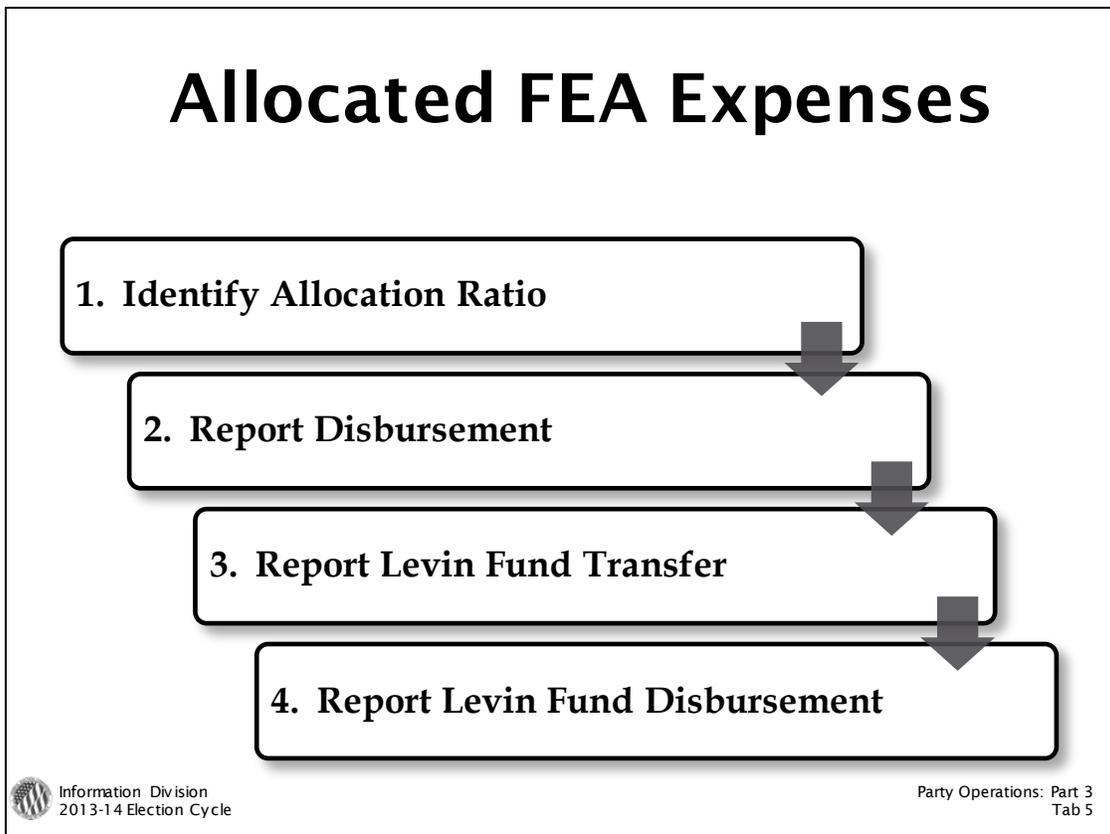
Allocated FEA: Step 4

Report Levin Fund Disbursement

SCHEDULE L-B (FEC Form 3X) ITEMIZED DISBURSEMENTS OF LEVIN FUNDS		Use separate schedule(s) for each category of the Aggregation Page	FOR LINE NUMBER: PAGE 1 OF _____ (check only one) <input checked="" type="checkbox"/> 4a <input type="checkbox"/> 4c <input type="checkbox"/> 5 <input type="checkbox"/> 4b <input type="checkbox"/> 4d
Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.			
NAME OF COMMITTEE (In Full) New York Freedom Party Committee			
Full Name (Last, First, Middle Initial) / Full Organization Name A. NY Freedom Party Committee/Federal Account		Date of Disbursement <div style="border: 1px solid black; padding: 2px; display: inline-block;"> 6 / 30 / 2014 </div>	
Mailing Address 777 Capitol Street		Amount of Each Disbursement this Period <div style="border: 1px solid black; padding: 2px; display: inline-block; font-size: 1.2em;"> \$8,500.00 </div>	
City State Zip Code New York, NY 10010			
Purpose of Disbursement Transfer of Levin Funds			


 Information Division
 2013-14 Election Cycle

Party Operations: Part 3
 Tab 5



Tricky Issues: Reporting Allocated Federal Election Activity:

- **Allocate according to fixed percentage method calculated on Schedule H1.**
 - Schedule H1 has to be filed with the first report each calendar year that discloses allocable disbursements.
 - Do not send in two H1 schedules in a calendar year unless a special election occurs that alters the ratio (e.g., Senate special election in non-election year).
- **Report payments on Schedule H6:**
 - The payments for the expenses must come from either the federal account or the allocation account.
- **Report transfers-in on Schedule H5**
 - The account containing Levin funds must transfer the Levin share during the period beginning 10 days before the payment is made, and ending 60 days after.
 - Schedule H5 is similar to a recordkeeping approach; activities are grouped by the date of the transfers. **(Corresponds to Schedule L-B)**
- **The L Schedules**
 - The L Schedules are memo schedules and do not affect totals on the Summary or Detailed Summary Pages of Receipts and Disbursements for Form 3X.
 - The transfer out of Levin funds is also itemized on Schedule L-B. **(Corresponds to Schedule H5)**

Allocation: Funds Received



$$\frac{\text{Federal Receipts}}{\text{Total Receipts}}$$

B. Funds Received Allocation Method

1. Use “Funds Received” Method to Allocate:

- a) **Direct Costs of a Federal/Nonfederal Party Fundraiser**
Examples: Fundraising events that raise funds for both the federal and nonfederal accounts such as a Lincoln Day or Jefferson-Jackson Day dinner.
- b) **Direct Fundraising Support for Candidates**
Example: When funds are raised for federal and nonfederal candidates at the same event, such as a fundraiser on behalf of a House candidate and a gubernatorial candidate.

2. Paying Fundraising Costs

- a) State and local party committees may allocate the direct costs of each fundraising program or event in which the committee collects both federal and nonfederal funds.
- b) Costs are allocated according to the ratio of the federal funds received to total receipts for the fundraising event:

Ratio:
$$\frac{\text{Federal receipts for program or event}}{\text{Total receipts for program or event}}$$

Allocation: Funds Received

- ▣ Estimate ratio based on prediction
- ▣ Within 60 days:
 - Adjust ratio & transfer funds to reflect actual receipts
- ▣ Further transfers may be necessary if:
 - More federal funds received than estimated



- c) Estimate ratio prior to the fundraising event, based on a reasonable prediction of revenue.
- d) If actual proportion of funds received is different than anticipated, adjust ratio within 60 days after event.
- e) Transfer funds between accounts (either way) to reflect adjusted ratio within 60 days after event.
- f) Further transfers from the federal to the nonfederal account may be necessary, should additional federal funds be received after the 60-day period.
- g) Transfers from nonfederal to federal no longer permissible after 60 days.
- h) In case of fundraising for a federal candidate, fundraising costs incurred represent in-kind contribution to federal candidate or coordinated party expenditure.

Scenario #3

Funds Received: Reporting Fundraising Expenses, Including Ratio Adjustments

Scenario #3: Reporting Fundraising Expenses, Including Ratio Adjustments

Task 1: Determining Ratio for Allocating Fundraising Expenses

Background: At the beginning of each year, the New York Freedom Party holds a fundraiser called the Lincoln Birthday Gala. Last year, they raised \$200,000: \$60,000 for their federal account and \$140,000 for their nonfederal account. This year the party hopes to raise approximately the same amount of money.

The fundraiser will be held on February 15, 2014. For reporting purposes, the party assigned the name “Lincoln Birthday Gala” to the event.

- 1. What is the first thing we need to do? How do state party committees allocate fundraising expenses between their federal and nonfederal accounts?**

Reporting Scenario #3 Answers:

1. What is the first thing we need to do? How do state party committees allocate fundraising expenses between their federal and nonfederal accounts?

Answer: Step 1: Determine and Report Ratio.

State and local party committees allocate the direct costs of each fundraising program or event in which the committee collects both federal and nonfederal funds. The costs are allocated according to the **funds received ratio**: the ratio of the federal funds received to total receipts for the fundraising event. (In this case, 60,000 federal receipts ÷ \$200,000 total receipts = 30% federal.)

Show the calculation of the allocation formula, based on the funds received ratio (using last year's figures), and report the ratio on Schedule H2 (Allocation Ratios for Fundraising and Direct Candidate Support Activities). The ratio is 30% federal, 70% nonfederal.

Fundraising Step 1

Identify Allocation Ratio

SCHEDULE H2 (FEC Form 3X) ALLOCATION RATIOS		PAGE 1 OF
NAME OF COMMITTEE (In Full) New York Freedom Party Committee		
RATIOS FOR ALLOCABLE FUNDRAISING EVENTS AND DIRECT CANDIDATE SUPPORT ACTIVITIES APPEARING ON THIS REPORT. Methods of allocation: I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of monies raised. II. Shared DIRECT CANDIDATE SUPPORT activities are allocated according to benefit expected to be derived, where the federal proportion of disbursements is based on the benefit derived by federal candidates from the activity. For PACs Only: Direct candidate support includes public communications or voter drives that refer to both federal and nonfederal candidates, regardless of whether there is a reference to a political party. Such expenses are allocated using a time/space method.		
ACTIVITY OR EVENT IDENTIFIER Lincoln Birthday Gala	FEDERAL % <div style="border: 1px solid red; padding: 2px; display: inline-block;">30.00</div> %	NONFEDERAL % <div style="border: 1px solid red; padding: 2px; display: inline-block;">70.00</div> %
ACTIVITY IS: <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Direct Candidate Support		
CHECK IF THE RATIO IS: <input checked="" type="checkbox"/> New <input type="checkbox"/> Revised <input type="checkbox"/> Same as Previously Reported		

Party Operations: Part 3
 Tab 5

Background: To help organize the dinner, the party committee contracted with a consultant, Professional Party, Ltd., for \$25,000. On January 21, 2014, they paid the consultant \$10,000. The nonfederal account transferred its share of the expenses on January 30.

2. **Since we have determined the ratio for this amount, which will allow us to determine each account's share of expenses, how do we actually disclose the payments to the consultant?**

3. **What do we have to do next?**

4. **We know each account's share, and have made the appropriate transfers to square our accounts. What else do we have to account for?**

2. Since we have determined the ratio for this amount, which will allow us to determine each account's share of expenses, how do we actually disclose the payments to the consultant?

Answer: Report Allocated Federal/Nonfederal Share. Show on Schedule H4 the federal and nonfederal shares of the disbursement to the consultant, based on the allocation formula. (30% federal share = \$3,000; 70% nonfederal share = \$7,000) Remember, the entire amount is still paid out of the federal account, even though H4 discloses each account's share.

Fundraising Step 2

Report Disbursement

SCHEDULE H4 (FEC Form 3X)		PAGE 1 OF
DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY		FOR LINE 21a OF FORM 3X
NAME OF COMMITTEE (In Full) New York Freedom Party Committee		
A. Full Name (Last, First, Middle Initial) Professional Party, Ltd.		Allocated Activity or Event: <input type="checkbox"/> Administrative <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Exempt <input type="checkbox"/> Voter Drive <input type="checkbox"/> Direct Candidate Support <input type="checkbox"/> Public Comm (ref to party only) by PAC
Mailing Address 123 Event Lane		Allocated Activity or Event Year-To-Date \$10,000.00
City New York, NY 10010	State	Category/Type 003
Purpose of Disbursement: Fundraising Event Planning	Activity or Event Identifier: Lincoln Birthday Gala	Date 01 / 21 / 2014
FEDERAL SHARE	+ NONFEDERAL SHARE	= TOTAL AMOUNT
\$3,000.00	\$7,000.00	\$10,000.00



Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

3. What do we have to do next?

Answer: Report Transfer from Nonfederal Account. Show the amount of the nonfederal transfer for its share of this fundraising expense on Schedule H3.

Fundraising Step 3

Report Nonfederal Transfer

SCHEDULE H3 (FEC Form 3X) TRANSFERS FROM NONFEDERAL ACCOUNTS FOR ALLOCATED FEDERAL / NONFEDERAL ACTIVITY			PAGE 1 OF 1 FOR LINE 18a OF FORM 3X
NAME OF COMMITTEE (In Full) New York Freedom Party Committee			
NAME OF ACCOUNT Freedom Party Nonfederal Account	DATE OF RECEIPT 01 / 30 / 2014	TOTAL AMOUNT TRANSFERRED \$7,000.00	
BREAKDOWN OF TRANSFER RECEIVED			
i) Total Administrative		<input type="text"/>	
ii) Generic Voter Drive		<input type="text"/>	
iii) Exempt Activities.....		<input type="text"/>	
iv) Direct Fundraising (List Activity or Event Identifier)			
a) <u>Lincoln Birthday Gala</u>		<input type="text" value="\$7,000.00"/>	
b) _____		<input type="text"/>	
c) Total Amount Transferred For Direct Fundraising		<input type="text" value="\$7,000.00"/>	
v) Direct Candidate Support (List Activity or Event Identifier)			
a) _____		<input type="text"/>	
b) _____		<input type="text"/>	



Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

4. We know each account's share, and have made the appropriate transfers to square our accounts. What else do we have to account for?

Answer: We still owe the fundraising consultant \$15,000!

Report Outstanding Debt. Show Schedule D with the outstanding debt owed to the consultant and the payment this period.

Fundraising Step 4

Other Reporting - Debt

SCHEDULE D (FEC Form 3X) DEBTS AND OBLIGATIONS Excluding Loans		(Use separate schedule(s) for each numbered line)	PAGE 1 Of FOR LINE NUMBER: (check only one) <input type="checkbox"/> 9 <input checked="" type="checkbox"/> 10
NAME OF COMMITTEE (In Full) New York Freedom Party Committee			
A. Full Name (Last, First, Middle Initial) of Debtor or Creditor Professional Party, Ltd.		Nature of Debt (Purpose): Fundraising Event; Planning for Lincoln Birthday Gala	
Mailing Address 123 Event Lane			
City State Zip Code New York, NY 10010			
Outstanding Balance Beginning This Period <div style="border: 1px solid black; padding: 2px; text-align: center; width: 150px; margin: 0 auto;">\$0.00</div>			
Amount Incurred This Period <div style="border: 1px solid black; padding: 2px; text-align: center; width: 150px; margin: 0 auto;">\$25,000.00</div>		Payment This Period <div style="border: 1px solid black; padding: 2px; text-align: center; width: 150px; margin: 0 auto;">\$10,000.00</div>	
Outstanding Balance at Close of This Period <div style="border: 1px solid black; padding: 2px; text-align: center; width: 150px; margin: 0 auto;">\$15,000.00</div>			

Party Operations: Part 3
 Tab 5

Task 2: Determining Ratio Adjustments for Allocated Fundraising Expenses

Background: If you recall, the event was held on February 15. So, 56 days after the event, on April 11, the committee reviews the actual funds received, to determine whether the original ratio reflects the actual funds received by the federal and nonfederal accounts.

The committee determines that they received a total of \$250,000; \$100,000 for the federal account and \$150,000 for the nonfederal account. They spent a total of \$50,000 on the event.

- 5. What should the committee do at this point? How long does the committee have to re-estimate and adjust their fundraising ratio?**

- 6. How do we calculate the amount to transfer from the federal account to the nonfederal account?**

Background: The federal account transfers its share of adjusted expenses on April 11.

- 7. How do we report that transfer?**

5. What should the committee do at this point? How long does the committee have to re-estimate and adjust their fundraising ratio?

Answer: The committee has up to 60 days after an event or after the date of a program to adjust the ratio, based on actual funds received, and show the new ratio (40% Federal/60% Nonfederal) on Schedule H2.

- When the adjustment results in a higher federal percentage than originally estimated (as in this case), transfers must be made from the federal account to the nonfederal account for as long as federal funds are received.
- On the other hand, when the federal percentage becomes lower than originally estimated, transfers from the nonfederal account to the federal account can only be made within 60 days after an event.

Re-Estimate & Adjust Ratio

Adjust Ratio

SCHEDULE H2 (FEC Form 3X)		PAGE 1
ALLOCATION RATIOS		
NAME OF COMMITTEE (In Full) New York Freedom Party Federal Committee		
RATIOS FOR ALLOCABLE FUNDRAISING EVENTS AND DIRECT CANDIDATE SUPPORT ACTIVITIES APPEARING ON THIS REPORT. Methods of allocation: I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of monies raised. II. Shared DIRECT CANDIDATE SUPPORT activities are allocated according to benefit expected to be derived, where the federal proportion of disbursements is based on the benefit derived by federal candidates from the activity. For PACs Only: Direct candidate support includes public communications or voter drives that refer to both federal and nonfederal candidates, regardless of whether there is a reference to a political party. Such expenses are allocated using a time/space method.		
ACTIVITY OR EVENT IDENTIFIER Lincoln Birthday Gala (2/15/14) ACTIVITY IS: <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Direct Candidate Support CHECK IF THE RATIO IS: <input type="checkbox"/> New <input checked="" type="checkbox"/> Revised <input type="checkbox"/> Same as Previously Reported	FEDERAL % <div style="border: 1px solid black; padding: 2px; display: inline-block;">40.00</div> %	NONFEDERAL % <div style="border: 1px solid black; padding: 2px; display: inline-block;">60.00</div> %

Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

6. How do we calculate the amount to transfer from the federal account to the nonfederal account?

Answer: Apply new federal percentage (40% federal) to total expenditures paid for this event (\$50,000). Since the federal share has increased, you will need to calculate the amount that must be transferred from the federal account to the nonfederal account.

- The federal account's percentage under the new ratio is 40%
- The federal account's percentage under the old ratio was 30%
- This is a 10% difference. So the federal account **owes \$5,000 to the nonfederal account** (\$50,000 x 10% = \$5,000)

-OR-

Another way you can determine whether this amount is correct is to calculate the federal account's share using both ratios and transfer the difference. In this case,

- The federal account's share under the new ratio is **\$20,000**. (\$50,000 x 40% = \$20,000)
- The federal account's share under the old ratio is **\$15,000**. (\$50,000 x 30% = \$15,000)
- So, the federal account **owes \$5,000 to the nonfederal account** (\$20,000 - \$15,000 = \$5,000)

Calculating Transfer

- ▣ Recalculated Federal Share:

$$\$100,000 / 250,000 = 40\%$$

- ▣ Previous Federal Share = 30%

- ▣ Required Transfer = 10% of Expenses

(due to 10% increase in federal share)

- ▣ Total Spent on Event = \$50,000

$$10\% \times \$50,000 = \$5,000$$

Background: The federal account transfers its share of adjusted expenses on April 11.

7. How do we report that transfer?

Answer: Show reporting of transfer on Schedule H4 as a 100% federal expense.

Adjustment Ratio Transfer

Adjusted Ratio- Federal Payment

SCHEDULE H4 (FEC Form 3X) DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY		PAGE 1 FOR LINE 21a OF
NAME OF COMMITTEE (In Full) New York Freedom Party Committee		
A. Full Name (Last, First, Middle Initial) Freedom Party Nonfederal Account		Allocated Activity or Event: <input type="checkbox"/> Administrative <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Exempt <input type="checkbox"/> Voter Drive <input type="checkbox"/> Direct Candidate Support <input type="checkbox"/> Public Comm (ref to party only) by PAC
Mailing Address 777 Capitol Street		Allocated Activity or Event Year-To-Date <div style="border: 1px solid black; padding: 2px; display: inline-block;">\$50,000.00</div>
City New York, NY 10010	State NY	Zip Code 10010
Purpose of Disbursement: Ratio Adjustment Transfer		Date 04 / 11 / 2014
Activity or Event Identifier: Lincoln Birthday Gala (Event Date: 2/15/14)		Category/Type 003
FEDERAL SHARE <div style="border: 1px solid black; padding: 2px; display: inline-block;">\$5,000.00</div>	+ NONFEDERAL SHARE <div style="border: 1px solid black; padding: 2px; display: inline-block;">-----</div>	= TOTAL AMOUNT <div style="border: 1px solid black; padding: 2px; display: inline-block;">\$5,000.00</div>



Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

Continue to Monitor Receipts. Should the committee continue to receive additional federal funds relating to this event, the committee would be required to re-estimate the allocation ratio, adjust the ratio on Schedule H2 and transfer federal funds to the nonfederal account, as appropriate.

Tricky Issues: Reporting Allocated Fundraising Expenses

- **Ratio on Schedule H2**
 - Use Funds Received ratio based on estimate.
 - H2 must be filed with each report that discloses a disbursement for fundraising or direct candidate support activity on H4.

- **Payment on Schedule H4**
 - Include specific purpose.
 - Check appropriate category (fundraising).
 - Include unique code or event identifier; make sure it is the same as disclosed on H2.

- **Transfer-in of Nonfederal Share on Schedule H3**
 - Use appropriate line for type of expense.
 - Make sure totals listed for each category match up to bottom of H3.
 - Make sure unique code or event identifier is the same as disclosed on H2.

- **Debts**
 - Include contracted-for services.
 - Report on Schedule D.

- **After the Event or Program:**
 - Continue to monitor receipts and adjust ratio to reflect actual funds received.
 - Show new ratio (check revised ratio box and provide date of event).
 - Make corrective transfers within 60 days (or afterwards if more federal funds are received).
 - Report such transfers on Schedule H4 as 100% federal disbursement if federal share increases; or report transfers on Schedule H3 within 60 days if nonfederal share increases.

Joint Fundraising

- Conducted by a political committee and one or more other committees or organizations
 - Create or select a fundraising representative
 - Agree to an allocation formula
 - Sign a written agreement
 - Establish separate account
 - Notify public of allocation formula in solicitations

IV. Joint Fundraising (11 CFR 102.17)

A. What Is Joint Fundraising?

Joint fundraising is fundraising conducted jointly by a political committee and one or more other political committees or unregistered organizations.

B. Who Must Observe Joint Fundraising Rules?

The participants in joint fundraising activity may include:

1. Party committees
2. Party organizations not registered as political committees;
3. Federal and nonfederal candidate committees;
4. Nonparty political committees (e.g., federal PACs); and
5. Unregistered nonparty organizations (e.g., nonfederal PACs).
11 CFR 102.17(a)(1)(i) and (a)(2).

C. Overview of Rules

All participants engaging in a joint fundraising effort as described in section 102.17 of the Commission regulations, including unregistered organizations, must

1. Create or select a political committee to act as the fundraising representative 11 CFR 102.17(a)(1)(i), (b)(1) and (b)(2);
2. Agree to a formula for allocating proceeds and expenses 11 CFR 102.17(c)(1);
3. Sign a written agreement naming the fundraising representative and stating the allocation formula 11 CFR 102.17(c)(1);
4. Establish a separate account for joint fundraising receipts and disbursements 11 CFR 102.17(c)(3); and
5. Notify the public of the allocation formula and certain other information when soliciting contributions 11 CFR 102.17(c)(2)(i).

Scenario #4

Joint Fundraising Activity

Scenario #4: Joint Fundraising Activity

Background: In April 2014, the New York Freedom Party Committee hosts a joint fundraiser called “Cosmo Kramer Victory 2014” to benefit the party and Senator Cosmo Kramer. The Senator and the Party agree to split the proceeds 50-50. To prepare for the event, the newly-created Victory 2014 joint fundraising committee contracts for \$20,000 worth of banquet services at Monk’s Café a week before the event. George Costanza, a sports executive, purchases two \$2,000 tickets to attend. George’s friend, Elaine Benes, decides to join him and buys two \$1,000 tickets. Overall, ticket sales bring in \$100,000 in individual contributions.

1. **What are the first steps both committees must take?**
2. **Is Costanza’s contribution permissible?**
3. **How would the joint fundraising participants report these receipts?**

Scenario Answers:

1. What are the first steps both committees must take?

Joint Fundraising

- ❑ Name joint fundraising representative and sign agreement
- ❑ Set up separate account for all receipts and expenditures for joint fundraiser
- ❑ File Form 1 (or amend); List all participating committees
- ❑ Participating committees amend Form 1 to list joint fundraising representative

 Information Division
2013-14 Election Cycle

Party Operations: Part 3
Tab 5

Answer:

- Name and establish a joint fundraising representative
- Set up a separate account for both receipts and expenditures for the fundraiser, and
- As joint fundraising participants, the party and the candidate committee must amend their Statements of Organization (Form 1) to list the fundraising representative as such (“Joint Fundraising Representative”) on Line 6 and the bank used for the new account(s) as a depository (if necessary).
- The joint fundraising representative (Victory 2014 joint fundraising committee) must register (or amend its Form 1) and also include the names of all participating committees as such (“Joint Fundraising Participants”) on Line 5.

2. Is Costanza’s contribution permissible? Why or why not?

Answer: Conceivably, yes, provided the \$2,000 per committee he contributed by buying the tickets didn’t max him out to either participant.

Schedule A, Line 12

Joint Fundraising:
 Transfer-In

SCHEDULE A (FEC Form 3X) ITEMIZED RECEIPTS		Use separate schedule(s) for each category of the Detailed Summary Page	FOR LINE NUMBER: (check only one)	PAGE
Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.			<input type="checkbox"/> 11a <input type="checkbox"/> 11b <input type="checkbox"/> 11c <input checked="" type="checkbox"/> 11d <input type="checkbox"/> 11e <input type="checkbox"/> 11f	12
NAME OF COMMITTEE (In Full) New York Freedom Party Committee				
Full Name (Last, First, Middle Initial) A. Cosmo Kramer Victory 2012				
Mailing Address 129 West 81st Street, #5B			Date of Receipt 04 / 30 / 2014	
City State Zip Code New York, NY 10024			Amount of Each Receipt this Period \$40,000.00	
FEC ID number of contributing federal political committee. C				
Name of Employer MEMO- Cosmo Kramer Victory 2014		Occupation		
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼		Aggregate Year-to-Date ▼ \$40,000.00		

Information Division 2013-14 Election Cycle Party Operations: Part 3 Tab 5

Schedule A, Line 12

Joint Fundraising:
 Itemized

SCHEDULE A (FEC Form 3X) ITEMIZED RECEIPTS		Use separate schedule(s) for each category of the Detailed Summary Page	FOR LINE NUMBER: (check only one)	PAGE
Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.			<input type="checkbox"/> 11a <input type="checkbox"/> 11b <input type="checkbox"/> 11c <input checked="" type="checkbox"/> 11d <input type="checkbox"/> 11e <input type="checkbox"/> 11f	12
NAME OF COMMITTEE (In Full) New York Freedom Party Committee				
Full Name (Last, First, Middle Initial) A. George Costanza				
Mailing Address 1344 Queens Boulevard			Date of Receipt 04 / 10 / 2014	
City State Zip Code New York, NY 11435			Amount of Each Receipt this Period \$2,000.00	
FEC ID number of contributing federal political committee. C				
Name of Employer New York Yankees Asst to Travel Sec. MEMO- Cosmo Kramer Victory 2014		Occupation		
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼		Aggregate Year-to-Date ▼ \$2,000.00		
Full Name (Last, First, Middle Initial) B. Elaine Benes				
Mailing Address 78 West 86th Street, Apt. 3-E			Date of Receipt 04 / 10 / 2014	
City State Zip Code New York, NY 10024			Amount of Each Receipt this Period \$1,000.00	
FEC ID number of contributing federal political committee. C				
Name of Employer J. Peterman, Inc. President MEMO- Cosmo Kramer Victory 2014		Occupation		
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼		Aggregate Year-to-Date ▼ \$1,000.00		

Information Division 2013-14 Election Cycle Party Operations: Part 3 Tab 5

3. How would the joint fundraising participant committees report these receipts?

3. How would the joint fundraising participant committees report these receipts?

Answer: Show itemized transfer in of net proceeds on Schedule A/Line 12 (\$40,000, for sake of argument). Then show itemized gross **memo** entries on Schedule A:

- Costanza: \$2,000
- Benes: \$1,000

X

Schedule A, Line 12

SCHEDULE A (FEC Form 3X)
ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: (check only one)

11a 13	11b 14	11c 15	<input checked="" type="checkbox"/> 12 16
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Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (in Full)
New York Freedom Party Committee

Full Name (Last, First, Middle Initial)
A. Cosmo Kramer Victory 2012

Mailing Address
129 West 81st Street, #5B

City
New York, NY 10024

FEC ID number of contributing federal political committee.
C

Name of Employer
 Occupation

Receipt For:
 Primary General
 Other (specify) ▼

Aggregate Year-to-Date ▼
\$39,000.00

Date of Receipt
04 / 10 / 2014

Amount of Each Receipt this Period
\$39,000.00

MEMO Unitemized Receipts Cosmo Kramer Victory 2014

Joint Fundraising:
 Unitemized

Party Operations: Part 3
 Tab 5

- Unitemized receipts of \leq \$200 each: \$39,000

Tricky Issues: Joint Fundraising Activity

- Joint fundraising representative must be registered with Commission (either as new committee or if existing committee, must set up a separate depository account) if the participants are establishing a joint fundraising effort as described in Commission regulations.
- Contributor may contribute an amount to the joint fundraising effort that represents the total amount the contributor could contribute to all participants under the applicable contribution limits.
- Joint fundraising representative must first pay costs of fundraiser before transferring net proceeds to participants.
- Memo entries itemizing contributors must clearly cross-reference the fundraising representative transfer.

- If memo entries are provided, make sure there is a corresponding transfer. Vice versa, if a transfer is provided, make sure there are corresponding memo entries. *(Please call your campaign finance analyst for further instructions or if you need assistance properly disclosing the required information in your reports.)*

Workshop Evaluation

Help Us Help You!
Please complete an evaluation
of this workshop.

Next Workshops:
**Campaign Activity by
Corporations, Unions & Others**
or
Recent Developments

11:00 AM