



FEDERAL ELECTION COMMISSION
Washington, DC 20463

January 5, 1977

Re: AOR 1976-111

E.L. Abercrombie
Secretary-Treasurer
League of Voter Education
859 Spring Street, N.W.
Atlanta, Georgia 30308

Dear Mr. Abercrombie:

This is in response to your letter of December 7, 1976, concerning the application of the Federal Election Campaign Act of 1971, as amended ("the Act"), to certain costs incurred by the League of Voter Education. "The League" is a separate segregated fund formed by Local 218 of the Laundry, Dry Cleaning and Dye House Workers Union ("the Union") and registered with the Commission as a political committee.

First of all, you state that the League "inadvertently" paid for a legal fee incurred in connection with its own formation. As you note in your letter, such a legal fee constitutes a cost incident to "establishment" or "administration" of a separate segregated fund which cost is exempted from the Act's definitions of a "contribution or expenditure." Thus, the League's payment of the fee would not be prohibited by the Act. See 2 U.S.C. §441b(b)(2)(C) and §114.1(a)(2)(iii) and §114.1(b) of the Commission's proposed regulations (copy enclosed). Since payment of such a fee is not a prohibited contribution by a labor organization, the Union could have paid the fee directly without violating the Act. The fact that the League "inadvertently" paid for this cost initially does not change its characterization as an administrative cost. The Union may reimburse the League in the exact amount of the fee. The Act does not require the Union to report this disbursement; however, the League's next report should reflect the receipt of the Union funds as a reimbursement for administrative costs.

Your second question concerns another cost incurred by the League in connection with "printing political cards for a candidate who did not in fact qualify as a candidate." You ask whether this cost could be considered an administrative expense payable by the Union, since the person benefitted did not "qualify" as a Federal candidate.

Regardless of whether the person involved was actually a Federal candidate qualified to appear on a State ballot, or a "candidate" under the definition of 2 U.S.C. §431(b), the printing of the political cards cannot be characterized as an administrative cost to be paid by the Union. The establishment, administration, and solicitation costs which a labor organization is allowed to defray from general treasury funds include only "the cost of office space, phones, salaries, utilities, supplies, legal and accounting fees, fundraising and other expenses incurred in setting up and running a separate segregated fund." §114.1(b) of the proposed regulations. A disbursement for the printing of political cards "for the purpose of influencing the nomination for election, or the election, of any person to Federal office" (emphasis added) constitutes an "expenditure" by the League within the meaning of the Act and should be reported as such. 2 U.S.C. §431(f)(1).

The Union could defray such an expense from its general treasury only if it were communicating with its members (and their families). In that event it would have to report the amounts expended if the costs exceeded \$2,000 per election. See 2 U.S.C. §431(f)(4)(C) and §100.7(b)(5) of the proposed regulations.

This response relates to your opinion request but may be regarded as informational only and not as an advisory opinion since it is based in part on proposed regulations of the Commission. These proposed regulations were formally adopted by the Commission and serve as interpretative rules of the Commission as to the meaning of the pertinent statutory language. The proposed rules were transmitted to the Congress on August 3, 1976. See 2 U.S.C. §438(c). For your information I enclose a copy of a Commission policy statement regarding those rules.

Sincerely yours,

(signed)
Vernon W. Thomson
Chairman for the
Federal Election Commission

Enclosures