



# Party Operations Part 2

February 24, 2016  
3:00 – 4:30 p.m. Eastern



Party Operations, Part 2

## Objectives

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- ▣ Define and Discuss Levin Funds and Federal Election Activity (FEA)
- ▣ Identify Allocation Sequence and Types of Expenses Allocable Between
  - Federal Funds & Nonfederal Funds
  - Federal Funds & Levin Funds
- ▣ Describe Allocation Methods
  - Fixed Percentage
  - Funds Received
- ▣ Discuss Joint Fundraising



Party Operations, Part 2

## What Are Levin Funds?

- ☐ Available to state/local party committees **ONLY**
- ☐ Subject to all state campaign finance laws
- ☐ Donors cannot give more than \$10,000 per year
- ☐ No foreign national contributions
- ☐ Deposited in separate Levin account or in nonfederal account
- ☐ Used for certain “Federal Election Activity” (FEA)



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### I. Levin Funds (11 CFR 300.30, 300.31 and 300.32) (*Guide*, pp. 57-58)

#### A. What Are Levin Funds?

##### 1. Raised by State, District or Local Committee

May only be raised and spent by state, district or local party committees.

##### 2. Funds Must Comply With State Law

a) Must be permissible under the laws of the state in which the party committee raising and spending the funds is organized;

b) May be solicited from some sources that may not contribute under the Act (e.g., corporations, unions and federal government contractors) so long as the donation is not from foreign nationals or from sources that are impermissible under state law.

##### 3. \$10,000/Year Limit

Limited to \$10,000 in a calendar year from any person (separate from federal limit), including any entity established, maintained, financed or controlled by that person (if state law limits donations to an amount less than \$10,000, then the lower limit applies). 11 CFR 300.31(d)(1)-(2).

##### 4. Separate Account Not Required

Committees that do not have a separate Levin account may keep Levin-eligible funds in the nonfederal account. The committee is not required to report them as Levin funds until it characterizes them as such. When reporting these funds, the date of receipt is the date that the committee received them under state law, even though they are itemized on Schedule L-A in a later reporting period.

**5. Limit Not Shared**

Each state, district and local party committee has a separate Levin fund donation limit, and committees are not considered to be affiliated under federal law for the purposes of determining Levin fund donation limits. 11 CFR 300.31(b)(3). (Affiliation rules may exist under state law, however.)

**6. No Transfer of Levin Funds**

Levin funds may not be transferred among state, district or local party committees. Each party committee that uses Levin funds must raise their own Levin funds. 11 CFR 300.34(b).

**7. Costs of Raising Levin Funds**

Must use only federal funds or Levin funds to pay the direct costs of the fundraising (including expenses for the solicitation of funds and for the planning and administration of actual fundraising activities and programs) if any portion of the funds will be used for federal election activity. 11 CFR 300.31 and 300.32(a)(4).

**B. How are Levin Funds used?**

Levin funds are used to pay a portion of certain allocable Federal Election Activity (FEA). Federal Election Activities are specific activities defined by BCRA, which are covered in the next section.

## Scenario #1

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# Reporting Donations of Levin Funds



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### **Reporting Scenario #1: Reporting Receipt of Levin Funds**

The Freedom Party of California determines that it wants to begin raising Levin funds and sets up a separate account for this purpose. To generate Levin funds, the party mails out a solicitation letter on March 1, 2016. The fundraising letter was persuasive and, as a result, the party raised \$18,500 in donations of less than \$200 from various individuals. In addition, a big party donor, Mr. Carmine Ragusa, made a \$10,000 donation to the party's Levin account on March 20.

**How do we report Levin Funds raised?**

**Reporting Scenario #1 Answer: How do we report the Levin funds raised?**

**Step 1: Report the itemized donation.** Show Schedule L-A to itemize Carmine’s donation because it is \$200 or more. **Remember, this threshold for itemization is slightly different from regular itemizations.**

# Levin Funds: Itemization

Receipt of Levin Funds		
<b>SCHEDULE L-A (FEC Form 3X)</b> <b>ITEMIZED RECEIPTS OF LEVIN FUNDS</b>		Use separate schedule(s) for each category of the Aggregation Page FOR LINE NUMBER: (check only one) <input checked="" type="checkbox"/> 1a <input type="checkbox"/> 2
PAGE 1 OF 1		
<small>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.</small>		
NAME OF COMMITTEE (In Full) <b>California Freedom Party</b>		
Full Name (Last, First, Middle Initial) / Full Organization Name <input type="checkbox"/> Memo Item <b>A. Carmine Ragusa</b>		Date of Receipt MM / DD / YYYY <b>03 / 20 / 2016</b>
Mailing Address <b>123 Cochran Ave.</b>		Amount of Each Receipt this Period <b>\$10,000.00</b>
City <b>Eureka</b>	State <b>CA</b>	
Zip Code <b>95400</b>		Aggregate Year-to-Date <b>\$10,000.00</b>
Name of Employer or Principal Place of Business <b>The Big Ragu Dance Studio</b>		
Occupation <b>Dance Instructor</b>		



**Step 2: Report the unitemized donations.** The other donations are not required to be itemized because they were less than \$200 from any person. Show the total of the unitemized donations on Line 1(b) of Schedule L.

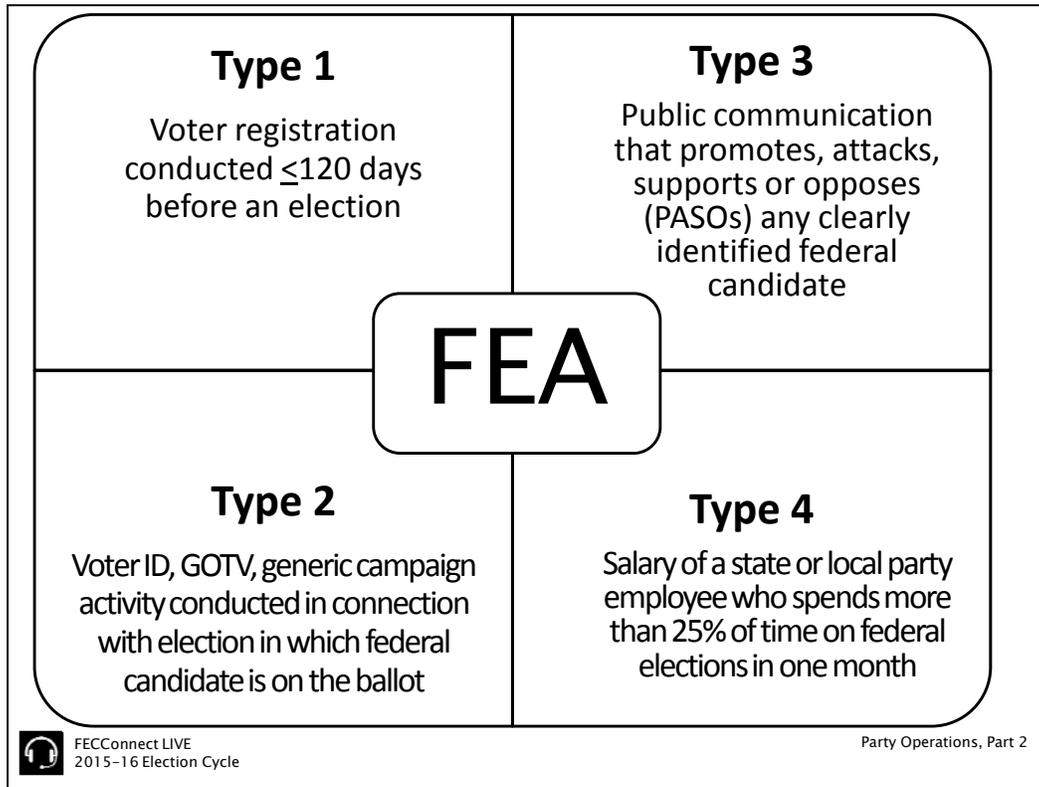
# Levin Funds: Aggregation

## Aggregate Levin Fund Receipts

SCHEDULE L (FEC Form 3X)		
AGGREGATION PAGE: LEVIN FUNDS		
NAME OF COMMITTEE (In Full) <b>California Freedom Party</b>		
NAME OF ACCOUNT <b>The Freedom Party Levin Account</b>		
	COLUMN A TOTAL THIS PERIOD	COLUMN B YEAR-TO-DATE
1. RECEIPTS FROM PERSONS		
(a) Itemized ..... (Use Schedule L-A)	<b>\$10,000.00</b>	<b>\$10,000.00</b>
(b) Unitemized .....	<b>\$18,500.00</b>	<b>\$18,500.00</b>
(c) Total .....	<b>\$28,500.00</b>	<b>\$28,500.00</b>
2. OTHER RECEIPTS .....	<b>\$0.00</b>	<b>\$0.00</b>
3. TOTAL RECEIPTS .....	<b>\$28,500.00</b>	<b>\$28,500.00</b>
(Add Lines 1c and 2)		



**II. Federal Election Activity (FEA) (11 CFR 100.24) (Guide, pp. 53-56)**



**A. Activities that are FEA**

## Type 1 Voter Registration

**Time Frame:**  
120 days from regularly  
scheduled federal election



FEA

**Definition:**

- Contacting individuals **by any means** to assist them in registering to vote
  - Specific list of activities
  - Excludes brief, incidental exhortations to vote

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**1. Type 1 FEA: “Voter registration activity”**

**a) Definition (11 CFR 100.24(a)(2))**

- (1) Rules cover activities that assist, encourage or urge potential voters to register to vote.
- (2) Definition covers contacting voters by any means.
- (3) Rules provide a specific list of activities that constitute voter registration activity, including:
  - Encouraging or urging potential voters to register to vote by mail (including direct mail), e-mail, in person or by telephone (including pre-recorded telephone calls, phone banks and messaging such as SMS and MMS);
  - Preparing and distributing information about registration and voting;
  - Distributing voter registration forms and instructions;
  - Answering questions about how to complete or file a voter registration form;
  - Assisting individuals with completing or filing voter registration forms;
  - Submitting or delivering completed voter registration forms;

- Offering or arranging to transport, or actually transporting potential voters to a board of election or county clerk's office for them to fill out voter registration forms; OR
  - Any other activity that assists potential voters to register to vote.
- b) **Exemption for Brief Incidental Exhortation**
- (1) An activity does not qualify as "voter registration activity" solely because it includes a brief exhortation to register to vote, as long as that exhortation is both brief and incidental.
  - (2) Example of activity that is NOT voter registration:  
A mailer praises the public service record of mayoral candidate X. The mailer concludes by reminding recipients, "Don't forget to register to vote for X by October 1<sup>st</sup>!"
  - (3) Example of activity that is NOT voter registration: A phone call for a state party fundraiser gives listeners information about the event, solicits donations and concludes by reminding listeners, "Don't forget to register to vote."
- c) **Time Period:** Within 120 days of a regularly scheduled federal election.

▣ **Voter ID definition:**

- **Creating/enhancing voter lists by adding info about:**
  - Voters' likelihood of voting **OR**
  - Likelihood of voting for a particular candidate

**Type 2**  
**Voter ID**

**FEA**

**Time Frame:**

In connection with an election in which a federal candidate is on the ballot



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2. **Type 2 FEA: "Voter Identification" ("Voter I.D.") (11 CFR 100.24(a)(4))**
- a) **Definition:**
- (1) Creating or enhancing voter lists by adding information about voters' likelihood of voting in a particular election or voting for a particular candidate.

- (2) The purchase of a voter list constitutes “voter identification” if purchased during the FEA time period.
- (3) Subsequent use of a voter list during the FEA period will not be considered a separate FEA cost unless the committee is also enhancing the voter list by verifying or adding information.

## FEA Time Frame

“In connection with an election in which a federal candidate appears on the ballot” means:

For a regularly scheduled election:

- Primary ballot access deadline (or January 1st) until the general election

For a special election:

- The day a special election is set until the special election takes place



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- b) Time Period:** “In connection with an election in which a federal candidate appears on the ballot”
- (1) Regularly Scheduled Election: During the period beginning on the day of the earliest federal office filing deadline for primary election ballot access under state law—or on January 1 in states that do not hold primaries—and ending on the day of the general election, or the general election runoff, if a runoff is held; or
  - (2) Special Election: During the period beginning on the day that the date is set for a special election in which a federal candidate appears on the ballot and ending on the day of that election. 11 CFR 100.24(a)(1).
  - (3) Time frames for Type 2 FEA are calculated on a state-by-state basis and posted on the FEC’s website.

▣ **GOTV definition:**

- Encouraging individuals **by any means** to vote
  - ▣ Specific list of activities
  - ▣ Excludes brief AND incidental exhortations to vote

**FEA**

**Type 2  
GOTV**

**Time Frame:**



In connection with an election  
in which a federal candidate is  
on the ballot

**3. Type 2 FEA: “Get-out-the-vote activity” (“GOTV”)**

**a) Definition (11 CFR 100.24(a)(3))**

- (1) Rules cover activities that assist, encourage or urge potential voters to vote.
- (2) Definition covers contacting voters by any means to urge or encourage them to vote.
- (3) Rules provide a specific list of activities that constitute voter registration activity, including:
  - Encouraging or urging potential voters to vote, whether by mail (including direct mail), e-mail, in person, by telephone (including pre-recorded telephone calls, phone banks and messaging such as SMS and MMS) or by other means;
  - Informing potential voters about times when polling places are open, location of particular polling places or early voting or voting by absentee ballot;
  - Offering or arranging to transport, or actually transporting potential voters to the polls; OR
  - Any other activity that assists potential voters to vote.

**b) Examples of Activity that IS GOTV:**

- (1) Driving sound truck through neighborhood playing a message urging listeners to “Vote next Tuesday at the Main Street Community Center.”

- (2) Making robocalls or other calls reminding recipients of the times during which polls are open.
- c) **Exemption for Brief Incidental Exhortation**
  - (1) An activity does not qualify as “get-out-the-vote activity” solely because it includes a brief exhortation to vote, as long as that exhortation is both brief and incidental.
  - (2) Example of activity that is NOT GOTV: A mailer praises the public service record of mayoral candidate X. The mailer concludes by reminding recipients, “Vote for X on November 4<sup>th</sup>.”
  - (3) Example of activity that is NOT GOTV: A phone call for a state party fundraiser gives listeners information about the event, solicits donations and concludes by reminding listeners, “Don’t forget to vote on November 4th.”
- d) **Time Period**: In connection with an election in which a federal candidate appears on the ballot.

▣ **Generic Campaign Activity definition:**

- A public communication that:
  - ▣ Promotes or opposes a political party AND
  - ▣ DOES NOT promote or oppose a clearly identified federal/nonfederal candidate

**Type 2**  
**Generic**  
**Campaign**  
**Activity**



**Time Frame:**



In connection with an election in which a federal candidate is on the ballot



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- 4. **Type 2 FEA: “Generic Campaign Activity” (11 CFR 100.25)**
  - a) **Definitions**
    - (1) **“Generic Campaign Activity” Defined: A public communication that promotes or opposes a political party** and does not promote or oppose a clearly identified federal candidate or a nonfederal candidate. 11 CFR 100.25.

(2) **“Public Communication” Defined (11 CFR 100.26)**

Includes communications made using the following media:

- Broadcast, cable or satellite;
- Newspaper or magazine;
- Outdoor advertising facility;
- Mass mailing (>500 substantially similar mailings w/in 30 days);
- Phone bank (>500 substantially similar calls w/in 30 days);
- Communications placed for a fee on another person’s web page;
- Any other form of general public political advertising.

b) **Time Period:** In connection with an election in which a federal candidate appears on the ballot.

**Type 3  
PASO Candidate**

**Time Frame:**  
At any time during a calendar year

FEA



- ☐ Public Communication that Promotes, Attacks, Supports or Opposes
- ☐ Clearly Identified Federal Candidate  
Regardless of whether the communication mentions a nonfederal candidate

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5. **Type 3 FEA: Public Communications that “PASOs” federal candidate**

- a) **Definition:** “A public communication that promotes, attacks, supports or opposes (PASOs) a Federal candidate.” See 11 CFR 100.26 for definition of public communication.
- b) **Time Period:** At any time during a calendar year.

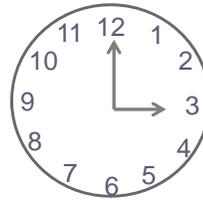
- ▣ **Definition:**  
Salary/wages of state/local party employee who:
  - ▣ Spends >25% of monthly time on federal elections
  - ▣ Includes fringe benefits
  - ▣ Committees should keep a monthly log of employee time spent on federal elections

**FEA**

**Type 4  
Staff Salaries**

**Time Frame:**

At any time during a calendar  
year

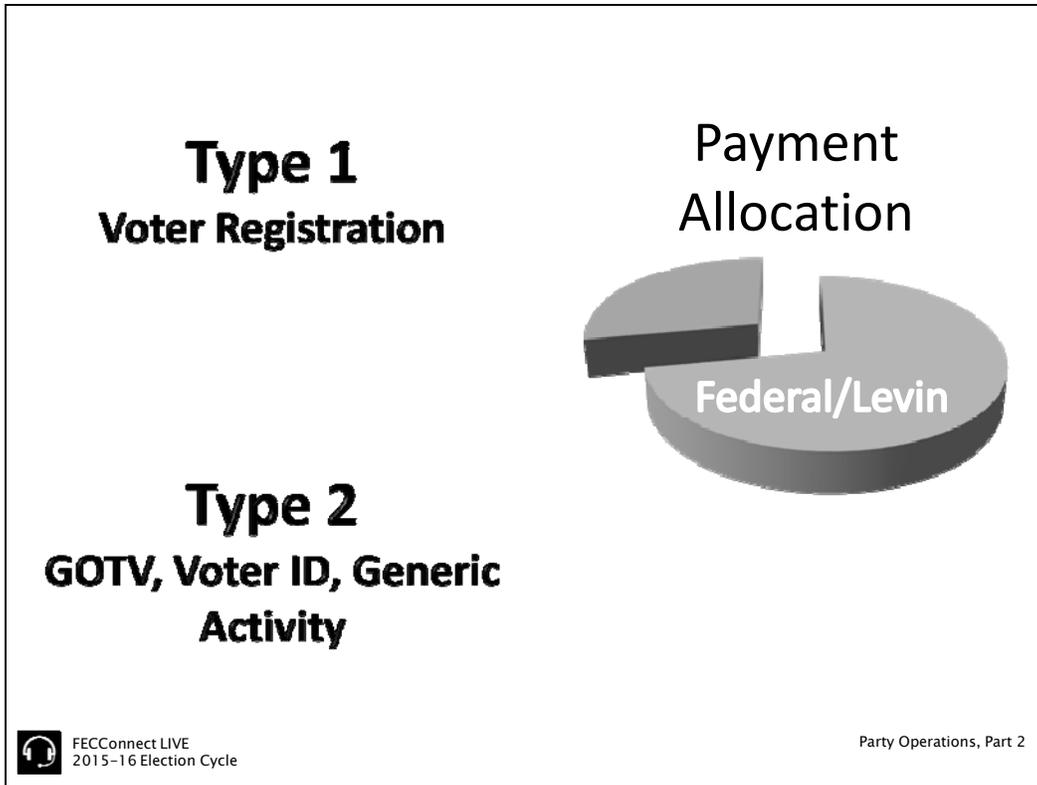


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**6. Type 4 FEA: Employee Salaries**

- a) **Definition:** The salaries and wages (including fringe benefits) of an employee of a state, district or local party committee who spends more than 25% of his or her compensated time during that month on federal activity, including FEA. Committees should keep a monthly log to determine percentage of time spent by each employee on federal activity.
- b) **Time Period:** At any time during a calendar year. See AO 2010-24.



**B. Financing FEA** (*Guide*, p. 57)

**1. Financing FEA with Levin Funds**

Levin funds may be used to pay the nonfederal portion of allocable expenses relating to:

- a) **Type 1:** Voter registration activity during the period that begins 120 days before the date of a regularly-scheduled federal election and ends on the day of that election.
- b) **Type 2:** Voter identification, GOTV or generic campaign activity conducted in connection with an election in which a federal candidate appears on the ballot (regardless of whether a state or local candidate also appears on the ballot). 11 CFR 300.32(b).
- c) **BUT** if the activity mentions a federal candidate, it must be paid with 100% federal funds.  
11 CFR 300.32(c)(1).

Payment Allocation



**100% Federal\***

**Type 3**  
**PASO Candidate**

**Type 4**  
**Staff Salary >25%**  
**Federal Activity**

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\*Also applies to Type 1 & 2 FEA if federal candidate is mentioned.

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2. **100% Federal Funds Used for Certain FEA, including:**
  - a) **Type 3:** A public communication that promotes, supports, attacks or opposes (PASOs) any federal candidate; and
  - b) **Type 4:** Salaries, wages and fringe benefits of any employees who spend more than 25 percent of their compensated time in a given month on FEA or on activities in connection with a Federal election. 11 CFR 106.7(d)(1)(ii) and 300.33(d)(2) and AO 2010-24.
  - c) **Type 1 or Type 2 FEA that refers to a clearly identified Federal candidate.** 11 CFR 300.32(c)(1).
3. **Monthly Filing**

A state or local party committee that has had any federal receipts or disbursements for FEA — or any reportable Levin receipts and disbursements — must file monthly. 11 CFR 300.36(c)(1).

## Party Committee Accounts

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- ▣ 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



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## Paying Bills

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### 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



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### III. Paying the Bills – (*Guide*, pp. 101-104)

#### 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

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- ▣ 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



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### 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.

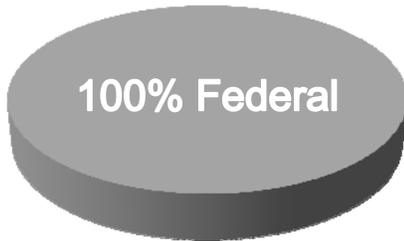
#### c) Avoid Contribution/Loan

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



- ☐ 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

### IV. Allocable or Not? – (*Guide*, pp. 101-102)

#### 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.

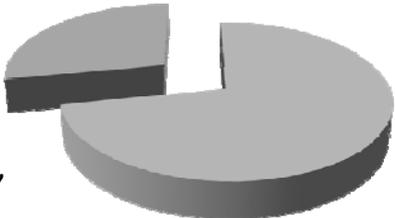
###### c) Type 1 and Type 2 FEA activities that refer to federal candidates.

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).

## 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



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- 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 (incl. 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.*)
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

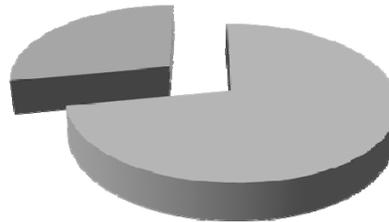
Provided no federal candidates named:

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



- C. **Expenses Allocable Between Federal and Levin Funds** – (*Guide*, pp. 116-117)
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.

V. Allocation Methods (*Guide*, pp. 102-103)

## 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%



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### 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 1/1/15 – 12/31/16).

## Scenario #2

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### Using Fixed Percentage: Reporting Allocated Administrative Expenses

#### **Reporting Scenario #2: Reporting Allocated Administrative Expenses**

**Background:** Your records show that the California Freedom Party committee's rent is \$5,000 per month. The federal account paid the building owner, Liz Lemon, on March 1, 2016.

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

**Reporting Scenario #2 Answer:**

**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. California's fixed percentage ratio for the 2015-2016 election cycle is 36% federal because 2016 is a Presidential election year and California will have a Senate election. 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.

# Admin Expense: Step 1

---

**1. 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)

**California 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)

 Party Operations, Part 2

**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?**

**2. How do we actually handle making the payment, and making sure each account has paid its share?**

**Answer: Report Allocated Administrative Expenses.** The entire amount of the allocable expense is paid out of the federal account. However, show reporting on Schedule H4 of the federal and nonfederal share of the rent, based on the allocation ratio. (36% of \$5,000 is \$1,800; \$3,200 is the nonfederal share)

## Admin Expense: Step 2

---

### 2. Report Allocated Disbursement

**SCHEDULE H4 (FEC Form 3X)**  
**DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY**

PAGE **1** OF **1**  
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)  
**California Freedom Party Committee**

A. Full Name (Last, First, Middle Initial)  
**Liz Lemon**

Mailing Address  
**2500 Blue Sky Way**

City **Cerritos, CA 90333** State Zip Code

Purpose of Disbursement:  
**Rent**

Activity or Event Identifier:

Allocated Activity or Event:  
 Administrative  Fundraising  Exempt  
 Voter Drive  Direct Candidate Support  
 Public Comm (ref to party only) by PAC

Allocated Activity or Event Year-To-Date  
**\$5,000.00**

Category/Type  
 Date **03 / 01 / 2016**

FEDERAL SHARE	+	NONFEDERAL SHARE	=	TOTAL AMOUNT
<b>\$1,800.00</b>		<b>\$3,200.00</b>		<b>\$5,000.00</b>

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2015-16 Election Cycle

Party Operations, Part 2

**3. How does the nonfederal account actually pay its share?**

**Answer:** It makes the transfer into the federal account, which it does on March 26th.

**When should the nonfederal account make the transfer?**

**Answer:** 10 days before the payment, or 60 days after.

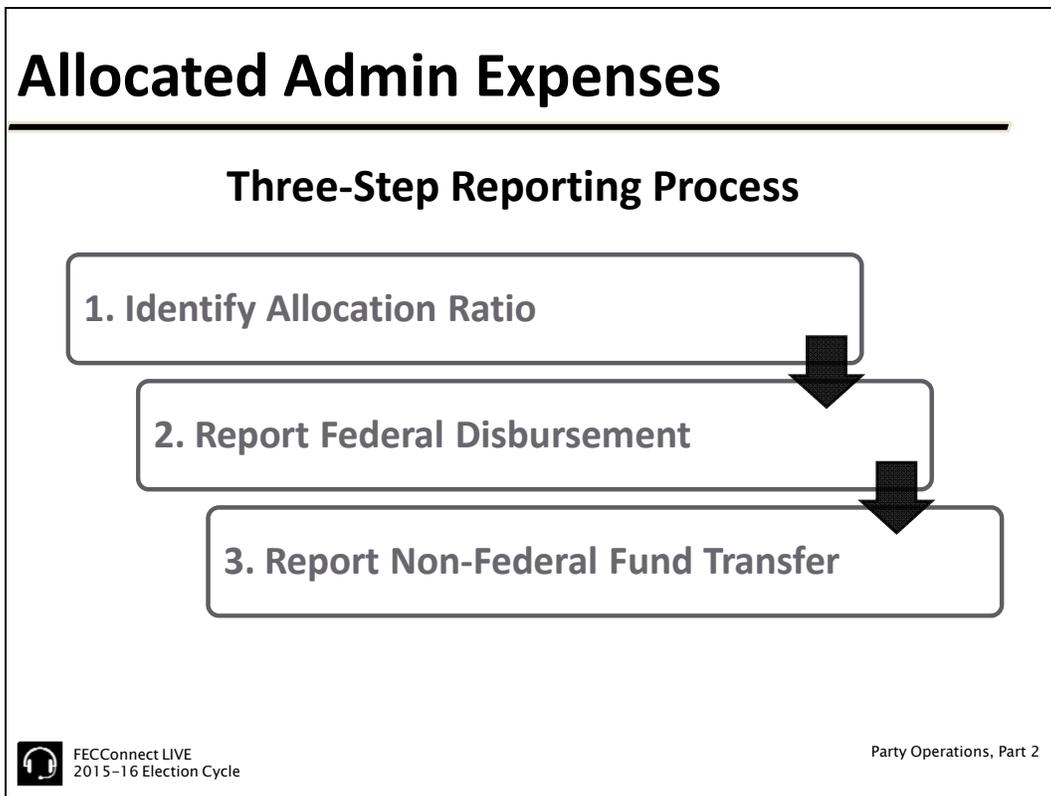
**How does the federal account report this transfer?**

**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

## 3. Report Nonfederal Transfer

SCHEDULE H3 (FEC Form 3X) TRANSFERS FROM NONFEDERAL ACCOUNTS FOR ALLOCATED FEDERAL / NONFEDERAL ACTIVITY			PAGE <b>1</b> OF <b>1</b> FOR LINE 18a OF FORM 3X
NAME OF COMMITTEE (In Full) <b>California Freedom Party Committee</b>			
NAME OF ACCOUNT <b>Freedom Party Nonfederal Account</b>	DATE OF RECEIPT <b>03 / 26 / 2016</b>	TOTAL AMOUNT TRANSFERRED <b>\$3,200.00</b>	
BREAKDOWN OF TRANSFER RECEIVED i) Total Administrative .....			<b>\$3,200.00</b>



### 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 2015-2016, the ratio is either 36% Federal or 28% Federal since 2016 is a Presidential election year.
  - Ratio applies to expenses during two-year cycle (example 1/1/15 – 12/31/16).
  - 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 #3

---

# Using Fixed Percentage: Reporting Allocated FEA Expenditures



Party Operations, Part 2

### Reporting Scenario #3: Allocated FEA

**Background:** The California Freedom Party has raised both Levin funds and federal funds, and now intends to use them to pay for an upcoming voter ID drive to get ready for the busy election year ahead in 2016. This activity will begin on February 1, 2016, and will cost \$50,000.

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 #3 Answer:**

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 California, as we already know, the fixed federal percentage is 36% for the 2015-2016 election cycle.

# Allocated FEA: Step 1

## 1. 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)

**California 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)

**X** Presidential and Senate Election Year (36% Federal)

Senate-Only Election Year (21% Federal)

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



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Party Operations, Part 2

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 (36% of the \$50,000 is \$18,000 (federal share) and 64% of the \$50,000 is \$32,000 (Levin share)).

# Allocated FEA: Step 2

## 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) <b>California Freedom Party Committee</b>			
A. Full Name (Last, First, Middle Initial) / Full Organization Name <b>Voter Strategies</b>		Type of Allocated Activity or Event: <input type="checkbox"/> Voter Registration <input type="checkbox"/> GOTV <input checked="" type="checkbox"/> Voter ID <input type="checkbox"/> Generic Campaign	
Main Office Address <b>123 Inverness Drive</b>		Allocated Activity or Event Year-To-Date <b>\$50,000.00</b>	
City <b>Los Angeles</b>	State <b>CA</b>	Zip Code <b>90028</b>	Category/Type
Purpose of Disbursement <b>Voter ID Campaign Planning</b>		Date <b>02 / 01 / 2016</b>	
FEDERAL SHARE	+	LEVIN SHARE	= TOTAL AMOUNT
<b>\$18,000.00</b>		<b>\$32,000.00</b>	<b>\$50,000.00</b>
SUBTOTAL of Shared Federal and Levin Activity This Page			
FEDERAL SHARE	+	LEVIN SHARE	= TOTAL AMOUNT
<b>\$18,000.00</b>		<b>\$32,000.00</b>	<b>\$50,000.00</b>
TOTAL This Period (last page for each line only);(Federal share to 30(a)(i) and Levin share to 30(a)(ii))			
FEDERAL SHARE			TOTAL AMOUNT
<b>\$18,000.00</b>			<b>\$50,000.00</b>
TOTAL This Period for the Levin Share		<b>\$32,000.00</b>	



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Party Operations, Part 2

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 March 7, 2016.

# Allocated FEA: Step 3

## 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)  
**California Freedom Party Committee**

NAME OF ACCOUNT	DATE OF RECEIPT	TOTAL AMOUNT TRANSFERRED
<b>CA Freedom Party Levin Account</b>	<b>03 / 07 / 2016</b>	<b>\$32,000.00</b>

BREAKDOWN OF THIS TRANSFER

	VOTER REGISTRATION	VOTER ID	GOTV	GENERIC CAMPAIGN ACTIVITY
i) Voter Registration Total Amount Transferred for Voter Registration .....				
ii) Voter ID Total Amount Transferred for Voter ID .....		<b>\$32,000.00</b>		
iii) GOTV Total Amount Transferred for GOTV .....				
iv) Generic Campaign Activity Total Amount Transferred for Generic Campaign Activity .....				

4. Do we have anything else to account for?

**4. Do we have anything else to account for?**

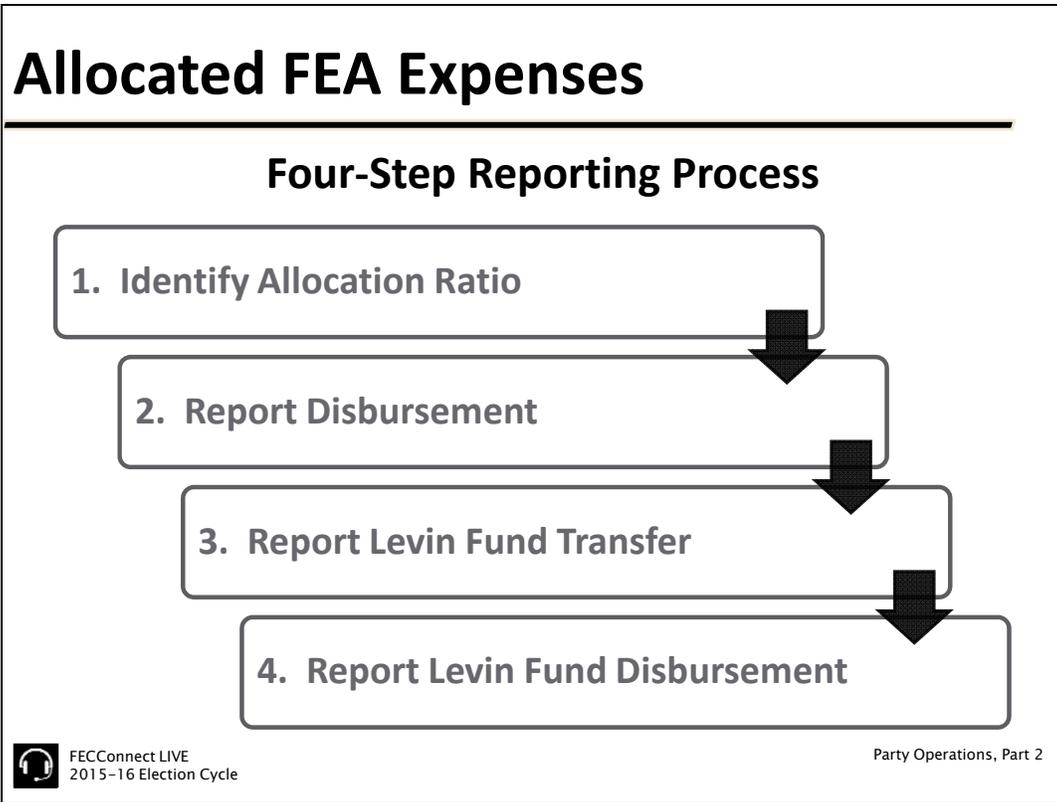
**Answer: Yes. Report Disbursement of Levin Funds.** Use Schedule L-B (Itemized Disbursements of Levin Funds) to itemize the transfer-out of Levin funds being disbursed to the federal account (this amount and category of FEA should match your Schedule H5 transaction). Carry totals from Schedule L-B to 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

## 4. Report Levin Fund Disbursement

<b>SCHEDULE L-B (FEC Form 3X)</b> <b>ITEMIZED DISBURSEMENTS OF LEVIN FUNDS</b>		Use separate schedule(s) for each category of the Aggregation Page	FOR LINE NUMBER: PAGE <b>1</b> OF <b>1</b> (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) <b>California Freedom Party Committee</b>			
Full Name (Last, First, Middle Initial) / Full Organization Name <input type="checkbox"/> Memo Item <b>A. CA Freedom Party Committee/Federal Account</b>		Date of Disbursement <b>03 / 07 / 2016</b>	
Mailing Address <b>777 Capitol Street</b>		Amount of Each Disbursement this Period <b>\$32,000.00</b>	
City <b>Sacramento</b>	State <b>CA</b>	Zip Code <b>95814</b>	
Purpose of Disbursement <b>Transfer of Levin Funds</b>			





### 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



$$\frac{\text{Federal Receipts}}{\text{Total Receipts}} = \text{Funds Received}$$



Party Operations, Part 2

### B. Funds Received Allocation Method (*Guide*, pp. 102-103)

#### 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



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- 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 #4

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### **Funds Received: Reporting Fundraising Expenses, Including Ratio Adjustments**



Party Operations, Part 2

### **Reporting Scenario #4: Reporting Fundraising Expenses, Including Ratio Adjustments**

#### **Task 1: Determining Ratio for Allocating Fundraising Expenses**

**Background:** At the beginning of each year, the California Freedom Party holds a fundraiser called the Spring 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 May 15, 2016. For reporting purposes, the party assigned the name “Spring 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 #4 Answer:**

- 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

## 1. Identify Allocation Ratio

<b>SCHEDULE H2 (FEC Form 3X)</b> <b>ALLOCATION RATIOS</b>		PAGE 1 OF 1	
NAME OF COMMITTEE (In Full) <b>California Freedom Party Committee</b>			
<b>RATIOS FOR ALLOCABLE FUNDRAISING EVENTS AND DIRECT CANDIDATE SUPPORT ACTIVITIES APPEARING ON THIS REPORT.</b> 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 <b>Spring Gala (5/15/16)</b>		FEDERAL % <b>30.00</b> %	NONFEDERAL % <b>70.00</b> %
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			





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

## 2. Report Disbursement

SCHEDULE H4 (FEC Form 3X)			PAGE <b>1</b> OF <b>1</b>	
DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY			FOR LINE 21a OF FORM 3X	
NAME OF COMMITTEE (In Full) <b>California Freedom Party Committee</b>				
A. Full Name (Last, First, Middle Initial) <b>Professional Party, Ltd.</b>			Allocated Activity or Event: <input type="checkbox"/> Administrative <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Exempt	
Mailing Address <b>123 Loleta Canyon Way</b>			<input type="checkbox"/> Voter Drive <input type="checkbox"/> Direct Candidate Support	
City <b>Los Angeles,</b> State <b>CA</b> Zip Code <b>90250</b>			<input type="checkbox"/> Public Comm (ref to party only) by PAC	
Purpose of Disbursement: <b>Fundraising Event Planning</b>			Allocated Activity or Event Year-To-Date <b>\$10,000.00</b>	
Activity or Event Identifier: <b>Spring Gala (5/15/16)</b>			Date <b>04</b> / <b>21</b> / <b>2016</b>	
Category/Type <b>003</b>				
FEDERAL SHARE		+	NONFEDERAL SHARE	
<b>\$3,000.00</b>			<b>\$7,000.00</b>	
			=	TOTAL AMOUNT
				<b>\$10,000.00</b>



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

## 3. Report Nonfederal Transfer

SCHEDULE H3 (FEC Form 3X) TRANSFERS FROM NONFEDERAL ACCOUNTS FOR ALLOCATED FEDERAL / NONFEDERAL ACTIVITY			PAGE <b>1</b> OF <b>1</b> FOR LINE 18a OF FORM 3X
NAME OF COMMITTEE (In Full) <b>California Freedom Party Committee</b>			
NAME OF ACCOUNT <b>Freedom Party Nonfederal Account</b>	DATE OF RECEIPT <b>04 / 30 / 2016</b>	TOTAL AMOUNT TRANSFERRED <b>\$7,000.00</b>	
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) <b>Spring Gala (5/15/16)</b>		<b>\$7,000.00</b>	
b) _____		<input type="text"/>	
c) Total Amount Transferred For Direct Fundraising .....		<b>\$7,000.00</b>	
v) Direct Candidate Support (List Activity or Event Identifier)			
a) _____		<input type="text"/>	
b) _____		<input type="text"/>	



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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

## 4. Other Reporting - Debt

<b>SCHEDULE D (FEC Form 3X)</b> <b>DEBTS AND OBLIGATIONS</b> Excluding Loans		(Use separate schedule(s) for each numbered line)	PAGE <b>1</b> OF <b>1</b> FOR LINE NUMBER: (check only one) <input type="checkbox"/> 9 <input checked="" type="checkbox"/> 10
NAME OF COMMITTEE (In Full) <b>California Freedom Party Committee</b>			
A. Full Name (Last, First, Middle Initial) of Debtor or Creditor <b>Professional Party, Ltd.</b>		Nature of Debt (Purpose): <b>Fundraising Event; Planning for Spring Gala (5/15/16)</b>	
Mailing Address <b>123 Loleta Canyon Way</b>			
City <b>Los Angeles, CA</b>	State <b>CA</b>	Zip Code <b>90250</b>	
Outstanding Balance Beginning This Period <div style="border: 1px solid black; padding: 2px; display: inline-block;"><b>\$0.00</b></div>			
Amount Incurred This Period <div style="border: 1px solid black; padding: 2px; display: inline-block;"><b>\$25,000.00</b></div>	Payment This Period <div style="border: 1px solid black; padding: 2px; display: inline-block;"><b>\$10,000.00</b></div>	Outstanding Balance at Close of This Period <div style="border: 1px solid black; padding: 2px; display: inline-block;"><b>\$15,000.00</b></div>	



## **Task 2: Determining Ratio Adjustments for Allocated Fundraising Expenses**

**Background:** If you recall, the event was held on May 15. So, 56 days after the event, on July 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 July 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	OF	1
ALLOCATION RATIOS					
NAME OF COMMITTEE (In Full) <b>California Freedom Party Federal Committee</b>					
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 <b>Spring Gala (5/15/16)</b>		FEDERAL %	40.00	NONFEDERAL %	60.00
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					

**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:

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

- ▣ 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 July 11.

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

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

# Ratio Adjustment Transfer

---

## Adjusted Ratio - Federal Payment

**SCHEDULE H4 (FEC Form 3X)**  
**DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY**

PAGE **1** OF **1**  
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)  
**California Freedom Party Committee**

A. Full Name (Last, First, Middle Initial)  
**Freedom Party Nonfederal Account**

Mailing Address  
**777 Capitol Street**

City **Sacramento** State **CA** Zip Code **95814**

Purpose of Disbursement:  
**Ratio Adjustment Transfer**

Activity or Event Identifier:  
**Spring Gala (5/15/16)**

Allocated Activity or Event:  
 Administrative  Fundraising  Exempt  
 Voter Drive  Direct Candidate Support  
 Public Comm (ref to party only) by PAC

Allocated Activity or Event Year-To-Date  
**\$50,000.00**

Date **07 / 11 / 2016**

Category/Type **003**

FEDERAL SHARE	+	NONFEDERAL SHARE	=	TOTAL AMOUNT
<b>\$5,000.00</b>		-----		<b>\$5,000.00</b>



Party Operations, Part 2

**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

- ▣ Political committee raising funds with 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



FECConnect LIVE  
2015-16 Election Cycle

Party Operations, Part 2

### VI. **Joint Fundraising (11 CFR 102.17)** (*Guide*, pp. 131-136)

#### 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 #5

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# Joint Fundraising Activity



Party Operations, Part 2

### Scenario #5: Joint Fundraising Activity

**Background:** In April 2016, the California Freedom Party Committee hosts a joint fundraiser called “Cosmo Kramer Victory 2016” to benefit the party and Senator Cosmo Kramer. The Senator and the party committee agree to split the proceeds 50-50. To prepare for the event, the newly-created Victory 2016 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 #5 Answers:**

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

## Joint Fundraising

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- ❑ 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

**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 2016 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.

# Joint Fundraising: Transfer-In

## Schedule A, Line 12

<b>SCHEDULE A (FEC Form 3X)</b>		Use separate schedule(s) for each category of the Detailed Summary Page		FOR LINE NUMBER: (check only one)		PAGE OF	
<b>ITEMIZED RECEIPTS</b>		<input type="checkbox"/> 11a	<input type="checkbox"/> 11b	<input type="checkbox"/> 11c	<input checked="" type="checkbox"/> 12	<input type="checkbox"/> 13	<input type="checkbox"/> 14
		<input type="checkbox"/> 15	<input type="checkbox"/> 16	<input type="checkbox"/> 17			
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. 1							
NAME OF COMMITTEE (In Full) <b>California Freedom Party Committee</b>							
Full Name (Last, First, Middle Initial) <b>A. Cosmo Kramer Victory 2016</b>				Date of Receipt MM / DD / YYYY <b>04 / 30 / 2016</b>			
Mailing Address <b>1050 Sunset Blvd.</b>				Amount of Each Receipt this Period <b>\$40,000.00</b>			
City <b>Los Angeles</b>		State <b>CA</b>		Zip Code <b>90028</b>		<input type="checkbox"/> Memo Item	
FEC ID number of contributing federal political committee. <b>C</b>				Aggregate Year-to-Date <b>\$40,000.00</b>			
Name of Employer		Occupation		Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼			

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

# Joint Fundraising: Itemized

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## 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)	PAGE	OF
			<input type="checkbox"/> 11a <input type="checkbox"/> 11b <input type="checkbox"/> 11c <input checked="" type="checkbox"/> 12 <input type="checkbox"/> 13 <input type="checkbox"/> 14 <input type="checkbox"/> 15 <input type="checkbox"/> 16 <input type="checkbox"/> 17	12	1
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) <b>California Freedom Party Committee</b>					
Full Name (Last, First, Middle Initial) <b>A. George Costanza</b>			Date of Receipt <b>04 / 10 / 2016</b>		
Mailing Address <b>1344 Queens Boulevard</b>			Amount of Each Receipt this Period <b>\$2,000.00</b>		
City <b>New York, NY</b>		State <b>NY</b>		Zip Code <b>11435</b>	
FEC ID number of contributing federal political committee. <b>C</b>			<input checked="" type="checkbox"/> Memo Item <b>Cosmo Kramer Victory 2016</b>		
Name of Employer <b>New York Yankees</b>		Occupation <b>Asst to Travel Sec.</b>			
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼		Aggregate Year-to-Date ▼ <b>\$2,000.00</b>			
Full Name (Last, First, Middle Initial) <b>B. Elaine Benes</b>			Date of Receipt <b>04 / 10 / 2016</b>		
Mailing Address <b>78 West 86<sup>th</sup> Street, Apt. 3-E</b>			Amount of Each Receipt this Period <b>\$1,000.00</b>		
City <b>New York, NY</b>		State <b>NY</b>		Zip Code <b>10024</b>	
FEC ID number of contributing federal political committee. <b>C</b>			<input checked="" type="checkbox"/> Memo Item <b>Cosmo Kramer Victory 2016</b>		
Name of Employer <b>J. Peterman, Inc.</b>		Occupation <b>President</b>			
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼		Aggregate Year-to-Date ▼ <b>\$1,000.00</b>			

Party Operations, Part 2

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

# Joint Fundraising: Unitemized

## Schedule A, Line 12

<b>SCHEDULE A (FEC Form 3X)</b>		Use separate schedule(s) for each category of the Detailed Summary Page		FOR LINE NUMBER: PAGE <b>1</b> OF <b>1</b>	
<b>ITEMIZED RECEIPTS</b>				<input type="checkbox"/> 11a 13 <input type="checkbox"/> 11b 14 <input type="checkbox"/> 11c 15 <input checked="" type="checkbox"/> 12 16 <input type="checkbox"/> 17	
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) <b>California Freedom Party Committee</b>					
Full Name (Last, First, Middle Initial) <b>A. Cosmo Kramer Victory 2016</b>			Date of Receipt MM / DD / YYYY <b>04 / 10 / 2016</b>		
Mailing Address <b>1050 Sunset Blvd.</b>			Amount of Each Receipt this Period <b>\$39,000.00</b>		
City <b>Los Angeles</b>		State <b>CA</b>	Zip Code <b>90028</b>		
FEC ID number of contributing federal political committee. <b>C</b>		<input checked="" type="checkbox"/> Memo Item <b>Unitemized Receipts Cosmo Kramer Victory 2016</b>			
Name of Employer		Occupation		Aggregate Year-to-Date <b>\$39,000.00</b>	
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼					

### 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

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*Help Us Help You!*

Please complete an evaluation  
of this workshop.

<https://www.surveymonkey.com/r/NX7VGMD>



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Evaluation Link: <https://www.surveymonkey.com/r/NX7VGMD>