FEC TAKES STEPS TO SHORTEN ENFORCEMENT PROCESS

On April 18, 1985, the Commission approved revisions to the agency's enforcement procedures, i.e., the procedures for handling Matters Under Review (MURs). The revised procedures are intended to expedite the flow of work, focus issues arising from compliance cases more clearly and obtain more timely responses from respondents. (See agenda document 85-51.) The General Counsel noted, however, that because of statutory requirements for handling compliance matters (e.g., investigations and respondents' rights to extend investigations) the compliance process will continue to be time consuming despite changes in procedures. (See 2 U.S.C. §437g.) The revisions, highlighted below, mark the first change in the agency's enforcement procedures since 1982.

From Receipt of Complaint to "Reason to Believe" Finding

The FEC will continue to follow current procedures for receiving complaints and notifying respondents. Specifically, once the General Counsel's Office has received a complaint and assigned it a MUR number, the Office will send copies of the complaint to the respondent(s) and provide them with 15 days to demonstrate, in writing, that no action should be taken against them. At the end of the 15 days, the General Counsel's Office will prepare a report within 12 days, based on a preliminary legal and factual analysis of the complaint and any submissions made by the respondent(s). Copies of respondents' submissions will be attached to the 12-day report.

In order to minimize unnecessary delays in preparing the 12-day report, the agency modified the procedures for preparing the report by: 1) requiring staff to present more specific plans for the initial phase of discovery; 2) revising the format of the report to make it more concise and issue oriented; and 3) establishing a 72-hour comment period for staff review of the report. Moreover, the General Counsel's Office will waive the 12-day report in routine late-filer complaints.

Reason to Believe Finding and Investigation

The basic procedures for deciding when to investigate a compliance matter remain unchanged. If, by an affirmative vote of four Commissioners, the Commission decides that there is "reason to believe" a violation of the Act has occurred, the Office of General Counsel will open an investigation into the matter. During the investigation, the Commission may subpoena documents, subpoena individuals to appear for deposition and order answers to interrogatories. Within 40 days after the General Counsel's Office has initiated an investigation, the staff must prepare a First General Counsel's Report on the investigation.

To decrease delays in the investigation—for example, those caused by the complexity of the legal issues or deadline extensions granted to respondents—the agency revised its investigatory procedures in several ways. continued
Revised Format for the First General Counsel's Report. The report will contain a more concise, focused analysis of the legal issues involved in a complaint. Delays in gathering necessary information will presumably be eliminated by more timely responses from respondents (see below).

More Rigorous Standards for Granting Deadline Extensions to Respondents. Without Commission approval, the General Counsel will not grant deadline extensions to respondents that exceed 20 days. In requesting an extension, a respondent will have to fully explain, in writing, the merits of a request and submit the request five days before the original deadline. Moreover, when a respondent fails to reply to FEC requests for information, the agency will use compulsory measures (e.g., subpoena enforcement actions) more frequently and earlier in the investigation.

Fewer Comprehensive Investigative Reports. Under the old procedures, the General Counsel's Office submitted comprehensive reports to the Commission every 90 days. Under the revised procedures, the staff will prepare fewer comprehensive reports. Instead, the General Counsel will use other means to apprise the Commission of recent actions taken on MURs (e.g., more detailed MUR status sheets and other periodic reports on actions taken with regard to specific MURs).

More Careful Monitoring of Progress. The General Counsel's Office is establishing a more stringent and flexible system for monitoring the progress of an investigation, allowing for expedited handling of easier cases. Moreover, the General Counsel's Office is establishing formal procedures for evaluating the investigation and notifying the Commission of its completion.

Probable Cause Finding
As in the past, if the investigation warrants further action, the Office of General Counsel must notify the respondent(s) of its intent to recommend that the Commission find "probable cause to believe" the Act has been violated. The notice must include a brief, detailing the General Counsel's analysis of the legal and factual issues of the case. Within 15 days of receiving the brief, the respondent(s) may present their positions. The Commission must consider both briefs before taking further action.

Under the new procedures, the General Counsel's Office will grant requests by respondents for deadline extensions only when necessary. (See revised policy above.)

Conciliation Process

Pre-Probable Cause Conciliation. If, during the investigation, the respondent(s) indicate a desire to enter into a conciliation agreement, the General Counsel's staff may begin a pre-probable cause conciliation process. Any agreement must be adopted by an affirmative vote of four Commissioners before it becomes final.

Under the revised procedures, the Commission will advise respondents of this option at the initial stage of its investigation. The agency will make clear, however, that in some cases it may not be able to initiate a conciliation agreement until the agency concludes its investigation. Moreover, if the General Counsel's Office has already submitted its briefs on a MUR to the Commission, the agency will not consider requests for pre-probable cause conciliation.

Post-Probable Cause Conciliation. If the Commission determines by an affirmative vote of four Commissioners that there is "probable cause to believe" the Act has been violated, formal conciliation must be undertaken for at least 30 days, but no longer than 90 days. If informal conciliation fails, the General Counsel's Office may recommend that the Commission file a civil suit against the respondent(s) to enforce the Act. If, on the other hand, an agreement is reached, it will be made public by the Commission.

The revised procedures ensure that the agency does not waste time on unfruitful conciliation efforts. In the case of respondents who reject the FEC's conciliation proposals, but do not present counter-proposals, the agency will notify the respondents that it considers continued conciliation efforts inappropriate. Before the conciliation period ends, the Commission may also advise uncooperative respondents that the FEC may file suit against them if an agreement is not reached after 30 days. Finally, the agency will enforce more rigorous standards for granting deadline extensions to respondents. (See above.)
FCM v. FEC

On February 26, 1985, the U.S. District Court for the District of Columbia granted summary judgment to the FEC in Fund for a Conservative Majority v. FEC. (Civil Action No. 84-1342) The court held that the Commission was justified in refusing to disclose documents pertaining to the agency's audit and review procedures, which FCM sought under the Freedom of Information Act (FOIA). (FCM is a nonconnected political committee, which the FEC had proposed to audit based on the Commission's review of FCM's reports and its determination that FCM had not met the agency's requirements for substantial compliance with the law's reporting provisions.)

In its suit, FCM challenged the FEC's refusal to disclose documents setting forth the agency's threshold requirements for auditing committees, as well as FEC staff recommendations detailing FCM's failure to meet them. In upholding the FEC's action, the court noted that the agency had justifiably withheld information exempt under section 552(b)(2) of the FOIA. Under this provision, "matters that are...related solely to internal personnel rules and practices" may be exempted from disclosure. The FEC's action met the standards for applying this exemption, which were set forth in Crooker v. Bureau of Alcohol, Tobacco and Firearms. (670 F.2d 1051, D.C. Cir. 1981) First, the undisclosed information was "predominantly internal," and did not constitute "secret law." In this regard, the court noted the Commission's threshold requirements are not secret law because they made 'no attempt to modify or regulate public behavior—only to observe it for illegal activity." Id. at 1075. "The information at issue here is simply used to review Commission reports for substantial compliance with [the reporting] rules" published in the U.S. Code and accompanying regulations. "The plaintiff's argument that it is 'in the dark' as to how to pass that review is especially weak in light of the many letters it has received from the Commission, advising and pointing out apparent reporting inconsistencies and irregularities."

Under the second standard for applying the exemption for internal practices, the disclosed information must "significantly risk circumvention of agency regulations and statutes." (See Crooker at 1074.) In this instance, the court agreed with the Commission that disclosure of the threshold requirements "would enable unscrupulous political committees to tailor their reports to avoid being audited, and ignore statutory reporting requirements that are not central to the internal review procedures."

The FEC had also invoked section 552(b)(7)(E) of the FOIA to justify withholding portions of agency documents pertaining to the compliance thresholds FCM had failed to meet. This provision exempts "investigatory records compiled for law enforcement purposes, but only to the extent that the production of such records would...disclose investigative techniques." The court found that the information withheld by the FEC met the requirements of this exemption, specifically, the information: 1) constituted an "investigative record" and 2) had been "compiled for law enforcement purposes." Pratt v. Webster, 673 F.2d 408, 413 (D.C. Cir. 1982). The Court pointed out that the federal election law specifically requires the Commission to review Committee reports.

FEC v. Gus Savage for Congress '82

On April 12, 1985, the U.S. District Court, Northern District of Illinois, Eastern Division denied the Commission's petition to hold in civil and criminal contempt Gus Savage for Congress '82 (the Committee), the principal campaign committee for Congressman Gus Savage's 1982 re-election campaign, and Thomas Savage, the Committee's treasurer. The court found that, after the Commission's filing of the contempt petition, the Committee had brought itself into compliance with a default judgment entered against it on June 8, 1984. Specifically, the Committee had filed the reports required by the default judgment and had established a satisfactory schedule for paying the $5,000 civil penalty imposed by the default judgment.

FEC v. Kirk Walsh for Congress Committee

On April 17, 1985, the U.S. District Court for the Eastern District of Michigan, Southern Division, issued a default judgment against the Kirk Walsh for Congress Committee (the Committee), Mr. Walsh's principal campaign committee for his 1980 House campaign. (Civil Action No. 84-CV-9892-PH) In filing suit on July 26, 1984, the FEC had asked the court to take action against the Committee for failing to file required reports between 1980 and 1983.

The court ordered the Committee to take the following actions within 30 days:

- File a 30-day post-general election report for 1980 and mid-year and year-end reports for 1981, 1982 and 1983;
- Pay a $5,000 civil penalty to the U.S. Treasury; and
- Pay court costs incurred by the FEC in pursuing the action.
NEW LITIGATION

Common Cause v. FEC

Common Cause seeks review of the FEC's dismissal of an administrative complaint it filed with the agency on November 22, 1983. In the complaint, Common Cause had alleged that the Republican National Independent Expenditure Committee (RNIEC) was affiliated with the National Republican Senatorial Committee and established by the Republican Party. Consequently, expenditures RNIEC made in support of Senator Daniel Evans' special general election campaign violated the Act's spending limits, when combined with special expenditures made by the National Republican Senatorial Committee on behalf of Senator Evans. See 2 U.S.C. §441a(d)(3)(A)(i).

Common Cause asks the court to:
o Declare that the FEC's February 12, 1985, dismissal of the complaint was contrary to law; and

o Issue an order directing the FEC to act on the complaint in conformity with the Court's decision within 30 days of the decision.


FEC v. American International Demographic Services, Inc.

The FEC asks the court to declare that American International Demographic Services, Inc. and its Vice President Ernest Halter violated 2 U.S.C. §438(a)(4) by using information on reports filed with the FEC for commercial purposes. Specifically, defendants used FEC information to:
a) prepare contributor listings they rented to various organizations through brokers and b) increase the commercial value of contributor listings they already had.

The FEC further asks the court to:
o Assess a $5,000 civil penalty against the defendants; and

o Permanently enjoin them from further violations of the Act.


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

1985-15 Nonfederal account established by non-connected PAC. (Date made public: April 19, 1985; Length: 2 pages)

1985-16 FEC contributor information used to improve broker's contributor list. (Date made public: April 19, 1985; Length: 1 page)

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 1985-11: Trade Association's "Personal Members" Not Solicitable

The Private Truck Council of America (the Council), a trade association with voting organization members, may not solicit contributions to its separate segregated fund from a proposed class of "personal members." Under the election law, the personal members would not qualify as solicitable Council members because, even though they would pay dues to the Council, they would lack sufficient rights to govern the Council.

Since the Commission determined that the Council's personal members could not be solicited, the Commission did not address the related issue of whether an organizational member could pay the annual dues of an employee who became a personal member. The Commission noted, however, that regardless of who paid their Council dues, the executive and administrative employees of corporate members could be solicited, provided the Council obtained prior approval for the solicitations from the member corporations. 11 CFR 114.7(e).
Commission Regulations define a trade association's members as "all persons who are currently satisfying the requirements for membership in the organization." 11 CFR 114.1(e). The Commission has interpreted this to mean that "members must have specific obligations to and rights in the organization," including the right to govern the organization.

Under the Council's proposal, personal members would not meet these membership requirements and would not, therefore, be eligible for Council solicitations. Specifically, the personal members would have no rights in Council affairs. Through their exclusive voting rights, organizational members control the management of the Council. Moreover, although personal members could be elected as Council directors, no provision in the Council's constitution assures them of effective representation in such positions. (Date issued: April 26, 1985; Length: 4 pages)

AO 1985-12: Collecting Agents Used by National Trade Association

The American Health Care Association (AHCA), a trade association for licensed nursing homes and allied long-term health care facilities, proposes to combine the approval, solicitation and collection of contributions to its separate segregated fund, AHCA-PAC, with the billing and collection of AHCA membership dues conducted by AHCA's state associations or their respective political action committees (PACs). AHCA's state associations and their respective PACs are sufficiently related to AHCA and AHCA-PAC to act as collecting agents for contributions which AHCA-PAC solicits from AHCA's noncorporate members (i.e., unincorporated proprietary and nonprofit long-term health care facilities). See 11 CFR 102.6(b)(1) and 102.6(e)(2). Although a state association or its PAC, functioning as the collecting agent, may not use a combined membership dues/solicitation statement to solicit AHCA's corporate members (because corporations may not make contributions), the collecting agent may include an authorization form on the dues statement to corporate members, requesting their written approval to solicit their solicitable personnel, provided the authorization form meets the requirements of FEC rules. See 11 CFR 114.7(b) and (c) and 114.8(b) and (c). Once a corporate member approves the solicitation authorization, AHCA-PAC or one of its collecting agents may solicit the corporate member's stockholders, executive and administrative personnel and their respective families, provided the corporation does not facilitate the collecting of contributions by either: 1) a payroll deduction or checkoff plan or 2) a system for reimbursing contributors to AHCA-PAC.

Solicitation Requirements

All solicitations conducted by AHCA, AHCA-PAC or a state association acting as AHCA's collecting agent must meet the requirements spelled out in FEC rules. See 11 CFR 114.5(a), 114.7(g), 114.8(e)(4) and 102.6(c)(2). The proposed solicitation message, to be printed on the combined dues/solicitation statement to noncorporate members, meets the requirements of Commission Regulations. See 11 CFR 114.5(a). This statement must also appear on the solicitations made to the solicitable personnel of AHCA's corporate members. 11 CFR 114.8(e)(4).

Collecting Agent's Responsibilities

While the collecting agent has no reporting responsibility, it must comply with FEC regulations in retaining records of AHCA-PAC contributions and transmitting contributor information to AHCA-PAC. See 11 CFR 102.6(c)(5) and (6). Moreover, checks combining AHCA dues payments and AHCA-PAC contributions must comply with FEC rules, regardless of whether the checks are signed by noncorporate members or the solicitable personnel of corporate members. Specifically, the checks must be drawn on an individual's nonrepayable drawing account or personal account. See 11 CFR 102.6(c)(3).

AHCA-PAC's Responsibilities

AHCA-PAC must ensure that the requirements for collecting agents are met (see above). In addition, AHCA-PAC must keep records of all contributions transmitted from a collecting agent and report the contributions as received from the original contributor. See 11 CFR 102.6(c)(7), 102.8, 104.3(a) and 110.1(e).

All contributions solicited to AHCA-PAC, including those transmitted by its collecting agents, would be subject to the limits and prohibitions of the Act. See 2 U.S.C. §§441c, 441e and 441f. (Date issued: April 26, 1985; Length: 7 pages)

FEDERAL REGISTER

FEDERAL REGISTER NOTICES

Copies of this notice are available in the Public Records Office.

Notice Title

FEC HEARS PRESENTATION BY McGOVERN CAMPAIGN ON REPAYMENT DETERMINATION

At an open meeting on April 24, the Commission provided former Senator George S. McGovern, a publicly funded Presidential candidate in the 1984 primaries, with an opportunity to make an oral presentation concerning an FEC repayment determination. The Commission had determined that the McGovern campaign must repay the portion of public funds it had spent on Senator McGovern's salary during the campaign.* After hearing the McGovern campaign's testimony, the Commission agreed to review additional written testimony, to be submitted by May 10, in support of the campaign's position.

The oral presentation grew out of an FEC audit report of the McGovern campaign, released on February 11, 1985, in which the Commission determined that the campaign must repay $25,105 in nonqualified campaign expenses to the U.S. Treasury.** At the presentation, the McGovern campaign disputed the FEC's determination that salary payments of $50,000 to Mr. McGovern constituted nonqualified campaign expenses and that a pro-rata portion of the salary (i.e., $13,549.35) had to be repaid to the U.S. Treasury.*** In support of its position, the McGovern campaign contended that the salary payment constituted a qualified campaign expense under FEC Regulations. 11 CFR 9032.9(a) and 9033.5. "The payment was incurred during the candidate's eligibility period. Senator McGovern's personal financial situation is such that he would not have been able to run for the Presidency without the payments....Finally...the payments to Senator McGovern [did] not constitute a violation of any other law." The McGovern campaign further argued that Congress had "consciously made the determination, in the Federal Election Campaign Act, to leave the decision how to spend money in a political campaign to the candidates themselves, not to the Commission or its staff."

*The FEC had canceled a hearing on proposed revisions to the Sunshine Regulations, scheduled for the same day, because the agency received no requests to testify.

**The public funding statutes require Presidential candidates to repay the U.S. Treasury for nonqualified campaign expenses. 26 U.S.C. 9038 (b)(2).

***Under proposed Commission rules submitted to Congress on March 5, 1985, when a campaign incurs nonqualified expenses, the Committee must make a repayment based on the ratio of federal funds to total funds received by the candidate (both private and federal funds). 11 CFR 9038.

Under FEC Regulations, the Commission may grant a request from a publicly funded candidate for an opportunity to address the Commission regarding a repayment determination, but only after the campaign has submitted legal and factual materials supporting its position. 11 CFR 9038.2(c)(2) and (3). The McGovern campaign submitted a written response to the audit report on March 5, 1985.

FEC TESTIFIES ON FY 1986 BUDGET

During four Congressional hearings held between March 19 and May 2, 1985, FEC Vice Chairman Joan D. Aikens requested a $12.756 million budget for the Commission for fiscal year (FY) 1986. Accompanied by FEC Chairman John Warren McGarry, FEC Staff Director John Surina and General Counsel Charles Steele, Mrs. Aikens testified before four Congressional Committees: the Subcommittee on Treasury, Postal Service and General Government of the U.S. Senate Committee on Appropriations; the Senate Committee on Rules and Administration; the House Committee on Appropriations' Subcommittee on Treasury, Postal Service and General Government; and the Subcommittee on Elections of the Committee on House Administration.

Vice Chairman Aikens testified that the FEC's FY 1986 budget request represented the base necessary for "steady-state" maintenance of Commission operations through the 1986 elections. Of the $12.756 million requested, the agency would allocate a portion to carrying out its responsibilities under the Voting Accessibility for the Elderly and Handicapped Act. This law requires chief state election officers to report to the FEC for the next five election cycles on the accessibility of polling places within their respective states. Beginning in 1987, the Commission must compile the information and report to Congress by April 30 of each year following an election. "The Commission views its obligations under the Handicapped Access Act very seriously and intends to give it priority attention," the Vice Chairman stated.

Mrs. Aikens noted that the FEC's current operating budget represented only a tiny portion of the federal government's total operating budget, i.e., one one-thousandth of one percent. "Humbling as this reality may be," she said, "it does not diminish the critical role the Commission plays in the American political process and the intense scrutiny to which our actions are subjected by the press, the regulated community and the Congress." Mrs. Aikens noted, for example,
that since the Commission had first opened for business 10 years ago, the volume of campaign finance activity monitored by the agency over five Congressional election cycles had tripled. Moreover, "the FEC had administered the public funding program for three Presidential elections, assuring proper accountability for more than $300 million in public money." The agency had also handled an explosive increase in demand for information from the press and public.

In favorably reporting a $12.745 million budget authorization for the FEC in March, the Committee on House Administration noted that the agency had "exercised rigorous control over its budget." The Committee stated that the FEC should "be commended for its excellent efforts in exercising its many responsibilities with a spartan budget and staff."

**INFORMATION DIVISION REORGANIZED**

On April 4, 1985, the Commission reorganized the Information Services Division under the new direction of Louise Wides, who previously served as Deputy Assistant Staff Director for Information and Chief of Publications. Mrs. Wides succeeds Gary Greenhalgh, who left the Commission in January to pursue a career in the private sector.

Under the new organization, the Commission created two new independent offices, both of which had previously functioned as part of the Information Division: the Press Office and the National Clearinghouse for Election Administration. Fred Bland, who has served as the agency's press officer since 1979, will continue to direct the Press Office. William Kimberling, former Deputy Director of the Clearinghouse, currently serves as the Acting Director of the Clearinghouse.

Under the new plan, the Information Division will focus on explaining the law to those who must comply (i.e., political committees and candidates) as part of the agency's effort to promote voluntary compliance with the election law. To this end, the division will continue to field questions on the toll-free line, publish the Record and other materials that explain the law in layman's terms, and conduct workshops and seminars that help political committees understand their responsibilities under the law.

**RHODE ISLAND PROVIDES DIRECT ACCESS TO FEC COMPUTER INFORMATION**

On May 13, 1985, the Commission and Rhode Island Secretary of State Susan Farmer inaugurated a special program which provides the Rhode Island 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 Alabama, 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 campaign finance database. While 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 enable researchers to gather current information about all political committees active in federal elections throughout the country. For more information on the program's capabilities, see page 6 of the April 1985 Record or contact the FEC.

**FEC PUBLISHES TEN-YEAR REPORT**

During May, the Commission published The First Ten Years, a special report marking the FEC's tenth year of operations. The report includes 18 graphs displaying campaign finance statistics for federal election cycles since 1978; a short history of federal election laws from 1907 to the present; a description of the Commission's major functions; charts depicting the law's contribution limits and presidential spending limits; and a list of the Commissioners and statutory officers who have served the FEC since its inception.

The First Ten Years will soon be sent automatically to every registered committee and every subscriber to the Record. Additional copies are available free of charge. Contact the FEC's Office of Public Communications, 1325 K Street, N.W., Washington, D.C. 20463; or call 202/523-4068 or, toll free, 800/424-9530.

**NEW BROCHURES FOR STATES**

The FEC recently published two brochures that may be of interest to state election offices.

- *State and Local Elections and the Federal Campaign Law* defines the boundaries between state and federal election laws. The brochure explains how the Federal Election Campaign Act applies to state and local election activities.
Additionally, the brochure defines the areas in which the federal election law supercedes state and local election laws.

- State Computer Access to FEC Data describes a pilot project that provides state election offices with direct computer access to FEC campaign finance information. This computerized information, once available only from the FEC in Washington, D.C., is offered through a cooperative effort between state election officials and the Commission. The brochure explains how researchers may obtain computerized campaign finance information at state offices; describes the types of computer printouts available; and lists those state elections offices that provide direct computer access to FEC campaign finance information.

Copies of these brochures are available free of charge. Contact the Office of Public Communications, FEC, 1325 K Street, N.W., Washington, D.C. 20463; or call 202/523-4068 or, toll free, 800/424-9530.

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**RECORD MAILING LIST UPDATE**

The Record is automatically sent to the treasurers of all political committees registered under the election law.

In addition, the FEC sends free copies to anyone who requests a subscription. To save taxpayers' money, we will soon update this portion of our mailing list. In the next month, we will mail renewal notices to some of these subscribers. If you receive the notice and wish to continue your subscription, you need only complete the postcard enclosed with the mailing and return it to us. If you don't receive the renewal notice, your subscription to the Record will continue automatically. (The treasurers of all political committees will continue to receive the Record.)