CONGRESS REPEALS EXPEDITED REVIEW OF FECA SUITS

On November 8, 1984, President Reagan approved the Federal District Court Reorganization Act of 1984 (Pub. L. 98-620), a measure that repeals provisions in the Federal Election Campaign Act, the Presidential Election Campaign Fund Act and the Presidential Primary Matching Payment Account Act which allow for expedited consideration of federal election law-related cases in the federal court system. The provisions repealed are 2 U.S.C. sections 437g(a)(10) and 437h(c) and the last sentence, respectively, of 26 U.S.C. sections 9010(c) and 9011(b)(2). Designed to improve the functioning of the federal court system, the new law also abolishes similar provisions in approximately 80 other civil statutes. (See Title IV, Subtitle A of the new law.)

AO 1984-48: Campaign Travel Reimbursements to State by Governor's Senate Campaign

During his 1984 general election campaign for the U.S. Senate, North Carolina Governor Jim Hunt had to reimburse the state government when he continued...
used a government aircraft to make campaign-related trips in the state. To determine the amount of reportable reimbursements payable to the state, his campaign committee, the Jim Hunt Committee (the Committee), had to calculate the costs allocable to campaign-related travel based on: a) comparable rates charged by commercial airlines for regularly scheduled flights to the same location or b) in the absence of regularly scheduled commercial flights, the comparable costs for commercial charter flights. 11 CFR 106.3. In calculating campaign travel costs, the Committee could not have used the travel reimbursement formula for publicly funded Presidential candidates. Nor could the Committee have used a proposed formula for calculating costs based on comparable charter flights. (See below.)

Moreover, expenditures for renting cars used at campaign stops had to accurately reflect the usual and normal charges for the cars at the time they were rented. 11 CFR 100.7(a)(1)(iii)(B). Accordingly, to comply with FEC rules in implementing its proposed reimbursement guidelines, the Committee had to observe the following requirements:

- If Governor Hunt traveled to a location served by a regularly scheduled commercial airline, the Committee had to reimburse the state for the first class airfares of campaign staff travelling to that location. The Committee did not have the option of reimbursing the state for the usual charge of a commercial charter flight to the same location.

- If Governor Hunt traveled to a location that was not served by regularly scheduled commercial flights, the Committee had to reimburse the state for the usual charter rate charged for an aircraft comparable to the government aircraft.

- In determining the amount to be reimbursed to the state, the Committee did not have the option of calculating the cost based on the actual aircraft used.

- Concerning travel to locations not served by regularly scheduled commercial flights, the Committee had to calculate costs for a comparable commercial charter flight by first determining the number of campaign staff who made the trip. The Committee then had to calculate the cost of a chartered aircraft comparable to the government aircraft actually used to make the trip. (For example, if the government aircraft was a twin engine prop jet, a commercially chartered single engine prop jet would not be comparable.) The Committee could not use a pro rata formula that would have involved determining the per passenger cost for the trip on a comparable commercial charter aircraft and multiplying that cost by the number of campaign staff who made the trip.

- In calculating reimbursements based on comparable costs of regularly scheduled commercial flights, the Committee had to reimburse the state for the first class airfares of campaign staff only. Similarly, in calculating campaign travel costs based on comparable charter flights, the Committee could use the lower rates for a comparable charter aircraft large enough to accommodate only campaign staff, rather than the higher rates for a comparable chartered aircraft large enough to accommodate both campaign and noncampaign staff (e.g., security personnel).

The Commission noted that its response did not address the adequacy of the Committee's prior reimbursements to the state for campaign-related travel expenditures. Rather the Commission limited its response to the adequacy of the Committee's proposed guidelines for pending campaign travel. Nor did the Commission address applicable state laws, which are beyond its jurisdiction, or the election law's preemption of those state laws. (Date issued: October 12, 1984; Length: 12 pages)

AO 1984-57: Corporate Communications on Legislation

Expenditures made by the Pacific Gas and Electric Company (the Company) for an article published in its weekly newsletter that supports pending federal legislation would not be considered expenditures in connection with a federal election. Instead, they would be analogous to lobbying expenses, which do not fall within the jurisdiction of the election law or FEC Regulations.

The Company's proposed article will mention the legislation, list its co-sponsors and suggest that readers (i.e., the Company's employees, retirees and employees on long-term disability) contact the bill's co-sponsors in the House and Senate and let them "know that their support [of the bill] is appreciated." Although a corporation may not make expenditures to influence federal elections, it may make disbursements, such as those proposed by the Company, to prepare and distribute statements on issues of general public interest. 2 U.S.C. §441b(a) and 11 CFR 114.2(a); AOs 1980-

The Commission expressed no opinion on relevant federal lobbying laws because they are beyond its jurisdiction. (Date issued: December 13, 1984; Length: 2 pages)

AO 1984-58: City's Claim for Reimbursement of Security Costs by Publicly Funded Presidential Campaign

Under the Presidential Election Campaign Fund Act (the Fund Act), the City of Cupertino, California (the City) could be reimbursed by Reagan-Bush '84 (the Committee) for security services the City provided during a community college rally held by the Committee on September 3, 1984. The Committee was President Reagan's principal campaign committee for his publicly funded general election campaign. (Since the City had no police force of its own, it had obtained the security services from the Santa Clara County Sheriff's Department.)

The Fund Act defines qualified campaign expenditures as those incurred by a publicly funded Presidential candidate or his or her authorized campaign committee to further the candidate's election. Qualified campaign expenditures must be incurred by an authorized agent of the campaign within the expenditure reporting period. 26 U.S.C. §9002(1). In the case of a major party candidate, the expenditure reporting period begins on the first day of September in the election year or on the date the candidate is nominated (whichever is earlier) and ends 30 days after the Presidential election. 26 U.S.C. §9002(6). Although the Fund Act requires publicly funded candidates to use federal funds exclusively for qualified campaign expenses, the Fund Act does not set forth any criteria for determining whether and when a qualified campaign expense has been incurred. 26 U.S.C. §9004(c). In this case, the City and Committee never concluded an agreement concerning the security services. However, the City's expenditures for the services were campaign-related, and the services were provided and the bill was presented in September, well within the expenditure reporting period. Accordingly, the Fund Act would not preclude the Committee from reimbursing the City for the security services, if the Committee did, in fact, incur the expenses. The Commission, however, does not have the authority to decide whether the Committee did incur the expenses. (The Committee claims it did not.) Such determinations involve matters of contract law, quasi-contract law or other legal theory beyond the Commission's jurisdiction. Commissioner Joan D. Aikens filed a dissent. (Date issued: December 19, 1984; Length: 5 pages, including dissent)

AO 1984-59: Candidate's Use of Campaign Assets for Noncampaign Uses

The Russo for Congress Committee (the Committee) may purchase a van to be used primarily for campaign-related purposes. If Congressman Russo occasionally uses the van for noncampaign purposes (i.e., personal or official business), his reimbursements to the Committee for the use of the van would not be considered contributions to the Committee. 26 U.S.C. §431(8)(A)(i); 11 CFR 100.7 (a)(1).

The Committee should report Congressman Russo's reimbursements for noncampaign use of the van as "other receipts" on line 15, page 2 of FEC Form 3. 11 CFR 104.3(a)(3)(x); 104.3(a)(4)(xi). The Committee must also report the full costs of purchasing and operating the van as "operating expenditures," regardless of whether Congressman Russo's reimbursements offset a portion of these costs. 11 CFR 104.3(b)(4).

The Commission expressed no opinion on relevant House rules and tax laws since they are beyond its jurisdiction. (Date issued: December 19, 1984; Length: 2 pages)

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

1984-62 Campaign management corporation's slate mail program endorsing federal candidates and issues; reporting requirements. (Date made public: December 20, 1984; Length: 3 pages)

1984-63 Savings and loan association PAC's solicitation of the association's mortgage and savings account holders. (Date made public: December 20, 1984; Length: 3 pages, plus 8-page supplement)

1985-1 Committee's disposal of campaign asset through sale or donation to nonprofit organization; definition of "fair market value." (Date made public: January 11, 1985; Length: 5 pages)

1985-2 Candidate's use of surplus funds of state campaign to retire debt of federal campaign. (Date made public: January 15, 1985; Length: 1 page)

1985-3 Contribution received by local candidate from subsidiary of foreign corporation. (Date made public: January 16, 1985; Length: 1 page, plus 7-page supplement)
AOR 1985-4 Subject Payments to Senator for college seminar courses. (Date made public: January 18, 1985; Length: 1 page)

1985-5 Application of 1984 election cycle limits to contributions received by candidate after both the primary and general elections. (Date made public: January 18, 1985; Length: 1 page, plus 5-page supplement)

USING EXCESS CAMPAIGN FUNDS

Following the 1984 elections, candidate committees have had questions concerning the use of excess campaign funds. The following material addresses this issue.

General Rule

Contributions received which, in the candidate's view, exceed the amount of funds needed to defray campaign expenditures may be used for any lawful purpose (except personal use). (See Personal Use below.) For example, excess funds may be used for a future election, a past election debt, officeholder expenses, charity, and contributions to other political committees. 11 CFR 113.2.

Personal Use

Although the 1979 amendments to the Act prohibit candidates from converting excess funds to personal use, this restriction does not apply to individuals who were members of Congress on January 8, 1980. 11 CFR 113.2(d). In a recent AD, the Commission said that a candidate who was defeated in 1982 and 1984 could make personal use of excess funds from those elections because he had been a Member of Congress on January 8, 1980. AO 1984-47.

Use of Committee Assets

Committee assets, such as office equipment, may be treated as excess campaign funds. AOs 1981-11 and 1984-50.

Excess Funds of Current Campaign

A candidate may determine that he/she has excess campaign funds in a current campaign and apply them (to a future election or) to the retirement of a debt of a former campaign. The contributions nevertheless count against the donor's contribution limit for the current campaign. 11 CFR 110.3(a)(1)(iv) and 113.2(d). AOs 1980-143 and 1981-9.

Excess Funds of Past Campaign

In a similar vein, a candidate may transfer excess funds from a former campaign to his/her current campaign. 11 CFR 110.3(a)(2)(iv). Alternatively, a candidate may redesignate a former campaign committee as the principal campaign committee of his/her current campaign and use the excess funds of the previous campaign in the current campaign. AO 1980-30.

COURT CASES

ANTOSH v. FEC (Second Suit)

On December 21, 1984, the U.S. District Court for the District of Columbia issued an order granting plaintiff's motion for summary judgment in James Edward Antosh v. FEC (Civil Action No. 84-3048). The court found that the Commission's dismissal of an administrative complaint Mr. Antosh had filed with the FEC was contrary to law. On the same day, therefore, the court issued an order requiring the Commission to vacate its determination in the administrative complaint and to "reopen" the complaint for further proceedings consistent with the court's opinion.

Background

In filing his complaint with the FEC in May 1984, Mr. Antosh had alleged that:

- Engineers Political Education Committee/International Union of Operating Engineers (EPEC/IUOE) and Supporters of Engineers Local 3 Federal Endorsed Candidates (SELFEC), the separate segregated funds of the International Union of Operating Engineers and Engineers Local 3, had violated 2 U.S.C. §441(a)(2)(A) by making contributions in excess of $5,000 to the 1982 primary campaign of Thomas P. Lantos, a Congressional candidate, and Mr. Lantos' principal campaign committee;
- Mr. Lantos and his principal campaign committee had, in turn, violated 2 U.S.C. §441a(f) by knowingly accepting the excessive contributions (totaling $3,600); and
- Mr. Lantos, his campaign treasurer and his principal campaign committee had violated Commission Regulations by failing to report the excessive contributions accurately. See 11 CFR 104.14(d).

In a report submitted to the FEC in July 1984, the General Counsel noted, however, that based on an affidavit and a letter submitted by the respondents, of the $3,600 alleged to be excessive contributions to the 1982 primary, $3,100 had in fact been designated for retiring debts of Mr. Lantos' 1980 general election campaign. The General Counsel therefore concluded that the two...
union PACs had made excessive contributions of $500 to Mr. Lantos' 1982 primary campaign rather than $3,800. Accordingly, the General Counsel recommended that "due to the small amount in question" (i.e., excessive contributions of $500), the Commission should find reason to believe that the respondents had violated the Act, but take no further action. The Commission followed the General Counsel's recommendations and closed the file on MUR 1719.

In October 1984 Mr. Antosh petitioned the district court to take action against the FEC for dismissing his administrative complaint.

**The District Court's Ruling**

The court noted that in determining whether an agency's determinations were "arbitrary and capricious," the court's standard of review had to be "a highly deferential one...which presumes the agency's action to be valid." In the case of Mr. Antosh's complaint, however, the court found a "problem in the Commission's treatment of this matter." Specifically, although EPEC/IOUE had designated $3,100 for retiring the Lantos committee's 1980 general election debt, committee reports indicated the contributions had been made during May and June 1981, several weeks after the committee had apparently extinguished the 1980 debt in mid-April 1981.

The court concluded that "the Commission dismissed MUR 1719 because it only involved violations of $500....The violations in fact appear to involve considerably more money, and are thus more egregious than the Commission realized. For these reasons, the Commission's dismissal of MUR 1719 was arbitrary and capricious and, thus, contrary to law." See 2 U.S.C. §437g(a)(8).

The Commission will not appeal the district court's decision.

**ORLOSKI v. FEC (Second Suit)**

On December 7, 1984, the U.S. District Court for the District of Columbia granted the FEC's motion for summary judgment in Orloski v. FEC. (Civil Action No. 83-3513) The court found that the Commission's decision to dismiss an administrative complaint filed by the plaintiff in June 1983 was not arbitrary or capricious.

**Background**

On June 6, 1983, Mr. Orloski filed a complaint with the Commission concerning a picnic allegedly sponsored by senior citizens to influence the election of Mr. Orloski's opponent. The Commission had dismissed a similar complaint from Mr. Orloski a year earlier. While challenging the FEC's dismissal of his first complaint in the district court, Mr. Orloski made factual allegations that were not contained in the original complaint. Accordingly, in May 1983, the district court issued an order and stipulation which dismissed the case but which allowed Mr. Orloski to file a second complaint with the FEC. The FEC considered Mr. Orloski's second complaint and, on October 4, 1983, once again found no reason to believe that the respondents named in the complaint had violated the election law. As a result of the FEC's action, Mr. Orloski decided to file his second suit against the Commission.

**District Court's Ruling on Second Suit**

The district court concluded that the FEC had not acted contrary to law in finding "no reason to believe" that the respondents named in Mr. Orloski's second administrative complaint had violated the election law. The court held that the FEC had properly concluded that the campaign supported by the senior citizens was not a political event and therefore not subject to the prohibitions and requirements of the election law. Specifically, the court confirmed the FEC's determination that: 1) there were no communications at the picnic that expressly advocated Rep. Ritter's election or Mr. Orloski's defeat (e.g., name tags worn by Rep. Ritter's staff); and 2) there was no evidence to indicate that contributions to Rep. Ritter's campaign were either solicited or accepted at the picnic. The court concluded, "Orloski does not offer any compelling reason to believe the FEC was arbitrary in applying the two part test discussed above. Instead, Orloski attempts to convince the Court to apply a new test of holding any event not funded from funds appropriated to a congressional office to be a political event....There is simply no support in the statute, legislative history, or judicial decisions construing the Act to support this broad test of political events."

Nor did the court find merit in Mr. Orloski's contention that the election law requires the FEC to investigate a complaint unless the complaint fails to allege violations of the election law. The court found that "rather than requiring the Commission to investigate all facially valid complaints...the Commission may consider all the information before it and exercise its own informed discretion...Thus the task of a court reviewing a Commission determination not to investigate a facially valid complaint is to determine whether on the basis of all the information available to the Commission, the decision not to investigate was arbitrary or capricious. Here it is clear...that the Commission's decision met this standard."

On December 31, 1984, Mr. Orloski filed a notice of appeal.

*For a summary of the court's ruling on Mr. Orloski's first suit, see page 8 of the February 1984 Record.
FEC v. ANDERSON

On December 11, 1984, the U.S. District Court for the Eastern District of Pennsylvania issued a consent order resolving claims the Commission had brought against Mrs. Mary Anderson, the wife of 1980 Senate candidate Tom Anderson, in FEC v. Anderson (Civil Action No. 84-2180). (For a summary of the complaint, see page 8 of the July 1984 Record.)

Within 30 days of signing the consent order, Mrs. Anderson agreed to pay a $350 civil penalty to the U.S. Treasury for having exceeded the election law's contributions limits. 2 U.S.C. §441a(a)(1)(A). By cosigning a $50,000 campaign loan with her husband, the candidate, Mrs. Anderson had made a $25,000 contribution to his Senate campaign. The law limits contributions from all individuals, including spouses, to $1,000 per candidate, per election.

DCCC v. FEC

On December 14, 1984, the U.S. Court of Appeals for the District of Columbia Circuit dismissed an appeal filed by the Democratic Congressional Campaign Committee (DCCC), the plaintiff in DCCC v. FEC. (Civil Action No. 84-5810) DCCC had originally appealed the district court's decision to deny a preliminary injunction (Civil Action No. 84-3352), but later asked the appeals court to dismiss its appeal. For a summary of the decision given on November 5, 1984, by the U.S. District Court for the District of Columbia, see page 3 of the December 1984 Record.

FEC v. HEMENWAY FOR CONGRESS COMMITTEE

On December 26, 1984, the U.S. District Court for the Western District of Washington at Seattle issued a consent order resolving claims brought by the FEC against the authorized principal campaign committee of Democratic House candidate John D. Hemenway. (FEC v. John Hemenway for Congress Committee; Civil Action No. C83-1559R) Mr. Hemenway had campaigned for a House seat from Washington's Seventh Congressional District in the 1977 special primary election. Under the terms of the consent order, Mr. Hemenway's campaign committee, the John Hemenway for Congress Committee (the Committee), acknowledged that it had committed violations of the election law's reporting requirements. In November 1984, the Committee amended its 1977 year-end report to show, among other things, additional receipts totaling more than $82,000 and additional expenditures exceeding $49,000.

The Committee also agreed to make its best efforts to obtain, within 15 days after the consent order was filed, additional information required for 55 itemized contributions received by the Committee during 1977. Within 50 days of the filing of the consent order, the Committee would file an additional amended report disclosing this information. Finally, the Committee agreed to:

- Pay a $500 civil penalty; and
- Pay $55 for court costs incurred by the FEC in litigating the case.

NEW LITIGATION

FEC v. Seafarers' Union of the Pacific Political Fund

The FEC seeks action against the respective separate segregated funds (i.e., PACs) of three maritime unions. The FEC claims that, as affiliated committees, the Union PACs made excessive contributions to California Governor Jerry Brown's 1982 Senate primary campaign. The FEC asks the district court to:

- Declare that the defendant committees, Seafarers' Union of the Pacific Political Fund, Marine Firemen's Union Political Action Fund and Seafarers' Political Activity Donation, are affiliated committees within the meaning of 2 U.S.C. §441a(a)(5);
- Declare that the defendant committees violated 2 U.S.C. §441a(a)(2)(A) by, together, contributing more than $5,000 to Governor Brown's Senate primary campaign;
- Order the three defendant committees to disclose their affiliation by amending their respective Statements of Organization;
- Assess a civil penalty against each committee equivalent to the greater of $5,000 or an amount equal to 100 percent of the amounts involved in the violation; and
- Permanently enjoin the defendant committees from further violations.


MUR 1354: Presidential Committee and Single Candidate Committee Affiliated

On September 30, 1984, the Commission entered into a conciliation agreement with an authorized Presidential primary campaign committee and a single candidate committee.

Compliance

MUR 1354: Presidential Committee and Single Candidate Committee Affiliated

On September 30, 1984, the Commission entered into a conciliation agreement with an authorized Presidential primary campaign committee and a single candidate committee.

Complaint

The Commission initiated this matter based on a referral from the Reports Analysis Division concerning independent expenditures allegedly
made by a single candidate committee on behalf of a Presidential candidate in the 1980 primary elections. The Commission found reason to believe that:

1. Both committees had failed to register the single candidate committee as an affiliate of the Presidential principal campaign committee and had failed to disclose the expenditures of the single candidate committee as authorized expenditures by the Presidential primary campaign.
2. The principal campaign committee had exceeded its national spending limit; and
3. A corporate vendor, which had provided consulting services to both committees, had made illegal corporate contributions in the form of a loan, and the committees, in turn, had accepted them.

The Commission then initiated an investigation.

General Counsel's Report

Reporting Requirements and Committee Affiliation. Under the Federal Election Campaign Act (the Act), political committees are allowed to make unlimited expenditures for communications expressly advocating the election or defeat of a clearly identified candidate for federal office. However, these expenditures cannot be made without the cooperation or prior consent of, or in consultation with, or at the request or suggestion of, any candidate's campaign.

The issue in this matter is whether the expenditures made by a single candidate committee in support of a Presidential primary candidate were made independently of that candidate's principal campaign committee. According to the General Counsel's Report, the single candidate committee did not qualify as an independent committee for the following reasons:
1. Both the single candidate committee and the principal campaign committee used the same vendor (consultant); and the vendor used the same information in the development and creation of advertisements for both committees.
2. An agent of the principal campaign committee (as defined in 11 CFR §109.1(b)(5)) was involved in fundraising and reviewing advertisements for the single candidate committee.
3. The single candidate committee was created, controlled and operated by the principal campaign committee; the officers of the single candidate committee were figureheads with no decision-making authority.

Thus, the General Counsel's Report recommended that the Commission find probable cause to believe that both committees violated 2 U.S.C. §§433 by failing to register the single candidate committee as an authorized committee. The Report also recommended that the Commission find probable cause to believe that both committees violated 2 U.S.C. §§441(b) by failing to report the financial activity of the single candidate committee as authorized expenditures by the Presidential campaign.

Expenditure Limits Exceeded. Presidential primary candidates who accept matching funds must comply with an overall national spending limit, 2 U.S.C. §441a(b). A final audit of the principal campaign committee in this case showed that the committee was only $188,000 away from the $14,710,000 overall expenditure limit (in 1980). Therefore, when the single candidate committee's expenditures ($248,000) were added to the expenditures of the principal campaign committee, the overall Presidential limit was exceeded. The General Counsel's Report recommended, therefore, that the Commission find probable cause to believe that the principal campaign committee violated 2 U.S.C. §§441a(b)(1).

Corporate Contributions. A corporate vendor's failure to collect a debt owed by a political committee can result in prohibited corporate contributions to the committee. In this case, the General Counsel concluded the consultant had not violated 2 U.S.C. §441b because his dealings with both committees were within the normal course of business. See 11 CFR §114.10. The vendor had tried to recover outstanding bills, even through litigation; and while there was no contract between the vendor and either of the committees, 40 percent of the vendor's accounts did not have written contracts.

Commission Determination

On September 29, 1983, the Commission found probable cause to believe that the following violations of the Act had occurred:
1. The single candidate committee violated 2 U.S.C. §§433 and 434;
2. The principal campaign committee violated 2 U.S.C. §§433 and 434; and
3. The principal campaign committee violated 2 U.S.C. §§441(b).

The Commission found no probable cause to believe that the vendor violated 2 U.S.C. §§441b.

On October 3, 1984, the Commission entered into a conciliation agreement with both respondent Committees. Respondents agreed to pay a civil penalty of $10,000 to the U.S. Treasurer and not to undertake any activity in violation of the Act.
Updated Publications for State and Local Election Officials

Two recent publications are available to state and local election officials:
- Election Directory 84 includes the name, address and telephone number of over 400 key federal, state and local election officials. $2.25 per copy; order no. 052-006-00031-7.
- Campaign Finance Law 84 summarizes state campaign finance laws and provides comparative charts on: campaign finance reporting requirements; contribution and solicitation limits; and special tax and public financing provisions. $9.50 per copy; order no. 052-00600030-9.


Abridged Index

This abridged index references advisory opinions, court cases and 800 line articles published in the Record. (A comprehensive subject index is published annually as a supplement to the Record.) Citations are expressed as follows: "1:4." The first number in the citation refers to the "Number" (month) of the Record issue. The second number, following the colon, indicates the page number in that issue. Thus, "1:4" means the article is in Record Number 1 (January), on page 4.

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