

**MUR 8302**  
**Supplement #2**

**RECEIVED**  
FEDERAL ELECTION COMMISSION  
OCTOBER 1, 2024 9:08 AM  
OFFICE OF GENERAL COUNSEL

**From:** [Andrew Walden](#)  
**To:** [CELA](#)  
**Subject:** Re: MUR 8302 FEC Complaint Supplement  
**Date:** Tuesday, October 1, 2024 5:07:36 AM  
**Attachments:** [HRP CSC MUR8302.pdf](#)

---

RE: MUR8302

Aloha CELA

I have received additional documents from the Hawaii Republican Party via the Hawaii Campaign Spending Commission. (See attachment)

HRP is claiming to have put the money in a 'Federal II' account which they apparently have not reported to FEC or Hawaii CSC. (bank statement attached)

Hawaii CSC will be hearing this complaint on Oct 16. Meeting agenda and packet will be posted here six days in advance:

[Campaign Spending Commission | 2024/2025 Meeting Schedule, Meeting Agendas and Board Packets \(hawaii.gov\)](#)

Sincerely,

Andrew Walden

**CENTRAL PACIFIC BANK**

PO Box 3590  
Honolulu, HI 96811-3590  
808-544-0500 • 800-342-8422

**RETURN SERVICE REQUESTED**

0019223-0057653 PDF T 001 -----6 676263 107 305 ET O 101

HAWAII REPUBLICAN PARTY  
FEDERAL ACCOUNT II  
500 ALA MOANA BLVD STE 7400  
HONOLULU HI 96813-4902

ACCOUNT NUMBER STATEMENT PERIOD PAGE

[REDACTED]

06/30/24 - 07/31/24

1 of 1

**STATEMENT**

Business Value Checking

**ACCOUNT SUMMARY**

<b>Beginning Balance</b> 06/30/24	<b>546,381.14</b>
+ 0 Deposits	0.00
+ 1 Other Credits	15.00
- 0 Checks Paid	0.00
- 2 Other Debits	7,260.88
<b>Ending Balance</b> 07/31/24	<b>539,135.26</b>

107 O 101 0 #

**70 years of  
believing in you.**

**CENTRAL  
PACIFIC  
BANK**

Where People Like Banking.

**DEPOSITS**

DATE	REF NO.	DESCRIPTION	AMOUNT
------	---------	-------------	--------

**OTHER CREDITS**

DATE	REF NO.	DESCRIPTION	AMOUNT
07/31	987	ONLINE STATEMENT PROMO	15.00

**CHECKS PAID**

NUMBER	DATE	AMOUNT	NUMBER	DATE	AMOUNT
--------	------	--------	--------	------	--------

**OTHER DEBITS**

DATE	REF NO.	DESCRIPTION	AMOUNT
07/23	1234	CPB TFR TO ***** [REDACTED]	-5,000.00
07/24	1234	CPB TFR TO ***** [REDACTED]	-2,260.88

**DAILY BALANCE SUMMARY**

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
06/30	546,381.14	07/23	541,381.14	07/24	539,120.26
07/31	539,135.26				



# ARISTOTLE

Now You Know™

205 Pennsylvania Avenue, S.E.  
Washington, D.C. 20003

August 20, 2024

MEMO FOR: Hawaii Republican Party

FROM: Dave Mason, General Counsel, Aristotle International

RE: Reporting and Use of Proceeds from Sale of Office

The Hawaii Republican Party recently sold the office facility it co-owned with Oahu Republican Women. Based on the circumstances and the requirements of the Federal Election Campaign Act, Aristotle recommended that the proceeds be treated as non-federal funds and further suggested that the proceeds could be used to pay the (non-federal) allocable share of the Party's overhead and administrative expenses on a month-by-month basis going forward. This memo provides additional detail on the authority and reasoning behind those recommendations.

Please note that while the author is a former Commissioner and Chairman of the Federal Election Commission and a licensed attorney (member of the California Bar), Aristotle is not a law firm. Therefore, this memo and other information from Aristotle should not be viewed as constituting legal advice.

Prior to enactment of the Bipartisan Campaign Reform Act (BCRA) in 2002, the Federal Election Campaign Act permitted state party committees to collect effectively unregulated funds, including contributions from corporations and labor unions, for the purchase of office facilities. These permissive rules pre-empted contrary state law prohibitions on the use of corporate and labor organization funds for political purposes.<sup>1</sup> BCRA changed the federal law on building funds to make the funds subject to state law.<sup>2</sup>

---

<sup>1</sup> See, e.g. FEC Advisory Opinion 2001-12 (Wisconsin Democratic Party)  
<https://www.fec.gov/files/legal/aos/2001-12/2001-12.pdf>

<sup>2</sup> 52 USC §30143(b).

## Hawaii Republican Party Building Fund and Allocation

FEC regulations implementing the change make clear that states may apply their own rules on the source of funds that may be used for state party office buildings, the permissibility of disbursements, and reporting requirements.<sup>3</sup> The FEC has read the federal regulations addressing the application of state reporting requirements to building fund accounts as permissive rather than mandatory, so states may, but are not required to apply state reporting and requirements to those funds.<sup>4</sup>

Both before and after BCRA building fund accounts were characterized in federal law as non-federal funds.<sup>5</sup> That is, they were exempt from the source restrictions (other than the foreign national prohibition), amount limitations, and reporting requirements of federal law. Thus, building fund activity is not included on FEC reports.

FEC regulations also address the use of income from office buildings. The regulations provide that a state party committee may lease part of an office building and specify that if the building was purchased in whole or in part with non-federal funds, income must be deposited into a non-federal account. If a building was purchased solely with federal funds (subject to the source and amount limitations and reporting requirements of the FECA) then income may be deposited into the party's federal account.<sup>6</sup> Though the FEC regulations do not specifically address income from the sale of an office building, the logic of the rental income rule would appear to apply. Because we could not determine that the Hawaii GOP office was purchased solely with federal funds, we recommended that the sale proceeds be deposited into a non-federal account.

A separate provision of FEC regulations allows state party committees to allocate administrative expenses between their federal and non-federal accounts based on a ratio determined by the ballot composition in each election cycle.<sup>7</sup> Thus, we further recommended that Hawaii GOP use funds from the building account to pay the non-federal allocable share of administrative expenses as those expenses are incurred each month. Administrative expenses include rent, utilities, office equipment, office supplies, postage for non-mass mailings, and routine building maintenance, upkeep and repair.<sup>8</sup> Salaries of employees who spend less than 25% of their time on Federal Election Activity may be allocated in a similar fashion.<sup>9</sup> As part of the FEC report preparation process, each month Aristotle identifies allocable expenses and advises Hawaii GOP of the maximum amount that may be transferred from a non-federal to the federal account.

While the lack of assurance that the state party office was purchased solely with federal funds prevents the deposit of building fund proceeds directly into the federal account, the

---

<sup>3</sup> 11 CFR 300.35(b)

<sup>4</sup> See, e.g. FEC Advisory Opinion 2004-28 (Iowa Ethics and Campaign Disclosure Board), <https://www.fec.gov/files/legal/aos/2004-28/2004-28.pdf>

<sup>5</sup> Id; see also <https://www.fec.gov/help-candidates-and-committees/taking-receipts-political-party/building-fund-donations-party/>

<sup>6</sup> 11 CFR 300.35(c).

<sup>7</sup> 11 CFR 106.7. See also, <https://www.fec.gov/help-candidates-and-committees/making-disbursements-political-party/administrative-expenses-party-committees/>

<sup>8</sup> 11 CFR 106.7(c)(2).

<sup>9</sup> 11 CFR 106.7(c)(1).

## Hawaii Republican Party Building Fund and Allocation

allocation process will allow those funds to be moved in piecemeal fashion to the federal account over time. In effect, the proceeds from the office sale will function as an endowment to help fund party operations for some time into the future.

Whether the building fund account and disbursements therefrom should be included in reports to the Hawaii Campaign Spending Commission (CSC) is beyond the scope of this memo and our expertise. We recommend consulting with the CSC about state reporting requirements, if any.

Aloha,

I am responding in regards to the complaint submitted by Andrew Walden.

We believe there is no violation committed based on the direction and information that we received from Aristotle, whom we have used for years to manage and file our FEC reports and account. Because the sale of the building is not a donation nor a campaign contribution, to my understanding, that puts us in another type of guidelines/ rules. In our meeting with Aristotle, which included multiple Aristotle representatives that included a member that had been an agent with the FEC. Also present was our State Treasurer, Mike Jauch, at the time, and State Rules chair, Brett Kulbis.

I had also had a conversation with Tony Baldomero to get clarification, and we both discussed that all of our building related transactions were with the FEC account and reported with the FEC, not the State. It is our understanding that money can be transferred from the State to the Federal, but not the Federal to the State.

It is our understanding that if money was spent from a State account and money used from the Kapiolani (building sales) account to reimburse the state, that is what we would report. To date that has not occurred. Would the same formula apply that was explained to us as we do with the Federal account? It was explained to us that the State Treasurer can transfer the money of 64% of qualified expenses, that is determined by Aristotle monthly. That money is reported to the FEC by Aristotle. That would continue until the account is depleted. So reporting a lump some of the sale of the building of money that is not a campaign donation, doesn't seem to apply. The money IS reported in the increments of the 64% that is transferred by the State Treasurer into the FEC account. Those reports are done through Aristotle. It was further explained that it seems that 36% can be claimed against qualified expenses for the State account, which is what we would report to the CSC. Since we recently learned of this, we have not pulled from the Kapiolani account (building sale account) to reimburse nor contribute to the State account, therefore, there isn't anything to report at this time.

It seems that although it is a different situation than the Gorry funds that was a donation from a member in their Will, that money was not reported in a lump sum, it is reported as we receive the limited allocations allowed by State and Federal laws. I believe this is the same procedure, we report the money as it is used or transferred into the account(s)?

Embezzlement is a strong and false accusation. All moneys are in their accounts and all accounted for and our State Treasurer can also provide statements to show all transactions to date. We look forward to bringing clarity and closure to this situation.

If there is another process that is required with how we report these funds that we received from the building sale, please advise. All information in communication to Aristotle was cc'd to Mr. Baldomero so that we can all understand what the process is to handle this situation.

Please find attached our most current statement of the Kapiolani account and a letter from Aristotle. This is to verify the money is intact. The Transfers were into the FEC account after cleared through Aristotle.

Please don't hesitate to contact me for further questions. Please let me/us know if there are any other documents that we need to submit.

**Tamara McKay**

**State Chair, Hawaii Republican Party**

