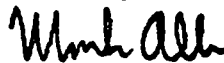


Jay Petterson in his official capacity as treasurer; Nelson for Wisconsin and Dr. Beth Gillis in her official capacity as treasurer; Colleen Deacon for Congress and Jennifer May in her official capacity as treasurer; Applegate for Congress and Douglas Applegate in his official capacity as treasurer; Mowrer for Iowa and Dennis Skinner in his official capacity as treasurer; Texans for Pete and Wayne Alexander in his official capacity as treasurer; Suzanna Shkreli for Congress and Jennifer May in her official capacity as treasurer; Carroll for Colorado and Mitchell S. Wright in his official capacity as treasurer; Eggman for Congress and Jay Petterson in his official capacity as treasurer; Stephanie Murray for Congress and Jennifer May in her official capacity as treasurer; Bryan Caforio for Congress and Gonzalo Freixes in his official capacity as treasurer; Friends of Christina M. Hartman and Diane Topakian in her official capacity as treasurer; and LuAnn Bennett for Congress and Jennifer May in her official capacity as treasurer. The Commission further found no reason to believe that the Democratic Congressional Campaign Committee and Kelly Ward in her official capacity as treasurer violated 52 U.S.C. § 30116(a) and no reason to believe Hillary for America and Jose Villarreal in his official capacity as treasurer violated 52 U.S.C. § 30116(f) in connection with the coordinated communication allegation. Accordingly, the Commission closed its files in these matters.

Documents related to the case will be placed on the public record within 30 days. See Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016). The Factual and Legal Analysis, which explains the Commission's findings, is enclosed for your information.

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

Sincerely,



Mark Allen
Assistant General Counsel

Enclosure
Factual and Legal Analysis

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1 I. INTRODUCTION

2
3 These matters involve 15 television advertisements aired during the 2016 election that
4 referenced then-presidential candidate Donald Trump and one of fourteen Republican
5 congressional candidates. Each advertisement was paid for partially by the Democratic
6 Congressional Campaign Committee (“DCCC”) (and in one matter, the Colorado Democratic
7 Party (“CDP”)) and partially by the campaign committee of the respective Democratic
8 congressional candidate that the advertisement supported. Each advertisement also featured that
9 Democratic congressional candidate. The Complaints allege that the Respondents violated the
10 Federal Election Campaign Act of 1971, as amended (the “Act”), by allocating the cost of the
11 advertisements, resulting in excessive contributions from the DCCC/CDP to the candidate
12 committees. The Respondents assert in response that the costs for these advertisements were
13 properly allocated.

14 The Complaints further allege that the advertisements were coordinated between the
15 DCCC/CDP and Hillary for America (“HFA”), the principal campaign committee for Hillary
16 Clinton in the 2016 presidential election, resulting in excessive in-kind contributions from
17 DCCC and CDP to HFA. Respondents deny coordinating as alleged.

18 The information in the record does not support the allegations that the costs for these
19 advertisements were incorrectly allocated or that DCCC/CDP coordinated with HFA. The
20 Commission therefore finds no reason to believe that the DCCC or the CDP made excessive in-
21 kind contributions to the candidate committees.

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1 share of the total costs, then those excessive amounts are in-kind contributions to the other
2 candidate(s) involved. For broadcast communications, the attribution is determined by the
3 proportion of space or time devoted to each candidate as compared to the total space or time
4 devoted to all candidates.⁷

5 The Respondents assert that each of the fifteen advertisements in these matters clearly
6 identifies a Democratic candidate for Congress, and either expressly advocates against the
7 candidate's Republican opponent and Trump, or addresses the Republican opponent's support of
8 Trump. Complainant alleges that the DCCC and CDP made, and the Respondent Democratic
9 congressional candidate committees accepted, excessive contributions in connection with the
10 advertisements. Complainant argues that it was improper for the Respondents to allocate the
11 costs of the advertisements and, therefore, the amounts the DCCC paid in connection with each
12 advertisement were excessive, in-kind contributions to the respective individual candidate
13 committee.⁸

14 Respondents assert in response to the Complaints that the methods used to allocate the
15 costs from the ads were appropriate and that the resulting expenditures were reported correctly.
16 Specifically, Respondents assert that they applied the allocation method for broadcast
17 communications set forth in Section 106.1(a) of the Commission's regulations and allocated the
18 costs according to the space and time devoted to each entity as compared to the total space or

⁷ *Id.*

⁸ *See, e.g.*, MUR 7169 (Santarsiero), Compl. at 9. The Complaints discuss at length the Commission's treatment of hybrid ads. *See, e.g.*, MUR 7169, Compl. at 4-9. The Complaints note that the advertisements at issue here are not "hybrid communications" and that Respondents are improperly substituting the standard "generic party reference" with material attacking Donald Trump, while still attributing a portion of the cost of the advertisements to the DCCC/CDP. *See id.* at 2-4. Hybrid ads are defined as "communications that refer both to one or more clearly identified Federal candidates and generically to candidates of a political party." *See id.* at 3 quoting Notice of Proposed Rulemaking on Hybrid Communications, 72 Fed. Reg. 26,569, 26,770 (May 10, 2007). There are no generic references, such as "Democrats" or "Republicans," in any of the 15 ads at issue here.

1 time devoted to all candidates.⁹ According to Respondents, the costs of the advertisements
2 identified in the Complaints were allocated between the DCCC or CDP and the Democratic
3 candidate whose opponent was featured in the ad along with Donald Trump, pursuant to a
4 time/space basis according to the portion of the ad that concerned each candidate.¹⁰ The portion
5 of each ad that addressed Trump was paid for by the DCCC.¹¹ The portion of each ad that
6 addressed the Republican congressional candidate was either paid for in full by the
7 corresponding Democratic congressional candidate or split between that Democratic candidate
8 and the DCCC spending under its coordinated party expenditure limit.¹²

9 For example, Respondents assert that they paid for the advertisement at issue in MUR
10 7170 (Kihuen) as an independent expenditure by the DCCC for the portion of the ad expressly
11 advocating against Trump and as an expenditure by Ruben Kihuen for Congress, the principal
12 campaign committee for Kihuen's campaign for Nevada's 4th Congressional District, because a
13 portion of the ad advocated against the election of Kihuen's opponent.¹³ This advertisement,
14 "Our Values" (0:30), contained the following audio:

⁹ Resp. of DCCC, Santarsiero for Congress, Ruben Kihuen for Congress, Nelson for Wisconsin, Colleen Deacon for Congress, Applegate for Congress, Mowrer for Iowa, Texans for Pete, Suzanna Shkreli for Congress, Eggman for Congress, Stephanie Murray for Congress, Bryan Caforio for Congress, Friends of Christina M. Hartman, and LuAnn Bennett for Congress ("Joint Resp.") at 5-13 (Dec. 22, 2016). This Joint Response applied to all fourteen Complaints at issue in this report. *See id.*

¹⁰ Joint Resp. at 4-5. The available record indicates that the subject advertisements aired during September and October 2016. The Joint Response indicates that the cost for the portion of each broadcast that was dedicated to the required disclaimer was split between the candidate and DCCC using the same ratio applied to the rest of the advertisement. *Id.* at 5-6.

¹¹ Joint Resp. at 4-5. The Respondents assert that this portion was reported by the DCCC as either an independent expenditure if it expressly advocated against Trump or an operating expenditure if it did not. *See id.* *See generally* 11 C.F.R. § 100.22.

¹² Joint Resp. at 4-5.

¹³ *See id.* Respondents allocated the payments in this manner for the advertisements at issue in MURs 7169 (Santarsiero), 7170 (Kihuen), 7171 (Nelson), 7174 (Mowrer), 7176 (Shkreli), and 7182 (Caforio).

1 *Voiceover:* Donald Trump has made a lot of insulting
2 statements. [Footage of Trump].
3

4 *Trump:* "Ah. I don't know what I said. Ah." [Footage of
5 Trump].
6

7 *Trump:* "He's a Mexican." [Footage of Trump].
8

9 *Voiceover:* Trump insulted immigrants, women, a military
10 family and veterans with PTSD. [Footage of Trump beside
11 "examples," such as Khizr Khan].
12

13 *Kihuen:* "My opponent Crescent Hardy says he'll do anything
14 to help Donald Trump, and Hardy also stands with Cliven
15 Bundy." [Footage of Kihuen, Trump, and Hardy].
16

17 *Bundy:* "And I've often wondered . . . are they better off as
18 slaves, picking cotton?" [Footage of Kihuen and Bundy].
19

20 *Kihuen:* "Yeah, that guy." [Footage of Kihuen and Bundy].
21

22 *Kihuen:* "I'm Ruben Kihuen and I approve this message, because
23 these are not our values, and we're better off without Crescent
24 Hardy and Donald Trump." [Footage of Kihuen].¹⁴
25

26 In other instances, according to Respondents, the portion of an advertisement paid for by
27 the DCCC (under the allocation principles discussed above, because it addressed Trump) was
28 reported as an operating expenditure by the DCCC because that portion of the ad did not
29 expressly advocate Trump's defeat, but instead focused on policy issues.¹⁵ For example, the
30 Respondents assert that the ad in MUR 7172 (Deacon) was paid for by the DCCC in that manner
31 in part and in part as an expenditure by Colleen Deacon for Congress, the principal campaign
32 committee for Colleen Deacon's campaign for New York's 24th Congressional District because

¹⁴ See "Our Values," available at <https://www.youtube.com/watch?v=ulkmwN7ivMU> (Oct. 17, 2016).

¹⁵ Joint Resp. at 4-5. Respondents allocated the payments in this manner for the advertisements at issue in MURs 7172 (Deacon), 7175 (Gallego), 7178 (Eggman), 7179 (Murphy), and 7188 (Bennett).

1 a portion of the ad addressed Deacon's opponent's support for Trump. This advertisement,
2 "Unsettled" (0:30), contained the following audio:

3 *Voiceover:* In an unsettled world, John Katko and Donald
4 Trump's approach takes us down a dangerous path. [Footage of
5 current events].
6

7 *Trump:* "I love war in a certain way." [Footage of Trump].
8

9 *Voiceover:* But when asked about supporting Trump, Katko
10 said "I absolutely will support." [Footage of Katko].
11

12 *Trump:* "Tell them to go [bleep] themselves." [Footage of
13 Trump].
14

15 *Voiceover:* When national security leaders condemn Trump's
16 reckless statements on foreign policy. [Footage of Trump].
17

18 *Reporter:* "People are wondering how those things can happen
19 and you not flat out denounce it." [Footage of Katko and
20 reporter].
21

22 *Katko:* "I'm more concerned about my race." [Footage of
23 Katko].
24

25 *Voiceover:* Not about the safety of our families. [Footage of
26 Katko].
27

28 *Voiceover:* Trump and Katko put our National Security at risk.
29 [Footage of Trump and Katko].
30

31 *Deacon:* "I'm Collen Deacon and I approve this message."
32 [Footage of Deacon].¹⁶
33

34 The one matter involving the CDP, MUR 7177 (Carroll), involves an advertisement paid
35 for by the CDP and Carroll for Colorado, the principal campaign committee for Morgan
36 Carroll's congressional campaign for Colorado's 6th Congressional District.¹⁷ The CDP paid for

¹⁶ See "Unsettled," available at <https://www.youtube.com/watch?v=Ch4ToJp3Br0> (Oct. 8, 2016).

¹⁷ MUR 7177 (Carroll), Compl. at 1 (Oct. 31, 2016).

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1 the portion of the advertisement that criticizes Trump's policy positions as an operating expense,
2 while Carroll for Colorado paid for the portion opposing Rep. Mike Coffman, Carroll's
3 opponent.¹⁸

4 Finally, in two matters, MURs 7173 (Applegate) and 7187 (Hartman), all of the costs of
5 the advertisements were split between the Democratic candidate and the DCCC spending under
6 its coordinated party expenditure limit.¹⁹

7 In the circumstances presented in these MURs, we believe it was reasonable for
8 Respondents to allocate the costs of the advertisements on a time and space basis pursuant to
9 Section 106.1(a). The Commission has previously approved the allocation of the costs of
10 communications that relate to more than one Federal candidate in Advisory Opinion 2010-10
11 (NTRL). There, the Commission addressed the appropriate allocation method for independent
12 expenditures in several Federal elections under Section 106.1(a).²⁰ The Commission opined,
13 *inter alia*, that independent expenditures that expressly advocate the election of several Federal
14 candidates in different races and identify, and compare the positions of, those candidates'
15 respective opponents, should be allocated among the different races, based on a time or space
16 analysis.²¹ The allocation is determined by comparing the proportion of the space or time
17 devoted to each race in the communication, with the total space or time devoted to all races in
18 the communication.²² The corresponding portion of the independent expenditure should be
19 reported as having been made in support of the candidates whose elections were expressly

¹⁸ CDP Resp. at 2-3 (Dec. 22, 2016); Joint Resp. at 4.

¹⁹ Joint Resp. at 4-5, 9.

²⁰ *See* Adv. Op. 2010-10 (National Right to Life PAC) at 5.

²¹ *Id.*

²² *Id.*

1 advocated.²³ Here, Respondents assert that certain portions of the advertisements relating to
2 Trump do not contain express advocacy,²⁴ and the Commission has not expressly addressed
3 allocation of costs for communications that address multiple candidates but may not expressly
4 advocate for each candidate.²⁵ The Commission has also approved of these Section 106.1
5 allocation principles when an advertisement not only addresses two candidates, but is also paid
6 for by two separate parties.²⁶

7 The Commission has not explicitly addressed the allocation of costs of communications
8 that address multiple candidates but do not expressly advocate the election or defeat of those
9 candidates. However, Section 106.1(a) applies to “expenditures” – covering the DCCC and
10 candidate committee payments for any non-express advocacy ads – as well as to independent
11 expenditures, and the allocation method used by Respondents appears to satisfy the time and
12 space basis set forth in the regulation.²⁷

13 Based on the available record, it appears that the Respondents’ allocation of the costs of
14 the ads between the Democratic House campaign committees and either DCCC or CDP is
15 consistent with Section 106.1(a) and Commission precedent. The Complaints do not provide
16 information suggesting otherwise. Accordingly, the Commission finds no reason to believe that
17 the DCCC and CDP violated 52 U.S.C. § 30116(a) by making, or that the Democratic House

²³ *Id.*

²⁴ We do not analyze in this report whether Respondents have properly characterized the content of each advertisement.

²⁵ *Id.* at n. 5.

²⁶ See Adv. Op. 2007-24 (Burkee/Walz) at 5 (requiring the costs of joint ad devoting equal time and space between two candidates to be split equally between those two candidates’ committees). See also Adv. Op. 2004-37 (Waters) (describing payments by multiple candidates for brochure, under 106.1 allocation principles).

²⁷ Respondents assert that in attributing the cost of a communication among multiple candidates, the Commission does not look to whether or not the segment associated with a particular candidate contains express advocacy. See Joint Resp. at 6.

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1 campaign committees violated 52 U.S.C. § 30116(f) by receiving, excessive contributions as a
2 result of improperly allocating the costs of the ads.

3 **B. Coordination**

4 The Complaints also allege that the DCCC and CDP coordinated their advertisements
5 with HFA. Respondents deny these allegations.

6 Under the Act, expenditures that are coordinated with a candidate are treated as
7 contributions to the candidate.²⁸ The Commission regulations further provide that a payment for
8 a communication “coordinated with a candidate, a candidate’s authorized committee, or an agent
9 of either of the foregoing” must be treated as either an in-kind contribution to, or coordinated
10 party expenditure with, the candidate.²⁹ To determine whether a communication constitutes a
11 “party coordinated communication,” Commission regulations apply a three-prong test.³⁰ First,
12 the communication must be paid for by a political party committee or its agent.³¹ Second, the
13 communication must satisfy one of three content standards.³² Finally, the communication must
14 satisfy one of six conduct standards.³³

²⁸ 52 U.S.C. § 30116(a)(7)(B).

²⁹ 11 C.F.R. § 109.37(a), (b).

³⁰ 11 C.F.R. § 109.37(a)(1),(2),(3).

³¹ 11 C.F.R. § 109.37(a)(1).

³² The content standards are: (1) a public communication that disseminates, distributes, or republishes, in whole or in part, a candidate’s campaign materials; (2) a public communication containing express advocacy; and (3) a public communication that refers to a clearly identified Federal candidate that is publicly distributed or disseminated 90 days or fewer before a primary or general election, and was directed to voters in the jurisdiction of the clearly identified candidate. 11 C.F.R. § 109.37(a)(2)(i),(ii),(iii).

³³ The conduct prong is satisfied where any of the following types of conduct occurs: (1) the communication was created, produced, or distributed at the request or suggestion of a candidate or his campaign; (2) the candidate or his campaign was materially involved in decisions regarding the communication; (3) the communication was created, produced, or distributed after substantial discussions with the campaign or its agents; (4) the parties contracted with or employed a common vendor that used or conveyed material information about the campaign’s plans, projects, activities or needs, or used material information gained from past work with the candidate to create, produce, or distribute the communication; (5) the payor employed a former employee or independent contractor of the candidate who used or conveyed material information about the campaign’s plans, projects, activities or needs,

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1 not to discuss any aspect of the advertisements with HFA, and that he is not aware of any breach
2 of protocol.³⁷ He further avers that none of the advertisements were created, produced, or
3 distributed at the request or suggestion of HFA nor did they assent to the creation, production, or
4 distribution of the advertisements, and that HFA had no involvement with the DCCC or any of
5 the House campaign staff regarding the content, production, or distribution of the
6 advertisements.³⁸ Last, he avers that HFA did not convey any relevant information about its
7 plans, projects, activities, or needs concerning any advertisement.³⁹

8 Similarly, the CDP Response denies coordination and supplies a declaration from its
9 Chairman, Rick Palacio, averring that the advertisement in MUR 7177 was not created,
10 produced, or distributed at the request, suggestion, or assent of HFA, and that HFA was not
11 materially involved in – nor were there substantial discussions between HFA and CDP –
12 regarding the creation, production, or distribution of the advertisement.⁴⁰

13 HFA, for its part, denies that it or any of its agents coordinated any of the advertisements
14 with either the DCCC or the CDP, or their agents.⁴¹

15 In sum, the lack of available information indicating the sharing of campaign information,
16 the lack of specific facts in the Complaint, combined with the denials of any coordinating
17 activity, do not provide a sufficient predicate to investigate whether any conduct standard is

³⁷ *Id.* ¶¶ 3 - 6.

³⁸ *Id.* ¶ 7.

³⁹ *Id.* ¶ 8. In addition, the DCCC Responses provide declarations from media consultants working on the advertisements in MURs 7179 and 7188, which aver that during 2016 these companies also performed work for HFA, but that the advertisements were not created, produced, or distributed at the suggest or request of HFA, that HFA had no involvement in the advertisements, and that that the media consultants did not use or convey any information about HFA campaign plans, projects, activities, or needs to create, produce, or distribute the advertisements in question. Joint Resp., Ex. C.

⁴⁰ CDP Resp., Palacio Decl.

⁴¹ HFA Resp. at 1-2.

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1 satisfied. Therefore, the Commission finds no reason to believe that the DCCC and CDP made
2 excessive in-kind contributions to HFA in violation of 52 U.S.C. § 30116(a), or that HFA
3 received excessive in-kind contributions in violation of 52 U.S.C. § 30116(f) in connection with
4 the coordinated communication allegation.

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