

RECORD

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**INTERVIEW WITH CHAIRMAN
ON COMMISSION'S 10TH ANNIVERSARY**

To mark the Commission's 10th anniversary, which occurs on April 14, the Record interviewed Commission Chairman John Warren McGarry. We asked several questions about the Commission's experience over the past decade. His remarks follow:

What do you think has been the Commission's most important achievement during the past ten years?

Meaningful disclosure. The purpose, the thrust and the goal of the Act is disclosure. The Commission has achieved this goal in a magnificent manner. For example, you can get information on independent expenditures made to support or oppose candidates; you can find out about communication costs that corporations and labor organizations make to their restricted classes; you can identify what PACs have contributed. This is all meaningful. Beyond that, the information is available and accessible. You don't have to go to some archive and spend money or perform manual research. At the Commission, the most important information is readily accessible through computer printouts. In my opinion, the Commission has carried out disclosure in a manner that surpasses the expectations of even the most ardent supporters of election reform.

Many commentators have observed that the most important part of the election law is disclosure. In what way does disclosure serve the public interest?

Disclosure leads to confidence, security, stability on the part of the electorate. Even though people may not utilize the information, it's pretty widely known that the data is available. There is, as a result, a genuine sense of accountability and responsibility on the part of elected officials. This has restored the public's confidence in the electoral process. Confidence had plummeted at the time of the Watergate scandal. Today, disclosure allows the voter to make an informed judgment about can-

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800 LINE

**SUPREME COURT RULES
ON 26 U.S.C. §9012(f)**

Many calls have been received regarding the impact of the Supreme Court's March 18 decision striking down 26 U.S.C. §9012(f) as unconstitutional. The next issue of the Record will summarize that decision (FEC v. NCPAC et al.).

Unfortunately, several accounts of that decision incorrectly reported the Court's ruling. The inquiries generated by this misreporting suggest that a brief comment on what the Court did not say is in order.

First, **contributions** to a Presidential candidate accepting general election funding are still prohibited. The Court decision only addressed independent expenditures made by political committees to further the election of such a Presidential candidate.

Second, all **contribution limits** remain in force. Some reports have misconstrued the Court's decision to mean that limits governing individual contributions to political action committees have now been lifted. As noted above, the contribution limits were not at issue in this case.

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didates. The voter knows where the candidates' money comes from and how it is spent.

Some critics have suggested that the Commission's powers be limited to disclosure alone. In other words, they would like to see the Commission stripped of its enforcement powers. Do you think this would be advisable?

No, I don't. I think it would be most unfortunate. It would bode ill for the election reform law, which I think has been successful. One dramatic lesson from Watergate and the very reason for the Commission (and I had a ringside seat for all this) is the need for enforcement. Though we had an excellent, all encompassing election reform law, when the Watergate bubble burst, the confidence of the American public plummeted; we realized that the election law was not being enforced. We recognized that an independent election commission was needed not just to administer the law but to enforce it. The best example is the Internal Revenue Service. On April 15, in any post office in the country, people are falling over one another to file tax returns, because people are vividly aware that the IRS will enforce the law; and if they don't file, there will be penalties. Without enforcement, you wouldn't get disclosure. The law would not be observed. Without Watergate, there would have been no Commission, and the FECA would have gone the way of the Corrupt Practices Act (of 1925), creating deep distrust among the American people.

Some have criticized the Commission for taking too long to process outside complaints. Has this been a problem? If so, do you foresee any solution?

I think it is a continuing problem, and I can understand that outsiders feel there's a delay in processing complaints. But many people are not aware of the problems confronting the Commission in this area. The Act is replete with a panoply of procedural safeguards, which in themselves cause delays. Respondents often have sophisticated attorneys, well versed in adversarial procedure. The Commission sometimes finds itself in the position of having to fight for every inch of ground in its effort simply to get information needed to process a case properly.

Interrogatories, subpoenas, legal procedures to enforce subpoenas---all these take time. In

one case, the court sat on a subpoena enforcement matter for two years. There was nothing the Commission could do. By the time the Commission resolves a compliance matter, a year may have passed. But at other government agencies and in the private sector, similar cases may be strung out over two or three years.

The Commission is constantly mindful of the need to find ways to speed things up. We have, for example, developed a three-track system for processing cases (ranging from the simple to the complex). The simpler cases are moved with dispatch. I think we have made great strides in improving the process in the last two years, but we continue to review our procedures, looking for ways to improve them in any way we can.

What do you believe is the most difficult problem facing the Commission today?

My answer is twofold: Insufficient funding and trying to strike a balance between our duty to enforce the law and the need to encourage participation in the political process. Let me speak about funding, first.

Campaign spending has skyrocketed. In 1984, campaign spending exceeded \$1 billion. The increased activity impacts directly on the Commission. Voluminous reports are filed with us, creating more work for those who review reports, audit campaigns and handle compliance. Despite this, we have had to battle to get enough funds to do our job. Staff has been cut from 282 to 245, and we have had to reduce basic programs. For example, we no longer enter into the computer information about individual contributions of between \$200 and \$500. We used to. Similarly, we are unable to monitor aggregate contributions by individuals that exceed the annual limit of \$25,000. Nevertheless, despite our limited funding, we have had dramatic increases in productivity. We have a young, dedicated staff; we have done well, but we're hurting. A lot of the criticism leveled at the Commission could be overcome with proper funding.

The second problem, and of equal importance, is the difficulty of trying to balance our duty to enforce the law with the need to do so in a manner that increases citizen participation in elections. Most of the people we deal with are volunteers. Although we must enforce the law, it is important that we not be intrusive or disruptive. We must enforce the law with grace and avoid tipping the scales in favor of one candidate over another. We know the law is complex; it

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would be unfortunate if we enforced it in such a way as to chill participation. So, we do our very best to provide our constituents with information, to help them understand the law; but we don't do enough with outreach because of insufficient funding.

These are two very real problems that the Commission constantly wrestles with. We are very mindful of the fact that they require a great deal of effort and attention, and we try to give them that.

REGULATIONS

TESTING-THE-WATERS RULES SENT TO CONGRESS

On March 8, 1985, the Commission transmitted to Congress revised rules governing "testing-the-waters" activities. Although the election law establishes automatic dollar thresholds for attaining candidate status, the Commission has provided limited exceptions to these automatic thresholds through its regulations. These exceptions permit an individual to test the feasibility of a campaign for federal office without becoming a candidate under the election law. Commonly referred to as "testing-the-waters" exceptions, these rules exclude from the definitions of "contribution" and "expenditure," respectively, those funds received and payments made to determine whether an individual should become a candidate. See 11 CFR 100.7(b)(1), 100.8(b)(1) and 101.3.

The proposed rules, summarized below, may be prescribed 30 legislative days after their transmittal to Congress. They were published in the March 13, 1985, issue of the Federal Register (50 Fed. Reg. 9992).

Testing-the-Waters Activities

Under the regulations, testing-the-waters activities are explicitly limited to activities designed to evaluate a potential candidacy. Examples of such permissible activities provided in the current regulations and retained in the proposed rules include: expenses for conducting a poll, telephone calls and travel undertaken to determine whether an individual should become a candidate.

When Testing-the-Waters Exemptions Do Not Apply

The revised rules include new examples of activities that would indicate an individual had decided to become a candidate and hence was no longer testing the waters. For example, an individual would be considered a candidate if:

- o The individual made, or authorized, written or

SUNSHINE REGULATIONS: SECOND RULEMAKING NOTICE AND HEARING

On March 13, 1985, in response to comments on its first notice of proposed rulemaking, the Commission published a second rulemaking notice in the Federal Register to seek additional comments on possible revisions to its Sunshine regulations. See 11 CFR Parts 2 and 3. At the same time, the Commission announced that, on April 24, it will hold a public hearing on the proposed revisions. See 50 Fed. Reg. 10066.

Those interested in testifying at the hearing should so indicate on their written comments. Comments or questions on the proposed revisions should be submitted to Ms. Susan E. Propper, Assistant General Counsel, by April 12. Ms. Propper may be contacted at 202/523-4143 or by writing the Commission at 1325 K Street, N.W., Washington, D.C. 20463.

oral statements that referred to him/her as a candidate for a particular office.

- o The individual conducted activities shortly before an election or over a protracted period of time.
- o The individual sought ballot access.

Three other examples, contained in the current rules, have been incorporated into the revised regulations. They are: the use of public political advertising to publicize the individual's campaign, the raising of funds in excess of amounts reasonably required for exploratory activities and the amassing of funds to be used after candidacy is established.*

Contribution Limits/Prohibitions

Under the proposed rules, the contribution limits and prohibitions of the Act apply to funds used for testing the waters. (Under the current rules, funds received or expended for testing the waters become reportable contributions and expenditures only after the individual becomes a candidate.)

Minor Technical Amendments

The proposed rules make clear that the provision governing the contribution exemption

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*The final proposed rules exclude a list of criteria, contained in the notice of proposed rulemaking, for determining which activities are permissible under the exemption. The agency concluded that these factors were too general and vague to be of use to individuals looking for guidelines to operate within the exemption.

(100.7(b)(1)) applies only to "funds received" for testing the waters and the provision governing the expenditure exemption (100.8(b)(1)) applies only to "payments made" for testing the waters. Both provisions cross reference the reporting requirements for individuals who subsequently become candidates. See 11 CFR 101.3.

FEC RESUBMITS REPAYMENT RULES TO CONGRESS

On March 5, 1985, the Commission resubmitted to Congress revised regulations governing the repayment of public funds used by publicly funded Presidential candidates for nonqualified campaign expenses. 11 CFR Parts 9007 and 9038. (For a summary of the proposed rules, see page 1 of the August 1984 Record.) The FEC originally submitted the proposed rules to Congress on August 17, 1984. However, the 30 legislative days had not expired when Congress adjourned on October 12, 1984. The agency therefore resubmitted the rules.

The proposed rules will make the FEC's repayment formula consistent with recent decisions by the U.S. Court of Appeals for the D.C. Circuit in Kennedy for President v. FEC and Reagan for President v. FEC. (See page 4 of the September 1984 Record for a summary of these suits.) Rather than stipulating full repayment of non-qualified expenses, the revised repayment formula will require a partial repayment based on the ratio of federal funds to total funds received by the candidate (both private and federal funds). The revised rules were published in the Federal Register on March 8, 1985. (50 Fed. Reg. 9421) Copies are available from the Public Communications Office. Call 202/523-4068 or, toll free, 800/424-9530.

OPINIONS

ADVISORY OPINION REQUESTS

The following chart lists recent requests for advisory opinions (AORs). The full text of each AOR is available to the public in the Commission's Office of Public Records.

AOR Subject

1985-9 Excess campaign funds used to establish university scholarship fund or professorial chair. (Date made public: February 21, 1985; Length: 1 page)

AOR Subject

1985-10 Deceased candidate's loan to campaign liquidated by his estate. (Date made public: February 26, 1985; Length: 1 page, plus 3-page supplement)

1985-11 Eligibility of trade association's personal members for PAC solicitations. (Date made public: March 8, 1985; Length 2 pages, plus 17-page supplement)

ADVISORY OPINIONS: SUMMARIES

An Advisory Opinion (AO) issued by the Commission provides guidance with regard to the specific situation described in the AOR. Any qualified person who has requested an AO and acts in accordance with the opinion will not be subject to any sanctions under the Act. Other persons may rely on the opinion if they are involved in a specific activity which is indistinguishable in all material aspects from the activity discussed in the AO. Those seeking guidance for their own activity, however, should consult the full text of an AO and not rely only on the summary given here.

AO 1985-1: Candidate Committee's Liquidation of Campaign Asset Prior to Termination

Before terminating, the Ratchford for Congress Committee (the Committee), the principal campaign committee for former Representative Ratchford's unsuccessful reelection campaign in 1984, may sell its computer system to such potential buyers as private citizens, former staff members or state committees, provided:

- o The purchaser pays no more than the usual and normal charge for the system (i.e., the fair market price for the same type of equipment in the same condition); and
- o The Committee terminates within a reasonable time after the sale is completed.

Once it has sold the computer system, in order to terminate, the Committee may use the proceeds from the computer system sale, along with other excess campaign funds, for those purposes sanctioned by the election law. See 2 U.S.C. §439a.

The Commission noted that this opinion might not apply if the Committee sold the computer system but remained in existence as either a multicandidate committee or an authorized candidate committee for a future election. In a previous advisory opinion, AO 1983-2, for example, the Commission decided that, if an ongoing political committee sold computer services, the service fees would be considered contributions to the Committee, which are subject to the election law's prohibitions and limits. (Date issued: February 28, 1985; Length: 3 pages)

AO 1985-2: State Campaign Funds Transferred to 1978 Congressional Campaign for Debt Retirement

Mr. Jim Shaffer, a Pennsylvania state senator, may transfer funds from his former campaign for state office (the state committee) to his unsuccessful campaign for federal office in 1978 (the federal committee) to help retire the federal committee's remaining debts (i.e., \$26,950 which Mr. Shaffer had loaned the committee). The proposed transfer is permissible even though the Commission administratively terminated the federal committee in December 1981. The transfer would void that termination, thus reactivating the Committee's reporting responsibilities. See 11 CFR 102.4 and 110.1(g); AO 1981-22.

Since the state committee and the reactivated federal committee are considered affiliated committees by virtue of Mr. Shaffer's control over both of them, unlimited funds may be transferred between the two committees. The Act and Commission Regulations impose certain requirements on both committees, however, depending on the amount of funds transferred between them.

State Committee's Requirements

If Mr. Shaffer transfers more than \$1,000 from the state committee to the federal committee during the year, the state committee must register and report as a "political committee" under the Act. 2 U.S.C. §431(4)(A); 11 CFR 100.5 and 102.6(a). On its first report, the state committee, newly registered as a political committee, must disclose the amount transferred as cash on hand, itemizing these funds, where appropriate, on the basis of "last in, first on hand." 2 U.S.C. §434(b). If it transfers the funds in a single transaction, the state committee should file only one report, using it as both the initial and terminating report. Otherwise, the state committee should file reports for any subsequent reporting period during which it is financially active.

The state committee must exclude any prohibited contributions from the funds transferred to the federal committee. Similarly, the state committee must exclude from the transfer any contributions which, when added to contributions already made by the same donor to the federal committee, would cause the donor to exceed contribution limits. 2 U.S.C. §441a(a)(1) and (2).

On the same report, the state committee must also disclose the transfer of these funds to its affiliated federal committee.

Federal Committee's Requirements

On the next regularly scheduled report, the reactivated federal committee should disclose the transfers as a "miscellaneous receipt" from the state committee. For example, if the transfer is made between January 1 and June 30, 1985, the federal committee would disclose the transfer on the July 1985 semiannual report, along with any

financial activity which occurred since the committee's last report -- the July 1981 semiannual report. Moreover, the federal committee should continue to file reports if, in any subsequent reporting period, it receives funds, makes disbursements or otherwise changes the status of its debts. The federal committee should also review and amend its statement of organization, if appropriate. See 11 CFR 102.2(a).

The Commission expressed no opinion on the application of state laws to the proposed transfer(s) because the Act does not supercede state provisions governing disposition of state campaign funds. Nor did the Commission address relevant state and federal tax rules because they are not within its jurisdiction. (Date issued: February 22, 1985; Length: 5 pages)

AO 1985-3: Contributions to State Campaign by American Subsidiary of Foreign Corporation

Mr. Rod Diridon, a California state official, may accept contributions for future state campaigns from a Delaware corporation, UTDC, Inc. (USA), which is an American subsidiary of a foreign corporation, UTDC-Canada, provided:

- o UTDC-Canada does not directly or indirectly provide the funds for the contributions; and
- o Neither UTDC-Canada nor any other foreign national exercises any decision-making role or control over the distribution of the contributions.

California law does not prohibit corporations from contributing to candidates for state and local office. Moreover, although section 441e of the Act prohibits foreign nationals from making contributions in connection with any United States election, this prohibition does not apply to UTDC, Inc. (USA) because it is organized under Delaware law, with its principal place of business in the United States. See AO 1983-31.

Commissioner Frank P. Reiche filed a concurring opinion. Commissioners Thomas E. Harris and Danny L. McDonald filed a joint dissent. (Date issued: March 4, 1985; Length: 6 pages, including concurrence and joint dissent)

AO 1985-4: Payments to Senator for University Seminars Not Considered Honorarium

Payments which Senator Charles McC. Mathias receives from Northeastern University for conducting a series of undergraduate seminars on governmental and public affairs each year are considered stipends, which are excluded from the definition of honoraria. See 11 CFR 110.12(c)(3). (Under an ongoing agreement with the university, Senator Mathias has conducted the seminars for the last 10 years.) Accordingly, the payments are

continued

not subject to the \$2,000 limit placed on an honorarium accepted by a federal officeholder. 2 U.S.C. §441i. (Date issued: February 14, 1985; Length: 2 pages)

AO 1985-5: Contributions Made Before but Received After General Election Campaign

Since the Committee to Re-elect Joe Kolter (the Committee), Representative Kolter's principal campaign committee for his 1984 reelection campaign, has no outstanding general election debts, contributions received after the general election count toward the contributor's limit for Rep. Kolter's 1986 primary campaign. Moreover, if total contributions received by the Committee after the 1984 general election exceed \$5,000, Mr. Kolter would become a candidate for the 1986 election cycle and might have to amend his FEC Form 1 accordingly. See 11 CFR 100.3 and 101.1.

Accordingly, a \$4,800 contribution received after the general election from the United Auto Workers Voluntary Community Action Program (UAW V CAP) counts against the \$5,000 limit for the 1986 primary election. Intending that the contribution be for the 1984 general election, UAW V CAP dated the check October 29 and mailed it before the November 6 election. Nevertheless, the contribution counts against UAW V CAP's limit for Mr. Kolter's 1986 primary because the Committee did not receive or deposit the check until the day after the election, and the Committee had no outstanding debts at that time.

The Commission noted that questions posed by the Committee with regard to two UAW V CAP contributions received before the 1984 general election did not qualify for consideration as part of the advisory opinion request because they concerned only past, rather than future, campaign activity. See 11 CFR 112.1(b). Commissioner Thomas E. Harris filed a concurring opinion. (Date issued: March 6, 1985; Length: 10 pages, including concurrence)

AO 1985-6: Affiliation of Local Union's PAC with PACs of Affiliated International Union

Even though the separate segregated fund of Laborers Local 91, the Laborers Local 91 Political Action Fund (the Fund), has been established, operated and supported exclusively by the local union's members, the Fund is considered to be affiliated with any separate segregated fund established by the local union's international affiliate, Laborers International Union (LIU). Under the Act and FEC Regulations, certain categories of political committees (e.g., the separate segregated funds of unions) are considered affiliated merely by virtue of the affiliation between their connected organizations. As affiliated commit-

tees, the Fund and any separate segregated fund(s) established by LIU are subject to a single contribution limit on both the contributions they receive and the contributions they give. 2 U.S.C. §441a(a)(5); 11 CFR 100.5(g)(2)(i)(B) and 110.3(a)(1)(ii)(B).

Reporting Requirements

For reporting purposes, the Fund must function as a separate committee, filing reports disclosing its own receipts and disbursements. In addition, on its Statement of Organization (FEC Form 1), the Fund must identify any separate segregated funds established by LIU as affiliated committees. 11 CFR 102.2(b)(1)(ii). (Date issued: February 28, 1985; Length: 3 pages)



FEC SELECTS ALABAMA FOR STATE ACCESS TEST

On March 1, 1985, the Commission and Alabama Secretary of State Don Siegelman inaugurated a computer program which provides the Alabama state office with direct computer access to FEC campaign finance information. Other participants in the FEC computer access program include the campaign records offices for California, Colorado, Georgia, Illinois, Massachusetts and Washington.

Each of the state offices has a computer terminal which is linked, via a national telecommunications system, to the FEC's computer. Although all state election offices maintain copies of reports filed by political committees active in federal elections in their respective states, those offices with computer access to the FEC offer enhanced research opportunities. Here, the public and the press can quickly pinpoint information on any federal candidate or committee, and can avoid spending hours copying information from reports. For example, the researcher can obtain a printout for a particular candidate indicating the amounts the candidate received from political committees. In addition to on-line computer information, the state offices also maintain paper copies of other FEC indexes and campaign finance reports. (For a full description of FEC information made available to the state offices, see page 4 of the October 1984 Record.)

Listed below are state offices which now provide direct computer access to FEC campaign finance information. Note that the information is obtained by contacting the state offices rather than the FEC.

Office of the Secretary of State
State Capitol, Room 103
Montgomery, Alabama 36130
205/261-3126

Office of the Secretary of State
107 South Broadway, Room 4001
Los Angeles, California 90012
213/620-3104

Office of the Secretary of State
1230 J Street, Room 219
Sacramento, California 95814
916/322-4880

Office of the Secretary of State
1560 Broadway Street, Suite 200
Denver, Colorado 80202
303/866-2021

Office of the Secretary of State
State Capitol, Room 110
Atlanta, Georgia 30334
404/656-2871

Illinois State Board of Elections
201 North Wells Street, Suite 500
Chicago, Illinois 60606
312/793-6440

Office of the Secretary of State
1701 McCormack Building
One Ashburton Place
Boston, Massachusetts 02108
617/727-2832

Washington Public Disclosure Commission
403 Evergreen Plaza
Olympia, Washington 98504
206/753-1111

COURT CASES

NEW LITIGATION

FEC v. National Congressional Club

Failing to resolve a complaint through the informal conciliation process mandated by the election law (2 U.S.C. §437g(a)(4)(A)(i)), the Commission seeks action against the National Congressional Club (NCC), a multicandidate political committee, NCC's treasurer and executive director, R.E. Carter Wrenn, and Jefferson Marketing, Inc. (JMI), a North Carolina corporation that provides media services to political committees. Specifically, the FEC petitions the court to:

- o Declare that, since NCC and JMI operated as a single organization during North Carolina's 1982

Congressional elections, NCC violated the law's reporting requirements by failing to disclose JMI's receipts and disbursements (2 U.S.C. §434);

- o Order NCC and its treasurer to disclose JMI's financial activity on amended NCC reports;
- o Declare that JMI violated the law's ban on corporate contributions by charging the Gibson Committee, a 1982 Congressional campaign, less than the fair market value for JMI's services (2 U.S.C. §441b(a));
- o Order each of the defendants to pay the U.S. Treasurer a civil penalty consisting of the greater of \$5,000 or an amount equal to any contribution or expenditure which resulted from their violations of the election law; and
- o Enjoin NCC, its treasurer and JMI from further violations of the election law.

U.S. District Court for the Eastern District of North Carolina, Civil Action No. 85-242-CIV-5, February 7, 1985.

COMPLIANCE

MUR 1509: Loan Endorsements as Excessive Contributions to Congressional Campaign

On December 24, 1984, the Commission entered into a conciliation agreement with the principal campaign committee of a 1982 House candidate (the Committee) and six individuals who, along with the House candidate, had endorsed bank loans for the candidate's primary and primary runoff campaigns. Each loan endorser had violated the election law by exceeding the law's contribution limits in varying amounts. The Committee had violated the law by accepting the excessive contributions.

Internally Generated Matter

Under the election law, an endorsement or guarantee of a loan counts as a contribution from the endorser or guarantor to the extent of his/her portion of the outstanding balance of the loan. 2 U.S.C. §431(8)(A)(i); 11 CFR 100.7(a)(1)(i)(C). Consequently, the portion of a candidate loan endorsed by an individual may not exceed \$1,000 for each election (i.e., a primary, a primary runoff, another special election or a general election).

The Committee reported that it had become aware of potential violations when it received a routine inquiry from the FEC's Reports Analysis Division concerning the Committee's inadequate reporting of its loans. In a "statement of facts" to the Commission, the Committee said that, during 1982, the candidate had obtained a series of loans

continued

(totalling \$77,700) from a commercial bank for use in his 1982 House campaign. Each of the notes was cosigned by the candidate and one or more of his supporters, resulting in the endorsers' violation of the election law's contribution limits. The Committee admitted that it had inadvertently violated the election law "for the three-month period that the original promissory notes were outstanding." During July 1982, the Committee had tried to rectify the apparent violations by restructuring the loans. By increasing total endorsers to 63, the Committee claimed that each cosigner's portion of loan endorsements would be within the law's \$1,000 limit.

Based on the Committee's statement of facts, the General Counsel recommended that the agency:

o Find reason to believe that the Committee had violated 2 U.S.C. §441a(f) by accepting excessive contributions in the form of loan endorsements; and

o Initiate an investigation into this matter.

The Commission adopted the recommendation on December 6, 1982.

General Counsel's Report

In response to inquiries from the General Counsel, on February 18 and 28, 1983, the Committee supplied additional information identifying: the seven original loan endorsers, the specific loans they had endorsed, the portion of each loan which each endorser had endorsed, as well as the dates and terms of each bank loan. Based on this

information, the General Counsel determined that the Committee's treasurer and five other individuals had cosigned 11 campaign loans totalling \$77,700. Six individual loan endorsements had resulted in excessive contributions amounting to \$41,852. (Five of the endorsers had also made direct contributions to the Committee.) The General Counsel therefore recommended that the Commission find reason to believe that:

o Six of the loan endorsers had violated 2 U.S.C. §441a(a)(1)(A) by making excessive contributions to the candidate in the form of loan endorsements; and

o The Committee had violated 2 U.S.C. §441a(f) by accepting the excessive contributions.

The General Counsel recommended that the Commission find no reason to believe that a seventh endorser named in the Committee's statements had violated the law because he had not exceeded the contribution limits. On April 13, 1983, the Commission accepted the General Counsel's recommendations.

Commission Determination

On February 14, 1984, the Commission found probable cause to believe that the respondents had violated the election law. On December 24, 1984, the Commission entered into a conciliation agreement with the respondents in which they agreed not to undertake any activity in violation of the election law. In addition, the Committee agreed to pay a \$2,500 civil penalty to the U.S. Treasurer.

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
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