

October 21, 2005

The Honorable Joshua B. Bolten
Director
Office of Management and Budget
Washington, DC 20503

Dear Mr. Bolten:

The Federal Election Commission hereby transmits its Fiscal Year (FY) 2007 budget request for \$60,194,000 and 398.5 FTE. This Budget submission consists of a base, or current services, request of \$58,452,500 for 391 FTE. It further includes an enhancement request for initiatives costing \$1,741,500 for an additional 7.5 FTE. Pursuant to the applicable provisions of the Federal Election Campaign Act (FECA), as amended, the Commission submits a concurrent FY 2007 Budget Request to the Office of Management and Budget (OMB) and the Congress.

Overview of FEC Mission and Programs

The mission of the FEC is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced. The agency's responsibilities include disclosing campaign finance information, enforcing provisions of the law such as the limits and prohibitions on contributions, and overseeing the public funding of Presidential elections.

Public Disclosure

The FEC is first and foremost a disclosure agency. The goal of the disclosure program is to ensure that campaign finance reports are disclosed to the public in full, with accurate and timely information available to all citizens. The FEC also provides information and policy guidance on the FECA to the public, press, and those persons and entities required to comply with the FECA.

Disclosure activities include not only the review and placement of information on the public record, but also educational outreach, including campaign finance workshops and seminars, a toll-free line for consumer requests, and automatic fax transmission of our publications 24 hours a day, 7 days a week. FEC meeting agendas and related documents also are available on our web site. Our disclosure program accounts for over a third of the agency's staffing (137 FTE), distributed among the Public Records Office, Information Technology Division, Reports Analysis Division, Press Office, Information

Division, and those sections of the Office of General Counsel (OGC) that formulate proposed regulations and draft responses to advisory opinion requests.

Compliance

The FEC's compliance program is based on the premise that the agency's first responsibility is to promote voluntary compliance with the limits, prohibitions, and reporting requirements of the FECA. While the FEC encourages compliance through educational programs, the agency's compliance program strives to buttress these efforts through the timely, consistent, and comprehensive enforcement of the FECA.

Within the past several years, the Commission has devoted significant attention to improving its enforcement efforts, focusing especially on the time it takes to process cases. The Commission began to address the problem with the implementation of the enforcement priority system (EPS) in 1993, which has substantially improved the agency's ability to focus its resources on the most important cases. More recently, the FEC implemented the Administrative Fine (AF) and Alternative Dispute Resolution (ADR) programs to streamline the processes for handling less complex matters. These improvements have resulted in increased overall capacity, thereby allowing the agency's regular enforcement channels to pursue more complicated and substantive matters.

The agency's progress can be shown by looking at a few snapshots. In 1991, there were 262 cases closed with civil penalties totaling \$534,000, and, in 1995, there were 229 cases closed with \$1,967,000 in civil penalties. In FY 2001, with the addition of the AF and ADR programs, the FEC closed 518 cases, a 163% increase over the FY 1995-2000 annual average of 197 cases. By FY 2003, there were 535 cases closed with civil penalties and fines totaling \$2,774,603.

Public Financing

The FEC is charged with administering the Presidential public funding program, which includes primary matching payments, convention funding, and general election grants. The agency's early projections concerning primary matching payments for the 2004 election cycle indicated that January 2004 payments to eligible Presidential candidates could be less than 20 % of the amount certified, even if one major party candidate declined to participate in the matching payment program. However, three major party candidates—Howard Dean, John Kerry, and President Bush—chose not to participate in the program, and the only shortfall that occurred in the 2004 cycle took place in February, when candidates received approximately 46 cents per dollar certified. For the 2004 elections, a total of eight candidates were certified for matching funds. With the participation of three additional major party candidates, the program would have experienced severe shortfalls.

The Presidential Election Campaign Fund is likely to continue to face major deficits in timely payments in the 2008 election and is in danger of falling short of the

funds necessary to meet the objectives of the public financing program unless legislative action is taken. The Commission has consistently made legislative recommendations to Congress to address this problem. The FEC is concerned that the potential for a totally open primary in both major parties in 2008 (with the presumed participation of many candidates in both primaries) will further exacerbate the potential shortfall. At some point, without legislative remedy, the shortfall could impact payments to general election candidates as well as to primary candidates.

FY 2007 Base Budget

The base budget includes adjustments that are mandatory, such as the annualized costs of the January 2006 cost-of-living-adjustment (COLA) and the January 2007 COLA; within grade (WIG) step increases; the agency share of increases in federal employee health insurance; and an enhanced maximum transit subsidy for all employees. Additionally, we have attempted to fund personnel costs fully. After not receiving full funding for mandatory COLAs and absorbing across-the-board rescissions for several years, our personnel funding levels have eroded, and in FY 2006 we are not fully funded for a staffing level of 391 FTE. The base funding level proposed attempts to recoup some of these funding reductions and also reflects a new staffing pattern where employees are frequently brought on board at pay grades exceeding step 1, causing an increase in salary costs. Finally, funds are included for rental of the 3rd floor of our building, which the agency recently acquired in order to have necessary space, access, and control over the entire building again. The FEC was not able to fund its total office space rent costs in FY 2006, but critically needs the space again in FY 2007.

In total, these base budget cost increases result in an enhancement of \$3,852,500, or approximately 7%, over the expected appropriation for FY 2006 of \$54,600,000. For comparison purposes, the anticipated FY 2006 appropriation represents a 5.5% increase over the final FY 2005 appropriation of \$51,741,728, an increase of \$2,858,272.

FY 2007 Budget Enhancements

The FEC is requesting an increase of \$1,741,500 and 7.5 FTE for FY 2007. The initiatives include two requests for the compliance program, five technical enhancements, and one legislative requirement. Additionally, funding for the EEO “No Fear Act” implementation costs and increased staffing for the Office of the Inspector General (OIG) are requested. Justification for each initiative follows:

Compliance program initiatives

- ❖ \$180,000 and two FTE to enhance and expand the Alternative Dispute Resolution (ADR) and Administrative Fine (AF) programs by making the AF program permanent and expanding the scope and breadth of both programs. The FEC intends to ask Congress to extend the agency’s authority to assess administrative fines to include violations of the law requiring a candidate’s committee to provide the “identification” of each person whose contributions exceed \$200 during a

calendar year. This expansion of the AF program will allow the FEC to process more cases and to reduce the time it takes to process each case. Additionally, it will allow the Office of General Counsel to focus its resources on more serious violations; and

- ❖ \$284,000 and four FTE to expand the FEC review, referral, and Title 2 audit program by increasing the number of audits. Under this initiative, the agency would institute a program to review selected committee bank records in-house that could lead to limited-scope audits, thus increasing the number of full audits completed each cycle and expanding the scope of desk audits of committee reports.

Legislative requirement

- ❖ \$147,000 to fund background checks for both new and current on-board FEC employees and higher-level security checks of selected FEC officials. Executive Orders 10450 and 12968 and 5 CFR §731 mandate the NACI as the minimum investigative standard for all employees in the federal service and require persons in Moderate Risk positions be subject to a minimum background investigation (MBI) and persons in High Risk positions be subject to a background investigation (BI). Further, the people in these positions must be reinvestigated every five years. This initiative will allow for higher level security checks of selected FEC officials in highly sensitive positions. Additionally, the funds would be used to conduct background checks on certain contractors -- a new cost not paid by the FEC prior to FY 2006. Currently all employees are given a NACI at a cost of \$92/person. Background checks for those in Moderate Risk positions will cost \$395/person. There are 78 Moderate Risk positions.

IT initiatives

- ❖ \$250,000 for data mining to enhance the FEC processes currently being developed to assist the organization further in more fully reviewing campaign finance disclosure reports in a more timely manner;
- ❖ \$200,000 to support the implementation of a new finance system more fully with the FEC budget, procurement, inventory, and HR systems (to supplement the funding in FY 2006 and the FY 2007 base either to upgrade the existing PeopleSoft financial system or migrate to a federal center of excellence financial system provider);
- ❖ \$250,000 to establish the necessary telecommuting infrastructure to support increasing federal mandates for federal employee telecommuting in the DC area (flexiplace);
- ❖ \$150,000 to initiate the FEC portal project to put into place the hardware and software to make all the new IT systems and tools more user friendly on the PC

desktop for both internal FEC and external users (Portals make tools such as EQS, Case Management, etc. more accessible to the end user); and

- ❖ \$100,000 for a contractor to develop and provide a disaster recovery plan for FEC IT processes and systems--this funding completes work to be initiated in FY 2006 and completed by FY 2007.

OIG enhancements

- ❖ A part-time attorney (20 hours per week) to assist the OIG response to the number of Hotline complaints. The additional legal assistance would be entirely devoted to OIG work; currently external OIG lawyers or internal OGC attorneys are asked to assist in such cases; and
- ❖ An additional audit position (GS-7) to help mitigate the increased workload in the OIG's office. This additional auditor would enable the OIG to augment the current number of auditors devoted to conducting audits, instead of monitoring the financial audit and responding to Hotline complaints.

EEO Office

- ❖ \$50,000 is included to provide contract funding to enable the FEC's EEO Office to fulfill the requirements of the "No Fear" Act, a federal EEO initiative that mandates agencies meet certain requirements. No funding for staff or other resources to comply with the requirements has been provided to date, and this request for contract funds is in place of an EEO request for additional staffing.

Attachments

The tables provide the following information: Table 1 depicts a crosswalk of FEC funding from the FY 2005 appropriation through the anticipated FY 2006 appropriation level, to the proposed FY 2007 base and enhanced requests, and Table 2 summarizes costs by object class for the FEC from FY 2005 through the FY 2007 request.

Sincerely,

/s/ Scott E. Thomas

Scott E. Thomas
Chairman

Table 1

FEC FY 2007 BUDGET REQUEST				
FY 2005 APPROPRIATION			\$ 51,741,728	378 FTE
CHANGES FROM FY 2005 TO FY 2006 REQUEST				
FY 2006 COLA JANUARY 1, 2006 2.3% (1.73%)	\$	613,500		
FULL 3.1% VS OMB 2.3% (2.33%)	\$	207,500		
FY 2006 WIG INCREASES (STEPS)	\$	233,000		
COST OF 13 FTE	\$	1,127,546		
<u>NON-PERSONNEL INCREASES</u>	<u>\$</u>	<u>676,726</u>		
INCREASE FY 2005 TO FY 2006	\$	2,858,272	5.52%	13 FTE
FY 2006 REQUEST			\$ 54,600,000	391 FTE
FY 2007 BASE REQUEST				
CHANGE IN STAFFING PROFILE/391 FTE	\$	697,300		
FY 2006 COLA JANUARY 1, 2006 3.1%	\$	291,500		
FY 2007 COLA JANUARY 1, 2007 75% OF 3.5%	\$	959,000		
FY 2007 WIG INCREASES (STEPS)	\$	305,500		
<u>FY 2007 FEHB AGENCY COST INCREASES</u>	<u>\$</u>	<u>136,000</u>		
FY 2006 TO FY 2007 PERSONNEL INCREASES	\$	2,389,300		
TRANSIT SUBSIDY INCREASE	\$	125,000		
GSA RENT TAX PASS THROUGH COSTS	\$	100,000		
INCREASED SECURITY COSTS (GUARDS)	\$	100,000		
ENHANCED SECURITY COSTS (ID BADGES)	\$	100,000		
<u>ARMED GUARDS INCREASE</u>	<u>\$</u>	<u>50,000</u>		
RENT AND SECURITY INCREASES	\$	350,000		
RENT FOR THIRD FLOOR	\$	530,000		
OTHER INFLATION AND COST INCREASES	\$	458,200	3.16%	
INCREASE FY 2006 TO BASE FY 2007	\$	3,852,500	7.06%	
FY 2007 BASE REQUEST			\$ 58,452,500	391 FTE
FY 2007 INITIATIVES				
Compliance	ADR AND OAR ENHANCED	\$	180,000	2 FTE
	TITLE 2 AUDITS ENHANCED	\$	284,000	4 FTE
Info. Tech.	DATA MINING	\$	250,000	
	FINANCE PROVIDER SYSTEM INTEGRATION	\$	200,000	
	TELECOMMUTIING INFRASTRUCTURE	\$	250,000	
	PORTALS PROJECT	\$	150,000	
	ITD DISASTER RECOVERY	\$	100,000	
	<u>ITD ENHANCEMENTS</u>	<u>\$</u>	<u>950,000</u>	
	PERSONNEL BACKGROUND CHECKS	\$	147,000	
	EEO NO FEAR PROGRAM	\$	50,000	
	OIG REQUEST	\$	130,500	1.5 FTE
TOTAL INITIATIVES		\$	1,741,500	3.19% 7.5 FTE
FEC FY 2007 BUDGET REQUEST			\$ 60,194,000	10.25% 398.5 FTE

Table 2

29-Sep-05	FY 2007 FEC BUDGET HISTORICAL COMPARISON					
OBJECT CLASS CODE	FY 2005 M PLAN	FY 2006 M PLAN	CHANGE	FY 2007 BASE	INCREASE	FY 2007 BUDGET
SALARIES/BENEFITS	7,644,473	39,233,700		41,259,000	560,500	41,819,500
11.10 SALARIES	-	31,190,792	1,610,114	32,800,905	445,598	33,246,503
12.10 BENEFITS	7,644,473	8,042,909	415,187	8,458,095	114,903	8,572,998
12.10 TRANSIT SUBSIDY	350,000	350,000	125,000	475,000	-	475,000
11.50 OVERTIME	187,340	78,500	84,000	162,500	-	162,500
11.82 WITNESSES	1,000	1,000	-	1,000	-	1,000
11.52 CASH AWARDS	452,508	425,000	50,000	475,000	-	475,000
13.01 OTHER	44,500	15,000	105,000	120,000	-	120,000
PERSONNEL	8,679,821	40,103,200	2,389,300	42,492,500	560,500	43,053,000
21.01 TRAVEL	391,045	308,000	105,000	413,000	10,000	423,000
22.01 TRANS/THGS	125,000	50,000	25,000	75,000	-	75,000
23.11 GSA SPACE	4,219,500	4,156,000	734,000	4,890,000	-	4,890,000
23.21 COM. SPACE	84,340	70,000	5,000	75,000	-	75,000
23.31 EQUIP RENT	221,258	205,000	19,500	224,500	-	224,500
23.32 TELE LOCAL	170,000	175,000	5,000	180,000	-	180,000
23.33 LDIST/TELEG	24,500	24,000	1,000	25,000	-	25,000
23.34 TELE INTCTY	20,000	20,000	5,000	25,000	-	25,000
23.35 POSTAGE	155,000	165,000	10,000	175,000	-	175,000
24.01 PRINTING	329,500	299,500	(2,500)	297,000	-	297,000
24.02 MICROFILM	26,000	23,000	2,000	25,000	-	25,000
25.11 TRAINING	117,791	148,000	25,500	173,500	2,500	176,000
25.12 ADMIN EXP	113,885	92,500	22,000	114,500	-	114,500
25.13 DEP/TRANSC	72,000	65,000	5,000	70,000	-	70,000
25.14 IT CONTRACTS	2,904,140	1,912,500	297,500	2,210,000	-	2,210,000
25.21 CONTRACTS	530,701	417,500	205,500	623,000	54,000	677,000
25.23 REPAIR/MAIN	4,125	4,000	1,000	5,000	-	5,000
25.24 TUITION	4,960	4,500	7,500	12,000	-	12,000
25.31 FED AGENCY	612,000	752,000	345,500	1,097,500	147,000	1,244,500
25.32 FED TRAINING	49,586	49,000	43,000	92,000	3,500	95,500
25.41 FACIL MAINT	160,118	65,000	46,000	111,000	-	111,000
25.71 EQUIP/MAINT	201,904	247,500	55,500	303,000	-	303,000
25.72 SFT/HRDWRE	1,107,236	1,859,000	(193,000)	1,666,000	-	1,666,000
26.01 SUPPLIES	196,375	252,500	28,500	281,000	-	281,000
26.02 PUBS	196,266	170,800	28,700	199,500	-	199,500
26.03 PUBS SERV	356,489	366,500	3,000	369,500	-	369,500
31.01 EQP PURCH	83,174	40,000	21,500	61,500	-	61,500
31.02 CAPITALIZED IT	921,403	2,500,000	(495,000)	2,005,000	950,000	2,955,000
31.03 NON-CAPT IT	421,778	55,000	106,500	161,500	14,000	175,500
NON-PERSONNEL	13,820,074	14,496,800	1,463,200	15,960,000	1,181,000	17,141,000
TOTAL FEC	22,499,895	54,600,000	3,852,500	58,452,500	1,741,500	60,194,000