



**Federal Election Commission
Washington, DC 20463**

May 15, 2006

Larry M. Hicks, Treasurer
Harris County Republican Party
3311 Richmond Avenue, Suite 218
Houston, TX 77098

Re: ADR 299
Harris County Republican Party and Larry M. Hicks, Treasurer

Dear Mr. Hicks:

Enclosed is the signed copy of the agreement resolving the referral initiated on September 16, 2005 by the Federal Election Commission ("FEC/Commission") against the Harris County Republican Party and Larry M. Hicks, Treasurer ("Respondents"). The agreement for ADR 299 (RR 05L-52) was approved by the Commission on May 11, 2006 – the effective date of the agreement.

Note that paragraph 11 of the agreement specifies that Respondents shall comply with the terms of this settlement within thirty (30) days of the effective date of the agreement. Please forward to this office, a statement confirming Respondents' compliance with the terms listed in paragraph 8 of the aforementioned agreement. The letter should note the dates on which Respondents satisfied each of the terms listed in paragraph 8.

As you are aware, the settlement agreement will be made part of the record that is released to the public. The Commission will also place on the record copies of the complaint/referral, correspondence exchanged between your office and this office prior to our entry into settlement negotiations and reports prepared for the Commission by this office to assist in its consideration of this matter. The Commission is obliged by Federal statute to place on the public record documents in closed enforcement and alternative dispute resolution cases; accordingly, copies of documents relative to this matter will be forwarded shortly to the FEC's Public Information Office.

This agreement resolves the matter that was initiated by the Commission pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities regarding violations of federal election campaign laws. I appreciate your

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assistance in effectively resolving this matter and bringing the case to a mutually acceptable conclusion.

Sincerely,

Lynn M. Fraser, Assistant Director
Alternative Dispute Resolution Office
202-694-1665

Enclosure: Agreement ADR 299

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Washington, DC 20463**

Case Number ADR 299
Source RR 05L-52
Case Name Harris County Republican Party

NEGOTIATED SETTLEMENT

This matter was initiated by the Federal Election Commission ("Commission") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. Following review of the matter, and in an effort to promote compliance with the Federal Election Campaign Act of 1971, as amended, ("FECA") and resolve this matter, the Commission entered into negotiations with Larry Hicks, representing the Harris County Republican Party and Larry Hicks, Treasurer ("the Committee" or "Respondents"). It is understood that this agreement will have no precedential value relative to any other matters coming before the Commission.

Negotiations between the Commission and Respondents addressed the issues raised in this referral. The parties agree to resolve the matter according to the following terms:

1. The Commission entered into this agreement as part of its responsibility for administering the FECA, and in an effort to promote compliance on the part of Respondents. The Commission's use of alternative dispute resolution procedures ("ADR") is authorized in "The Administrative Dispute Resolution Act of 1996," 5 U.S.C. § 572 and is an extension of 2 U.S.C. § 437g.
2. Respondents voluntarily enter into this agreement with the Commission.
3. The Reports Analysis Division ("RAD") referred Respondents for failing to disclose the Committee's administrative expenses, and the allocation of those expenses between the federal and non-federal accounts. RAD explained in a RFAI, sent to the Committee on March 25, 2005, that administrative expenses are payments made for the purpose of operating a political committee, including, but not limited to, rent, utilities, salaries, telephone service, office equipment, and supplies. In addition, the RFAI reminded the Committee that when a local party committee utilizes separate federal and non-federal accounts, it is required to allocate any administrative expenses (excluding salary) between the accounts according to a fixed percentage, which was 28% for the 2004 election cycle.
4. The FECA requires political committees to disclose all financial activity. Specifically, a committee must disclose for the reporting period and the calendar year, the total amount of all disbursements, including expenditures made to meet committee operating expenses. 2 U.S.C. § 434(b)(4)(A), 11 C.F.R. § 104.3(b)(1). The regulations specify that state, district, and local party committees that make expenditures and

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disbursements, in connection with both federal and non-federal election activities, may use only funds subject to the prohibitions and limitations of the FECA, or they may allocate such expenditures and disbursements between their federal and non-federal accounts. 11 C.F.R. § 106.7(b).

5. State, district, and local party committees, that are political committees for the purpose of the FECA, and that have established separate federal and non-federal accounts under 11 C.F.R. § 102.5(a)(1)(i), must pay salaries and wages from funds that comply with state law for employees who spend 25%, or less, of their time in any given month of federal election activity, or activity in connection with a federal election. Administrative costs, including rent, utilities, office equipment, office supplies, postage for other than mass mailings, and routine building maintenance, upkeep and repair, may either be paid from its federal account, or allocate such expenses between its federal and non-federal accounts, except that any such expenses directly attributable to a clearly identified federal candidate, must be paid only from its federal account. 11 C.F.R. § 106.7(c).
6. State, district, and local party committees that choose to allocate administrative expenses may do so, but they must follow specific allocation requirements set by regulation. During a Presidential election year, in which there is no Senate candidate appearing on the ballot, and in the preceding year, State, district, and local party committees must allocate at least 28% of administrative expenses to their Federal accounts. 11 C.F.R. § 106.7(d)(2) (January 1, 2005).
7. Respondents acknowledge an inadvertent violation of FECA, due to inexperienced staff. Respondents explained that, historically, they were involved in only county and state election activities, and therefore, had no experience with the allocation of disbursements. Respondents contend that they followed RAD's recommendation and their reports show a debt from their federal account, to their non-federal account. The Committee will continue to show that as debt until they can reimburse the non-federal account. In addition, the Committee contends that it disclosed in a text message to the Commission that no employees worked twenty-five percent (25%) or more of their time on federal election activities.
8. Respondents, in an effort to avoid similar errors in the future, agree to: (a) work with a RAD analyst to ensure that all reports are amended to accurately reflect the allocation of financial activity; and (b) appoint a member of the Committee staff to serve as Compliance Specialist.
9. Respondents agree that all information provided to resolve this matter is true and accurate to the best of their knowledge and that they sign this agreement under penalty of perjury pursuant to 28 U.S.C. § 1746.
10. The parties agree that if Respondents fail to comply with the terms of this settlement, the Commission may undertake civil action in the U.S. District Court for the District of Columbia to secure compliance.

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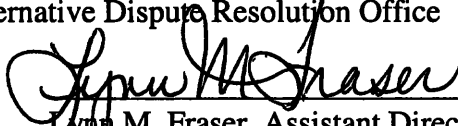
11. This agreement shall become effective on the date signed by all parties, and approved by the Commission. Respondents shall comply with the terms within thirty (30) days from the effective date of this agreement.

12. This Negotiated Settlement constitutes the entire agreement between the parties on ADR 299 (RR 05L-52), and effectively resolves the issues identified in paragraph 3 above. No other statement, promise or agreement, either written or oral, made by either party, not included herein, shall be enforceable.

FOR THE COMMISSION:

Allan D. Silberman, Director
Alternative Dispute Resolution Office

By: _____


Lynn M. Fraser, Assistant Director
Alternative Dispute Resolution Office

5/11/06
Date Signed

FOR THE RESPONDENTS:

Larry M. Hicks
Representing the Harris County Republican Party
and Larry M. Hicks, Treasurer

5/1/06
Date Signed

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