CONNECTICUT SPECIAL ELECTION

On August 18, 1987, Connecticut will hold a special general election in the Fourth Congressional District to fill the seat vacated by the death of Representative Stewart B. McKinney. The Republicans will hold a convention on June 29, 1987, to select a candidate to run in the special general election. The Democrats will hold their convention to select a candidate on June 30, 1987. In the event there is a challenge primary, resulting from the conventions, a special primary election will be held on July 21, 1987.

The principal campaign committees of candidates participating in these conventions and special elections will receive the appropriate forms for filing their financial disclosure reports. All other political committees which support candidates in these elections (and which do not report on a monthly basis) must also file disclosure reports. They should contact the FEC to obtain reporting forms. Call 800/424-9530.

CONFERENCE UPDATE

A special Internal Revenue Service workshop on tax issues related to federal campaigns will be a part of two conferences being sponsored by the FEC this fall. The IRS will participate in both the Vermont conference (September 16-18) and the Texas conference (November 16-17). For more information on the conferences, contact the FEC's Information Services Division at 202/376-3120 or toll free 800/424-9530. See the June 1987 issue of the Record for more details on the conferences.
FEC PROJECTS AGENCY COSTS OF IMPLEMENTING S.2

On June 4, 1987, the Commission approved cost projections for implementing S.2 (substitute version), known as the Senatorial Election Campaign Act of 1987. The bill contains, among several provisions, a program for the public funding of Senatorial general election campaigns. The Federal Election Commission would administer and enforce the program. The FEC projected the agency's costs in response to a request from the Congressional Budget Office.

The Commission calculated that its total administrative cost for the first two-year cycle of the public funding program provided for in the bill would be $1,496,100. This figure was based on the assumption that the substitute bill, as reported out of the Senate Rules Committee, would be enacted into law as currently drafted and would become law in time for the 1988 Senatorial general elections. Basing their calculations on 19 workload assumptions, agency staff provided a detailed analysis of costs required to implement each phase of the program. FEC staff noted that the costs of implementing the public funding program for Senatorial candidates would be in addition to costs currently projected for the agency's administration of the 1987-88 Presidential election cycle.

For purposes of the cost estimates, the Commission assumed that 66 candidates would run in the 1988 Senatorial general election and that all of the candidates would participate in the public funding program. In addition to projecting agency costs, the Commission calculated, on a state-by-state basis, the spending and PAC contribution limits for the candidates and the total public funds that would be available to each eligible candidate. According to FEC calculations, the total maximum Federal payout for 66 candidates, if they all received Federal funds, would be $87.3 million.

CONGRESSIONAL SPENDING TOPS $450 MILLION IN 1986 ELECTIONS

A preliminary report released by the FEC on the 1985-86 election cycle showed that Congressional spending exceeded $450 million, an increase of 20 percent over 1984 spending. The report disclosed that 1986 Senate candidates increased their spending 24 percent over 1984 candidates while House candidates spent 17 percent more than 1984 House candidates. The FEC report also indicated the sources of monies raised by campaigns according to party affiliation and candidate status.

Chart I compares Congressional incumbents, challengers and candidates involved in elections for open seats, in terms of the money they received, spent and had left over at the end of the election cycle.

Chart II reproduces one page of an FEC press release that provides detailed information on Senate candidates, showing the level of financial activity at two-year intervals during the 1986 election cycle. Readers should note that activity--particularly in the early years of the cycle--may relate to retiring debts of a previous election campaign. Note also that "cash on hand" at the beginning of the cycle appears, where appropriate, opposite the year 1980. "Transfers from other authorized committees" refers to money transferred to the campaign from another committee authorized by the candidate for a different election, e.g., a different office, either state or federal.

Copies of the complete press release, which covers all Senate and House candidates who ran in the 1986 general election, are available from the Commission's Public Records Office.

More detailed information on the 1985-86 Senate and House campaigns will be published in the final report in the Fall of 1987, with an entire volume outlining the financing for each candidate's campaign.
This bar includes candidates' loans and contributions to their respective campaigns. Due to variations in reporting, loans which have been forgiven may be counted as both a direct contribution and a loan, with the result of inflating the total amount. For an accurate account of candidate support, consult the reports filed by campaigns.

2/ Other includes interest, dividends and offsets to expenditures.
# CHART II
## SENATE CANDIDATES
### SAMPLE PAGE FROM PRESS RELEASE

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<tr>
<th>Candidate</th>
<th>Receipts</th>
<th>Individual Contributions</th>
<th>Non Party Contributions</th>
<th>Candidate Support</th>
<th>Trans from Other Auth.</th>
<th>Disbursements</th>
<th>Ending Cash on Hand</th>
<th>Closing Debts</th>
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*Note: All amounts are in thousands.*
FEC v. NCPAC

On April 29, 1987, the U.S. District Court for the District of Columbia granted plaintiff's motions for summary judgment and dismissal of defendants' counterclaim in FEC v. National Conservative Political Action Committee, et al. (Civil Action No. 85-2898). The court found that the defendants had violated the law by failing to include a statement in their solicitation material clearly identifying the person who paid for the communication.

Background

During the 1984 election cycle, NCPAC mounted a $10 million independent expenditure campaign advocating the reelection of President Reagan. As part of this project, NCPAC mailed out materials urging the reelection of the President and soliciting contributions to finance its expenditures for this effort. The solicitation material did not identify who paid for it. Under the Act and Commission regulations, any communication which expressly advocates the election or defeat of a clearly identified candidate or which solicits contributions must clearly display a disclaimer identifying the person(s) who paid for the communication. 2 U.S.C. §441d(a)(3).

On April 23, 1985, after attempting to resolve this enforcement matter through informal methods of conciliation, the Commission filed suit against the defendants in the U.S. District Court for the District of Columbia. In its complaint, the FEC sought the following:

- A judgment declaring that the defendants violated the law by failing to include a proper disclaimer in their solicitation material;
- An order permanently enjoining the defendants from repeating the violation;
- An assessment of a civil penalty; and
- An award of attorney's fees and costs incurred by the FEC.

In their counterclaim, the defendants sought review of the FEC's decision to bring this action pursuant to the Administrative Procedure Act (APA), 5 U.S.C. §§701 et seq. The defendants claimed that the FEC decision was "final agency action" within the meaning of section 704 of the APA and, therefore, reviewable. Furthermore, the defendants claimed that the FEC decision was "arbitrary, capricious, and an abuse of discretion under the APA" because the Commission had declined to initiate a civil enforcement action in another similar case. Finally, in denying the alleged violation of the Act, the defendants argued that the use of the NCPAC postal frank and other references throughout the material made it quite clear who paid for the communication. In their view, therefore, a specific disclaimer was not necessary.

Court's Ruling

In ruling that the defendants had violated 2 U.S.C. §441d(a)(3), the court said that "the Act and regulations do not provide for disclaimers by inference and the court is consequently of the view that these repeated references to NCPAC which appear within the materials do not satisfy section 441d's disclaimer requirement."

The court also dismissed the defendants' counterclaim. Citing an earlier Supreme Court case, the court held that the initiation of enforcement proceedings does not constitute "final agency action" and is, therefore, not subject to judicial review under the APA. Regarding the defendants' allegation that the FEC exercised selective prosecution against NCPAC, the court ruled that one isolated instance of nonenforcement was not evidence that NCPAC was being singled out for prosecution and that even if it were, defendants produced no evidence demonstrating that this action resulted from an improper motive.

Finally, the court assessed a civil penalty of $3,000 against the defendants.

FEC v. BANK ONE

On May 20, 1987, the United States District Court, Southern District of Ohio, Eastern Division, approved a consent order between the Commission and the defendants in FEC v. Bank One, Columbus, N.A., et al. (Civil Action No. C2-86-1082). Defendants were: the John Glenn Presidential Committee, Inc., William R. White, treasurer, and Senator John Glenn (Glenn Committee); and Bank One, Columbus, N.A., Ameritrust Company National Association, BancOhio National Bank and the Huntington National Bank (the Banks).

Background

The FEC alleged that $2 million in loans made by the Banks to the Glenn Committee in 1984 were not made on a basis that assured repayment and, therefore, were in violation of 2 U.S.C. §441b(a). After failing to resolve the matter through the conciliation process, the FEC filed suit in federal court on September 9, 1986. For a summary of the FEC's allegations, see page 6 of the November 1986 Record.

Consent Order

The consent order contained the following:

- For purposes of settlement of this litigation only, defendants agreed not to further contest the Commission's allegations that the making continued
and acceptance of the loan was in violation of 2 U.S.C. §441b(a). By agreeing not to further contest the Commission's allegations, defendants did not concede that such allegations were proven by the record or could have been proven at trial.

1. In settlement of the litigation, the Glenn Committee agreed to pay $4,000 to the FEC.
2. The parties agreed to bear their own costs and fees in this matter.

HART NOT ELIGIBLE FOR MATCHING FUNDS

On June 4, the Federal Election Commission made an initial determination that Gary Hart was not eligible to receive matching fund payments for his campaign for the 1988 Democratic Presidential nomination. Under Commission Regulations, Mr. Hart will have an opportunity to submit written legal or factual materials to demonstrate that he has satisfied the requirements for eligibility.

Background

On May 18, 1987, Gary Hart submitted a letter of candidate and committee agreements and certifications dated May 4, 1987, which constituted his request for a Commission determination of his eligibility to receive Presidential primary matching funds. Prior to this submission, on May 8, 1987, Mr. Hart held a news conference in which he stated that he would no longer be a candidate for the nomination of the Democratic Party for President of the United States.

At issue was whether Mr. Hart should be eligible for matching fund payments even though he was not a candidate on the day he submitted his request for a determination of eligibility.

Hart's Arguments

In submitting the request for matching funds, counsel for Mr. Hart argued that the Commission should determine him eligible for a limited entitlement to Federal funds. Counsel noted that, although Mr. Hart was no longer seeking the nomination when he made his submission, he was an active candidate on May 4 when he signed the letter of candidate agreements and certification. Counsel for Mr. Hart maintained, therefore, that Mr. Hart's withdrawal should not, in itself, disqualify him. Counsel for Mr. Hart also argued that "there is no requirement in the law that the candidate be active at the time the Commission reviews the submission for eligibility." Counsel further maintained that Mr. Hart was a candidate prior to the submission of his application for eligibility, and had satisfied all the other tests for eligibility. Finally, counsel argued that, in cases where a candidate has established eligibility, the law allows the candidate to continue to receive matching funds even after the candidate ceases active candidacy. 2 U.S.C. §9003(d). This provision allows the candidate to cover net outstanding campaign obligations and winding down costs.

Commission's Determination

In the Commission's view, the statutory provisions governing the establishment of eligibility for entitlement to matching funds presuppose that an applicant for such funds is a candidate within the meaning of the Presidential Primary Matching Payment Account Act. Under this law, the term "candidate" is defined as "an individual who seeks nomination for election to be President of the United States." 26 U.S.C. §9032(2). Moreover, the law requires the candidate to certify that he or she is seeking nomination by a political party for election to the office of President of the United States. 26 U.S.C. §9033(b)(2). Therefore, the Commission concluded that only a candidate, as defined under 26 U.S.C., was eligible for matching funds. Since Mr. Hart had ceased being a candidate before submitting his application for consideration by the Commission, the Commission ruled that he was unable to establish eligibility under 26 U.S.C. §9033.

KEMP DECLARED ELIGIBLE FOR PRIMARY MATCHING FUNDS


To become eligible for matching funds, a candidate must raise over $100,000 by collecting in excess of $5,000 from individuals in each of at least 20 different states. Although individual contributors may give up to $1,000 to the candidate, only $250 from each contributor may be matched with public funds. The maximum amount of matching funds a Presidential candidate may receive is half of the spending limit, which may be as much as $22 million in 1988. Presidential primary candidates could therefore qualify for up to $11 million in primary matching funds.
MUR 2195: Contributions Made in the Name of Another
This MUR, resolved through conciliation, involved a corporation making contributions in the name of two of its former employees.

Complaint
The MUR was internally generated by the Commission in the normal course of carrying out its administrative responsibilities.

General Counsel’s Report
After finding "reason to believe" that the Act had been violated, the Commission conducted an investigation which indicated that the corporation reimbursed two former officers for contributions they made to federal candidates, of $500 and $250 each. The contributions were reported by the recipient committees as coming from the officers, not the corporation.

Under federal election law, corporations are prohibited from making contributions in connection with federal elections. 2 U.S.C. §441b. Federal law also prohibits persons from making a contribution in the name of another, and the law prohibits a person from knowingly permitting his/her name to be used to effectuate such a contribution. 2 U.S.C. §441f. The General Counsel concluded that the corporation had violated the Act both by making a corporate contribution in connection with a federal election in violation of §441b, and by making contributions in the name of others, in violation of §441f. In addition, the General Counsel found that the former officers of the corporation had violated the Act by permitting their names to be used to effectuate contributions from the corporation, in violation of §441f. The General Counsel recommended that the Commission enter into conciliation with the three respondents prior to finding "probable cause to believe" that they violated the Act.

Commission Determination
Prior to finding "probable cause to believe" the Act had been violated, the Commission entered into a conciliation agreement with each of the three respondents. In their separate conciliation agreements, each of the respondents agreed to pay a civil penalty.

MUR 1896: Excessive Contributions from Candidate’s Family
This MUR, resolved through conciliation, involved a $25,000 loan from the parent of a candidate to the campaign committee.

Complaint
The Commission generated this MUR in the normal course of carrying out its administrative responsibilities. A Commission review of the candidate’s quarterly report disclosed the receipt of a loan for $25,000, which was not properly reported. The respondents were the candidate committee, its treasurer and the candidate’s mother.

General Counsel’s Report
The Commission investigation, conducted after the Commission found reason to believe the law had been violated, indicated that the candidate committee had reported the receipt of a loan for $25,000 on Schedule D of its quarterly report but had failed to include it on Schedule A and Schedule C. In response to an FEC inquiry, the committee amended its report to properly report the loan but failed to disclose the original source of the loan. Further investigation by the Commission revealed that the source of the loan was the candidate’s mother.

Under federal election law, a loan is considered a contribution until it is repaid. 2 U.S.C. §431(8)(A). Also, no individual may contribute more than $1,000 to any candidate per election. 2 U.S.C. §441(a)(1)(A). An individual may not, therefore, loan more than $1,000 to a candidate per election. Since members of a candidate’s family are subject to the contribution limits, the loan from the candidate’s mother exceeded the limits by $24,000.

The General Counsel recommended that the Commission find probable cause to believe that the law was violated in the following ways:
- The candidate committee accepted contributions in excess of the limits. 2 U.S.C. §441(a)(f).
- The mother of the candidate exceeded the contribution limits. 2 U.S.C. §441(a)(1)(A).

Commission Determination
The Commission voted to find probable cause to believe that the committee violated the law by not properly reporting the receipt of a loan and by accepting an excessive contribution to the campaign. In the conciliation agreement concluded between the respondents and the Commission, the respondents agreed to pay a civil penalty.
REVISED COMPLIANCE MANUAL FOR 1988 PRIMARY MATCHING FUND RECIPIENTS

On April 23, 1987, the Commission approved a revised edition of its Financial Control and Compliance Manual for Presidential Primary Candidates Receiving Public Financing. The manual is designed to help primary matching fund recipients comply with the Act and Commission Regulations. The manual incorporates proposed revisions to the FEC's primary matching fund regulations. Although not yet prescribed, these regulatory revisions have been approved by the Commission and were included in the final proposed rules sent to Congress on May 26, 1987.

Free copies of the manual are now available for use by Presidential primary candidates and their committees. In addition, a limited number of copies are available for purchase by other parties, at $10.00 per copy, from the FEC's Public Records Office. (If any procedures are revised, the Public Records Office will send all recipients of the manual new pages reflecting those changes.) For more information, the Public Records Office may be contacted at 202/376-3140 or toll free 800/424-9530.

FEDERAL ELECTIONS 86

During May, the Commission released a publication entitled Federal Elections 86, which contains the official results of United States House and Senatorial elections held on November 4, 1986. The Commission undertakes this project biennially in order to provide an accurate historical record of official federal election results. Copies of the publication may be ordered free of charge from the National Technical Information Service (NTIS), U.S. Department of Commerce, 5285 Port Royal Road, Springfield, Virginia 22161.

FEDERAL ELECTIONS SUGGESTED AMOUNT FOR CONTRIBUTION TO PAC PRINTED ON MEMBERSHIP DUES

As it prepares for the 1988 elections, the Federal Election Commission has issued its twelfth Annual Report detailing the agency's role in the 1986 elections. Copies of the publication have been presented to the President, the President of the U.S. Senate and the Speaker of the U.S. House of Representatives.

The report, which examines the Commission's administration of federal election laws, includes information on the FEC's internal operations, a series of graphs depicting campaign finance data and a description of the FEC's preparations for the 1988 presidential elections. Also included are summaries of advisory opinions and litigation. Finally, the report contains agency suggestions for legislative changes in election laws, which the Commission presented to Congress earlier this year. A number of appendices appear in the 85-page report, covering a variety of data related to FEC activities.

For a copy of the 1986 report, contact the Information Services Division, 800/424-9530 or 202/376-3120.
1987-18 Employee contributions to PAC matched with corporate cash and commodity charitable contributions. (Date made public: May 26, 1987; Length: 2 pages)

REVISED PUBLIC FINANCING REGULATIONS: PRIMARY AND GENERAL

On May 26, 1987, the Commission transmitted to Congress the revised rules governing publicly financed Presidential candidates. 52 Fed. Reg. 20864, June 3, 1987. The Federal election law requires that regulations prescribed by the Commission be transmitted to the Speaker of the House of Representatives and the President of the Senate 30 legislative days before they are finally promulgated. A Notice of Proposed Rulemaking was published in the Federal Register by the Commission on August 5, 1986, to seek comment on proposed revisions to these regulations. For a summary of the notice, see page 12 of the August 1986 Record. Five sets of comments addressed the public financing proposals. In addition, the Commission held a public hearing on December 3, 1986, on the proposed rules, at which one witness appeared.

Highlights from the New Regulations

1. The time period within which a Presidential candidate must act or respond to a Commission notification will now run from the date the Commission serves notice instead of the date the candidate receives it. If the notice is mailed, three days will be added to the response time in accordance with Commission regulations.

2. Funds raised to make repayments will be subject to the limitations and prohibitions of the Act and must be aggregated with any contributions previously received from a contributor.

3. The new rules require publicly funded candidates to follow the regulations recently promulgated by the Commission in sections 110.1 and 110.2 for designation and retribution of contributions.

4. In order to be consistent with revisions to section 106.2, overhead expenditures will now include all telephone charges for the general election except those related to a special program, such as a voter registration effort.

5. A candidate will not be able to reduce the amount of disbursements counted against the expenditure limit by settling debts. The full amount of debts incurred by a candidate will count against the expenditure limit, regardless of the amount for which the debts have been settled. The only exception is when a debt settlement reasonably resolves a bonafide dispute with the creditor.

6. No payments will be made to candidates from accounts containing public funds except to reimburse them for legitimate campaign expenses, such as travel and subsistence. The new rules make explicit that candidates may not receive a salary for services performed for the campaign; nor may they receive compensation for lost income while campaigning.

7. The new rules establish procedures under which candidates may request reconsideration of Commission determinations. Also, for the first time, the regulations set forth procedures the Commission will follow in considering stays of repayment determinations pending the candidate’s appeal.

8. When determining a primary candidate’s eligibility for matching funds, the Commission will consider relevant information in its possession, including the candidate’s past actions in a previous, publicly funded campaign.

9. Recordkeeping requirements for capital assets and other assets have been added to the new regulations. The dollar threshold at which a capital asset must be included on the candidate’s NOCO statement has also been increased.

10. Payment of Federal income taxes will be considered a qualified campaign expense but will not count against either the state-by-state limits or the overall national limit.

11. Under the new rules, outstanding obligations included on the NOCO statement may not include debts for nonqualified campaign expenses, repayment obligations or amounts paid to secure a surety bond pending an appeal of a Commission repayment determination.

12. Charges made on a credit card for which the candidate is liable will count against the candidate’s personal contribution limit unless they are paid in full including any finance charges by the campaign committee no later than 60 days after the closing date in the billing statement.

13. A primary candidate who does not receive sufficient votes to maintain eligibility for matching funds no longer has to choose between continuing the campaign and terminating in order to get matching funds for winding down costs. Under the new rules, an ineligible candidate may continue to seek continued...
the nomination and, if he or she does not reestablish eligibility, may still seek funds for winding down costs after the campaign is over.

In the course of this rulemaking, the Commission also considered several proposals for change that it did not ultimately incorporate into the revised rules. The most extensive of these involved a reexamination of the current entitlement and repayment processes for Presidential primary candidates. Following its analysis, however, the Commission decided to retain its current entitlement and repayment systems. Other issues that were raised for comment in the Notice of Proposed Rulemaking, which did not result in new regulations, concerned expenditures made during the primary election period that benefit the candidate's general election campaign. The Commission determined not to add new regulations on this point because the existing law and regulations are sufficient to support Commission action in an appropriate case.

Another issue pertained to changes in the 1988 primary election dates. Would these changes affect the rules for determining ineligibility for matching funds and for reestablishing eligibility—the 10 percent and 20 percent rules? In deciding to maintain the rules in their current form, the Commission concluded that a change in these procedures would require legislative action.

The new regulations, now available from the Commission's Public Records Office, will be included in the 1987 edition of the 11 CFR, to be published this summer. Further information on these and other revisions to the regulations may be obtained by contacting the Office of Information Services of the Federal Election Commission, 800/424-9530 or 202/376-3120.

This cumulative index lists advisory opinions, court cases and 800 Line articles published in the Record during 1987. 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.

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