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April 19, 2019
Hawaii Republican Party
725 Kapiolani Blvd. C-105
Honolulu, HI 96813

Federal Election Commission
Washington, DC 20463

Dear Sir or Ma'am:

RE: Federal Elections Commission (FEC) MUR 7572 of February 28, 2019

The MUR 7572 was addressed to me as the Treasurer of the Hawaii Republican Party (HRP). I was not the Treasurer nor in any leadership position at the of the incident. Therefore, I have no responsibility for what occurred during the 2018 election period. No action should be taken against me in my official capacity or personally.

Please note, the Hawaii Republican Party is comprised of all unpaid volunteers with frequent turnover of positions. Lawyers who are knowledgeable of Federal Campaign Laws are not readily accessible to HRP leaders. The HRP Officers and other volunteers do their best good faith efforts to interpret the comprehensive regulations regarding campaign finance and query the FEC whenever they have questions. My findings are based on the review of records, news articles, and discussions with various individuals identified in the complaint. Hawaii Republican Party takes the adherence to FEC rules seriously and makes every effort to comply with all provisions.

At the time the expenditure was made that generated the referenced complaint, the HRP employed an Executive Director (ED) who departed Hawaii soon after the 2018 elections. I contacted the ED by phone and he stated he had insufficient memory of the incident and chose not to make a statement.

I contacted the former Treasurer, Gwen Honjo, and she stated that she was not involved in the decision making of the donation/expenditure but only followed normal Treasurer duties of depositing funds, writing of checks and she approved the FEC report documenting the expenditure.

I contacted our Committeewoman, Miriam Hellreich since she was preparing an independent statement. She indicated that she only learned about the Party donation to the Cam Cavasso campaign subsequent to the transaction, which is consistent with the statement of the Party Chairman.

Cam Cavasso, the candidate whose campaign is the subject of this complaint submitted an independent response to the complaint and discussed with me a timeline of events that occurred in relation to the donations and expenditures.

The Chairman of the Hawaii Republican Party, Shirlene Ostrov, took the lead in researching this type of expenditure and, as far as I can determine, was the person who made the decision to fund the Cam Cavasso campaign invoices. The Chairman is submitting separate testimony regarding this complaint.

The complaint refers to improper earmarked donations. However, earmarked donations are given to the campaign. As far as I can tell, the HRP had full discretion in using the donated funds. The HRP Party paid the Cavasso Campaign invoices directly to the vendor. According to FEC regulations as we understand them, the Party expense should not have been recorded as an earmarked donation. They were properly recorded in the FEC Report as Coordinated Party Expenses.

According to the Chairman, the decision to fund the invoices was made at the climax of the general election campaign season. Time was of the essence. The Executive Committee was briefed about the expenditure afterward. Not all Committee members were in favor of this transaction. Most were unfamiliar with the concept of "Coordinated Party Expenditures" and therefore were concerned that an FEC violation may have occurred. Members are not hesitant to speak up whenever there is a concern

about procedures. No mention of "earmarked funds" was addressed in the audio submitted for my review.

My research confirms that all known FEC regulations were followed by the Party and its members in executing these Coordinated Party Expenditures. Neither the Party nor any named individual should be held in violation of any regulations in an official or personal capacity.

The HRP reported the coordinated party expenditures in the FEC report as required by FEC regulations. The expenditures were within published limits and were made only in the general election, as required. The documented information is provided in the link below:

https://www.fec.gov/data/party-coordinated-expenditures/?committee_id=C00085506&two_year_transaction_period=2018&cycle=2018

In reviewing constraints on the HRP, I found FEC guidance for Coordinated Party expenditure limits for 2018 at the follow website:

<https://www.fec.gov/help-candidates-and-committees/making-disbursements-political-party/coordinated-party-expenditures/coordinated-party-expenditure-limits/>

Hawaii has two representatives and therefore the limit for House nominees was \$49,700. The amount allocated for the Cam Cavasso campaign was well under that amount.

The Chairman provided correspondence she had with an analyst at the FEC to confirm information that she had received from an analyst at the FEC named David. As her e-mail to the FEC stated she was triple checking the information.

The Chairman had reviewed the law and was aware that the donation limit was \$49,700. She also stated that she coordinated with the campaign before the expenditure was made.

According to the e-mail received on October 30, 2018 at 9:18:17 AM HST addressed to Shirlene@gophawaii.com with the subject: RE: Info for FEC Party Coordinated Expenditures the e-mail stated:

“Dear Ms. Ostrov:

Thank-you for your e-mail.

Yes, in making a coordinated party expenditure, the party committee pays for goods or services in coordination with a candidate but does not give the money directly to the candidate or candidate committee. For example, the payment of a campaign bill could be treated and reported as a coordinated party expenditure, while a check payable to the candidate committee could not—it would be treated as a contribution.

We hope this information is helpful. If you have any additional questions about federal campaign finance law, please contact us at 1-800-424-9530 (press #6 when prompted).

Information Division

Federal Election Commission

Please note that the guidance provided by this correspondence is strictly information and is NOT legally binding. Only the Commission, via the Advisory Opinion process, has the authority to issue a legally binding opinion. This e-mail and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. “

The complaint inferred that there was a problem because the Party coordinated with the candidate’s campaign, but the coordinated campaign contributions are supposed to be coordinated with the campaign.

As the new HRP Treasurer, it appears that the Chairman of the HRP was extremely cautious in making this expenditure and sought documented and analyst confirmation of the process before taking action. This was not a careless action and by all appearances followed regulations to the letter of the law.

I listened to the audio of the Committee meeting provided with the complaint. When speaking with colleagues, speakers are often more casual with terms, even to the point of being careless in their choice of words. I believe this was the case of the recording. I was told by the candidate, Cam Cavasso that he would not allow donors to give the campaign any funds over the limit. Furthermore, whether the HRP is flush with or low on funds, legal donations are always welcome. The words used such as "pass through" are not typical Treasurer terminology. Since the party did not pass funds to the campaign, it was a poor choice of words to describe what occurred.

The background regarding the donations and expenditures follow:

- a. Per a conversation with Cam Cavasso, the Cam Cavasso Campaign Manager became aware that FEC regulations allowed State Political Parties to fund expenses through a provision called Coordinated Party Expenditures.
- b. Cam Cavasso stated that his Campaign Manager called the FEC to confirm his understanding of the regulations. He checked a second time and even elevated his inquiry to a supervisor at the FEC to ensure he adhered to all regulations.
- c. The Chair of the Hawaii Republican Party stated she was contacted by the Cavasso Campaign Manager and she verified the provision of Coordinated Party Expenditures with the FEC.
- d. Donors wrote checks to the Republican Party of Hawaii dated October 23, 2018 (Mikio Izuku) and October 29, 2019 (Melba Cavasso).
- e. Melba Cavasso is a relative of the candidate and was generally aware of his campaign needs and Cam Cavasso had told Mr. Izuku that the Cavasso campaign could only accept funds up to prescribed limits but funds could also be directed to the Republican Party.
- f. No constraints were put on the Hawaii Republican Party when accepting the funds from donors. The funds were not "earmarked" to be transmitted to the candidate. The party was not a "conduit" for the transmittal of the funds to the candidate.
- g. Neither donor exceeded the \$10,000 HRP federal election limit.

- h. Coordinated campaign contributions are paid to vendors, not the candidate.
- i. Invoices were paid to Frank Petsche (\$8,300.00) and Dennis Linn (\$1500) with checks dated November 1, 2018. As usual, the check cleared several days later.
- j. The HRP payments were well under the limit for coordinated campaign expenditures (\$49,700)
- k. Both the deposits and the expenses are clearly documented in the FEC report for the period of 10/18/2018 through 11/26/2018.
- l. The fact that many Republicans supported the Cavasso campaign (including the current Treasurer, Mary Smart and other Republican leaders) is no basis for a complaint.

Based on FEC regulations regarding Coordinated Party Expenditures, the guidance of the FEC Information Division and review of the submitted documentation, the members of the Hawaii Republican Party followed all known procedures. Those involved in this matter were transparent about all activities. I can find no basis for the complaint as written and submitted. I find no reason to believe that the complaint sets forth a possible violation and request the file be closed on MUR 7572.

Sincerely,



Mary Smart
Hawaii Republican Party Treasurer

Acknowledged by: 
Shirlene Ostrov, Chairman of the Hawaii Republican Party