



**FEDERAL ELECTION COMMISSION**

**BUDGET REQUEST  
CONGRESSIONAL JUSTIFICATION**

**FOR FY 2007**

**PRESENTED TO THE CONGRESS AND OMB  
PURSUANT TO GPRA AND OMB A-11**

**March 17, 2006**

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Appendix A: FEC Strategic Plan FY 2004-2009  
(FY 2005-2010 Strategic Plan currently being revised)

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**APPROPRIATION LANGUAGE (PROPOSED)**

***FEDERAL ELECTION COMMISSION***

***SALARIES AND EXPENSES***

For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, \$57,138,000, of which no less than \$6,500,000 shall be available for internal automated data processing systems, and of which not to exceed \$5,000 shall be available for reception and representation expenses; Provided, That, the FEC is authorized to establish, modify, charge, and collect registration fees for FEC hosted conferences; Provided further, That notwithstanding 31 U.S.C. 3302, funds received from fees charged to attend the campaign finance conferences shall be credited to and merged with this account, to be available without further appropriation for the costs of carrying out these conferences.

# FEDERAL ELECTION COMMISSION BUDGET REQUEST

## EXECUTIVE SUMMARY

The Federal Election Commission (FEC) submits this performance budget request of \$57,138,000 for FY 2007. FY 2007 request includes an increase of \$2,985,000 (5.51%) over the enacted FY 2006 FEC appropriation of \$54,153,000 (\$54,700,000 reduced by \$547,000 by the one percent rescission). The FEC FY 2007 request conforms to the amount agreed upon with OMB during the budget formulation process with the understanding that the amount would not fully fund our 391 authorized level. With this level of funding, our FTE staffing level will be 375, a decrease of 16 FTE from our authorized level of 391. Staffing is reduced to meet the increased costs of doing business at projected 2007 prices. This staffing decrease is explained in more detail on pages 9-11.

This level of funding represents a continuation of FY 2006 operations, as adjusted for inflation, salary, and benefits increases. As such, it represents essentially a Current Services request for FY 2007. It represents an overall increase of 8.48% for non-personnel costs with no additional funds or staff for programs or new initiatives by the FEC.

<b>TABLE 1: FY 2007 PERCENTAGE INCREASE</b>				
<b>Category</b>	<b>FY 2006</b>	<b>Increase</b>	<b>FY 2007</b>	<b>Percent Increase</b>
<b>Personnel Costs</b>	39,814,300	1,769,700	41,584,000	<b>4.44%</b>
<b>Non-Personnel Costs</b>	14,338,700	1,215,300	15,554,000	<b>8.48%</b>
<b>Total</b>	<b>54,153,000</b>	<b>2,985,000</b>	<b>57,138,000</b>	<b>5.51%</b>

## Federal Election Commission Mission

**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, fostering the electorate's faith in the integrity of the nation's political process.**

The integrity of the election process is key to public faith in the policy decisions made by the elected and executive branches of government. Desired outcomes from the successful achievement of the FEC mission include providing the electorate with information about where candidates for federal office derive their financial support, and providing confidence that those who disregard the Federal Election Campaign Act of 1971, as

amended, (FECA) restrictions on campaign financing and/or its requirements for public disclosure will suffer real and evenhanded consequences for non-compliance.

In attaining these outcomes, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. The FEC realizes that voluntary compliance and public confidence are necessary because limited budgetary resources preclude massive efforts to enforce the FECA.

The FY 2007 budget request will enable the FEC to perform its statutory mission and meet its program goals and objectives. The FEC budget justification is structured to reflect its mission to administer and enforce the three main components of the FECA:

- The disclosure of campaign finance information;
- The enforcement of campaign laws; and
- The public financing of Presidential elections.

## **Programs, Goals and Objectives**

To accomplish its mission, the FEC has established three core programs. For each core program, the Commission has defined objectives and goals that are achieved through several Commission line programs. The core programs are listed below, followed by the dollar amount and FTE required to achieve the objectives and goals under the FY 2007 Budget:

<b>TABLE 2: CORE PROGRAMS</b>	<b>AMOUNT</b>	<b>FTE</b>
Promoting Disclosure	\$ 21,855,285	143.4
Obtaining Compliance with FECA	\$ 26,997,705	177.2
Administering the Public Financing of Presidential Elections	\$ 8,285,010	54.4
<b>FY 2007 Request</b>	<b>\$ 57,138,000</b>	<b>375</b>

### **Building on Past Successes**

In FY 2006, the FEC achieved major successes, including meeting statutory and court deadlines for the BCRA implementation, legal challenges to the BCRA, and enhanced compliance. These successes are the result of FEC efforts and support from our Congressional oversight committees. In addition, over the past several years, the Commission has employed more flexible and more effective enforcement tools in order to attain the goal of ensuring compliance with FECA. For example, the standard enforcement program now processes matters more quickly, there has been a strong and steady increase in the number of matters closed with substantive action, and the amount of cumulative annual civil penalties has remained at high levels for several years.

Moreover, two newer enforcement programs – the Administrative Fine Program and Alternative Dispute Resolution (ADR) – continue to receive accolades from the regulated community and have enabled the standard enforcement program to focus on more complex matters.

### FEC Disclosure and Informational Outreach Programs

The FEC recognizes that with limited resources it must continue to emphasize voluntary compliance with FEC rules and regulations. In addition to fostering a belief that the campaign finance disclosure laws will be enforced when significant violations occur, the Commission has relied on effective outreach and informational programs to reduce violations due to lack of understanding of the law. Generally, FEC efforts, such as the 800 informational line, the campaign finance workshops and seminars, and the campaign guides and brochures, have all received high marks from the election community, the media, and the public. It is important to advise Congress that our campaign finance workshops and seminars for 2006 have been canceled due to unexpected budget constraints. In order to preserve these conferences in the future we are seeking legislative authority to charge and maintain registration fees to host these conferences. If legislative authority is not granted, we will require additional appropriated funds in order to host future conferences.

A recent hearing on the FEC enforcement process held by the House Administration Committee was noteworthy for the consistently high marks given by members to the FEC staff and informational programs. The FEC received high praise for its efforts to educate and inform the election community. The responsiveness, professionalism, and accuracy of the information provided by FEC staff was remarked upon numerous times.

In addition, the FEC disclosure programs are praised, and often FEC data and reports provide the foundation for analysis and further study by the media and elections interest groups. The FEC continues to operate a storefront disclosure office in Public Records, but also increasingly serves the media and the public through the FEC website and other electronically provided data and publications. While the Commission will continue to print and make available copies of brochures and publications, increasingly the needs of the election community, the public, and the press are served by electronically available data and reports. In FY 2005, the FEC electronic disclosure database and website received 4.5 million visits and 103 million hits by users seeking campaign finance data and FEC documents. The FEC continues to upgrade and enhance its website, the electronic filing system, and other electronic systems, and to adapt to changes required by BCRA or any other changes to the FECA.

The FEC, however, also continues to respond to many telephonic and written requests for information, data, and assistance in filing reports. The Information Division 800 line and the Reports Analysis Division (RAD) analysts assigned to specific committees will continue to be an integral part of the FEC's effort to inform and educate the public and to foster voluntary compliance with the filing requirements of the FECA. The FEC also

utilizes the Internet and a monthly newsletter, *The Record*, to provide notice to filers and general assistance in the correct filing of reports.

There is recent evidence that the informational and educational outreach efforts, as well as the standardized and regularized Administrative Fine Program, have contributed toward the FEC reaching its goal of encouraging compliance with the campaign finance laws. The result is improved timeliness of filing of campaign finance reports and data. The percentage of committees filing required reports and filing them on time has improved during the last three election cycles. The FEC sees this as evidence that the disclosure and compliance programs are achieving one of our primary goals.

### FEC Compliance Program

Nearly one-half of Commission resources in terms of dollars and FTE required to achieve the Commission's objectives and goals under the proposed FY 2007 Budget are dedicated to its compliance programs. In recent years, this has included an administrative fines program and alternative dispute resolution program, in addition to the standard enforcement program. Together, these three compliance programs have allowed the FEC to handle significantly more cases than it did several years ago.

The Commission's goal in using these three distinct compliance tools has been to increase the effectiveness of the enforcement program by activating more cases, closing more cases with substantive action, resolving some cases that would otherwise have been dismissed, and generally enforcing the law in a more thorough and efficient manner. Today, the Commission focuses its legal resources on the more complex enforcement matters, while using administrative processes to handle less complex matters.

The standard enforcement program, which is the responsibility of the Office of General Counsel, deals with the most complex cases and the most significant violations of the law. The General Counsel has undertaken a number of management and organizational initiatives in the last five years to increase the efficiency of processing matters under review (MURs). The results of these initiatives include a more current caseload and higher civil penalties. Although a much larger percentage of the Office's caseload now involves the most factually and legally complex cases, MURs have been processed (analyzed, investigated, conciliated) much more expeditiously. The Enforcement Profile at Appendix C shows the improvement in the time it takes to close a case. This is further demonstrated by the fact that a greater percentage of the assigned (or active) caseload now involves the most recent election cycle (i.e., 2003-2004). Moreover, the administrative fines and alternative dispute resolution programs have also helped to expedite resolution of less serious violations of the law.

This increased efficiency has not come at the cost of less effective enforcement. One measure of effectiveness is the cumulative annual amount of civil penalties and fines obtained. By this measure, the FEC's effectiveness continues to grow, as illustrated by the following: In 1999, prior to the introduction of the administrative fines and alternative dispute resolution programs, 262 cases were closed with civil penalties

totaling \$534,000. By FY 2004, approximately four years after the implementation of the administrative fines and alternative dispute resolution programs, 250 cases were closed with civil penalties and fines totaling \$3.46 million. And in FY 2005, the FEC closed 372 cases with civil penalties and fines totaling \$2.0 million. Focusing on the civil penalties obtained in the standard enforcement program, FY 2005 marks the fourth consecutive year with more than \$1 million in penalties. A more detailed discussion is included in the FY 2005 FEC Enforcement Profile included as Appendix C of this submission.

The ADR program affords both the FEC and the respondents the opportunity to resolve cases more rapidly, and it provides an opportunity for the Commission to resolve cases more substantively. Since the inception of the program on October 1, 2000, through September 30, 2005, the ADR Office concluded agreements with respondents and formally closed 214 cases, 150 with substantive action (70%). ADRO has negotiated approximately \$310,000 in civil penalties since FY 2001. In FY 2005 alone, civil penalties negotiated through ADR totaled \$154,500. These 214 cases were generally closed within six months of referral to the ADRO program.

The Administrative Fine Program has closed 1,223 cases since FY 2000 and assessed civil penalties totaling \$2,309,454 in cases of late and non-filed reports. In FY 2005, cases were closed on average 201 days from when the reports were due to be filed at the FEC.

For the standard enforcement program itself, from FY 2001 to 2005, the FEC closed 140 out of 456 cases with civil penalties (31%). Of particular note is that the FEC's previous record of dismissing cases due to "staleness" has been all but eradicated. From FY 1995 to 2000, the FEC dismissed as "stale" 54% of cases. FY 2005 was the second year in a row in which the FEC did not dismiss a single case as stale. Clearly, from FY 2001 through 2005, the FEC has made significant improvements in the compliance program.

### **Impact of Continuing the OMB Level for FY 2007**

As previously mentioned, the FY 2007 budget represents minimal increases from the final enacted funding for the Commission in FY 2006. This level of funding is required to provide the Commission with the resources necessary to perform its statutory responsibilities.

The funding level contained in this budget request will enable the Commission to:

- Continue to meet all requirements to implement and enforce the BCRA amendments;
- Complete all Presidential audits within two years of the election;
- Conduct 40-45 Title 2 "for cause" audits per election cycle;



- Maintain a timely and enhanced campaign finance disclosure program;
- Ensure that significant and timely efforts are made to enforce the FECA;
- Maintain and enhance existing Commission educational and informational outreach programs designed to foster knowledge of the FECA and voluntary compliance with the disclosure and limitations provisions of the statute;
- Continue disclosure programs that disseminate data and analytical reports to the media and private organizations for use in further analysis and more widespread disclosure of campaign finance information to the general public and the election community;
- Continue the Administrative Fine and Alternative Dispute Resolution programs; and
- Continue and enhance the automation of the reports review process.

To continue reaping the benefits of automation in our disclosure and compliance programs, it is imperative that the Commission receive the requested resources in FY 2007 to implement the remaining modules of the automated review of financial disclosure reports, to continue transforming our disclosure legacy systems into a new scalable application environment, and to initiate the architectural integration of enhanced systems to improve the accessibility of information.

### **Summary of Request and Differences from FY 2006**

The following tables summarize the FY 2007 request and the differences from FY 2006. As noted in the Executive Summary, the net increase in FY 2007 is 5.51% over FY 2006 for a \$2,985,000 increase. The FEC is a personnel intensive agency with approximately 70% of our budget dedicated to staff costs. The increase in personnel costs results primarily from full funding of 375 FTE and the COLA. Although authorized 391 FTE in FY 2006, as spelled out in its FY 2006 Management Plan, the FEC will strive to reach approximately 382 FTE, with the reduction resulting from forced absorption of the full costs of the annualized FY 2006 COLA, the full cost of the FY 2007 COLA, and the Congressionally-mandated rescission. The Commission also had to fund some one-time unanticipated costs in FY 2006 that required it to take immediate action to slow spending. One way we accomplished this is by instituting an immediate hiring freeze, with exceptions for critical hires only.

<b>TABLE 3: DIFFERENCE FY 2006 to FY 2007 BUDGET REQUEST</b>	
<b>FY 2006 Appropriation (post-rescission)</b>	<b>\$54,153,000</b>
<b>Increase in pay, benefits (COLAs, WIG, Step increases)</b>	<b>\$1,769,700</b>
Step increases:	\$331,383
FY 2006 COLA of 3.44% annualized in 2007:	\$193,114
FY 2007 COLA of 3.5%:	\$1,047,906
Increase in overtime/transit subsidy/other	\$197,297
<b>Net Increase in non-personnel costs</b>	<b>\$1,215,300</b>
Increase in FY 2007 Request	\$2,985,000
<b>Budget for FY 2007 Request</b>	<b>\$57,138,000</b>

<b>TABLE 4: FEC BUDGET BY DIVISION/OFFICE</b>				
<b>Division/Office</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Planned</b>	<b>Changes</b>	<b>FY 2007 Request</b>
Administrative Division	8,139,013	8,337,600	592,400	8,930,000
Audit Division	4,292,046	4,277,000	339,000	4,616,000
Information Division	1,468,659	1,598,320	231,680	1,830,000
Office of the General Counsel	14,606,642	15,411,500	603,500	16,015,000
Clearing House	977	-	-	-
Information Technology Division	11,056,593	10,375,480	1,084,520	11,460,000
Disclosure Division	936,549	1,989,200	(246,200)	1,743,000
Reports Analysis Division	3,690,253	3,817,565	142,435	3,960,000
Office of the Commissioners	2,944,919	2,967,500	271,500	3,239,000
Office of the Inspector General	567,927	723,946	(56,946)	667,000
Office of the Staff Director	1,566,466	1,749,900	(82,900)	1,667,000
Budget, Planning, and Management	226,018	401,208	46,792	448,000
Human Resources and Labor Relations	813,865	874,000	78,000	952,000
Press Office	509,016	516,327	51,673	568,000
Equal Employment Opportunity Office	151,639	406,700	(132,700)	274,000
Office of Alternative Dispute Resolution	355,715	372,754	36,246	409,000
Office of Administrative Review	320,928	334,000	26,000	360,000
<b>COMMISSION TOTAL</b>	<b>51,647,225</b>	<b>54,153,000</b>	<b>2,985,000</b>	<b>57,138,000</b>

**TABLE 5: FY 2007 CHANGES BY OBJECT CLASSIFICATION**

OBJECT CLASSIFICATION		FY 2006 Planned	Changes	FY 2007 Request
11.10	SALARIES	30,258,837	1,451,163	31,710,000
11.30	SALARIES - OTHER	530,000	(42,000)	488,000
12.10	BENEFITS	8,128,900	310,100	8,439,000
12.10	TRANSIT SUBSIDY	360,000	40,000	400,000
11.50	OVERTIME	103,563	19,437	123,000
11.52	CASH AWARDS	433,000	(9,000)	424,000
<b>PERSONNEL COSTS</b>		<b>39,814,300</b>	<b>1,769,700</b>	<b>41,584,000</b>
21.01	TRAVEL	399,980	80,020	480,000
22.01	TRANS/THGS	40,000	10,000	50,000
23.11	GSA SPACE	3,825,000	192,000	4,017,000
23.21	COM. SPACE	70,000	5,000	75,000
23.31	EQUIP RENT	202,465	19,535	222,000
23.32	TELE LOCAL	190,000	20,000	210,000
23.33	LDIST/TELEG	17,000	-	17,000
23.34	TELE INTCTY	21,600	3,400	25,000
23.35	POSTAGE	195,500	19,500	215,000
24.01	PRINTING	265,460	104,040	369,500
24.02	MICROFILM	27,000	3,000	30,000
25.11	TRAINING	117,643	17,357	135,000
25.12	ADMIN EXP	186,735	(81,735)	105,000
25.13	DEP/TRANSC	50,000	10,000	60,000
25.14	IT CONTRACTS	2,413,000	382,000	2,795,000
25.21	CONTRACTS	1,258,737	(287,737)	971,000
25.23	REPAIR/MAIN	3,000	-	3,000
25.24	TUITION	4,347	5,653	10,000
25.31	FED AGENCY	792,000	137,000	929,000
25.32	FED TRAINING	60,425	46,575	107,000
25.41	FACIL MAINT	71,000	5,000	76,000
25.71	EQUIP/MAINT	247,394	15,606	263,000
25.72	SFT/HRDWRE	1,858,000	51,000	1,909,000
26.01	SUPPLIES	251,500	21,500	273,000
26.02	PUBLICATIONS	145,165	17,335	162,500
26.03	PUB SERVICES	391,500	19,500	411,000
31.01	EQP PURCH	68,249	(10,249)	58,000
31.02	CAPITALIZED IT	1,115,000	410,000	1,525,000
31.03	NON-CAPT IT	51,000	-	51,000
<b>NON-PERSONNEL COSTS</b>		<b>14,338,700</b>	<b>1,215,300</b>	<b>15,554,000</b>
<b>TOTAL FEC</b>		<b>54,153,000</b>	<b>2,985,000</b>	<b>57,138,000</b>

We ended FY 2005 with 378 FTE. This reduced FTE level allowed us to meet the President's 2006 requested level, the one percent rescission mandated by Congress, and assisted us in funding some of the unanticipated costs we incurred. Further, with the improved efficiencies and changes in workload and mission that have resulted from our IT programs, we are able to further reduce FTE in certain areas. With expected FY 2006 attrition, careful attention to filling only critical vacancies, and through reorganization, our goal is to reach an FTE level of 382 by the end of FY 2006. We hope to reach our goal of 375 FTE by the end of FY 2007. We will adjust our activities to the reduced resource levels in such a manner so as not to jeopardize our critical mission of fostering the electorate's faith in the integrity of the nation's political process.

### **FEC Staffing and Workloads**

FY 2007 covers the 2006 general election peak period and most of the post-election disclosure and enforcement work. Despite large increases in Commission workloads because of increasing federal election-related campaign finance activity, the FEC has relied on management initiatives and information technology advancements to improve productivity to meet the increasing workloads. Total disbursements (spending) in federal elections increased by over 1500% since 1976: from \$310 million to \$4.8 billion in the 2004 cycle. This has translated into workload increases such as a 32% increase in documents filed per cycle from 1984 to 2004, and an increase of 465% in the number of transactions entered into the database since the 1984 election cycle. The FEC has processed these record-level workloads with modest staff increases.

<b>TABLE 6: FEC STAFFING</b>			
<b>DIVISION</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Planned</b>	<b>FY 2007 Request</b>
Administrative Division	20.7	21	21
Audit Division	40.8	37	38
Information Division	14.7	14	15
Office of the General Counsel	122.3	125	123
Information Technology Division	55.7	40	40
Disclosure Division	11.6	28	22
Reports Analysis Division	53.1	54	53
Office of the Commissioners	21.5	22	23
Office of the Inspector General	4	4	4
Office of the Staff Director	14.7	14.5	14
Office of Budget, Planning, and Management	1.6	2.1	2
Office of Human Resources and Labor Relations	7.1	7.6	8
Press Office	4.7	5	5
EEO Office	0.5	2	1
Office of Alternative Dispute Resolution	3	3	3
Office of Administrative Review	2.8	3	3
<b>COMMISSION TOTAL</b>	<b>378.8</b>	<b>382.2</b>	<b>375</b>

As a result of the dramatic increase in activity, our available resources dictate that we audit and investigate a relatively small number of committees. With approximately 8,000 committees filing reports each election cycle, the FEC audits about 45 committees per cycle, or about .6% of the filing universe. With an average active caseload of between 100 to 150 enforcement cases in any given month, on an annual basis approximately 60% of the complaints received by the FEC are activated.

The Commission has attempted to maximize the effectiveness of the compliance and enforcement programs through the increased use of technology and with management initiatives to better focus the resources available. Because of the modest size of many of our compliance and enforcement programs, any reduction in staffing below our revised Current Services base will jeopardize our basic mission and objectives.

Total campaign finance activity for the 2004 cycle was \$4.8 billion in total disbursements from 8,000 committees filing over 96,000 reports and generating 2.8 million itemized transactions. The 2006 cycle, a Congressional cycle, should be slightly lower in volume than the 2004 Presidential cycle. Nevertheless, total disbursements could exceed \$3 billion in 2006, with 8,000 committees filing 85,000 to 90,000 reports and from 2.5 to 3 million itemized transactions.

Despite the prospect of continuing increases in campaign finance activity in federal elections, the FEC has requested no additional resources for the disclosure, compliance, and enforcement programs. Given the total volume of money involved in the 2004 and 2006 election cycles, we believe that the FEC request for FY 2007 is fully supported and is a modest one.

### **FEC Mission**

The FEC budget is results oriented and is based on the agency's mission to administer and to enforce the three main components of the Federal Election Campaign Act of 1971, as amended (FECA):

- the disclosure of campaign finance information;
- contribution limits and prohibitions; and
- the public financing of Presidential elections.<sup>1</sup>

### **Programs**

To accomplish this mission, the FEC has established three core programs:

- Promoting disclosure;
- Obtaining compliance with FECA; and
- Administering the public financing of Presidential elections.

Within each of the core programs, the Commission has defined specific objectives. To achieve these objectives, the Commission must accomplish certain strategic goals. To the extent that the agency succeeds in reaching these goals and objectives, it will fulfill its fundamental mission.

### **Overview of FEC Programs**

Table 7 provides an overview of the FEC budget by program and FTE for each program. The FEC management and administrative overhead costs, including information technology costs and FTE, are allocated pro rata to the three core programs and are included in Table 7.

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<sup>1</sup> Public funding of Presidential elections has three components: matching funds for qualified Presidential primary candidates; public grants for the Presidential nominees of major and minor parties; and public grants to major parties to run their national Presidential nominating conventions.

<b>TABLE 7: FUNDING AND FTE BY PROGRAM</b>						
<b>Programs</b>	<b>FY 2005</b>		<b>FY 2006</b>		<b>FY 2007</b>	
	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>
Promoting Disclosure	\$ 20,396,589	149.3	\$ 22,175,654	156.5	\$ 21,855,285	143.4
Obtaining Compliance	\$ 23,951,246	175.3	\$ 24,742,506	174.6	\$ 26,997,705	177.2
Public Financing	\$ 7,391,797	54.1	\$ 7,234,841	51.1	\$ 8,285,010	54.4
Elections Administration	\$ 2,096	-	N/A		N/A	
<b>Total</b>	<b>\$ 51,741,728</b>	<b>378.8</b>	<b>\$ 54,153,000</b>	<b>382.2</b>	<b>\$ 57,138,000</b>	<b>375</b>

### **Personnel Allocations**

We have made some internal adjustments because of changes in workload and mission. The proposed FY 2007 staffing follows below with an explanation for the most significant changes only.

Staffing in the Public Disclosure Division would be reduced by two FTE, from the base of 13 FTE, in recognition of a change in mission due to reduced demands for direct service in Public Records and the public's increased use of the Internet to obtain information from the FEC. The Division is increasing its responsibility for providing content on the FEC website. ITD will continue as the technical provider of the website, but Disclosure will be responsible for updating and maintaining the content for all documents other than the main disclosure database.

This proposed budget would also recognize the transfer of the data coding and entry section of the IT Division to the Public Disclosure Division. As proposed, the coding and entry staff of 16 FTE would be transferred, as well as all equipment, furniture and related supplies. This proposal would consolidate into one Division the document imaging and processing staff with the document coding and entry staff, placing all document processing functions in the same office.

The management of the Electronic Filing system will remain an ITD responsibility. Disclosure will continue to scan paper reports and documents into the system and perform all in-house coding and entry of documents. In addition, it will be responsible for maintaining all content on the website, with digital versions of FEC publications provided by the Information Division. As a result, the combined FTE for the newly constituted Disclosure Division will be 22 FTE. The actual merging results in a reduction of seven FTE through attrition or retraining for other positions that may become available within the Commission.

The FY 2007 request reflects increased demands in ITD for programming and analysis staff, with the data coding and entry staff transferred to the Disclosure Division. The original total of 55 FTE in ITD, less the data coding and entry, leaves a remaining programming and systems analysis staff of 40 FTE in FY 2007.

While maintaining most of the BCRA-supplemented staffing in RAD at 53 FTE and OGC at 123 FTE the request includes a reduction of one position in RAD and two positions in OGC. Neither RAD's nor OGC's ability to fulfill its responsibilities will be impacted significantly by the loss of these FTE. Of the original 27 FTE increase in staffing due to BCRA, 11 positions were allocated to RAD and 10 to OGC.

While the addition of staff in RAD after BCRA (as well as significant overtime) helped to improve the timeliness of review for the 2004 cycle, compared to the 2000 and 2002 cycles, the continued development of the Automated Review Process should help us realize additional benefits in FY 2007. Despite increasing total disbursements in federal elections and more reports being filed, RAD should be able to maintain reports-review timeliness with the 53 FTE authorized.

While OGC will lose two FTE from its FY 2006 level (four less than the FY 2006 budget request), it will still be five FTE above the original base staffing level of 118 FTE. At this new staffing level, it will still be able to perform all of its responsibilities under the FECA.

### **Non-Personnel Cost Estimates**

Key assumptions for non-personnel include the following:

- The current lease on our building expires September 30, 2007. We have requested to remain at this location. This budget request assumes we will remain at 999 E Street, N.W., thus no moving costs have been requested in this budget. Should we be required to move, GSA advises we will need approximately \$1.2 to \$1.5 million in moving costs.
- This request funds IT with \$6.5 million. This is the minimum amount we require for IT projects. This amount is a "lights on" level that supports the basic mission only. It forgoes some necessary upgrades and desirable improvements. In future fiscal years we will require additional resources to complete necessary IT infrastructure upgrades and to make needed improvements in our disclosure and review functions. Any savings realized through the course of the year will be applied to our IT programs.
- Funds are included for the full financial audit required by the Accountability of Tax Dollars Act and support assistance to prepare for the Audit in FY 2007.
- The FEC will receive legislative authority to charge, maintain and use registration fees to fund FEC educational and informational conferences in



2007. As noted earlier, the FEC canceled four conferences scheduled in 2006 due to budget constraints. If legislative authority is not received in FY 2007, additional funds will be needed in order to host those conferences.

- Assumes continuation of the ADR and Administrative Fine Programs.

### **A Brief History of the Federal Election Commission**

As early as 1905, President Theodore Roosevelt recognized the need for campaign finance reform and called for legislation to ban corporate contributions for political purposes. In 1907, he proposed public funding of federal elections. Congress enacted several statutes between 1907 and 1966 to:

- limit the disproportionate influence of wealthy individuals and special interest groups on the outcome of federal elections;
- regulate spending in federal campaigns; and
- deter abuses by mandating public disclosure of campaign finances.

In 1971, Congress consolidated its earlier reform efforts in the Federal Election Campaign Act (FECA), instituting more stringent disclosure requirements for federal candidates, political parties and political action committees (PACs). It also set up the income tax check-off to provide for the financing of Presidential general election campaigns and national party conventions. Still, without a central administrative authority, the campaign finance laws were difficult to enforce. Authority was split between the then General Accounting Office and the Clerk of the House and the Secretary of the Senate, with criminal enforcement in the Department of Justice. However, there was no real significant enforcement of campaign finance legislation for the most part until the post-Watergate period, after the 1972 elections.

Following reports of serious financial abuses in the 1972 Presidential campaign, Congress amended the FECA in 1974 to set limits on contributions by individuals, political parties, and PACs. It established the FEC as an independent agency to enforce the law, facilitate disclosure and administer the Presidential Public Funding Program. Amendments to the Internal Revenue Code that same year established the matching fund program for Presidential primary campaigns. Subsequent amendments in the late 1970's streamlined the disclosure process and expanded the role of political parties.

The Bipartisan Campaign Reform Act of 2002 (BCRA) amended the FECA further. It banned national parties from raising or spending non-federal funds (often called "soft money"), restricted funding of so-called issue ads, increased the contribution limits, and indexed certain limits for inflation.

### **What the FEC Does**

The FEC strives to provide the electorate with the capability to make educated, informed decisions in the political process based, in part, on where candidates for federal office derive

their financial support, and with the confidence that those who disregard the laws regarding campaign financing and/or its requirements for public disclosure will suffer real and even-handed consequences for noncompliance.

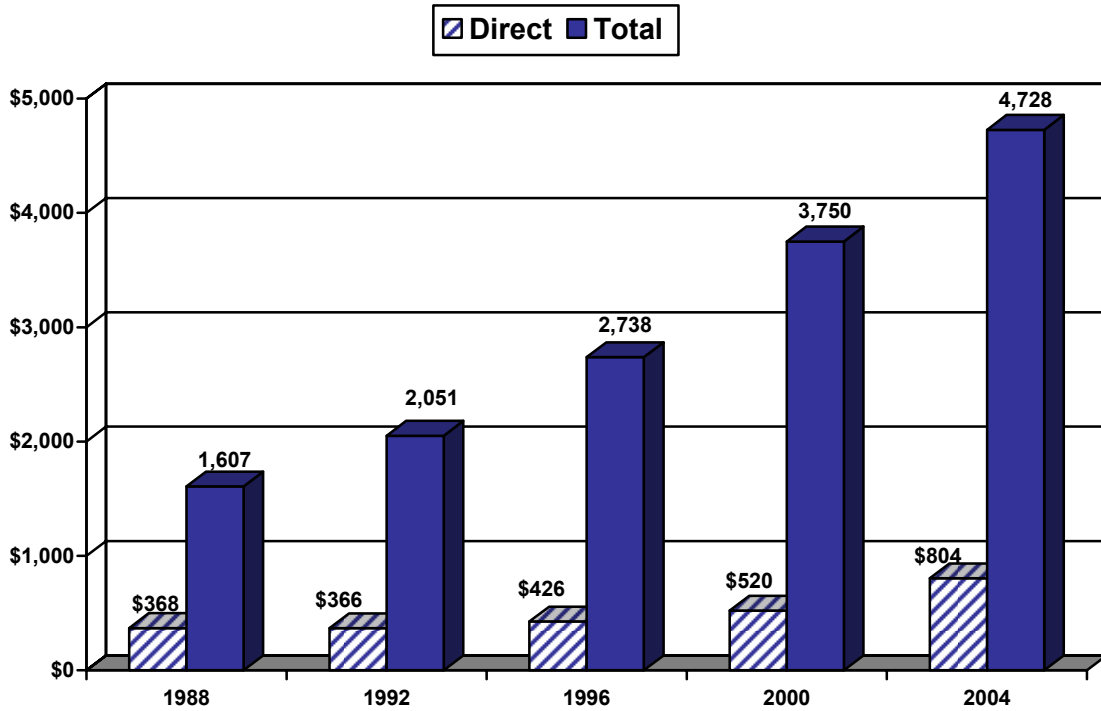
The Commission's disclosure database, which contains millions of transactions, is available through the FEC's website. Last year, the FEC redesigned its website to make it more user-friendly. Interested citizens can select a profile of a committee's financial activity for each election cycle. Citizens also can access information on contributions by using a variety of search elements (e.g., donor's name, recipient's name, date, amount, or geographic location).

The sheer volume of data available to the public is staggering. The Commission defines its work in the context of election cycles, which include the preceding and actual election years—i.e., calendar years 2003 and 2004 constitute the 2004 election cycle. In any election cycle, nearly 8,000 committees file around 96,000 reports containing information concerning between 2.5 to 3.0 million itemized contributions, as well as millions of other itemized disbursements, receipts, and other payments previously not entered into Commission databases. These reports now are filed electronically, except for Senate reports and other committees with less than \$50,000 in activity. At the same time, the FEC has the resources to audit less than one percent of the committees filing reports in any given cycle and only has the capacity to actively pursue approximately two percent of total committees through its compliance (enforcement) process at any given time.

Campaign financing has skyrocketed since 1976, when the FEC regulated the disbursement by federal candidates and committees of \$310 million in the first publicly funded elections. For the 2004 Presidential and Congressional elections, the FEC regulated \$4.8 billion in total disbursements—an increase of more than 1500% in just eight Presidential election cycles.

Total disbursements by federal committees and candidates in federal elections is the most significant measure of the total workload faced by the Commission. The figures below depict total spending in recent federal Presidential and Congressional election cycles. Spending in Presidential cycles has more than tripled, and in Congressional cycles it has nearly tripled.

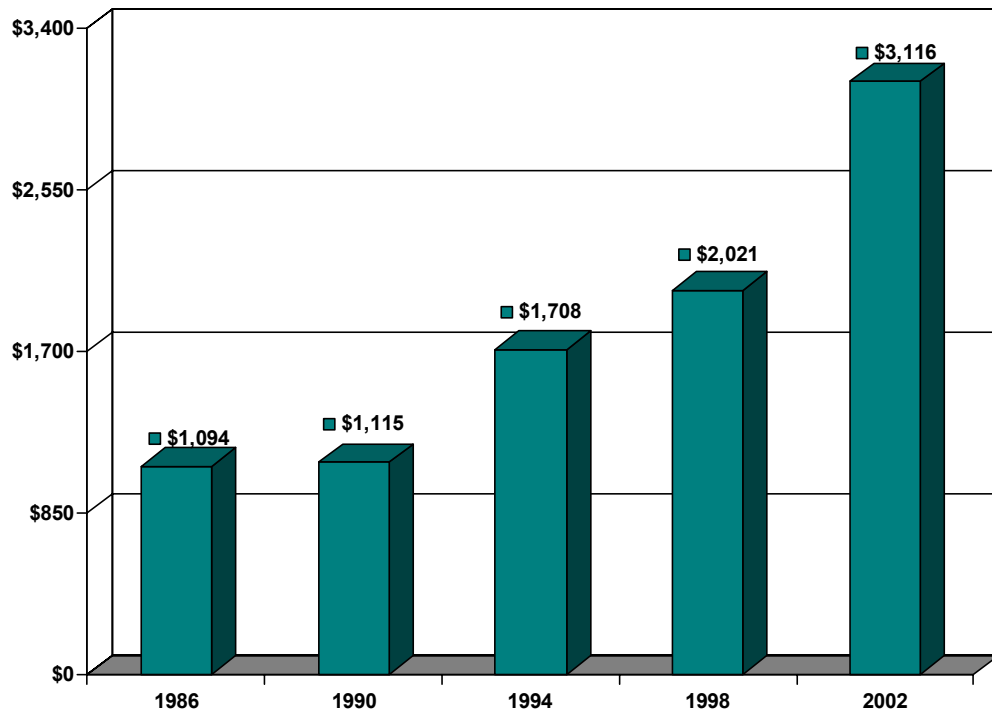
**DISBURSEMENTS IN PRESIDENTIAL ELECTIONS**  
(\$ Millions)



**TABLE 8: TOTAL DISBURSEMENTS IN PRESIDENTIAL ELECTIONS**

<b>Election Cycle</b>	<b>1988</b>	<b>1992</b>	<b>1996</b>	<b>2000</b>	<b>2004</b>
Millions of Dollars – Total	1,607	2,051	2,738	3,750	4,728
Percent Increase - Total		28%	33%	37%	26%
Millions of Dollars – Direct Spending	368	366	426	520	804
Percent Increase – Direct Spending		-1%	16%	22%	55%

**DISBURSEMENTS IN CONGRESSIONAL ELECTIONS**  
(\$ Millions)



Election Cycle	1986	1990	1994	1998	2002
Millions of Dollars	1,094	1,115	1,708	2,021	3,116
Percent Increase		2%	53%	18%	54%

The FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process through:

- facilitating public disclosure of campaign finance activity;
- providing information and policy guidance to the public, press, political committees, and elections officials on the law and Commission regulations;
- enforcing the FECA through audits, investigations, and civil litigation; and
- implementing the public funding programs for Presidential campaigns and conventions, including certification and audits of participating candidates and committees, and enforcement of public funding legislation.

## How the FEC Achieves Its Goals

Improvements in productivity, aided by IT enhancements, generally have enabled the FEC to keep pace with the large increases in federal campaign finance activity during recent election cycles. This activity has nearly doubled in the last 12 years. Total candidate and committee disbursements for a non-Presidential election cycle have increased from \$1.1 billion, in 1986, to \$3.1 billion for the 2002 Congressional cycle, a more than 184 % increase. In Presidential election cycles, spending reached \$4.8 billion for the 2004 Presidential election cycle, compared to \$1.6 billion in the 1988 cycle.

The FEC receives information from approximately 8,000 committees filing over 96,000 reports and generating 2-3 million itemized transactions each cycle. Every election cycle since 1992 has seen a new record in total spending in federal elections for Congressional and Presidential elections. The FEC's electronic filing system offers the capability of instantly updating the database and expanding the types of information collected. The average annual cost is about \$1.5 million to maintain the electronic filing system. With the passage of mandatory electronic filing, FEC is beginning to see the benefits of timeliness and work process improvements such a sophisticated system affords. For example, since the institution of mandatory electronic filing, the median time to process all documents has improved from 11 days (2000 cycle) to six days (2002 cycle) to two days for the 2004 cycle, as of September 30, 2004.

<b>TABLE 10: HISTORICAL DATA BY ELECTION CYCLE</b>							
<b>Election Cycle</b>	<b>Documents Filed</b>	<b>Documents</b>			<b>Reports</b>		
		<b>Entered</b>	<b>Backlog</b>	<b>Percent</b>	<b>Reviewed</b>	<b>Backlog</b>	<b>Percent</b>
<b>2004</b>	<b>58,757</b>	58,379	378	99%	50,190	8,567	85%
<b>2002</b>	<b>49,245</b>	47,195	2,050	96%	34,574	14,671	70%
<b>2000</b>	<b>49,700</b>	48,609	1,091	98%	32,173	17,527	65%
<b>Election Cycle</b>	<b>Documents Filed</b>	<b>Documents</b>			<b>Reports</b>		
		<b>Median Days to Process</b>	<b>Days Until 95% Complete</b>	<b>Documents &gt; 30 Days Old</b>	<b>Median Days to Process</b>	<b>Days Until 95% Complete</b>	<b>Documents &gt; 30 Days Old</b>
<b>2004</b>	<b>58,757</b>	2	17	42	2	17	42
<b>2002</b>	<b>49,245</b>	6	50	522	6	71	8
<b>2000</b>	<b>49,700</b>	11	42	157	10	45	-
<b>Election Cycle</b>	<b>Documents Filed</b>	<b>Transactions</b>			<b>Reports</b>		
		<b>Processed</b>	<b>Date Reached 1.5 Million</b>	<b>Total</b>	<b>50,000 Filed</b>	<b>Processed 99%</b>	<b>Reviewed 95%</b>
<b>2004</b>	<b>58,757</b>	2,146,177	31-May-04	3,064,055	30-Jul-04	29-Feb-04	31-Mar-05
<b>2002</b>	<b>49,245</b>	1,475,684	31-Oct-02	2,445,253	31-Oct-02	31-May-03	30-Jun-03
<b>2000</b>	<b>49,700</b>	1,649,941	31-Aug-00	2,454,413	31-Oct-00	31-Mar-01	30-Sep-01

## **Program: Disclosure**

### **Objectives**

With regard to the Disclosure Program, the FEC seeks to:

- make reports filed with the FEC available to the public within 48 hours;
- review and process the financial reports filed by political committees accurately and timely;
- respond to data requests from the press, public, and committees within 72 hours; and
- educate the public, the media and the regulated community about the legal requirements pertaining to disclosure, contributions limits and prohibitions, and the public financing of Presidential elections—the core elements of federal election campaign finance law.

### **Goals**

To achieve the above objectives, the FEC will strive to accomplish the goals listed below.

#### *Review and Processing of Reports*

To achieve the accurate and timely review and processing of all reports, the FEC will:

- facilitate the electronic filing of reports by all political committees reaching a certain threshold, excluding Senate committees and the national parties' Senate campaign committees;
- continue to meet the 48-hour deadline for placing reports filed by political committees on the public record;
- review all reports filed for accuracy and complete disclosure;
- encourage filers to correct the public record voluntarily by requesting additional information; and
- code and enter into the FEC database the information contained in 95 % of reports within 45 days of receipt at the FEC.

### *Public Disclosure and Dissemination of Campaign Finance Data*

To ensure that campaign finance data are widely distributed, the FEC will:

- provide the public with Internet access to its disclosure database and digital images of the reports (except those of Senate candidates);
- operate a Public Records Office where reports and data are available in paper, microfilm and digital images (scanned from original reports) and where the public can access the disclosure database;
- operate a Press Office to assist the media in the wide disclosure and dissemination of campaign finance data; and
- compile and release comprehensive statistical information based on the reports filed by political committees (e.g., using the Internet and news releases).

### *Education About the Law*

To ensure that the public, the media, and the campaign community fully understand the federal election law and that information about the law is readily available, the FEC will:

- operate a toll-free line and maintain a well-informed staff to answer phone inquiries about the FEC and federal election law;
- produce educational and information brochures and booklets to supplement the FEC Annual Reports;
- make FEC publications available to the public through the FEC website, an automated fax service, and the U.S. mail;
- conduct technical workshops on the law throughout the country (note that the FEC has requested in this budget the legislative authority to charge, maintain and use registration fees to cover the costs of hosting these conferences);
- provide policy guidance through the timely release of advisory opinions; and
- review and revise FEC regulations to clarify federal election law.

## **Program: Compliance**

### **Objectives**

The compliance program is based on the premise that the FEC's first responsibility is to foster a willingness on the part of the regulated community to comply voluntarily with the law's reporting requirements, fundraising restrictions, and public funding statutes. The FEC encourages voluntary compliance through education. To buttress its educational efforts, the Commission carries out a compliance program with the following objectives:

- audit those committees whose reports fail to meet threshold requirements for substantial compliance with the FECA; and
- enforce the law, in a timely and fair manner, against persons who violate the law.

### **Goals**

For each of these objectives, the Commission defines the following goals:

#### *Audits*

The Commission will conduct 40-45 audits "for cause" for the 2004 election cycle, pursuant to 2 U.S.C. §438(b), in those cases where committees have failed to meet the threshold requirements for substantial compliance with the FECA and have failed voluntarily to correct errors or omissions on their reports,

The Commission's budget contains the resources added in FY 2001 to establish a "stand alone" Title 2 Audit "For Cause" Program. This enables the FEC to conduct approximately 40-45 Title 2 audits per cycle, as opposed to the previous 20-25 per cycle. This program, along with other procedural changes, allows the Commission to maintain the Title 2 audit program, even during Presidential election cycles.

This budget also will allow the Commission to meet its goal of processing federal matching funds and completing the Title 26 Presidential audits within two years after the Presidential elections (see Public Financing objective below).

#### *Enforcement*

Because the majority (65% since 1995) of the Commission's caseload arises from complaints filed by parties outside the agency, the total caseload figure is not singularly



affected by the number of FTE in enforcement. The number of FTE affects the proportion of the total enforcement caseload that can be handled substantively, as well as the proportion of the caseload that is active vs. inactive.<sup>2</sup>

To reach the objective of enforcing the law in a timely and fair way, the Commission plans to:

- maintain a monthly average active caseload of at least 50% of the total caseload;
- close an estimated 75-100 cases. The Commission will close at least 60% of those cases through substantive Commission action;
- initiate several civil actions in federal court under 2 U.S.C. 437g(a)(6) to enforce the FECA/BCRA, and defend against several actions in federal court challenging the Commission's determinations under the Administrative Fine Program pursuant to 2 U.S.C.437g(a)(4)(C)(iii). (It is impossible to predict the number of such actions in either category. In recent years, the Commission has initiated a maximum of six actions under 2 U.S.C. 437g(a)(6) in any given year, and defended a maximum of eight administrative fine determinations in any given year.); and
- maintain the Enforcement Priority System (EPS),<sup>3</sup> a system through which the Commission identifies and assigns the more significant enforcement cases to staff, disposes of the less significant cases rapidly, and manages limited staff resources.

#### *Administrative Fine Program and ADR*

Based on a legislative mandate, the FEC implemented an Administrative Fine Program in July 2000 to reduce the OGC staff resources required to enforce timely filing of disclosure reports. The Administrative Fine Program frees Commission resources for more complex, substantive enforcement actions.

The Commission also implemented an Alternative Dispute Resolution (ADR) Program in FY 2001. The ADR Program is designed to promote compliance with the federal election law by encouraging settlements outside the traditional enforcement or litigation processes. The program aims to expedite resolution of enforcement matters and to reduce

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<sup>2</sup> A substantive finding is a finding based on the merits of the matter and includes findings of “no reason-to-believe” the FECA has been violated. The Commission can also dispose of a case through dismissal. There is a significant difference between “dismissal” and a finding of no “reason-to-believe” the law has been violated. A finding of no “no reason-to-believe” reflects affirmative Commission action based on its consideration of the merits of the particular matter. A dismissal, on the other hand, usually reflects action by the Commission based on an application of the Enforcement Priority System criteria to a particular case to determine whether the case merits the use of the Commission’s resources.

<sup>3</sup> Under EPS, OGC evaluates enforcement cases based on carefully crafted, Commission-approved criteria to determine the relative significance of the allegations. EPS is a tool to match the seriousness of a particular case to the resources available to undertake an investigation of the matter.

the cost of processing complaints, and, therefore, enhance overall FEC enforcement. This program also frees Commission resources for other, more significant, enforcement matters.

These two programs have allowed the Commission to expand the scope and reach of the enforcement process and to streamline the case resolution process for late and non-filer cases, as well as to expedite the resolution of cases under ADR that might not have been activated under the EPS process (and might never have reached substantive resolution under the formal enforcement process). They help to ensure that enforcement resources are focused on more substantive and significant cases yet allow the Commission to pursue the successful resolution of more cases. This is in response to recommendations stemming from a formal review of the Federal Election Commission, and a desire by the Commission to improve the timeliness of FEC compliance actions.

The Commission has set goals of activating more enforcement cases and dismissing fewer cases without substantive action. The ultimate goals of the ADR and Administrative Fine Programs, the Case Management System, and other information technology enhancements to the enforcement program are to speed up the resolution of cases and to increase the number of cases closed with substantive Commission action.

## **Program: Public Financing**

### **Objectives**

Under the Public Financing Program, the Commission seeks to:

- certify, on a timely basis, the eligibility of Presidential candidates and committees for payments;
- ensure timely U.S. Treasury payments to certified committees; and
- promote public trust by ensuring that all public monies are accounted for and expended in compliance with the FECA.

### **Goals**

To reach the objectives described above, the Commission will:

- complete all public funding audits within two years of the 2004 Presidential general elections;
- successfully resolve all enforcement cases within the statutory time limits; and
- process the certifications quickly and accurately.