



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

27 SEP 1976

O/R #741

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Mr. Robert J. Lipshutz
1976 Democratic Presidential
Campaign Committee, Inc.
Post Office Box 1976
Atlanta, Georgia 30301

Dear Mr. Lipshutz:

This is in response to your letter of August 20, 1976, in which you describe the Carter-Mondale campaign's treatment of travel expenses, and especially the reimbursement for air fare and ground transportation by the media, and of air fare by the U.S. Secret Service as set out in §140.11(c) of the Commission's proposed regulations. You ask to be notified of any questions the Commission may have as to whether your proposed approach comports with the statutory provisions regarding qualified campaign expenses, as interpreted in the proposed regulations.

You state that the Carter campaign will incur expenses exceeding \$3.5 million for chartered aircraft and express the view that the campaign should not have to absorb the cost of providing transportation for Secret Service and media personnel. Your approach identifies four variables that "make the process of matching costs to revenues difficult." The variables you discuss are:

1. Reimbursement Method

The press and Secret Service reimburse the Campaign based upon commercial air fare. The Campaign, however, is charged based upon the following variables:

- a. Fixed charge per day aircraft is in use
- b. Fixed charge per day aircraft is not in use



- c. Number of landings
- d. Number of miles
- e. Hours in service

2. Vacant Seats

On some trips made during the Campaign, the aircraft will not be filled to capacity. The cost of the vacant seats should be spread equally among the passengers.

3. Ground Costs

In addition to the direct plane costs, we are responsible for providing ground transportation for the press.

4. Overhead Costs

We will spend approximately \$175,000 equipping the Presidential and Vice Presidential planes to provide proper support for the press and staff. In addition, we have staff and accounting systems for providing the necessary support services.

* * * The gross cost to the Campaign is projected to be \$3.5 million. This figure includes direct aircraft cost of \$3.1 million, direct ground cost of \$.2 million and overhead of \$.2 million. Reimbursements from the Secret Service and press are projected to be \$2.4 million and the charges for staff travel are projected to be \$.5 million.

These latter figures assume that the press and staff are charged at a rate of 150% and the Secret Service 100% of the first class air fare for each leg of the trip.

Relating these figures specifically to the regulations, the calculation under Regulation 140.11(c) (1) would give a figure of \$.9 million.

* * * If the projected figures hold true, the actual cost of chartered aircraft will exceed the computed cost of transporting the Campaign staff by \$.4 million, meaning that the press and the Secret Service are not fully absorbing their share of the costs at the current rates.

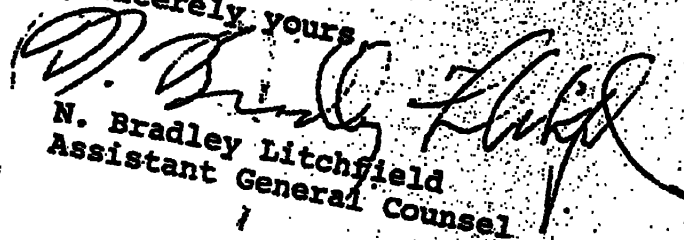
Needless to say, with this many variables involved, the actual figures could vary significantly from the projections used in deriving the figures discussed above. For example, we have had to make estimates of the direct plan costs based upon the limited information available at the time. The fact remains, however, that when direct ground cost, the cost of empty seats, the fixed aircrafts charges and overhead costs are all considered, it is unlikely that the press will, even at the 150% rate, absorb more than its share of the cost.

It is our intention to provide the Commission with a monthly analysis showing actual cost. Because of the variance between the timing of revenues and expenses, the analysis will show both current month figures and Campaign-to-date figures. If at any time the staff allocation exceeds the gross cumulative expenses, less reimbursements, the excess will be put in a separate account until the end of the Campaign or until the situation reverses itself.

Section 140.11(c) deducts from "qualified campaign expenses" the reimbursements received by the Carter campaign from the media and the Secret Service. The system you describe, including the use of 150% of first class air fare for reimbursement by the media (which includes ground transportation) and 100% of first class air fare for reimbursement by the Secret Service (which provides its own ground transportation), comports with the principles embodied in the statute and regulations.

Your proposal to assure that excessive reimbursement for air travel does not occur and to avoid any need for the campaign to absorb the cost of providing transportation to Secret Service and media personnel has been brought to the attention of the Commission. I have been authorized to inform you that the Commission has indicated no objection to your described treatment of chartered aircraft expenses and reimbursement.

Sincerely yours


N. Bradley Litchfield
Assistant General Counsel

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