

FEDERAL ELECTION COMMISSION

**FISCAL YEAR 2012
CONGRESSIONAL BUDGET JUSTIFICATION**



February 14, 2011

Concurrently submitted to Congress and the Office of Management and Budget

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SUMMARY OF FY 2012 BUDGET REQUEST

The Federal Election Commission (FEC) is an independent regulatory agency responsible for administering, enforcing, defending and interpreting the Federal Election Campaign Act of 1971, as amended (the Act/FECA), 2 U.S.C. § 431 *et seq.* The Commission is also responsible for overseeing the Federal public funding programs for Presidential campaigns and party conventions. These responsibilities are contained in the Presidential Election Campaign Fund Act, 26 U.S.C. § 9001 *et seq.* and the Presidential Primary Matching Payment Account Act, 26 U.S.C. § 9031 *et seq.*

For the Fiscal Year (FY) 2012 Budget Submission, the FEC is requesting \$67.01 million to continue supporting the agency's mission. The request includes funding to support the anticipated needs to successfully meet the agency's statutory requirements for the 2012 Federal elections, a Presidential cycle. The 2008 elections, the most recent Presidential Election, presented the FEC with substantial increases in both the volume of information the agency was required to disclose to the public, and public interest in accessing the agency's disclosure database. The volume of activity nearly overwhelmed the agency's Disclosure and Compliance systems during the peak filing periods. The FEC expects that the 2012 elections will match, and likely surpass, the 2008 activity level. This funding level will provide the resources to meet the anticipated demands for information related to the upcoming 2012 election cycle.

The requested amount for FY 2012 would also continue to support and build upon the advances the FEC has made with its information technology (IT) infrastructure. The FEC relies on a robust IT infrastructure to fulfill the agency's responsibilities. The IT infrastructure serves not only the FEC staff, but the agency's stakeholders, the regulated community and the public. The agency has maintained its commitment to providing accessible and user-friendly information to the public. Accordingly, the FEC continues to look for opportunities to provide more information as timely as possible and expects to sustain the efforts into FY 2012 and beyond. For example, in FY 2010, the FEC developed a database detailing campaign spending in each Congressional District. Furthermore, the agency initiated a project to make information regarding independent expenditures and electioneering communications available for public inspection on a near real-time basis. In an era of ever-changing technology, the FEC looks to utilize these new applications to best support the mission of the agency.

When planning for FY 2012, the agency notes that recent court cases have a major impact on campaign finance law. These cases are *Citizens United v. FEC*, *EMILY's List v. FEC*, and *SpeechNow.org v. FEC*. These court decisions make sweeping changes to alter the previous rules governing political committees and increase the ability of outside organizations to engage in independent political speech. *Citizens United* and *SpeechNow* upheld the existing disclosure requirements for political spending.

MISSION STATEMENT

To prevent corruption in the Federal campaign process by administering, enforcing and formulating policy with respect to Federal campaign finance statutes

Congress created the FEC to administer and enforce the FECA. The Act reflects Congress's efforts to insure that voters are fully informed of the sources of candidates' financial support. Public confidence in the political process depends not only on laws and regulations to ensure transparency, but also on the knowledge that those who disregard the campaign finance laws will face consequences.

The primary objectives of the FEC are to: (1) facilitate transparency through public disclosure of campaign finance activity; (2) encourage compliance by providing information and policy guidance to the public, media, political committees and election officials on the FECA and Commission regulations and enforcing the statute through audits, investigations and civil litigation; and (3) develop the law by administering and interpreting the FECA as well as the Presidential Election Campaign Fund Act and the Presidential Primary Matching Payment Account Act.

Voluntary compliance with the requirements of the Act is a particular focus of the Commission's efforts, and educational outreach and the enforcement program are two programs designed to ensure compliance with the Act's limits, prohibitions and disclosure provisions. Because of the large, and rising number of political committees and the ever-growing number of financial disclosure reports filed with the FEC, voluntary compliance is essential to enforcing the requirements of the Act. Accordingly, the Commission devotes considerable resources to encouraging voluntary compliance through widespread dissemination of educational materials related to Federal campaign finance laws to the public, the press, political committees and State election officials.

This performance budget is organized in three sections. Section 1 addresses the agency's history and outlines the priorities in FY 2012. Section 2 discusses budgetary increases and decreases. Section 3, the Performance Plan, provides an overview of the agency's three strategic objectives.

Section 1: Purpose and Priorities in FY 2012

1A: Program History and Future Outlook

The FEC (www.fec.gov) is an independent regulatory agency responsible for administering, enforcing, defending and interpreting the FECA. The Commission is also responsible for administering the Federal public funding programs for Presidential campaigns and party conventions. This responsibility includes certifying and auditing all participating candidates and committees and enforcing the public funding laws.

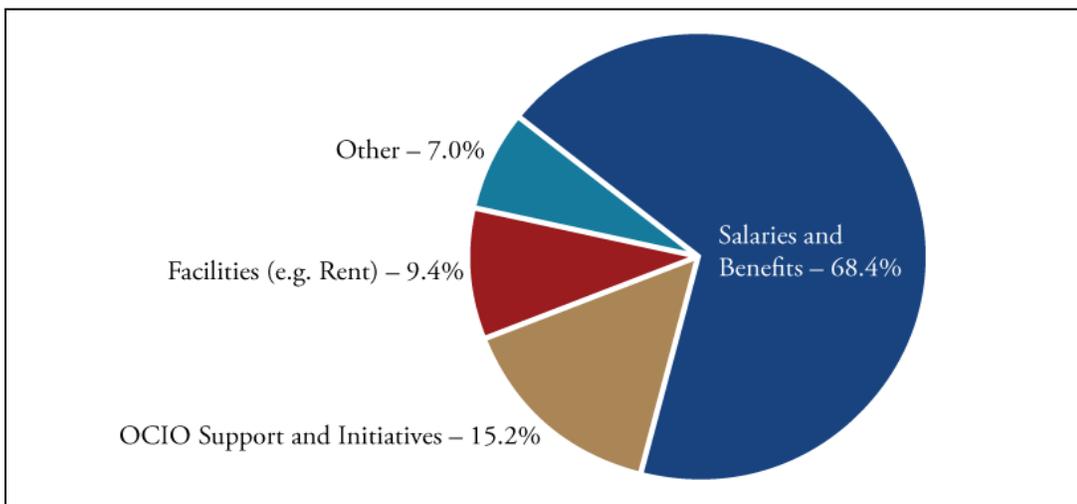
The FEC is directed by six Commissioners, who are appointed by the President with the advice and consent of the Senate. By law, no more than three Commissioners can be members of the same political party. Each member serves a six-year term, and two seats are subject to appointment every two years. The Commission's Chairmanship rotates among the members, with no member serving as Chairman more than once during his or her term. The Commissioners meet regularly to formulate policy and to vote on significant legal and administrative matters. The Act requires at least four Commissioner votes for the Commission to take any official action, thus requiring bipartisan decision making.

As part of its responsibilities, the FEC enforces the Act's requirement that all Federal candidates and Federal political committees file financial disclosure reports and by making the disclosure reports and the data contained in them available to the public through the Commission's Internet-based public disclosure system. The FEC also has exclusive responsibility for civil enforcement of the Act, including the handling of civil litigation arising from any legal actions brought by or against the Commission. Additionally, the Commission promulgates regulations implementing the Act and issues advisory opinions responding to inquiries.

In FY 2011 and 2012, the FEC will be revising its strategic plan, implementing a strategic management system, and revisiting its performance measures, in compliance with Government Performance Results Act Modernization Act of 2010.

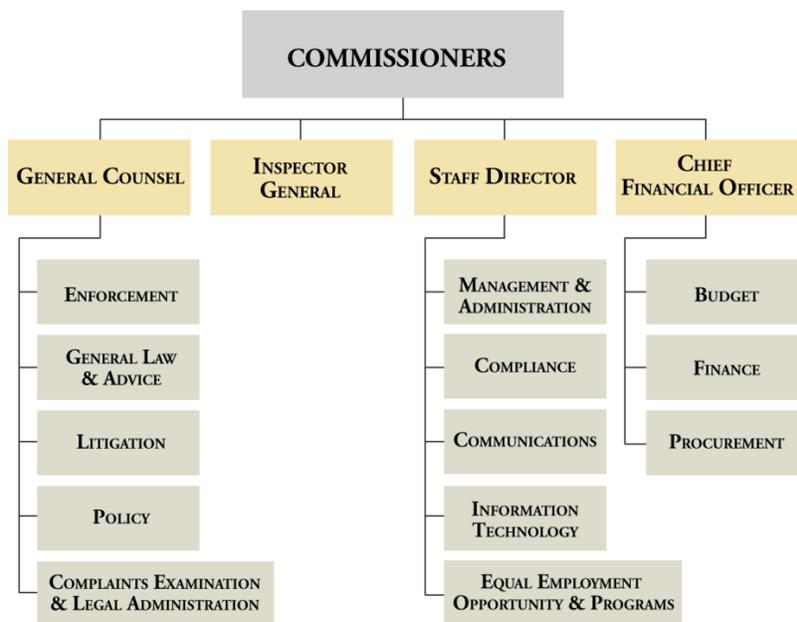
The FEC is funded by a single annual appropriation for salaries and expenses and is authorized to collect fees only to offset the costs of conferences that the agency conducts for its stakeholders. The two categories that make up the largest portions of agency's expenses are salaries and benefits and rent. These two requirements constitute almost 80% of the agency's budget (See Figure 1).

Figure 1 – FY 2010 Obligations by Major Category



FEC Organizational Chart

The Offices of the Staff Director, General Counsel and the Chief Financial Officer support the agency in accomplishing its mission. The Office of the Inspector General, established within the FEC in 1988 under amendments to the Inspector General Act, is independent and reports to both the Commissioners and the Congress. The specific roles and responsibilities of each office are described in greater detail at <http://www.fec.gov/about.shtml>.



* The Director for Equal Employment & Opportunity reports to the Staff Director for management and administrative purposes; however, has direct reporting authority to the Commission on all EEO matters

1B: FY 2012 Priorities

During FY 2010, the FEC completed an agency-wide management assessment to evaluate and review its programs and processes in order to identify both long-term and short-term cost savings. The FEC performed this review to improve efficiencies and potentially reduce costs. This included a review of the best way to utilize existing Commission resources.

The FEC focused on the following five areas to reduce costs and provide savings: 1) reviewing IT contractor support; 2) reviewing procurement contractor support; 3) reducing paper processing; 4) eliminating submission of paper reports; and 5) reviewing the Agency-wide records management program, including evaluating what records no longer need to be maintained, thus reducing storage costs.

Given that a large part of the agency's expenses are devoted to IT and human capital, the FEC has identified these two areas as priorities in FY 2012 as discussed below.

1B.1: Effective Disclosure Through Improved Information Technology

The Commission has identified investments in the IT infrastructure that should be initiated in FY 2011 and continued in FY 2012 in order to support the anticipated increase in both reports filed and Internet activity conducted for information and research. Critical among these investments are the continued development of robust and comprehensive databases of campaign finance information and Commission actions along with the capability to provide this information to increasingly larger audiences as flexibly and fully as possible. The FEC is exploring many alternatives to efficiently accomplish these requirements, and increase the use of shared resources (e.g., cloud computing) that are continuing to evolve. Consistent with the government-wide initiative to provide "one-stop shopping" for consumers of government data, the FEC is expanding its presence on the data.gov platform. The FEC also plans on implementing technology that will allow many software applications, including the disclosure system, to share the same servers. For example, for the agency's disaster recovery site, the FEC has recently reduced the number of servers from 27 to seven, utilizing virtualization technology and meeting OMB's goals of having a "Virtualized Server Environment." Additional benefits include reducing the number of locations where the servers reside and cutting support costs and energy requirements. As additional funding is available to virtualize the remaining server environment, the agency will be able to save dollars on every server that we do not have to buy.

As a normal cycle of the FEC's workload, the agency expects an increase in activity associated with the Congressional and Presidential campaigns that will largely take place in FY 2012. An important aspect of managing the transparency of the political process is providing the electorate with the capability to make educated, informed decisions based in part on information about how campaigns are financed. In attaining these outcomes, the FEC strives to foster and maintain an environment that encourages voluntary compliance with the campaign finance law. The combination of outreach to promote understanding coupled with robust disclosure and open access to enforcement processes has proven effective at encouraging compliance. Much of successful compliance depends upon the agency's IT infrastructure and its ability to provide

timely access to campaign finance reports and the Commission's decisions, opinions and rulemakings.

Providing the public and the regulated community with timely, complete, and interactive campaign finance information is one of the Commission's key objectives. These efforts are supported by an IT network that makes possible the electronic submission of data to the Commission, the expeditious and accurate review and analysis of these filings and the search and retrieval capabilities that underlie the mission of the FEC. To make the most efficient use of agency resources that support these efforts, the Commission is moving to virtualize the network of computer servers and software that supports this system and its applications. When fully implemented, this new way of doing business will streamline maintenance and licensing requirements, simplify the normal process of backing up data and facilitate disaster recovery if that becomes necessary. This innovative technology has been widely adopted in the public and private sectors for these reasons.

The FEC's current IT infrastructure plan is to consolidate servers in a virtual environment. Virtualization will be one of the agency's main strategies to meet the targets of the data center consolidation initiative. The FEC anticipates this strategy will provide the greatest chance to increase efficiencies within its data centers by decreasing the amount of hardware, increasing rack space utilization and lowering power consumption and costs. In addition to this effort, the FEC is researching the potential benefit of cloud computing, as well as continuing its virtualization effort in order to increase storage within the agency's Storage Area Network, add memory to the current virtualized environment, and increase fault tolerance for the virtual systems. The benefits from these enhancements will ensure that the FEC provides reliable systems for disclosure applications that are used on a daily basis by the public.

To support internal staff in their duties, the FEC is also moving forward with its Enterprise Content Management (ECM) and Data Warehouse efforts. ECM consists of the strategies, methods and tools used to capture, manage, store, preserve and deliver content and documents related to organizational processes. ECM tools and strategies allow the management of an organization's unstructured information, wherever that information exists. The ECM solution will also be used as the foundation for building a robust portal as an entry point to all related disclosure data. The ECM solution will also serve as a foundation for the agency's Records Management Program.

A data warehouse is a repository of an organization's electronically stored data, designed to facilitate reporting and analysis. This definition of the data warehouse focuses on storage. However, the means to retrieve and analyze data, to extract, transform and load data and to manage the data dictionary are also considered essential components of a data warehousing system. The FEC will use the data warehouse as a basis for tools to extract, transform and load data into the repository, and tools to manage and retrieve metadata. Data warehousing can meet an organization's need for reliable, consolidated, unique and integrated reporting and analysis of data at different levels of aggregation. This data aggregation will greatly facilitate the FEC's ability to enhance the speed and accuracy of the agency's disclosure mission.

As part of the agency's long-term IT strategy, in FY 2012, the FEC has plans to initiate a web-based electronic filing project for disclosure reports filed with the Commission. Currently, the FEC offers electronic filing software (FECFile) that is only compatible with Windows. Over time, Macs and Linux machines have become more prevalent, and platform-independent technology has matured. In addition, feedback from the Website and Internet Communications Improvement Initiative conducted in 2009 indicated that a web-based application is the preferred approach, as it can be used by any standards-compliant Internet browser.

1B.2: Effective Human Capital Management

In FY 2011 and FY 2012, the FEC will continue to undertake a thorough analysis, planning, investment, measurement, and management of its human capital programs. The FEC continues to prioritize its hiring activities, conduct trade-off analysis, and make risk-based strategic decisions for redistribution of its resources. The FEC will improve its Human Capital by revising its Strategic Human Capital Plan to be aligned with the FEC's Strategic Plan of FY 2013-FY 2018 (to be developed in FY 2011 and FY 2012), by ensuring continuity of its leadership, and implementing and maintaining an effective performance management system and programs that capture its organizational knowledge and promote learning.

In addition, for the required implementation of the Telework Enhancement Act of 2010, the FEC is planning to acquire additional IT equipment for expanding its telework capability to all of its telework eligible employees. The FEC is planning to make telework a standard part of its emergency planning to ensure that the agency will continue to carry out its mission-essential functions. The FEC's telework capability will increase the resilience and productivity of its workforce during weather related delays and other regional emergencies and help ensure the safety of employees.

Section 2: Budget Increases and Decreases

In this section, pursuant to Office of Management and Budget (OMB) guidance, budget increases and decreases and any text describing the changes compare FY 2010 actual to FY 2012 request since the FY 2011 appropriation was not enacted at the time of this budget submission. Despite the anticipated increase in workload based upon the upcoming 2012 Presidential election, the Commission is not seeking an increase in the number of full time equivalents (FTEs) but will work within the requested level of 375 FTEs.

Table 1 – Summary of changes from FY 2010 to FY 2012

Category	Amount
*FY 2010 Actual:	\$66,126,231
Personnel Compensation and Benefits	\$1,974,615
Cash Awards	(397,949)
Subtotal:	\$1,576,666
Hardware and Software Maintenance	587,446
Mandatory Contract Increases and Inflation	407,824
Supplies and Materials	113,228
Capitalized and Non Capitalized Equipment	(1,094,008)
IT Contracts	(608,389)
Printing, Training and Travel	(94,998)
Subtotal:	(688,897)
FY 2012 Budget Request	\$67,014,000

*A full-year 2011 appropriation for the FEC was not enacted at the time the budget was prepared; therefore, the agency is operating under a continuing resolution (Pub. L. 111–242, as amended by Pub. L. 111-322). Since the FY 2011 funding level continues to be undetermined, the FY 2012 estimates are based on the most current budgetary information.

2A: Description of Budget Increases and Decreases

Program increases..... **\$3,083,113/+0 FTE**

Personnel and Benefits *\$1,974,615/ 0 FTE*

This represents the expected increase in personnel compensation and benefits for the agency. The salary portion is attributed to within grades and promotions which are associated with employees' career progression. This also reflects an increase in salary and benefit costs compared to FY 2010. Staffing plays a vital role in fulfilling the agency's mission because it supports continued operations and initiatives to provide the public viable and substantive reporting information. Benefit costs are also projected to escalate due to health benefit increases, the Thrift Savings Plan 1% matching portion effective immediately upon employment, and the agency's cost for the Federal Employees Retirement System (FERS) that the Office of Personnel Management increased from 11.2% to 11.7% of salary effective October 1, 2010. The agency also expects for retirement and pension costs to continue to increase as more employees covered by the Civil Service Retirement System retire and are replaced by employees covered by FERS.

Non-Personnel Increases *\$1,108,498 / 0 FTE*

Hardware and Software Maintenance *\$587,446/ 0 FTE*

The Commission is highly dependent on its IT infrastructure and applications to fulfill its mission. The IT infrastructure consists of the servers, local area network components, wide area network components, and associated operating software, each of which support and house the agency's data systems and applications. In FY 2012, the agency is planning to replace aging components, modernize networks, provide for ever-changing security requirements due to the introduction of new threats, increase speed across the network and most importantly, consolidate servers in preparation for building a virtualized environment.

Some of the agency's existing hardware is not smart card capable, including desktops and servers. In order to comply with the HSPD-12 directive and protect the agency's systems, the agency needs to add card reader hardware and software to some existing systems. The upgrade also would address a key audit finding that noted the FEC needed to provide secure systems by using dual authentication and secure system log-on.

Mandatory Contract Increases and Inflation *\$407,824/ 0 FTE*

This amount estimates increases in rent, other contracts, and other purchases which typically include annual escalation clauses. Also this projected increase includes inflationary and projected usage increases associated with postage, utilities and communications. The usage increase involves anticipated costs associated typically with a Presidential election year. The annual rent payment to General Services Administration is the agency's largest non-personnel fixed cost.

Supplies and Materials \$113,228/ 0 FTE

This represents anticipated funding needs for supplies and materials due to normal cost increases for these items. This also includes the estimated cost increase for Westlaw license fees.

Program decreases (\$2,195,344)/+ 0 FTE

Personnel decreases.....(\$397,949)/ 0 FTE

This decrease includes a 50% reduction in the cash awards program and combined with the two-year pay freeze could affect the agency's ability to attract and/or retain highly qualified talent. The reduction represents the agency's cost saving effort to operate within decreased funding levels over the two-year period.

Non-Personnel decreases.....(\$1,797,395)/ 0 FTE

Capitalized and Non Capitalized Equipment.....(\$1,094,008)/ 0 FTE

This decrease represents a higher than usual obligation rate in FY 2010 and a return to a more normal obligation rate in FY 2012. Since the agency is highly dependent on the IT infrastructure, it will search for ways to minimize the effect during the two-year period. It also represents the agency's tough decisions and cost saving effort to operate within decreased funding levels.

IT Contracts(\$608,389)/ 0 FTE

For IT contracts, the decrease represents a higher than usual obligation rate in FY 2010 based on one-time improvements. While the overall costs compared to FY 2010 are lower, the agency is still planning to execute a number of important IT initiatives.

In 2012, the agency is looking to modernize key disclosure applications like FECFILE. The current FECFILE software was developed in a non-web environment, and is overdue to be modernized to a web-based architecture to allow for more efficient and user-friendly filing of financial reports. The FEC will be reducing the overall contract support costs by moving this work in-house.

Printing, Training, and Travel.....(\$94,998)/ 0 FTE

This decrease recognizes the agency utilizing cost efficiencies associated with technology to continue to realize savings in printing and reproduction. The decrease for travel and training represents tough decisions regarding discretionary spending and operating within decreased funding levels.

Table 2
FY 2012 Budget Request, Object Class Data
[in dollars]

Federal Election Commission		FY 2010 Actual	*FY 2011 Estimate	FY 2012 Request	Change: FY 2010 to FY 2012
Object Classification:					
11.0	Personnel Compensation	34,625,765	35,847,178	36,140,087	4.4%
11.52	Cash Awards	760,718	725,538	362,769	-52.3%
12.10	Personnel benefits	9,389,333	9,464,698	9,814,035	4.5%
12.18	Transit Subsidy	434,407	469,998	469,998	8.2%
Subtotal, Personnel		45,210,223	46,507,412	46,786,889	3.5%
21	Travel & transportation of persons	396,549	388,362	388,362	-2.1%
23.1	GSA Rent	5,680,351	5,732,526	5,793,993	2.0%
23.3	Communications, Utilities, & Postage	514,440	602,953	652,805	26.9%
24	Printing & reproduction	187,103	201,527	175,948	-6.0%
25.11	Training, Commercial, Fed. & Tuition	423,728	446,072	348,072	-17.9%
25.14	IT Contracts	6,080,850	5,808,619	5,472,461	-10.0%
25.2	Contracts & Other Services	1,650,579	1,532,424	1,714,711	3.9%
25.3	Federal Goods & Services	990,896	939,405	1,082,581	9.3%
25.7	Hardware and Software Main.	1,036,654	1,580,003	1,624,100	56.7%
26	Supplies and materials	943,350	1,011,079	1,056,578	12.0%
31.2	Capitalized Equipment	2,156,013	1,503,219	1,570,787	-27.1%
31.3	Non-Capitalized Equipment	855,495	246,399	346,713	-59.5%
Subtotal, Non-Personnel		20,916,008	19,992,588	20,227,111	-3.3%
Total		\$66,126,231	\$66,500,000	\$67,014,000	1.3%

*A full-year 2011 appropriation for the FEC was not enacted at the time the budget was prepared; therefore, the agency is operating under a continuing resolution (Pub. L. 111-242, as amended by Pub. L. 111-322). Consistent with levels included in OMB's Budget Appendix, the amounts included for 2011 reflect the annualized level provided by the continuing resolution.

2B: Appropriations Language

FEDERAL ELECTION COMMISSION
Federal Funds
Salaries and Expenses

For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, \$67,014,000 of which not to exceed \$5,000 shall be available for reception and representation expenses.

Section 3: Performance Plan

3A: Strategic Goal and Framework

As reflected in the Commission's FY 2008 – 2013 Strategic Plan, the FEC's mission is supported by a single, overarching strategic goal:

To protect the integrity of the Federal campaign process by providing transparency, enforcing contribution restrictions and fairly administering the FECA and related statutes

The FEC pursues this strategic goal through three core objectives – transparency, compliance and development of the law – that guide the Commission in accomplishing its mission and planning for future progress.

Objective A: Transparency

Objective B: Compliance

Objective C: Development of the Law

These core objectives and strategic activities also provide the framework needed to effectively measure the Commission's success in achieving its strategic goal. In this budget submission, the Commission is reporting on performance measures that have been achieved for FY 2010.

3A.1: Transparency

Disclosing the sources and amounts of funds used to finance Federal elections is one of the most important duties of the FEC. The FEC provides the public with data concerning where candidates for Federal office derive their financial support. Effective disclosure enables the Commission to fulfill its other responsibilities. The public campaign finance reports are accessible through the FEC’s website at <http://www.fec.gov/disclosure.shtml>. By providing easy online access to disclosure reports, the FEC promotes transparency in campaign finance.

The FEC meets the objective of transparency by:

- Creating and maintaining a state-of-the-art electronic filing system to collect financial disclosure reports from Federal candidates and political committees;
- Making financial disclosure reports available to the public in a timely, efficient and useful manner;
- Reviewing these reports to ensure that they are accurate and complete; and
- Encouraging candidates and political committees to correct inaccurate or incomplete reports.

The FEC gauges its effectiveness through the following series of indicators designed to measure performance in areas that promote confidence in the campaign finance process:

Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Goal	FY 2012 Goal
Process reports within 30 days of receipt as measured quarterly.	91%	78%	91%	95%	95%
Meet the statutory requirement to make reports and statements filed on paper with the FEC available to the public within 48 hours of receipt.	100%	100%	100%	100%	100%

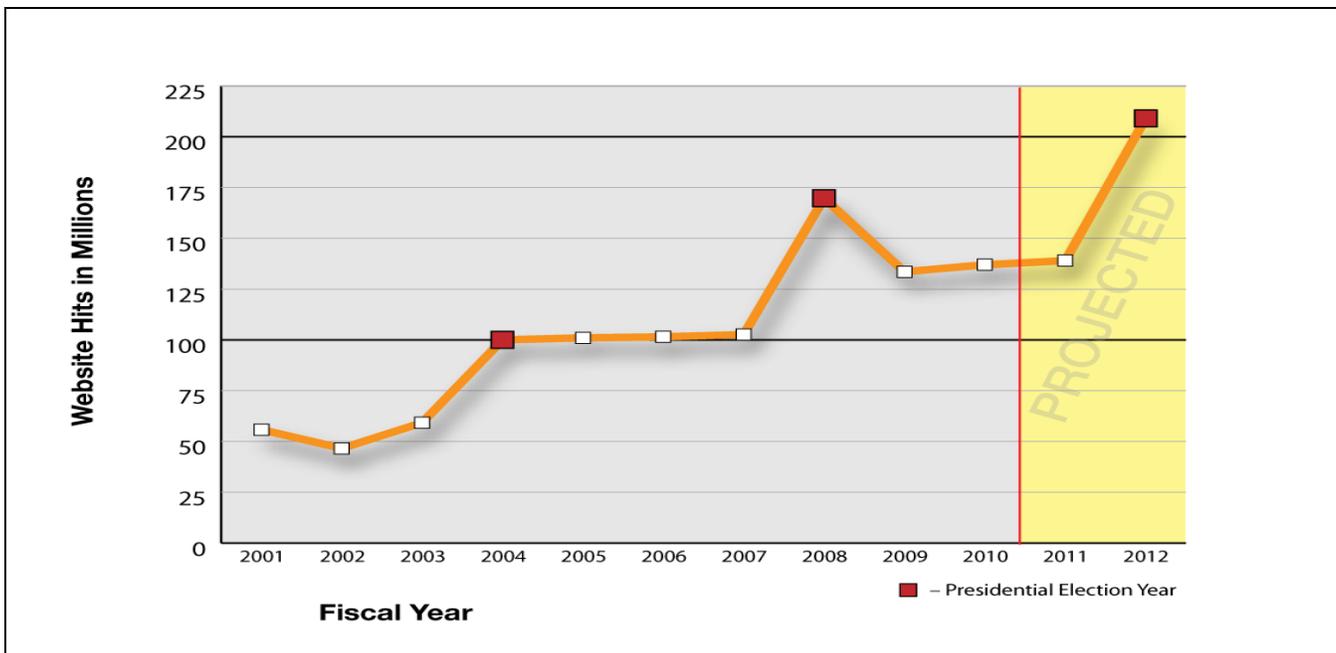
Public Disclosure

The Commission’s mandatory electronic filing (e-filing) rules require a committee that receives contributions or makes expenditures in excess of \$50,000 in a calendar year, or that has reason to expect to do so, to submit its reports electronically. These mandatory e-filing provisions apply to political committees or other persons required to file reports, statements and/or designations with the FEC. Although these requirements do not currently apply to Senate candidate committees (and other persons who support Senate candidates only), which file with the Secretary of the Senate, the Commission has submitted a legislative recommendation to the President and the Congress that these filers should be required to file electronically as well.

The primary function of the e-filing system is to act as the point of entry for submission of electronically filed campaign finance reports, providing faster public access to reports and streamlining operations. Specifically, the system provides for public disclosure of electronically filed reports, via the FEC website, within minutes of being filed. When a committee files a financial disclosure report on paper, the information disclosed in the report is scanned and entered into the FEC electronic database. The Commission’s Public Disclosure Division ensures that a copy is available for public inspection within 48 hours of receipt, both electronically on the website and at the FEC’s headquarters. After the reports are imaged for disclosure purposes, the data is coded and entered into the FEC’s database for review to assess accuracy and complete disclosure of campaign finance information.

The FEC Website

The FEC’s website is the primary source for disseminating Federal campaign finance information and providing access to campaign finance data that has been submitted by candidates and committees and posted on-line by the FEC staff. For FY 2010, the FEC website received 137 million hits. Below is a chart reflecting the trend of website hits the FEC forecasts through FY 2012.



To make campaign finance data more accessible to the public, the FEC launched an interactive map providing users immediate access to contribution information for the 2008 Presidential, House and Senate elections. Users can access the amount of funds raised, contributions, cash-on-hand and the distribution of contributions by amount. Users can also access lists of contributors by name, city and amounts of contributions. The Commission continued the interactive map for the 2010 House and Senate elections. Summary financial data is updated within one day of the FEC’s receipt of electronically filed disclosure reports.

Assuring Accurate and Complete Reports

Besides making campaign finance reports available to the public, the FEC works to ensure that the information disclosed is accurate and complete. The Office of Compliance's Reports Analysis Division reviews all reports to track compliance with the law and to ensure that the public record provides a full and accurate representation of campaign finance activity. If the FEC's review identifies an apparent violation or raises questions about the information disclosed on a report, the Office of Compliance sends a request for additional information to the committee, affording the committee an opportunity to correct the public record, if necessary. If the committee is able to resolve the FEC's concerns, it may avoid an enforcement action. If not, the Commission has several tools available to it, such as the Administrative Fine (AF) program, audits, the Alternative Dispute Resolution (ADR) program and the traditional enforcement program.

3A.2: Compliance

The FEC has exclusive jurisdiction over the civil enforcement of the Federal campaign finance law. Commission enforcement actions originate from a number of sources, including external complaints, referrals from other government agencies and internal referrals from the Audit or Reports Analysis Divisions. Instances of non-compliance may lead to an FEC enforcement case or an audit. In some cases, respondents may be given the option to participate in the Commission's ADR program, which seeks to resolve matters more swiftly. By law, all these matters must remain confidential until they are closed. Violations involving the late submission of FEC reports or failure to file reports are subject to the AF program.

The Commission has a statutory obligation to help the regulated community understand its obligations under the Act and to promote voluntary compliance. It accomplishes this obligation through:

- Expanding awareness of campaign finance laws by creating and disseminating educational materials, and through instructional conferences and workshops held in Washington, D.C. and other cities across the country;
- Providing assistance to the regulated community in filing disclosure reports by responding to phone inquiries and participating in one-on-one meetings;
- Responding to complaints alleging violations of campaign finance laws;
- Imposing civil penalties for late-filed and non-filed disclosure reports;
- Conducting audits in a timely and efficient manner;
- Working with the Department of Justice in prosecuting criminal violations of the Act; and,
- Making findings in completed compliance matters available to the public in a timely and useful manner.

The FEC places a significant emphasis on encouraging compliance through its Information Division, Reports Analysis Division, Press Office and Office of Congressional, Legislative and Intergovernmental Affairs.

The FEC gauges its effectiveness with respect to compliance through the following performance measures:

Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Goal	FY 2012 Goal
Conduct educational conferences and host roundtable workshops on the campaign finance law each election cycle, achieving a mean satisfaction rating of 4.0 on a 5.0 scale.	100%	100%	100%	100%	100%
Issue press releases summarizing completed compliance matters within two weeks of a matter being made public by the Commission.	22%	63%	98%	100%	100%
Issue press releases containing summaries of campaign finance data quarterly.	100%	75%	75%	100%	100%
Process enforcement cases within an average of 15 months of receipt.	66%	76%	75%	100%	100%
Process cases assigned to Alternative Dispute Resolution within 155 days of a case being assigned.	64%	26%	64%	75%	75%
Process reason-to-believe recommendations for the Administrative Fine program within 60 days of the original due date of the subject untimely or unfiled report.	79%	84%	100%	75%	75%
Process challenges in the Administrative Fine program within 60 days of a challenge being filed.	14%	60%	100%	75%	75%
Conclude non-Presidential audits with findings in an average of 10 months, excluding time delays beyond the Commission's control, such as subpoenas and extension requests.	95%	12%	60%	100%	100%
Conclude non-Presidential audits with no findings in an average of 90 days from the beginning of fieldwork.	100%	0%	100%	100%	100%
Conclude Presidential audits in an average of 24 months of the election, excluding time delays beyond the Commission's control, such as subpoenas and extension requests.	N/A	100%	100%	100%	N/A

Expanding Awareness

As stated in Section 3A.1, the Commission's website has become the single most important source of instantly accessible information about the Act and Commission regulations. Members of the regulated community and the general public can use the website to track Commission rulemakings, search advisory opinions and closed enforcement matters, view campaign finance data and reports, and find reporting dates. In the near future, a new audit search tool will be introduced, which will allow users to research issues covered in completed Commission audits. Moreover, while the Commission continues to make available printed copies of its educational brochures and publications, these materials are available and easy to access on the FEC's website along with other instructional information, such as the FEC's "Tips for Treasurers." In addition to its website, the FEC operates a press office and maintains a toll-free line to respond to inquiries regarding campaign finance data.

One way the Commission encourages voluntary compliance is by hosting conferences across the country, where Commissioners and staff explain how the Act applies to candidates, parties and political action committees. These conferences address recent changes in campaign finance laws and focus on fundraising and reporting regulations. The FEC held six conferences in FY 2010: three in the District of Columbia; one in Arlington, Virginia; one in San Francisco, California; and one in New Orleans, Louisiana. The FEC also hosted several topic-based roundtable workshops at its headquarters. The success of these efforts is evidenced by the evaluation scores and comments received. The overall rating for each event exceeded a 4.0 out of a possible 5.0.

As part of a broad effort to improve its Internet communications and better serve the educational needs of the public and the regulated community, the Commission has added an E-Learning section to its Educational Outreach web page and launched its own YouTube channel, which can be found at <http://www.youtube.com/FECTube>. The E-Learning page offers interactive presentations that allow users to test their knowledge of the information presented and video workshops, which are hosted on YouTube. The curriculum currently includes a variety of presentations about the Commission and the campaign finance law. The FEC plans to continue to expand its E-Learning program with additional content and technical improvements during the coming year.

Enforcement

In the last several years, the FEC has handled a variety of enforcement matters through its Office of General Counsel (OGC) and ADR and AF programs. Under the Commission's traditional enforcement program, the Commission learns of possible election law violations primarily through:

- The Commission's review of a committee's reports or through a Commission audit;
- The complaint process, whereby anyone may file a sworn complaint alleging violations of the Act;
- Voluntary self-reporting by representatives of candidates or political committees who believe they may have violated the Act; and,

- The referral process, whereby other government agencies may refer possible violations of the Act to the FEC.

The most complex and legally significant enforcement matters are handled by OGC, which:

- Recommends to the Commission whether to find “reason to believe” the FECA has been violated, a finding which formally initiates an investigation;
- Investigates potential violations of the FECA by requesting, subpoenaing and reviewing documents and other information, and interviewing or deposing witnesses;
- Recommends to the Commission whether to find “probable cause to believe” the FECA has been violated;
- Conducts settlement negotiations on behalf of the Commission, culminating in “conciliation agreements” with respondents that may include payment of penalties ; and,
- Files suit in Federal district court when conciliation is unsuccessful.

Closed enforcement matters are available online through the Commission’s Enforcement Query System at <http://eqs.sdrdc.com/eqs/searcheqs>.

Office of General Counsel

Enforcement matters are handled by the OGC pursuant to the procedures set forth in FECA. During FY 2010, the Commission processed 135 enforcement cases in an average of 11.3 months. The Commission closed 101 cases (75%) within 15 months.

Alternative Dispute Resolution Program

The ADR program was implemented in FY 2001 to facilitate settlements outside of the traditional enforcement or litigation processes. The program’s primary objective is to enhance the agency’s overall effectiveness through more expeditious resolution of enforcement matters with fewer resources. The ADR Office negotiates agreements in which respondents often commit to take concrete steps to enhance their ability to comply with the law. A case is closed when the Commission votes on the recommendation made by the ADR Office as to what final action should be taken. During FY 2010, the ADR Office completed 45 cases, which included \$93,100 in civil penalties. The Commission met its 155-day processing benchmark in 64.4% of the ADR cases, falling short of its goal of meeting this benchmark in 75% of cases.

Administrative Fine Program

In response to a legislative mandate, an AF program was implemented in July 2000 to address, in a more efficient and effective manner, the untimely filing or non-filing of disclosure reports. This program is administered by the Office of Administrative Review and the Reports Analysis Division, which are within the Office of Compliance. Since the AF Program’s inception in July 2000 through December 31, 2010, the Commission has closed 2,046 AF cases and assessed fines of approximately \$3.72 million.

Conducting Audits

The Audit Division's major responsibilities concern the auditing of various political committees for their compliance with Federal campaign finance requirements. Pursuant to FECA, the Commission audits political committees that, according to FEC determinations, have not substantially complied with the law. Recent changes to the audit process offer a greater opportunity for audited committees to be heard by the Commission and allow for issues to be resolved earlier in the audit process.

The FEC publishes its findings in audit reports, which can be found at http://www.fec.gov/audits/audit_reports.shtml. The Commission is currently undertaking two initiatives related to audits that will further improve the transparency of the audit function. First, all audit reports dating back to the Commission's inception are being added to the website. Previously, only audits from the year 2002 and forward were included, but already, audits dating back to 1990 have been added. Second, an audit search tool is being developed that will allow the user to search completed audits by candidate or committee name, by election cycle and by topic(s) covered in the report. As with the posting of the audit reports to the website, the system will begin with the most recent audits and then continue to add older audits as funding permits. The initial rollout will include audits from the 1990 election cycle forward.

The Audit Division also assists the Commission in administering the public funding programs. The Audit Division evaluates the Presidential primary candidates' applications for matching funds and determines the amount of contributions that may be matched with Federal funds. As required by the public funding statutes, the FEC audits all recipients of public funds.

3A.3: Development of the Law

In fulfilling its statutory mission, the Commission must often perform a delicate balancing act. On the one hand, the Commission must administer, interpret and enforce FECA, which was intended to serve the compelling governmental interest in deterring corruption and the appearance of corruption in financing elections. On the other hand, the Commission must remain mindful of the First Amendment's guarantees of freedom of speech and association, and the practical implication of its actions on the political process.

The FEC furthers the development of the law by:

- Conducting rulemaking proceedings to promulgate Commission regulations consistent with revisions to the Act and judicial decisions;
- Issuing advisory opinions to provide specific guidance to the regulated community;
- Defending challenges to the Act, Commission regulations or actions; and
- Certifying all Presidential public funding payments in a timely and efficient manner.

The FEC gauges its effectiveness in these areas through the following performance measures:

Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Goal	FY 2012 Goal
Complete rulemakings within specific time frames that reflect the importance of the topics addressed, proximity to upcoming elections and externally established deadlines.	50%	83%	50%	100%	100%
Issue all advisory opinions within 60- and 20-day statutory deadlines.	97%	100%	100%	100%	100%
Issue expedited advisory opinions for time-sensitive, highly significant requests within 30 days of receiving a complete request, or a shorter time when warranted.	60%	100%	N/A	100%	100%
Ensure that court filings meet all deadlines and rules imposed by the courts.	100%	100%	100%	100%	100%
Process public funding payments in the correct amounts and within established time frames.	100%	100%	N/A	100%	100%

Litigation

The Commission represents itself in litigation before the Federal district and circuit courts and before the Supreme Court with respect to cases involving publicly financed Presidential candidates. It also has primary responsibility for defending the Act and Commission regulations against court challenges. The Commission's litigation docket currently includes 17 cases in eight district courts, one appellate court, and the Supreme Court. The Commission's court filings in FY 2010 met all deadlines and rules imposed by the courts 100% of the time.

On January 21, 2010, the Supreme Court issued its opinion in *Citizens United v. FEC*, which held that the Act's prohibitions on financing independent expenditures or electioneering communications with corporate general treasury funds were unconstitutional. The Court reasoned that a ban on independent expenditures could not be justified by the government's interest in preventing corruption and, therefore, struck down the prohibition against corporate independent expenditures and electioneering communications. The Court, however, upheld the reporting requirements for these disbursements.

In addition, two decisions of the U.S. Court of Appeals for the D.C. Circuit have further altered the state of the law: *SpeechNow.org v. FEC*, which concerned whether certain FECA provisions were constitutional as applied to a group that is devoted to running independent advertisements for and against candidates and makes no direct contributions to candidates; and *EMILY's List v. FEC*, which concerned sources of funding for various types of activities and public communications by non-connected committees, and the treatment of funds received in response to solicitations as contributions.

Regulations

The Commission updates or adopts new regulations in response to Congressional action, judicial decisions, petitions for rulemaking or other changes in campaign finance laws. The Policy Division of OGC drafts Notices of Proposed Rulemaking (NPRMs) which, once adopted by the Commission, are published in the Federal Register. NPRMs are also made available on the FEC's website and at <http://www.regulations.gov/>. NPRMs provide an opportunity for members of the public and the regulated community to review proposed regulations, submit written comments to the Commission and testify at public hearings, which are conducted at the FEC when appropriate. The Commission considers the comments and testimony prior to the adoption of the final regulations. The text of final regulations and the corresponding Explanations and Justification are published in the Federal Register.

The Commission has undertaken a number of significant rulemaking projects during FY 2010. The first rulemaking, which the Commission completed during the first quarter, implements the statutory provisions in the Honest Leadership and Open Government Act (HLOGA) concerning travel.

The Commission took final action on three rulemakings during FY 2010 to comply with the Court of Appeals' decision in *Shays v. FEC*. The Commission issued final rules regarding: the definitions of voter registration and get-out-the-vote activity; fundraising by Federal candidates and officeholders for party committees and other entities; and communications coordinated with candidates or party committees.

The Commission has issued final rules removing three regulations that were invalidated by the court in the decision of the U.S. Court of Appeals for the D.C. Circuit in *EMILY's List*. Two other rulemakings focused on administrative regulations. First, the Commission issued new rules to implement the *Debt Collection Improvement Act of 1996*. Second, the Commission, together with the Office of Government Ethics, issued proposed rules on standards of conduct for FEC employees. The Commission is also working on rulemakings to comply with *Citizens United*, *SpeechNow*, and *EMILY's List*.

Advisory Opinions

The Commission provides formal interpretation of the Act through the promulgation of regulations and the issuance of advisory opinions (AOs), which are official Commission responses to questions regarding the application of Federal campaign finance laws to specific factual situations. The FEC's AO brochure at <http://www.fec.gov/pages/brochures/ao.shtml>

provides a complete description of the AO process and explains how to request an advisory opinion.

Consistent with the Act, when the Commission receives a request for an AO, it has 60 days to respond. For AO requests from candidates in the two months leading up to an election, the time for the Commission to respond to the request is reduced to 20 days. The Commission has placed special emphasis on expediting its processing and consideration of certain time-sensitive AO requests. Although the Act allows the agency 60 days to respond to most requests, the Commission strives to issue time-sensitive AOs in 30 days.

The number of AO requests that the Commission receives is subject to cycles and is somewhat higher during election years. Additionally, changes to the law, such as those stemming from recent court decisions, generally result in an increase in AO requests. The Commission has already issued several AOs in the last two quarters of FY 2010 addressing the implications of the *Citizens United*, *SpeechNow*, and *EMILY's List* decisions and anticipates additional requests. During FY 2010, the Commission completed within the statutory deadlines 100% of the 30 AO requests required to be completed in that fiscal year. The Commission did not receive any 20-day requests or any 30-day AO requests during FY 2010 that were due before the end of the fiscal year. The average number of days from receipt of the complete AO request to issuance of AOs was 49 days for 60-day requests that did not have extended deadlines. A summary of AOs can be reviewed at: <http://saos.nictusa.com/saos/searchao>.

Public Funding

In addition to enforcing the FECA, the Commission is responsible for administering the public funding of Presidential elections, as specified in the public funding statutes. The Commission certifies a candidate's eligibility to participate in the program, establishes eligibility for payments, and conducts a thorough examination and audit of the qualified campaign expenses of every candidate who receives payments under the program.

For the upcoming 2012 Presidential election, candidates and convention committees seeking to become eligible for public funds may start the application process anytime after January 1, 2011. During the 2008 Presidential election cycle, the Commission certified nine candidates eligible to receive matching payments and processed 34 matching fund submissions which resulted in payments totaling \$21.7 million. In addition, the Commission certified payments of \$16.8 million to each national party convention and \$84.1 million to a general election candidate, John McCain.

3A.4: Indirect Program Costs

Information Technology

The IT Division plans for, develops and maintains an integrated system of hardware and software. It helps support the Commission's responsibility for providing public disclosure by aiding in the analysis of all campaign finance reports. It maintains the agency's databases and IT

systems in direct support of the FEC transparency objective, other aspects of the FEC mission, and non-mission related data.

The Division also secures the Commission's IT infrastructure against the ever-present threats of data misuse, destruction or inappropriate disclosures, while ensuring continuity of operations in the event of a disaster. The Commission has taken aggressive actions to secure its IT infrastructure, including a mandatory security awareness training program for its employees and contractors. In addition, the FEC recently began several initiatives as security enhancements relating to risk assessments of operations, disaster recovery and continuity of operations in the event of a disaster.

3B: Office of the Inspector General

The OIG mission is to detect and prevent fraud, waste and abuse, violations of law and to promote economy, efficiency and effectiveness in the operations of the FEC. The OIG strives, as an agent of positive change, to promote improvements in the management of FEC programs and operations by independently conducting audits, evaluations and investigations. In addition, the OIG keeps the Commission and Congress informed regarding major developments associated with the Office of Inspector General's work. The OIG's accomplishments are reported semiannually to the Commission and Congress.

3C: Administrative Overhead

Office of the Chief Financial Officer

The Office of the Chief Financial Officer produces timely, accurate and useful financial information, essential for making day-to-day decisions and managing the agency's operations more efficiently and effectively. This office is responsible for fully complying with all financial management laws and standards, and all aspects of budget formulation, execution and procurement.

Human Resources

The Office of Human Resources provides services to the agency for its human capital management throughout its life cycle, including hiring, coordinating training, telework program, processing personnel actions and ensuring receipt of benefits. To further support its employees, the Commission, through this office, undertook a comprehensive human capital management initiative. This initiative included updating policies and procedures resulting in changes in recruitment, strategic hiring, and evaluating and training the current workforce.

Administrative Services Division

The Administrative Services Division is responsible for FEC's travel program, office space management, telecommunications, building security and maintenance. In addition, the office handles printing, document reproduction, and mail services.

Equal Employment Opportunity and Programs

The EEO Office advises the Commission on the prevention of discriminatory practices and manages the agency's EEO Program.

Office of Inspector General's Fiscal Year 2012 Budget Request

The Inspector General Reform Act (Pub. L. 110-409) was signed by the President on October 14, 2008. Section 6(f)(1) of the Inspector General Act of 1978, 5 U.S.C. § app. 3, was amended to require certain specifications concerning Office of Inspector General (OIG) budget submissions each fiscal year.

Each Inspector General (IG) is required to transmit a budget request to the head of the establishment or designated Federal entity to which the IG reports specifying:

- the aggregate amount of funds requested for the operations of the OIG;
- the portion of this amount requested for OIG training, including a certification from the IG that the amount requested satisfies all OIG training requirements for that fiscal year; and
- the portion of this amount necessary to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The head of each establishment or designated Federal entity, in transmitting a proposed budget to the President for approval, shall include:

- an aggregate request for the OIG;
- the portion of this aggregate request for OIG training;
- the portion of this aggregate request for support of the CIGIE; and
- any comments of the affected IG with respect to the proposal.

The President shall include in each budget of the U.S. Government submitted to Congress:

- a separate statement of the budget estimate submitted by each IG;
- the amount requested by the President for each OIG;
- the amount requested by the President for training of OIGs;
- the amount requested by the President for support of the CIGIE; and
- any comments of the affected IG with respect to the proposal if the IG concludes that the budget submitted by the President would substantially inhibit the IG from performing the duties of the OIG.

Following the requirements as specified above, the OIG of the Federal Election Commission submits the following information relating to the OIG's requested budget for fiscal year 2012:

- the aggregate budget request for the operations of the OIG is \$1,062,237;
- the portion of this amount needed for OIG training is \$17,898; and
- the portion of this amount needed to support the CIGIE is \$2,762.

I, Lynne A. McFarland, certify as the IG of the Federal Election Commission that the amount I have requested for training satisfies all OIG training needs for fiscal year 2012.