



FEDERAL ELECTION COMMISSION
Washington, DC 20463

September 19, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

ADVISORY OPINION 1997-19

Rena Johnson, Counsel
CoreStates Financial Corp.
PO Box 7618
Philadelphia, PA 19101-7618

Dear Ms. Johnson:

This refers to your letters dated August 12 and July 23, 1997, which request advice concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act"), to proposed contributions made by CoreStates Financial Corp. ("CoreStates") and CoreStates Foundation ("the Foundation") to Philadelphia 2000 ("the Philadelphia Committee"), a host committee under Commission regulations.

You state that you are counsel to CoreStates which, you explain, is a holding company of two national banks and other non-banking organizations. The Philadelphia Committee has requested a contribution from CoreStates to defray some of the Committee's costs to promote Philadelphia as the site for a political party nominating convention in the Presidential election of 2000. This proposed donation would be in the amount of \$25,000. Another prospective donor is the Foundation. You state it is a "separate and distinct legal entity" funded by CoreStates and established for charitable purposes. Your request further describes the Foundation as a domestic, non-profit Pennsylvania corporation and a section 501(c)(3) organization under the Internal Revenue Code.

You state that, although CoreStates derives revenues from its Federally chartered bank subsidiaries, it also derives revenues from other sources far in excess of the \$25,000 it would donate. Both CoreStates and the Foundation are located within the metropolitan area of the potential convention city, Philadelphia, PA. You affirm that none of the contributed funds would be used in connection with a Federal election, but rather to promote and lobby for the City of Philadelphia as a convention site and help finance

convention-related facilities and services. You ask whether these donations by either CoreStates or the Foundation are permissible under the Act and Commission regulations.

The Act prohibits national banks and Federally chartered corporations from making contributions or expenditures in connection with elections to any political office. 2 U.S.C. §441b(a). It also prohibits other corporations from making contributions or expenditures in connection with any Federal election. However, there are several exceptions to these prohibitions. For example, Commission regulations at 11 CFR 9008.52(c) recognize that local businesses, including local corporations, and other local organizations and individuals, may donate funds or make in-kind donations to host committees for certain limited purposes involving the promotion of the suitability of the city as a convention site. 11 CFR 9008.52(c)(1)(i).¹ Other exceptions are the general promotion of the convention city following its selection, and providing convention-related facilities and services.² Commission regulations concerning corporate activity at 11 CFR 114.1(a)(2)(viii), specifically exclude from the definition of “contribution and expenditure” activity permitted under 11 CFR 9008.52.

Local businesses are those located within the Metropolitan Area of the convention city, and those that have a branch office located in the Metropolitan Area of the convention city. 11 CFR 9008.52(c)(2). See 55 *Fed. Reg.* 12154 (March 30, 1990) for a description of metropolitan areas. You have indicated that both prospective donor entities are located within the Metropolitan Area of Philadelphia. Hence, they would be considered to be local businesses or local organizations.

Banks, however, are excluded from the exception set forth in 11 CFR 9008.52(c). The term “bank” is not defined in the convention regulations in 11 CFR part 9008.³ Nonetheless, in Advisory Opinions 1995-32 and 1995-31 pertaining to situations similar to yours, the Commission permitted a host convention committee to accept donations from a holding company made up, in part, of Federally chartered banks.⁴ The Commission, therefore, concludes that CoreStates may make the \$25,000 donation to the Committee. This conclusion is predicated upon the assumption that CoreStates can

¹ In the same area of pre-selection expenses, donations are also permitted for the costs of providing accommodations and hospitality for committees of the parties responsible for choosing the sites of conventions. 11 CFR 9008.52(c)(1)(x).

² These include defraying administrative expenses such as salaries, rent, travel and liability insurance, welcoming convention attendees, providing the use of an auditorium or convention center, providing transportation, law enforcement, or similar convention-related facilities and services.

³ In Advisory Opinions 1995-32 and 1995-31, the Commission noted that the 1979 Explanation and Justification of a related provision regarding discounts given to convention committees notes that 2 U.S.C. §441b prohibits banks from making contributions or expenditures in connection with Federal elections. See Explanation and Justification, 44 *Fed. Reg.* 63037 (Nov. 1, 1979). It indicates that the “restrictions concerning who may donate funds to defray convention expenses ... are necessary to insure that such donations are commercially, rather than politically motivated.” *Id.* at p. 63038.

⁴ Those opinions considered expenses arising after the selection of the city as a convention site, rather than expenses relating to the pre-selection process. This difference is not significant since the regulations expressly permit the receipt and use of donations by a host committee to promote the selection of a city as a convention site. 11 CFR 9008.52(c)(1)(i), (c)(1)(x).

demonstrate that its donation is from non-bank funds, and that it is a distinct legal entity and not merely the agent, instrumentality or alter ego of its associated national banks. *Id.*; see also Advisory Opinion 1980-7.

Regarding the possible donations by the Foundation, the Commission notes that 11 CFR 9008.52(c) refers to the receipt of donations from “other local organizations” as well as from local businesses and labor organizations. This term would include non-profit organizations that are located within the metropolitan area of the convention city. Therefore, the foregoing conclusions and assumptions would also apply to the Foundation.

The Commission emphasizes that this opinion does not reach any issue relating to the Internal Revenue Code or regulations. The Commission also notes that to maintain its tax exempt status, the Foundation may not “participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.” 26 U.S.C. §501(c)(3). Advice regarding the application of this provision to your circumstances should be sought from the Internal Revenue Service.

This response constitutes an advisory opinion concerning the application of the Act, or regulations prescribed by the Commission, to the specific transaction or activity set forth in your request. See 2 U.S.C. §437f.

Sincerely,

(signed)

John Warren McGarry
Chairman

Enclosures (AOs 1995-32, 1995-31, and 1980-7)