



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

SEP 27 2004

Mary McHugh, Associate General Counsel
International Association of Machinists
and Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772

RE: MUR 5386
IAM District Lodge 141-M

Dear Ms. McHugh:

On September 11, 2003, the Federal Election Commission notified your clients, IAM District Lodge 141-M, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your clients at that time.

Upon further review of the allegations contained in the complaint, and information provided by your clients, the Commission, on September 9, 2004, found that there is reason to believe your clients violated 2 U.S.C. §§ 441b and 441f and 11 C.F.R. § 110.4. The Factual and Legal Analysis, which formed the basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter.

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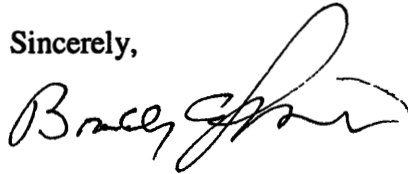
Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

If you have any questions, please contact April Sands, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradley A. Smith", written in a cursive style.

Bradley A. Smith
Chairman

Enclosures
Order and Subpoena
Factual and Legal Analysis

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: IAM District Lodge 141-M

MUR: 5386

I. INTRODUCTION

The Complaint in this matter alleged that in 2000, delegates to an International Association of Machinists and Aerospace Workers ("IAM") district convention in Cleveland, Ohio voted to donate their registration fees to the IAM's separate segregated fund, the Machinist Non Partisan Political League ("MNPL") and that the delegates from at least two of the local unions were later reimbursed for their registration fees from union funds. The Complainant concludes that this violated 2 U.S.C. § 441b and 11 C.F.R. § 110.4 because the donations to MNPL were actually paid out of IAM member dues.

II. FACTUAL AND LEGAL ANALYSIS

A. FACTS

International Association of Machinists and Aerospace Workers ("IAM") represents 730,000 members across North America and currently administers 5,000 collective bargaining agreements for its members working in government, as well as the aerospace and transportation industries. IAM District Lodge 141-M and Local Lodge 1487 are labor organizations affiliated

¹ Pursuant to 2 U.S.C. § 441a(a)(5), "all contributions made by political committees established or financed or maintained or controlled by any . . . labor organization, or any other person, including any . . . parent, subsidiary, branch, division, department, or local unit of such . . . labor organization, or any other person, . . . shall be considered to have been made by a single political committee In any case in which a . . . labor organization and any of its . . . local units establish or finance or maintain or control more than one separate segregated fund, all such separate segregated funds shall be treated as a single separate segregated fund for purposes of the limitations" established at 2 U.S.C. § 441a(a)(1) and (2). The definitions of "affiliated committee" at 11 C.F.R. § 100.5(g) include "[a]ll committees (including a separate segregated fund . . .) established, financed, maintained or controlled by the same . . . labor organization, person, or group of persons . . . , including any . . . local unit thereof" 11 C.F.R. § 100.5(g)(2). Thus, affiliated labor organization committees share a single contribution limit. 11 C.F.R. § 100.5(g)(3).

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with the IAM. The Machinist Non Partisan Political League ("MNPL") is the federal separate segregated fund of IAM. On September 27, 2000, the International Association of Machinists and Aerospace Workers, District Lodge 141-M Airline Employees (IAM District Lodge 141-M) held their Second Annual Convention in Cleveland, Ohio. As part of that convention, the delegates voted to donate the convention registration fees to the MNPL. According to the transcript attached to the Complaint, this vote was "in keeping with the past tradition."

The Complainant alleges that the delegates who attended the Second Annual Convention were later reimbursed by their local lodges. If true, the donations made in the names of the individual delegates would actually have been paid out of IAM member dues, a violation of 11 C.F.R. § 110.4. The three-sentence response filed on behalf of MNPL, District Lodge 141-M and Local Lodge 1487 does not directly deny the reimbursement allegations. Rather, the response states the following: "Consistent with federal law, the policies of the IAM and MNPL prohibit transfer of general treasury (dues based) monies to the MNPL account which makes contributions and expenditures in connection with federal elections." MNPL reports \$13,679 in unitemized contributions during September 2000, the month of the convention at issue.

B. ANALYSIS

The Federal Election Campaign Act of 1971, as amended, ("the Act"), prohibits labor organizations from making contributions or expenditures in connection with federal elections. 2 U.S.C. § 441b(a). Labor organizations may establish and administer separate segregated funds for political purposes and to solicit contributions to those funds from members and their families. 2 U.S.C. §§ 441b(b)(2)(C) and 441b(b)(4)(A)(ii). A separate segregated fund may make contributions to and expenditures on behalf of federal candidates and other committees.¹ As a

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separate segregated fund (SSF), MNPL is permitted to make federal political contributions.

However, these contributions must be made with permissible funds.²

The Act provides that no person shall make a contribution in the name of another person or knowingly permit his or her name to be used to effect such a contribution, and that no person shall knowingly accept a contribution made by one person in the name of another person.

2 U.S.C. § 441f. Neither IAM District Lodge 141-M nor Local Lodge 1487 may use its general treasury funds to make contributions to MNPL. 2 U.S.C. § 441b. Further, they may not reimburse members for convention registration fees contributed to MNPL. 2 U.S.C. § 441f.

There is no indication of the scope of the donation to the MNPL by the convention delegates, although it appears that there were at least 200 delegates at the 2000 IAM District convention. There may be a long-standing practice with respect to delegates voting to donate convention registration fees to the MNPL, as the transcript from the Second Annual Convention notes that the donation to the MNPL of convention registration fees was made "in keeping with the past tradition." Indeed, the Complainant indicates that similar donations of registration fees may have occurred at "Grand Lodge Conventions, and IAM seminars and training classes." Thus, even if the convention registration fee was relatively small, that number would grow

² Political committees which finance activity in connection with both federal and non-federal elections must either establish separate federal and non-federal accounts or "receive only contributions subject to the limitations and prohibitions of the Act." 11 C.F.R. § 102.5(a). If a committee elects to establish separate accounts, only permissible funds may be deposited into the federal account, and "all disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account." 11 C.F.R. § 102.5(a)(1)(i). Pursuant to 11 C.F.R. § 102.6(a)(1)(i), "[t]ransfers of funds may be made without limit on amount between affiliated committees whether or not they are political committees under 11 C.F.R. § 100.5." Transfers between affiliated committees may, however, be made only with permissible funds. 11 C.F.R. § 102.6(a)(1)(iv). Such transfers are to be reported by both the transferring and the recipient committees. 11 C.F.R. § 104.3(a)(4)(iii)(B) and § 104.3(b)(1)(ii).

exponentially when multiplied by the number of delegates present and the number of functions at which the delegates voted to donate registration fees to the MNPL.

A connected organization, such as Local Lodge 1487, may not reimburse individuals who make contributions to an SSF such as MNPL. 2 U.S.C. § 441f; 11 C.F.R. 114.5(b)(1); *see also* AO 1986-41. Therefore, if the convention delegates were reimbursed by their local union for the donation of the convention registration fees, this would result in a prohibited contribution.

Based on the Complaint and the supporting documentation, it appears that IAM District Lodge 141-M used their general treasury funds to make contributions to MNPL by allowing its delegates to donate the convention registration fees to the MNPL, fees which were then reimbursed. Therefore, this Office recommends the Commission find reason to believe that IAM District Lodge 141-M violated 2 U.S.C. § 441b, 441f and 11 C.F.R. § 110.4.

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