

FEDERAL ELECTION COMMISSION Washington, DC 20463



2005 MAR 23 P 4: 31

AGENDA ITEM

SUBMITTED LATE

For Meeting of: 03-24-05

March 23, 2005

MEMORANDUM

TO:

The Commission

THROUGH:

James A. Pehrkon

Staff Director

FROM:

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SUBJECT:

Draft Notice of Proposed Rulemaking on Internet Communications

Attached is a draft Notice of Proposed Rulemaking ("NPRM") regarding communications over the Internet. The Office of the General Counsel has been asked to transmit this NPRM to the Commission Secretary in anticipation of tomorrow's Open Session.

Attachment

1		FEDERAL ELECTION COMMISSION
2		11 CFR Parts 100, 110 and 114
3		[Notice 2005 – X]
4		Internet Communications
5		
6	AGENCY:	Federal Election Commission.
7	ACTION:	Notice of Proposed Rulemaking.
8	SUMMARY:	The Federal Election Commission requests comments on proposed
9		changes to its rule that would include paid advertisements on the
10		Internet in the definition of "public communication." These
11		changes to the Commission's rule would implement the recent
12		decision of the U.S. District Court for the District of Columbia in
13		Shays v. Federal Election Commission, which held that the current
14		definition of "public communication" impermissibly excludes all
15		Internet communications. Comment is also sought on the related
16		definition of "generic campaign activity" and on proposed changes
17		to the disclaimer regulations. Additionally, comment is sought on
18		proposed new exceptions to the definitions of "contribution" and
19		"expenditure" for certain Internet activities and communications
20		that would qualify as individual volunteer activity or that would
21		qualify for the "press exemption." These proposals are intended to
22		ensure that political committees properly finance and disclose their
23		Internet communications, without impeding individual citizens

from using the Internet to speak freely regarding candidates and 1 elections. The Commission has made no final decision on the 2 issues raised in this rulemaking. Further information appears in 3 the supplementary information that follows. 4 Comments must be received on or before [INSERT DATE 60 5 DATES: DAYS AFTER THE DATE OF PUBLICATION IN THE 6 FEDERAL REGISTER]. The Commission will hold a hearing on 7 the proposed rules on [INSERT DATE OF HEARING] at 9:30 8 a.m. Anyone wishing to testify at the hearing must file written 9 comments by the due date and must include a request to testify in 10 the written comments. 11 All comments must be in writing, must be addressed to Mr. Brad 12 ADDRESSES: C. Deutsch, Assistant General Counsel, and must be submitted in 13 either electronic, facsimile, or hard copy form. Commenters are 14 strongly encouraged to submit comments electronically to ensure 15 timely receipt and consideration. Electronic comments must be 16 sent to either internet@fec.gov or submitted through the Federal 17 eRegulations Portal at <www.regulations.gov>. Any commenters 18 who submit electronic comments and wish to testify at the hearing 19 on this rulemaking must also send a copy of their comments to 20 internettestify@fec.gov. If the electronic comments include an 21 attachment, the attachment must be in the Adobe Acrobat (.pdf) or 22 Microsoft Word (.doc) format. Faxed comments must be sent to 23

1		(202) 219-3923, with hard copy follow-up. Hard copy comments
2		and hard copy follow-up of faxed comments must be sent to the
3		Federal Election Commission, 999 E Street, N.W., Washington,
4		D.C. 20463. All comments must include the full name and postal
5		service address of the commenter or they will not be considered.
6		The Commission will post comments on its website after the
7		comment period ends. The hearing will be held in the
8		Commission's ninth floor meeting room, 999 E Street, N.W.,
9		Washington, D.C.
10 11 12	FOR FURTHER INFORMATION CONTACT:	Mr. Brad C. Deutsch, Assistant General Counsel, Ms. Amy L.
13		Rothstein, Mr. Richard T. Ewell, or Ms. Esa L. Sferra, Attorneys,
14		999 E Street, N.W., Washington, D.C. 20463, (202) 694-1650 or
15		(800) 424-9530.
16 17	SUPPLEMENTAR INFORMATION:	Y
18	I. Introduction	
19	The Bipartisa	n Campaign Reform Act of 2002, Pub. L. 107-155, 116 Stat. 81
20	(March 27, 2002) ("I	3CRA"), amended the Federal Election Campaign Act of 1971, as
21	amended, 2 U.S.C. 4	31 et seq. (the "Act"), in many respects. Four of these amendments
22	are germane to this r	ulemaking.

First, section 441i(b) of BCRA requires State, district, and local political party 1 committees to use only Federal funds for certain types of "Federal election activity," 2 including for any "public communication that refers to a clearly identified candidate for 3 Federal office . . . and that promotes or supports a candidate for that office, or attacks or 4 opposes a candidate for that office[.]"² 2 U.S.C. 431(20)(A)(iii) (emphasis added). 5 BCRA defines a "public communication" as "a communication by means of any 6 broadcast, cable, or satellite communication, newspaper, magazine, outdoor advertising 7 facility, mass mailing, or telephone bank to the general public, or any other form of 8 general public political advertising." 2 U.S.C. 431(22) (emphasis added). 9 Second, section 441i(b) of BCRA also restricts the funds that State, district, and 10 local political party committees may use for certain "generic campaign activity." 11 2 U.S.C. 431(20)(A)(ii); 11 CFR 100.24(2)(ii). BCRA defines "generic campaign 12 activity" as "campaign activity that promotes a political party and does not promote a 13 [Federal] candidate or non-Federal candidate." 2 U.S.C. 431(21). "Generic campaign 14 activity" by State, district, and local party committees conducted in connection with an 15 election in which a candidate for Federal office appears on the ballot (regardless of 16

whether a candidate for State or local office also appears on the ballot) must be paid for

¹ "Federal funds" are funds subject to the limitations, prohibitions, and reporting requirements of the Act. See 11 CFR 300.2(g). "Non-Federal funds" are funds not subject to the limitations and prohibitions of the Act. See 11 CFR 300.2(k).

² There are four types of "Federal election activity": Type 1 - Voter registration activity during the period

There are four types of "Federal election activity": Type 1 - Voter registration activity during the period that begins on the date that is 120 days before a regularly scheduled Federal election is held and ends on the date of the election; Type 2 - Voter identification, get-out-the-vote activity, or generic campaign activity conducted in connection with an election in which a candidate for Federal office appears on the ballot; Type 3 - A public communication that refers to a clearly identified candidate for Federal office; and Type 4 - Services provided during any month by an employee of a State, district, or local committee of a political party who spends more than 25 percent of that individual's compensated time during that month on activities in connection with a Federal election. See 2 U.S.C. 431(20) and 11 CFR 100.24.

- 1 either entirely with Federal funds or with an allocated mix of Federal funds and Levin
- 2 funds. ³ See 2 U.S.C. 441i(b)(2)(A); 11 CFR 300.32(b)(1)(ii), 300.32(c) and 300.33.
- 3 Third, BCRA expressly repealed the Commission's then-existing rules on
- 4 "coordinated general public political communication" at former 11 CFR 100.23, Public
- 5 Law 107-155, sec. 214(b) (March 27, 2002), and instructed the Commission to
- 6 promulgate new regulations on "coordinated communications paid for by persons other
- 7 than candidates, authorized committees of candidates, and party committees." Public
- 8 Law 107–155, sec. 214(c) (March 27, 2002).
- 9 Fourth, Congress revised the "disclaimer" requirements in 2 U.S.C. 441d, by
- requiring a disclaimer when a "disbursement" (rather than an "expenditure") is made for
- 11 certain communications.
- The Commission promulgated regulations in 2002 to implement BCRA's
- provisions regarding (1) "public communication," (2) "generic campaign activity," (3)
- 14 coordination with candidates and political parties, and (4) disclaimers. See Final Rules
- on Prohibited and Excessive Contributions; Non-Federal Funds or Soft Money, 67 FR
- 16 49,064 (July 29, 2002) ("Soft Money Final Rules"); Coordinated and Independent
- 17 Expenditures, 68 FR 421 (Jan. 3, 2003); Disclaimers, Fraudulent Solicitation, Civil
- Penalties, and Personal Use of Campaign Funds, 67 FR 76,962 (Dec. 13, 2002).
- In Shays v. Federal Election Commission, 337 F.Supp.2d 28 (D.D.C.) appeal
- 20 filed, No. 04-5352 (D.C. Cir. Sept. 28, 2004) ("Shays"), the United States District Court

³ Levin funds are a type of non-Federal funds created by BCRA that may be raised and spent by State, district, and local party committees and organizations to pay for the allocable portion of Types 1 and 2 Federal election activity. See 2 U.S.C. 441i(b)(2)(A) and (B); 11 CFR 300.2(i), 300.32(b). These funds may include donations from some sources ordinarily prohibited by Federal law (e.g., corporations, labor organizations and Federal contractors) to the extent permitted by State law, but are limited to \$10,000 per calendar year from any source or to the limits set by state law – whichever limit is lower. See 11 CFR 300.31.

- for the District of Columbia overturned some of these regulations. First, the district court
- 2 held that excluding all Internet communications from the Commission's rule defining
- 3 "public communication" in 11 CFR 100.26 was inconsistent with Congress's use of the
- 4 phrase "or any other form of general public political advertising" in BCRA's definition of
- 5 "public communication." Shays at 69. The district court concluded that "[w]hile all
- 6 Internet communications do not fall within [the scope of 'any other form of general
- 7 public political advertising'], some clearly do." <u>Id.</u> at 67. The court left it to the
- 8 Commission to determine "what constitutes 'general public political advertising' in the
- 9 world of the Internet," and thus should be treated as a "public communication". <u>Id.</u> at 70.
- Second, the district court found the Commission's rule defining the term "generic campaign activity" to be "an impermissible construction of the Act," to the extent it
- 12 incorporated the regulatory definition of "public communication," which excludes all
- forms of Internet communications. Id. at 112. Although the court specifically approved
- 14 the definition of "generic campaign activity" as a "public communication", the Shays
- 15 court found that the 2002 Notice of Proposed Rulemaking for "generic campaign
- 16 activity" did not provide adequate notice to the public that the Commission might define
- 17 "generic campaign activity" as a "public communication" in the final rules. Id. at 112;
- 18 Notice of Proposed Rulemaking on Prohibited and Excessive Contributions; Non-Federal
- 19 Funds or Soft Money, 67 FR 35,654, 35,675 (May 20, 2002).
- Third, the district court invalidated the "content prong" of the Commission's
- 21 coordinated communications rule at 11 CFR 109.21(c), which incorporates the definition

⁴ The court found that this rule did not satisfy step one of the test set out by the Supreme Court in <u>Chevron</u>, <u>U.S.A., Inc. v. National Res. Def. Council</u>, 467 U.S. 837 (1984) ("<u>Chevron</u>"). The <u>Shays</u> court stated that, in the alternative, the regulatory definition of "public communication" as applied to the "content prong" of the coordinated communication regulations in 11 CFR 109.21(c) is inconsistent with the Act and, therefore, provides an independent basis for invalidation under step two of the <u>Chevron</u> test. <u>See Shays</u> at 70-71.

of "public communication" at 11 CFR 100.26. The Shays court found that expenditures

2 for communications that have been coordinated with a candidate, a candidate's

3 authorized committee, or a political party committee have value for, and therefore are in-

kind contributions to, that candidate or committee, regardless of the content, timing, or

5 geographic reach of the communications. Shays at 63-64. Accordingly, the court held

6 that certain regulatory exclusions contained in the "content prong" "undercut [the Act's]

statutory purpose of regulating campaign finance and preventing circumvention of the

campaign finance rules." Id. at 63.

The district court remanded each of these rules to the Commission for further action consistent with its opinion. Accordingly, the Commission is issuing this Notice of Proposed Rulemaking ("NPRM"), which addresses several topics. First, the proposed rules in 11 CFR 100.26 would identify the types of Internet communications that are forms of "general public political advertising" and that therefore would qualify as public communications. Specifically, the Commission proposes to retain a general exclusion of Internet communications from the definition of "public communication," except for those advertisements where another person or entity has been paid to carry the advertisement on its website, because these communications would constitute "general public political advertising." This proposed change addresses the Shays court's concern about the wholesale exclusion of all Internet communications from the definition of "public communication." Because only Internet communications that constitute "general public political advertising," as defined by the regulation, would be included in the proposed definition of "public communication" in section 100.26, the Commission anticipates that the proposed definition would have an extremely limited impact, if any, on the use of the

1	Internet by individuals as a means of communicating their political views, obtaining
2	information regarding candidates and elections, and participating in political campaigns.
3	Second, this NPRM republishes and invites comment on the current definition of
4	"generic campaign activity" in section 100.25, which includes the term "public
5	communication." The Commission notes that any changes to the underlying definition of
6	"public communication" pertaining to the Internet would automatically apply to "generic
7	campaign activity."
8	Third, the Commission proposes to modify somewhat its rules at 11 CFR
9	110.11(a) as to which Internet communications require disclaimers. Political committee
10	websites would continue to need disclaimers. Individuals and entities other than political
11	committees, however, would need to place disclaimers only on paid Internet
12	advertisements (i.e., Internet communications that constitute "general public political
13	advertising" under the proposed definition of "public communication") if the
14	advertisements either solicit contributions or expressly advocate the election or defeat of
15	a clearly identified candidate for Federal office. The Commission also proposes to clarify
16	the current requirement that disclaimers be included in "unsolicited electronic mail of
17	more than 500 substantially similar communications" by defining "unsolicited" as "those
18	e-mails that are sent to electronic mail addresses purchased from a third party." The goal
19	of this proposed change would be to continue to require disclaimers on political "spam,"
20	without interfering with individuals who participate in large on-line communities.
21	In addition, the Commission is proposing to add new rules specifically excepting
22	certain volunteer activity on the Internet from the definitions of "contribution" and
23	"expenditure," and by clarifying that the rules in section 114.9 regarding the use of

.

- 1 corporate or labor organization facilities apply to the use of computer equipment and
- 2 Internet services. Lastly, the proposed rules seek to establish an Internet exception from
- 3 the definitions of "contribution" and "expenditure" for certain media activity.
- The Commission has announced plans to initiate a separate rulemaking on certain
- 5 non-Internet aspects of the coordinated communication rules at 11 CFR 109.21(c) in the
- 6 coming months. For purposes of this rulemaking, the coordinated communication rules
- 7 are referenced only to provide notice that the proposed changes to the definition of
- 8 "public communication" in 11 CFR 100.26 would have an impact on the scope of the
- 9 coordinated communication rules.

II. 11 CFR 100.26 - Definition of "Public Communication"

- BCRA defines a "public communication" as "a communication by means of any
- 12 broadcast, cable, or satellite communication, newspaper, magazine, outdoor advertising
- facility, mass mailing or telephone bank to the general public, or any other form of
- general public political advertising." 2 U.S.C. 431(22). The Commission's current rules
- at 11 CFR 100.26 track the statutory definition, except that the definition in the rules
- 16 explicitly excludes all communications over the Internet.
- 17 As a consequence, Internet communications are excluded from other rules
- 18 governing the funding of a "public communication." For example, State, district, and
- 19 local political party committees and organizations must use only Federal funds for any
- 20 "public communication" that promotes, supports, attacks or opposes a Federal candidate.
- 21 See 2 U.S.C. 431(20)(A)(iii) and 441i(b); 11 CFR 100.24(b)(3) and (c)(1), 300.32(a)(1)
- and (2). In addition, these party committees must use all Federal funds or an allocable
- 23 mix of Federal funds and Levin funds for any "public communication" that constitutes

- 1 "generic campaign activity" in connection with an election in which a candidate for
- 2 Federal office appears on the ballot. See 11 CFR 100.25; 11 CFR 300.33(a)(2).
- The term "public communication" is also used to determine whether a disclaimer
- 4 is needed on certain communications under 11 CFR 110.11. Moreover, the "public
- 5 communication" definition is one key element in determining what qualifies as a
- 6 coordinated communication under 11 CFR 109.21 and a party coordinated
- 7 communication under 11 CFR 109.37. "Public communication" may also be used to
- 8 determine whether a person is an agent of a candidate for State or local office in 11 CFR
- 9 300.2(b)(4), and whether certain expenses must be allocated between Federal and non-
- 10 Federal accounts by separate segregated funds ("SSFs") and nonconnected committees
- 11 under 11 CFR 106.6(b) and (f).

..

- 12 In light of the Shays decision, the Commission is reconsidering which Internet
- 13 communications would qualify as "general public political advertising," and thus would
- be a "public communication." The Commission's proposed rule attempts to strike a
- balance between provisions of the Act that regulate "general public political advertising"
- and significant public policy considerations that encourage the Internet as a forum for
- 17 free or low-cost speech and open information exchange.
 - A. The Internet and the 2004 Elections
- 19 The Internet has unique characteristics that distinguish it from traditional media.⁵
- 20 Unlike traditional media, "the Internet can hardly be considered a 'scarce' expressive

⁵ See Enrique Armijo, <u>Public Airwaves</u>, <u>Private Mergers: Analyzing the FCC's Faulty Justification for the 2003 Media Ownership Rule Change</u>, N.C. L. REV. 1482, 1494 (May 2004) (discussing broadcast media and the Internet as "imperfect substitutes"); see also Ryan Z. Watts, <u>Independent Expenditures on the Internet: Federal Election Law and Political Speech on the World Wide Web</u>, 8 COMMLAW CONSPECTUS 149, 160 (Winter 2000) (discussing <u>Reno v. ACLU</u>, 521 U.S. 844 (1997) and the Internet's differences from traditional media).

1 commodity. It provides relatively unlimited, low-cost capacity for communication of all

2 kinds." Reno v. ACLU, 521 U.S. 844, 870 (1997) ("Reno"). Additionally, because an

3 Internet communication is not limited in format and is not necessarily limited in duration,

unlike television and radio programming, the Internet provides a means to communicate

with a large and geographically widespread audience, often at little cost.6

The Internet also differs from traditional media because individuals must generally be proactive in order to access information over the Internet, unlike users of traditional media. The Supreme Court has found that communications over the Internet are not as "invasive" as communications through traditional media. Reno at 870. In further contrast to passive, one-way traditional media, the Internet can provide interactive, real-time, two-way communications.

The Internet's accessibility, low-cost, and interactive features make it a popular choice for sending and receiving information. In 2004, an estimated 201 million people in the United States used the Internet.⁷ At the end of 2004, an estimated 63 percent of the adult American population, and 81 percent of American teenagers, used the Internet; on average, some 70 million American adults logged onto the Internet daily.⁸

A growing segment of the American population uses the Internet as a supplement to, or as a replacement for, more traditional sources of information and entertainment,

⁶ See Edward L. Carter, Esq., <u>Outlaw Speech on the Internet: Examining the Link Between Unique Characteristics of Online Media and Criminal Libel Prosecutions</u>, 21 SANTA CLARA COMPUTER & HIGH TECH. L.J. 289, 316-17 (January 2005) ("Internet is unlike traditional print or broadcast media in that messages can have a long shelf life--an Internet message can circulate via e-mail or remain posted somewhere even long after the message's creator has tried to retract it.").

See Internet World Stats available at <www.internetworldstats.com/stats2.htm> (last visited 3/7/2005).
 See Pew Internet & American Life Project, Trends 2005, Chapter 4, Internet: The Mainstreaming of Online Life, p. 58 (2005) available at <www.pewinternet.org/pdfs/Internet_Status_2005.pdf> (last visited 3/7/2005).

- such as newspapers, magazines, television, and radio. In mid-2004, 92 million 1
- Americans reported obtaining news from the Internet.9 2
- As the public has turned increasingly to the Internet for information and 3
- entertainment, advertisers have embraced the Internet and its new marketing 4
- opportunities. Internet advertising revenue increased by 21 percent between 2002 and 5
- 2003 and reached \$4.6 billion in the first six months of 2004. 10 6
- The 2004 election cycle marked a dramatic shift in the scope and manner in which 7
- citizens used websites, blogs, 11 listservs, 12 and other Internet communications to obtain 8
- information on a wide range of issues and candidates. 13 The number of Americans who 9
- used the Internet as a source of campaign news more than doubled between 2000 and 10
- 2004, from 30 million to 63 million.¹⁴ An estimated 11 million people relied on 11
- politically oriented blogs as a primary source of information during the 2004 presidential 12
- campaign, 15 and a full 18 percent of all Americans cited the Internet as their leading 13
- source of news about the 2004 presidential election. 16 14

⁹ See Pew Internet & American Life Project and the University of Michigan School of Information, The Internet and the Democratic Debate, p. 2 (October 27, 2004) available at

<www.pewinternet.org/pdfs/PIP_Political_Info_Report.pdf> (last visited 3/7/2005). 10 See PriceWatherhouseCoopers and Interactive Advertising Bureau, IAB Internet Advertising Revenue Report (April 2004 and September 2004), available at <www.iab.net/recources/ad revenue.asp> (last visited 3/7/2005).

¹¹ The word "blog" derives from the term "Web log" and is defined as "a Web site that contains an online personal journal with reflections, comments and often hyperlinks provided by the writer." < www.merriamwebster.com> (last visited 3/7/2005). People who maintain blogs are known as "bloggers."

¹² A "listserv" is a software program that automatically sends electronic mail messages to multiple e-mail addresses on an electronic mailing list. See, e.g., <www.lsoft.com/products/listserv.asp> (last visited 3/7/2005). The term "listsery" is commonly used, however, to denote the electronic mailing list itself or the automated forwarding to all addresses on the mailing list of an e-mail sent only to the listsery's e-mail

¹³ See Pew Internet & American Life Project, The Internet and Campaign 2004, available at (last visited 3/17/2005).

¹⁴ Sec note 9, above, The Internet and Democratic Debate, p. 2. During the same time period, the number of people reporting television as their primary source of campaign information declined. Id.

See Jessica Mintz, When Bloggers Make News - - As Their Count Increases, Web Diarists Are Asking: Just What Are the Rules? WALL ST. J., Jan. 21, 2005 at B1.

16 See note 8, above, The Mainstreaming of Online Life, p. 2.

B. Internet Communications – Proposed 11 CFR 100.26

Because the Internet is a unique form of communication, the Commission

proposes to preserve the general exclusion of Internet communications from the

definition of "public communication" in 11 CFR 100.26.

At the same time, however, the Commission recognizes that Internet

At the same time, however, the Commission recognizes that Internet communications may, in some circumstances, constitute "general public political advertising" within the definition of "public communication" in 11 CFR 100.26.

Accordingly, the Commission proposes to amend 11 CFR 100.26 to include "general public political advertising" in the form of paid Internet advertisements placed on another individual's or entity's website. Such advertisements could take the form, for example, of streaming video that appears in banner advertisements or "pop-up" advertisements.¹⁷

The Commission invites comment on whether announcements placed for a fee on another entity's website should be considered "general public political advertising," and therefore, a "public communication" under 11 CFR 100.26. Is this approach consistent with BCRA's definition of "public communication" to include broadcast, cable or satellite communications, newspaper, magazines and outdoor advertising facilities, all of which typically charge fees to those who run political advertisements?

If a mode of communication does not cost any money, can it be "general public political advertising" and therefore a "public communication" within the meaning of the

¹⁷ "Pop-up" advertisements usually appear in a separate browser window from the one being viewed. The advertisements are superimposed over the window being viewed, and require the viewer to take some action, such as closing the window in which the pop-up advertisement appears, to continue viewing the underlying browser window. See <www.netlingo.com/lookup.cfm?term=pop%2Dup%20ad> (last visited 3/7/2005). Although pop-up advertisements technically are not part of the underlying website or account, the Commission seeks comment on whether they should be considered to "appear on" the website for purposes of this rulemaking.

statute? For example, a person might appear in a public square and give a campaign 1 speech before 500 or more people. If such a public speech does not cost any money to 2 undertake, is it outside the scope of "general public political advertising" under the 3 statute and therefore not a "public communication"? Likewise, is such a public speech 4 outside the scope of an "expenditure" or "contribution" under the statute? Also, should 5 "general public political advertising" include Internet advertisements where the 6 advertising space was provided for something of value other than a monetary payment, 7 for example through an exchange of comparable advertising? Although the Commission 8 rule excludes Internet activity that is not placed for a fee, should the Commission amend 9 its regulation to explicitly state that it is not including "bloggers" in the definition of 10 "public communication"? 11 The Act and Commission regulations recognize that corporations and labor 12 organizations can communicate with their restricted class, but not with the general public, 13 on "any subject," and that membership organizations may similarly communicate with 14 their members. See 2 U.S.C. 431(9)(B)(iii) and 441b(b)(2)(A); 11 CFR 100.134(a) and 15 114.3(c)(3); see also AO 1997-16. Should the Commission consider excluding from the 16 definition of "general public political advertising" paid advertisements appearing on 17 corporate and labor organization websites if access to those sites is restricted to the 18 restricted class of a corporation or labor organization, or to only the members of a 19 membership organization? 20

14

1	C. Effect of Proposed Definition of "Public Communication" on Federal Election
2	Activity by State, District, and Local Party Committees under 11 CFR
3	100.24(b) and (c)
4	BCRA defines "Federal election activity" to include "a public communication that
5	refers to a clearly identified candidate for Federal office and that promotes or
6	supports a candidate for that office, or attacks or opposes a candidate for that office[.]" 2
7	U.S.C. 431(20)(A)(iii); see also 11 CFR 100.24(b)(3). State, district, and local political
8	party committees and organizations, State and local officeholders and candidates, and
9	their agents, are prohibited from using non-Federal funds to pay for this type of Federal
10	election activity. See 2 U.S.C. 441i(b) and (f); 11 CFR 100.24(b)(3) and (c)(1),
11	300.32(a)(1) and (2), and 300.71.
12	The Commission notes that the original definition of 100.26 was promulgated to
13	permit State, district, and local committees to make references to their Federal candidates
14	on the committees' official websites without automatically federalizing the year-round
15	costs of maintaining such a site. It should be noted that this effect of the Internet
16	exclusion was not rejected by the Shays court. The proposed rule would continue to
17	allow this exclusion for these websites, while requiring that state, district, and local party
18	committees use exclusively Federal dollars to place advertisements that promote, support
19	attack, or oppose ("PASO") a Federal candidate on another individual's or entity's
20	website. State, district, and local committee websites must still maintain disclaimers as
21	required under 11 CFR 110.11(a)(1).
22	The Commission invites comment on this approach and on whether the
23	Commission should consider further changing its definition of "public communication."

- 1 If a mere PASO reference to a Federal candidate on a State, district, or local committee's
- 2 website were to constitute a public communication, does that require that the entire
- 3 website be paid for with hard dollars? If not, the Commission seeks comment on how to
- 4 allocate that portion of the website that must be paid for with hard dollars for example,
- based on the time and space of the website that contains PASO communications as
- 6 compared to the site overall, or should another allocation method be required? In
- 7 addition, what costs should be included in the allocation calculations all of the costs
- 8 associated with establishing and maintaining the website, or only the marginal costs of
- 9 creating and maintaining the PASO communication, or some other formulation?
- The Commission seeks comment on whether any payment by a State, district, or
- local party to an outside vendor for content that PASO's a Federal candidate that is
- 12 exclusively placed on the party's website should constitute "general public political
- advertising" and be deemed a "public communication," thus requiring regulation under 2
- 14 U.S.C. 441i(b)(1).

15 III. 11 CFR 100.25 - Definition of "Generic Campaign Activity"

- "Federal election activity" includes "generic campaign activity" conducted in
- 17 connection with an election in which a candidate for Federal office appears on the ballot.
- 18 2 U.S.C. 431(20(A) and 11 CFR 100.24. BCRA defines "generic campaign activity" to
- mean "campaign activity that promotes a political party and does not promote a candidate
- 20 or non-Federal candidate." The Commission's regulations construe this statutory term to
- 21 mean "a public communication that promotes or opposes a political party and does not
- promote or oppose a clearly identified Federal candidate or a non-Federal candidate." 11
- 23 CFR 100.25 (emphasis added).

As noted above, the Shays court rejected the Commission's definition of "generic
campaign activity" on two grounds: first, that it improperly excluded all Internet
communications and, second, for lack of notice to the public that it would be limited to
"public communications" as defined in 11 CFR 100.26. The Commission proposes to
address the district court's first concern by revising the definition of "public
communication" to remove the wholesale exclusion of all Internet communications and
to replace it with a more limited exclusion, as explained above. The Commission is
addressing the court's second concern by providing the public with notice and an
opportunity to comment at this time on whether the Commission should continue to
define the term "generic campaign activity" as "a public communication," which, as
proposed, would include some types of Internet advertisements. Given that Shays
specifically approved the existing definition of "generic campaign activity," except for
the exclusion of Internet communications and the notice issue, the Commission is not
proposing to revise the definition of "generic campaign activity" at this time. The
Commission invites comments on this approach.
IV. 11 CFR 110.11 - Communications; advertising; disclaimers (2 U.S.C. 441d)
With its relatively low-cost, wide availability, and ease of access, the Internet is
used by millions of individuals daily to share information and air their views on a variety
of subjects. The Commission recognizes that significant policy reasons support the
continued exclusion of most Internet communications from the disclaimer requirements.
As the Commission has stated previously, the Internet "is a medium that allows
almost limitless, inexpensive communication across the broadest possible cross-section of
the American population. Unlike media such as television and radio, where the

1 constraints of the medium make access financially prohibitive for the general population, the Internet is by definition a bastion of free political speech, where any individual has 2 access to almost limitless political expression with minimal cost." Soft Money Final 3 Rules, 67 FR at 49,072. To this extent, the Internet can be the modern equivalent of a 4 soapbox in a public square. See Reno v. ACLU, 521 U.S. 844, 870 (1997) ("Through the 5 use of chat rooms, any person with a phone line can become a town crier with a voice 6 7 that resonates farther than it could from any soapbox. Through the use of Web pages, mail exploders, and newsgroups, the same individual can become a pamphleteer.") 8 9 The Commission notes that with respect to most Internet websites and blogs, the burden of complying with a disclaimer requirement, and the resources needed for the 10 Commission to monitor such a requirement could outweigh the value of disclosure. This 11 12 is particularly true given that the identity of the sponsor of an Internet communication is 13 often already apparent from the face of the communication. The Commission seeks comment on these policy rationales and alternative approaches to the disclaimer 14 15 requirement. The Act and the Commission's rules require certain communications to include 16 clear and conspicuous statements to the public regarding the sources of their funding. 17 See 2 U.S.C. 441d; 11 CFR 110.11. This disclaimer notice must identify the payor and 18 disclose either the name of the candidate's committee that authorized the communication 19 20 or the fact that no candidate or candidate's committee authorized the communication. See 2 U.S.C. 441d(a); 11 CFR 110.11(b). If the disclaimer notice states that the 21 communication was not authorized by a candidate or candidate's committee, the notice 22 23 must disclose the payor's full name and street address, telephone number, or World Wide

- 1 Web address. See 2 U.S.C. 441d(a)(3); 11 CFR 110.11(b)(3). Political committees must
- 2 include a disclaimer on any "public communication" for which they make disbursements.
- 3 See 11 CFR 110.11(a)(1). For all other persons, a disclaimer is required for any "public
- 4 communication" that expressly advocates the election or defeat of a clearly identified
- 5 candidate for Federal office or that solicits contributions. See 11 CFR 110.11(a)(2) and
- 6 (3). The Commission notes that the lack of an affirmative disclaimer requirement for
- 7 most Internet activities does not alleviate a duty to comply with 2 U.S.C. 441h
- 8 prohibitions against fraudulent misrepresentation. The Commission originally
- 9 promulgated these regulations to focus on what is commonly referred to as "spam" e-
- 10 mail.

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A. Scope of Disclaimer Requirements – Proposed 11 CFR 110.11(a)

In the existing disclaimer regulations in section 110.11(a), the term "public communication" differs slightly from the term "public communication" as defined in 11 CFR 100.26. Specifically, "public communication" as defined in current 11 CFR 100.26 expressly excludes Internet communications, whereas "public communication" as defined in the current disclaimer regulations includes "unsolicited electronic mail of more than 500 substantially similar communications and Internet websites of political committees available to the general public." 11 CFR 110.11(a). Thus, political committees must include disclaimers on their websites available to the general public, and in unsolicited e-mail of more than 500 substantially similar communications. Other persons must also provide disclaimers in unsolicited e-mail of more than 500 substantially similar communications that expressly advocate the election or defeat of a clearly identified Federal candidate or solicit a contribution.

¹⁸ Electioneering communications also require a disclaimer. See 11 CFR 110.11(a)(4).

The Commission is concerned that the current regulation emphasizes the number
of e-mail communications sent, rather than focusing on whether an expenditure was made
that would justify governmental regulation. The Commission notes that the statute
generally seems to be predicated on an "expenditure" or "disbursement" being made.
The Commission is not interested in requiring disclaimers on the personal
communications of private citizens. The Commission is concerned that the lack of
definition for the term "unsolicited," could have the effect of discouraging individuals
from engaging in discussion and advocacy that is core political speech protected by the
First Amendment and that is virtually cost-free.
Therefore, the Commission is proposing to change the disclaimer requirement in
11 CFR 110.11(a) to focus on those e-mail communications for which the e-mail
addresses of the recipients were acquired through a commercial transaction. Such a
disclaimer requirement is intended to strike a balance between the disclosure purposes of
the Act and regulation of expenditures, and the protection of individual free speech and
robust communication. The Commission seeks comment on this approach. Should the
Commission continue to include a 500-e-mail threshold? Given the ease of sending large
numbers of e-mail, would a larger numerical threshold be appropriate? The Commission
also seeks comment on whether a minimum cost should be included in this disclaimer
requirement, such as the \$250 threshold contained in the statute for independent
expenditures. See 2 U.S.C. 434(c)(1). Should a dollar threshold be included in concert
with or in lieu of the 500-piece requirement? Is there a more appropriate definition of
"unsolicited" e-mail in this context? Should "unsolicited" e-mail include e-mail where
the recipients' e-mail addresses were acquired from a third party in a non-cash

- transaction, either through an e-mail list "swap," or other multi-party transactions where
- 2 list of e-mail addresses is acquired at no cost? The Commission, alternatively, seeks
- 3 comments on whether the disclaimer requirement for e-mail should be removed entirely
- 4 from the regulation.
- 5 The revisions to the disclaimer provisions in 11 CFR 110.11(a) would still require
- 6 disclaimers for any "public communication" as defined at 11 CFR 100.26 made by a
- 7 political committee, and for any "public communication" by any person that expressly
- 8 advocates the election or defeat of a clearly identified Federal candidate or that solicits a
- 9 contribution. See 11 CFR 110.11(a). The proposed definition of "public
- 10 communication" in section 100.26 would have the effect of expanding the scope of the
- disclaimer requirements in section 110.11 to any advertisement placed for a fee on
- another party's website that expressly advocates the election or defeat of a clearly
- identified Federal candidate or solicits a contribution. In addition, political committees
- would continue to be required to post disclaimers on their websites provided that they are
- 15 "available to the general public."
- The Commission seeks comments on these proposed revisions to 11 CFR
- 17 110.11(a).

- B. Bloggers Paid By Candidates
- News reports indicate that in the 2004 elections some individual bloggers
- 20 received significant fees from the campaign committees of at least one presidential
- 21 candidate and one Senate candidate to promote the candidates' campaigns on their

- 1 blogs. 19 For example, the operator of the ninth most "linked" blog on the Internet, which
- 2 received as many as one million visits daily, reportedly received \$12,000 over a four-
- month period from one presidential candidate.²⁰ The news reports further indicate that
- 4 not all of the bloggers disclosed the payments to the blogs' readers.
- 5 The Commission notes that its current rules require a political committee to
- 6 disclose this type of disbursement on its publicly available reports filed with the
- 7 Commission. The Commission does not therefore propose to change the disclaimer
- 8 regulation in 11 CFR 110.11(a) to require bloggers to disclose payments from a
- 9 candidate, a campaign, or a political committee. The Commission seeks comment on this
- approach. Should bloggers be required to disclose such payments? Should a blogger be
- required to disclose payments only if the blogger expressly advocates the election or
- defeat of a clearly identified candidate or solicits a contribution? Would a payment by a
- political committee to a blogger for promotional content on the blog constitute "general
- public political advertising" within the meaning of 100.26?

15 V. 11 CFR 109.21 and 109.37 - Coordinated Communications

- A. Content Standards for Coordinated Communications 11 CFR 109.21(c)
- Payments for certain communications that are coordinated with a candidate, a
- candidate's authorized committee, a political party committee, or any of their agents, are
- 19 treated as in-kind contributions to the candidate, the candidate's authorized committee, or
- the political party committee. See 2 U.S.C. 441a(a)(7); 11 CFR 109.21. The
- 21 Commission's regulations set out a three-pronged test for determining whether a

¹⁹ See, e.g., William M. Bulkely and James Bandler, <u>Dean Campaign Made Payments to Two Bloggers</u>, WALL ST. J., Jan. 14, 2005 at B2; Charles Babington and Brian Faler, <u>A Committee Post and a Pledge Drive - Bloggers on the Payroll</u>, WASH. Post, Dec. 17, 2004, at A16.

²⁰ See William M. Bulkely and James Bandler, <u>Dean Campaign Made Payments to Two Bloggers</u>, WALL St. J., Jan. 14, 2005 at B2.

communication has been "coordinated." See 11 CFR 109.21. The three-pronged test 1 looks, in part, at whether the communication satisfies the "content prong" of 11 CFR 2 109.21(c). 21 To satisfy the "content prong" of the coordinated communication test, a 3 communication must: (1) be an electioneering communication, as defined in 11 CFR 4 100.29; (2) be a public communication that disseminates, distributes, or republishes, in 5 whole or in part, campaign materials prepared by a Federal candidate, the candidate's 6 authorized committee, or their agents; (3) be a public communication that expressly 7 advocates the election or defeat of a clearly identified candidate for Federal office; or (4) 8 be a public communication that refers to a political party or a clearly identified candidate 9 for Federal office, is publicly distributed or disseminated within 120 days of an election 10 for Federal office, and is directed to voters within the jurisdiction of the clearly identified 11 candidate or to voters in a jurisdiction in which one or more candidates of the political 12 party appear on the ballot. See 11 CFR 109.21(c)(1)-(c)(4). 13

In Shays, the court struck down the "content prong" of the coordinated communication test. The Commission announced its intention to propose changes regarding the non-Internet aspects of the coordinated communication regulations in a separate rulemaking to take place in May 2005, with final rules pending the outcome of the appeal.

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Because of the pending appeal and the upcoming rulemaking on coordinated communications, the Commission is not proposing to revise 11 CFR 109.21 in this rulemaking. The Commission notes, however, that revising the definition of "public

²¹ The other two prongs of the coordinated communication test are (1) whether someone other than the candidate, the candidate's authorized committee, a political party committee, or any of their agents paid for the communication in question; and (2) whether the communication satisfies the "conduct prong" of 11 CFR 109.21(d).

1 communication" to include certain Internet communications would render such Internet

2 communications subject to the current coordinated communication provisions of section

3 109.21²² The Commission invites comments on this approach.

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The Commission's rule would exempt from the coordinated communication rules advertisements that require payments to outside vendors to create, but that are placed only on the payor's own website. This could include a corporation or other prohibited source. The Commission seeks comment on whether this approach is appropriate, and on whether any other parts of the Commission's regulations, e.g. those provisions at 11 C.F.R. 114.4 that deal with corporate and labor communications beyond the restricted class, can be interpreted to nonetheless place restrictions on such activity. The Commission's rule would also exempt from the coordinated communication rules advertisements that are placed on a prohibited source's website for free, even though a fee would normally be charged. Is this an appropriate course? Do any of the Commission's other rules already regulate this so that such activity would be prohibited? B. Dissemination, Distribution, or Republication on the Internet – 11 CFR 109.21 Under the current Commission regulations, a person makes a contribution by financing a public communication that disseminates, distributes, or republishes, in whole or in part, campaign materials prepared by a candidate, the candidate's authorized committee, or an agent of any of the foregoing, unless certain exceptions apply. 11 CFR

109.21(c)(2). A candidate's principal campaign committee need not report the

dissemination, distribution, or republication of its campaign materials as an in-kind

²² In addition to its use in connection with the "content prong," the term "public communication" is used in connection with the "conduct prong" of the coordinated communication regulations involving the use of a "common vendor." See 11 CFR 109.21(d)(4)(ii)(E) and (F).

- 1 contribution, however, unless such activity is a "coordinated communication" under 11
- 2 CFR 109.21. See 11 CFR 109.23(a).
- 3 The Commission notes that changes to the definition of public communication
- 4 would expand the reach of this regulation to individuals or entities that place
- 5 announcements for a fee on another individual's or entity's website, when the
- 6 advertisement content otherwise constitutes a republication regulated under 11 C.F.R.
- 7 109.21(c)(6).
- The Commission notes that the change to the definition of "public
- 9 communication" would not affect content placed by an individual on his or her own
- website, blog, or e-mail. Because republishing campaign materials on one's own
- 11 website, blog, or e-mail would not be a public communication, it would not be a
- contribution to the candidate under 11 CFR 109.21. The Commission notes that Senator
- 13 Russ Feingold, one of BCRA's sponsors, stated recently that "linking campaign websites,
- 14 quoting from, or republishing campaign materials and even providing a link for donations
- to a candidate, if done without compensation, should not cause a blogger to be deemed to
- have made a contribution to a campaign or trigger reporting requirements."²³ Should the
- 17 Commission amend 11 CFR 109.21(c)(2) to exempt all dissemination, distribution, or
- 18 republication of campaign materials on the Internet generally, or keep the reference in the
- 19 regulation to "public communication"?
- 20 C. Political Party Coordinated Communications 11 CFR 109.37
- 21 The "party coordinated communication" rule at 11 CFR 109.37(a) sets out a
- 22 three-pronged test for determining whether payments by a political party committee for

²³ Senator Russ Feingold, "Blogs Don't Need Big Government" <u>available at http://mydd.com/story/2005/3/10/112323/534 (last visited 3/17/2005).</u>

- 1 communications are "coordinated" with a candidate for Federal office, a candidate's
- 2 authorized committee, or an agent of either of the foregoing. This test parallels the three-
- 3 pronged test in the "coordinated communication" regulations in 11 CFR 109.21.
- 4 Therefore, as with the coordinated communication regulation, the proposed change to the
- 5 definition of "public communication" in 11 CFR 100.26 would expand the scope of
- 6 communications covered by the party coordinated communication regulation to include
- 7 certain communications over the Internet. The Commission seeks comment on this
- 8 result.

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9 VI. Other Uses of the Term "Public Communication" in the Commission's

Regulations

- The term "public communication" is also used in 11 CFR 106.6 and 300.2. Thus,
 any changes to the definition of "public communication" or "general public political
 advertising" in proposed 11 CFR 100.26 to include certain Internet advertisements would
 affect the application of these two sections.
- A. Allocation of Expenses Between Federal and Non-Federal Activities by

 Separate Segregated Funds and Nonconnected Political Committees 11 CFR

 17 106.6

The Commission recently promulgated revisions to its rules on the allocation of certain expenses by SSFs and nonconnected committees. See 11 CFR 106.6(b)(1), (b)(2), and (f) (2005); Allocation Final Rules, 69 FR 68,056 (Nov. 23, 2004). These revised regulations require SSFs and nonconnected committees to allocate between their Federal and non-Federal accounts the costs of certain public communications, such as those that refer to a political party and clearly identified Federal and non-Federal candidates. In

- 1 addition, the new regulations set forth requirements as to which public communications
- 2 these committees may pay for using non-Federal funds.
- 3 The effect of the proposed revisions to the definition of "public communication"
- 4 in 11 CFR 100.26 would require SSFs and nonconnected committees to use Federal funds
- 5 to pay for some public communications over the Internet. The Commission invites
- 6 comment on this result.

7 B. Definition of "Agent" – 11 CFR 300,2

- 8 BCRA prohibits candidates for State and local offices, and their agents, from
- 9 using non-Federal funds to pay for any "public communication" that PASOs a candidate
- 10 for Federal office. See 2 U.S.C. 441i(f). Under the Commission's regulations, an
- "agent" includes any person who is authorized by a candidate for State or local office to
- 12 "spend funds for a public communication," as defined in 11 CFR 100.26. 11 CFR
- 13 300.2(b)(4). Thus, as a result of the proposed change to the definition of "public
- 14 communication," a person would be an agent of a State or local candidate if he or she is
- authorized by that non-Federal candidate to pay for any Internet communication that is a
- 16 "public communication" under proposed 11 CFR 100.26. The Commission invites
- 17 comments on this result and whether it should consider further changing its proposed
- definition of "general public political advertising" or "public communication" in 11 CFR
- 19 100.26 in light of this result.
- 20 VII. 11 CFR 100.73 and 100.132 Exception for news story, commentary, or
- 21 editorial by the media.
- The Commission is also considering whether expressly to extend the protections
- 23 of the exception for news stories, commentaries and editorials to media activities that

- 1 occur on the Internet. In the Act, Congress exempted from the definition of
- 2 "expenditure" "any news story, commentary, or editorial distributed through the facilities
- 3 of any broadcasting station, newspaper, magazine, or other periodical publication, unless
- 4 such facilities are owned or controlled by any political party, political committee, or
- 5 candidate." 2 U.S.C. 431(9)(B)(i). In enacting the statutory exemption for the media,
- 6 Congress intended to assure "the unfettered right of the newspapers, television networks,
- 7 and other media to cover and comment on political campaigns." H.R. Rep. No. 93-1239,
- 8 93d Congress, 2d Session at 4 (1974) (emphasis added). The Commission has
- 9 implemented this statutory exemption in its regulations. See 11 CFR 100.73 and
- 10 100.132.

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Many aspects of the contemporary media did not exist, or were not as prevalent, when Congress enacted the statutory exemption in the Act in the 1970s. In the past, however, the Commission has made clear that the statutory exemption applies to new and emerging forms of mass media, even if they did not exist or were not widespread when Congress passed the Act. For example, recognizing that cable programming utilized the same aspects of speech and communication of ideas as broadcast stations, the Commission modified its regulations to make clear that the Act's statutory exemption applied to cable programming. The Commission noted that "although the cable television industry was much less developed when Congress expressed this intent, it is reasonable to conclude that cable operators, programmers and producers, when operating in their capacity as news producers and distributors, would be precisely the type of 'other media' appropriately included within this exemption." 61 FR 18,050 (Apr. 24, 1996). Accordingly, cable programming is included in the Commission's current regulations

- 1 implementing the statutory exemption. See 11 CFR 100.73 and 100.132. See also
- 2 Turner Broadcasting System, v. FEC, 512 U.S. 622 (1994); Medlock v. Leathers, 499
- 3 U.S. 439, 444 (1991) (stating that cable television provides news, information, and
- 4 entertainment and is, in much of its operation, part of the press).
- 5 The Commission is now considering whether to amend its regulations to make
- 6 clear that the statutory exemption also applies to media activities on the Internet.
- 7 Specifically, the Commission is proposing to amend sections 100.73 and 100.132 of its
- 8 regulations to indicate that any media activities that otherwise would be entitled to the
- 9 statutory exemption are likewise exempt when they are transmitted over the Internet. In
- so doing, the Commission recognizes that media operations increasingly take place on the
- 11 Internet. The proposed revision would allow for the application of the media exemption
- to all forms of media activities on the Internet, whether it be through a website, e-mail, or
- 13 some other form of Internet communication.

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The Commission seeks comment on the proposed revisions to its regulatory media exemption for news stories, commentaries, and editorials. The Commission also seeks comment on whether the proposed revisions are consistent with or required by the statutory language of the Act. The Commission further seeks comment on the appropriate breadth of the exemption to media activities over the Internet. Should the exemption be limited to entities who are media entities and who are covering or carrying a news story, commentary, or editorial? Should the exemption be limited only to the Internet activities of media entities that also have off-line media operations? The

Commission notes that the proposed regulation expressly rejects a policy that only a bona

fide press entity with an off-line component is entitled to protection in their on-line news stories, commentaries, and editorials.

The proposed revision would extend the media exemption to media entities whose activities exist solely on-line, without a print or broadcast component, as well as to media entities who have a broadcast or print component as well as an on-line presence. For example, Salon.com, Slate.com, and Drudgereport.com do not publish off-line. Such on-line sites provide direct access to political news and events and offer commentary on current affairs. The Commission recognizes that on-line sites are as accessible as printed periodicals or news programs and therefore proposes to clarify that the media exemption extends to those entities who may solely have an on-line presence as well as to those entities who have an on-line component in addition to their broadcast or print activities. The Commission seeks comment on this approach. The Commission notes that it has applied the media exemption on a case-by-case basis in a wide variety of contexts. See A0s 2004-7, 2003-34, 2000-13, 1996-48, 1996-41, 1996-16, 1992-26, 1988-22, 1987-08, 1982-44, 1982-58, 1980-90, 1980-109, and 1978-76.

The Commission also seeks comment on whether bloggers, whether acting as individuals or through incorporated or unincorporated entities, are entitled to the statutory exemption. Can on-line blogs be treated as "periodical publications" within the meaning of the exemption? See 2 U.S.C. 431(9)(B)(i). If not, why not? Is the media exemption to be limited to traditional business models, meaning entities that finance operations with subscriptions or advertising revenue? The Commission also seeks comment on whether on-line forums qualify for the exemption.

The Commission further seeks comment on whether it makes any difference
under the Act if a blogger receives compensation or any other form of payment from any
candidate, political party, or political committee for his or her editorial content? Would
any such payments mean that the blogger is "controlled" by a candidate or political party
within the meaning of 2 U.S.C. 431(9)(B)(i), and therefore is not entitled to the
exemption? The Commission has previously determined that "commentary was intended
to allow third persons access to the media to discuss issues." See AO 1982-44. Should
bloggers' activity be considered commentary or editorializing, or news story activity?
Lastly, the Commission seeks comment on any other issue pertinent to the
Commission's consideration of whether to extend the protections of this statutory
exemption to media activities on the Internet.
VIII. Proposed 11 CFR 117.1 - Exceptions to the Definitions of "Contribution"
and "Expenditure" for Individual or Volunteer Activity on the Internet
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Although the Internet is generally a free or low-cost medium for communication, the Act's definitions of "contribution" and "expenditure" are broad enough to apply to some Internet activity. For example, section 431(8) of the Act states that the term "contribution" includes "any gift, subscription, loan, advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office." 2 U.S.C. 431(8)(A)(i). Similarly, section 431(9) states that the term
Although the Internet is generally a free or low-cost medium for communication, the Act's definitions of "contribution" and "expenditure" are broad enough to apply to some Internet activity. For example, section 431(8) of the Act states that the term "contribution" includes "any gift, subscription, loan, advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office." 2 U.S.C. 431(8)(A)(i). Similarly, section 431(9) states that the term "expenditure" includes "any purchase, payment, distribution, loan, advance, deposit, gift

1	Similarly, the Act's definition of independent expenditure is broad enough to
2	apply to some Internet activity. Section 431(17) of the Act states that "the term
3	'independent expenditure' means an expenditure by a person expressly advocating the
4	election or defeat of a clearly identified candidate which is made without cooperation or
5	consultation with any candidate, or any authorized committee or agent of such candidate,
6	and which is not made in concert with, or at the request or suggestion of, any candidate,
7	or any authorized committee or agent of such candidate." 2 U.S.C. 431(17); see also 11
8	CFR 100.16.
9	However, the definition of "contribution" in the Act and Commission regulations
10	does not include "the value of services provided without compensation by any individual
11	who volunteers on behalf of a candidate or political committee." 2 U.S.C. 431(8)(B)(i);
12	11 CFR 100.74. Furthermore, the definition of a "contribution" does not include:
13	the use of real or personal property, including a church or community
14	room used on a regular basis by members of a community for
15	noncommercial purposes, voluntarily provided by an individual to any
16	candidate or any political committee of a political party in rendering
17	voluntary personal services on the individual's residential premises or in
18	the church or community room for candidate-related or political party-
19	related activities
20	2 U.S.C. 431(8)(B)(ii). See also 11 CFR 100.75 and 100.76. The Commission's
21	regulations contain a parallel exception to the definition of "expenditure":
22	[n]o expenditure results where an individual, in the course of volunteering
23	personal services on his or her residential premises to any candidate or

1	political committee of a political party, provides the use of his or her real
2	or personal property to such candidate for candidate-related activity or to
3	such political committee of a political party for party-related activity.
4	11 CFR 100.135. See also 11 CFR 100.136.
5	A. Exceptions for Internet Activity by Individuals or Volunteers - Proposed 11
6	CFR 100.94 and 100.155
7	The Commission is proposing new rules to address the treatment of
8	uncompensated individual or volunteer campaign activity on the Internet. Specifically,
9	the Commission proposes the addition of two new sections to 11 CFR Part 100 to provide
10	new exceptions from the definition of "contribution" and "expenditure." Proposed 11
11	CFR 100.94 would create an exception to the definition of "contribution" for certain
12	uncompensated individual or volunteer Internet activity, while proposed 11 CFR 100.155
13	would create a parallel exception to the definition of "expenditure" for the same activity.
14	Under proposed 11 CFR 100.94 and 100.155, an uncompensated individual acting
15	independently or as a volunteer would not make a contribution or expenditure simply by
16	using computer equipment or Internet services to engage in Internet activities for the
17	purpose of influencing an election for Federal office. The Commission notes that the
18	proposed rule would only apply to computer and other facilities to which the individual
19	would otherwise have access. The proposed rule would not permit the purchase of
20	equipment by an individual or entity solely for the purposes of allowing another
21	individual to participate in volunteer activity. The Commission seeks comment on this
22	approach.

In AO 1998-22, the Commission concluded that even if an individual acting
independently incurs no additional costs in creating a website that contains express
advocacy of a clearly identified candidate, at least some portion of the underlying costs of
creating and maintaining that website is an expenditure under the Act and must be
reported if it exceeds \$250 in a calendar year. In contrast, in AO 1999-17, the
Commission concluded that costs incurred by a campaign volunteer in preparing a
website on behalf of a candidate on the volunteer's home computer are exempt from the
definition of "contribution" under the volunteer exception contained in section 100.75 of
the regulations (formerly section 100.7(b)(4)). The Commission stated that the volunteer
exception applies to "individuals known to the campaign who, with the campaign's
permission (at some level) engage in volunteer activity." Id. The Commission also
determined that the costs of e-mail messages sent by a campaign volunteer using his or
her own computer equipment would be covered by the volunteer exception, and thus
would not result in a contribution to the campaign. Id.
The proposed rules in new sections 100.94 and 100.155 would supersede AO
1998-22 to the extent that it treats an individual's independent use of existing computer
or Internet services for Internet activity as an expenditure. The proposed rules would also
extend beyond the specific guidance provided in AO 1999-17 to clarify that these
exceptions would apply to an uncompensated individual acting independently or as a
volunteer without regard to whether the individual or another person owns the computer
being used or where the volunteer activity is taking place. For example, the proposed
rule would permit a volunteer to use a computer or Internet service provided at a public
facility, such as a library or school, or provided by a friend, without such activity being a

contribution or expenditure. The Commission, however, would continue to view the 1 2 purchase of mailing lists (including e-mail lists) for the purposes of forwarding candidate 3 and political committee communications as expenditures or contributions. The 4 Commission seeks comment on this approach. If the computer or Internet service is 5 provided by a corporation or labor organization, the rules at 11 CFR 114.9 would apply. 6 The proposed rules would thereby avoid disparate treatment of individuals or volunteers 7 who may not be able to afford the purchase or maintenance of their own computers or 8 websites. The Commission invites comments on this approach. The Commission also 9 seeks comments on whether this exception should be extended to volunteers who receive some form of payment or reimbursement from a candidate or a political committee, such 10 11 as transportation, subsistence, or supplies. Additionally, the Commission seeks 12 comments on whether the entirety of AOs 1998-22 and 1999-17, or any additional AOs, should be superseded or whether there is any aspect of those AOs that should remain 13 14 valid. 15 Under the proposed rules, individuals acting independently or as volunteers would 16 come within this exception when using any "computer equipment or Internet services" to 17 engage in "Internet activities." Specific examples of "computer equipment or Internet 18 service" would be listed in paragraph (c) of each section and would include, but would 19 not be limited to, computers, software, Internet domain names, and Internet Service 20 Provider (ISP) services (e.g., connecting to the Internet). "Internet activities" would be 21 defined in paragraphs (b) of each section to include, but not be limited to, creating and 22 sending e-mail or producing and maintaining a website or a blog. Furthermore, because 23 many individuals who use the Internet cannot, or do not, maintain their own websites, or

simply wish to post a blog in a place where it is more likely to be seen by others, there are a number of blog "hosts" that provide space on a website for other individuals to post their own blogs or other commentary. Individuals acting independently or as volunteers posting blogs or other content on the websites of these hosts would be entitled to the exception just as if the content were posted on their own website. However, the exceptions would not apply to paid advertising or other payments for the use of another person's website, other than a nominal fee. See proposed 11 CFR 100.94(c)(3) and 100.155(c)(3); see also current 11 CFR 100.75 and 100.135 (a volunteer's payment of a nominal fee in the course of providing personal services does not constitute a contribution or expenditure).

Thus, an individual or volunteer producing or maintaining a website or blog, or conducting other grassroots campaign activity on the Internet, from that individual's own home or elsewhere, would not make a contribution or expenditure and would not incur any reporting responsibilities as the result of that activity. For example, if an individual downloaded materials from a candidate or party website, such as campaign packets, yard signs, and other items, the downloading of such items would not constitute republication of campaign materials. In addition, even when the Internet activity is made in cooperation, consultation, or concert with a candidate or a political party committee, no contribution or expenditure would result and neither the candidate nor the political party committee would incur any reporting responsibilities. Furthermore, if an individual forwarded an e-mail received from a political committee, the forwarding of that e-mail would not constitute republication of campaign materials or be an in-kind contribution. The Commission invites comments on this approach.

The Commission notes that existing Commission regulations regarding volunteer activity use the concept of volunteer in the context of an individual volunteering personal services to a candidate, political committee, or political party. The proposed regulations would apply regardless of whether the individual's activities were known to a candidate, political party, or political committee. The Commission seeks comment on whether it has authority to do this and whether the word "individual" or "volunteer" more accurately conveys the concept of when an individual, whether known or unbeknownst to the campaign, engages in Internet activity.

9 IX. 11 CFR 114.9 – Use of Corporate or Labor Organization Facilities and

Means of Transportation

The Commission's rules at 11 CFR 114.9 permits employees and stockholders of a corporation, as well as officials, members, and employees of a labor organization, to use corporate or labor organization "facilities" for individual volunteer activities in connection with a Federal election, so long as that use is "occasional, isolated, or incidental." 11 CFR 114.9(a)(1) and (b)(1).²⁴ In order to clarify that corporate and labor organization "facilities" includes computer equipment and Internet services that could be used to exchange e-mail, produce or maintain websites, or engage in other activities over the Internet, the Commission proposes to amend 11 CFR 114.9(a)(1) and (b)(1) to expressly include "computer equipment and Internet services," as defined in 11 CFR

²⁴ The use of equipment or services is "occasional, isolated, or incidental" during the workday if it does not prevent the individual from carrying out her normal duties or interfere with the corporation or labor organization carrying out its normal activities. See 11 CFR 114.9(a)(1)(i) and (ii) and (b)(1)(i) and (ii). The Commission has established a safe harbor such that an individual's activity during or outside working hours is considered "occasional, isolated, or incidental" if it does not exceed one hour per week or four hours per month. 11 CFR 114.9(a)(1)(iii) and (b)(1)(iii). The examples of "occasional, isolated, or incidental" use are not exhaustive, and other uses may also qualify.

1 100.94(c), within the meaning of "facilities." The Commission invites comments on this proposed revision.

In addition, the Commission notes that many corporations and labor organizations now permit individuals to take laptops home and to use computers and other Internet services for non-work purposes. The Commission notes that a volunteer's use of a corporate or labor organization computer or Internet service for campaign activity over the Internet at home, or at locations outside of work, is still subject to the "occasional, isolated, or incidental" use restriction.

The Commission further notes that corporations and labor organizations are prohibited from "[u]sing coercion, such as the threat of a detrimental job action, the threat of any other financial reprisal, or the threat of force, to urge any individual to make a contribution or engage in fundraising activities on behalf of a candidate or political committee." 11 CFR 114.2(f)(2)(iv) (emphasis added); see also 2 U.S.C. 441b(b)(3). Because the proposed revisions to 11 CFR 114.9(a) and (b) would expressly except the use of corporate or labor organization computers and Internet services from the definition of "contribution," the Commission seeks comment on whether additional rules are necessary to ensure that corporations and labor organizations do not "coerce" their employees or others into engaging in Internet activities on behalf of a candidate or political committee. Should such an exemption be avoided in that it could lead to inherently coercive situations? Should it be premised on the corporation or union not directing the individual to engage in activity on behalf of a certain candidate or political committee?

Certification of No Effect Pursuant to 5 U.S.C. § 605(b)

[Regulatory Flexibility Act]

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3 The Commission certifies that the attached proposed rules, if promulgated, would 4 not have a significant economic impact on a substantial number of small entities. The 5 basis for this certification is that State, district, and local party committees of the two 6 major political parties; individual candidates, Federal office holders, and their agents; and 7 other individuals who communicate over the Internet are not "small entities" under 5 8 U.S.C. 601, because they are not small businesses, small organizations, or small 9 governmental jurisdictions. To the extent that other entities may fall within the definition of "small entities," the economic impact of complying with these rules will not be 10 11 significant. 12

- 1 List of Subjects
- 2 <u>11 CFR Part 100</u>
- 3 Elections.
- 4 <u>11 CFR Part 110</u>
- 5 Campaign funds.
- 6 Political committees and parties.
- 7 <u>11 CFR Part 114</u>
- 8 Business and industry, elections, labor.

1	For the reasons set out in the preamble, the Federal Election Commission
2	proposes to amend subchapter A of chapter 1 of title 11 of the Code of Federal
3	Regulations as follows:
4	PART 100 – SCOPE AND DEFINITIONS (2 U.S.C. 431)
5	1. The authority citation for part 100 would continue to read as follows:
6	Authority: 2 U.S.C. 431, 434, and 438(a)(8).
7	2. Section 100.25 would continue to reads as follows:
8	§ 100.25 Generic campaign activity (2 U.S.C. 431(21)).
9	Generic campaign activity means a public communication that promotes or
10	opposes a political party and does not promote or oppose a clearly identified Federal
11	candidate or a non-Federal candidate.
12	3. Section 100.26 would be revised to read as follows:
13	§ 100.26 Public communication (2 U.S.C. 431(22)).
14	(a) General definition of public communication. Public communication means a
15	communication by means of any broadcast, cable, or satellite communication, newspaper
16	magazine, outdoor advertising facility, mass mailing, or telephone bank to the general
17	public, or any other form of general public political advertising. The term "general
18	public political advertising" shall not include communications over the Internet, except
19	for announcements placed for a fee on another person's or entity's website.
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21	4. In section 100.73, the introductory text would be revised to read as follows:
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§ 100.73 News story, commentary, or editorial by the media. 1 2 Any cost incurred in covering or carrying a news story, commentary, or editorial by any broadcasting station (including a cable television operator, programmer or producer). 3 4 newspaper, magazine, or other periodical publication, whether the news story, commentary, or editorial appears in print or over the Internet, is not a contribution unless 5 6 the facility is owned or controlled by any political party, political committee, or 7 candidate... 8 9 § 100.132 News story, commentary, or editorial by the media. Any cost incurred in covering or carrying a news story, commentary, or editorial by any 10 broadcasting station (including a cable television operator, programmer or producer), 11 12 newspaper, magazine, or other periodical publication, whether the news story, commentary, or editorial appears in print or over the Internet, is not an expenditure unless 13 the facility is owned or controlled by any political party, political committee, or candidate 14 15 . . . 16 § 100.94 Uncompensated individual or volunteer activity that is not a contribution 17 18 (a) Contribution. No contribution results where an individual, acting independently or as a 19 (1) volunteer, without receiving compensation, performs Internet activities using computer 20 equipment and services that he or she personally owns for the purpose of influencing any 21

Federal election, whether or not the individual's activities are known to or coordinated

with any candidate, authorized committee or party committee.

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1 (2) No contribution results where an individual, acting independently or as a 2 volunteer, without receiving compensation, performs Internet activities using computer equipment and services available at any public facility for the purpose of influencing any 3 4 Federal election, whether or not the individual's activities are known to or coordinated 5 with any candidate, authorized committee or party committee. The term "public facility" within the meaning of this section shall include, but is not limited to, public libraries, 6 public schools, community centers, and Internet cafes. 7 8 No contribution results where an individual, acting independently or as a (3) volunteer, without receiving compensation, performs Internet activities using computer 9 10 equipment and services in his or her residential premises for the purpose of influencing any Federal election, whether or not the individual's activities are known to or 11 coordinated with any candidate, authorized committee or party committee. 12 13 (b) Internet activities. "Internet activities" within the meaning of this section shall 14 15 include, but are not limited to: e-mailing, including forwarding; linking, including providing a link or hyperlink to a candidate's, authorized committee's or party 16 committee's website; distributing banner messages; blogging; and hosting an Internet 17 18 site. 19 (c) Computer equipment and services. "Computer equipment and services" 20 within the meaning of this section shall include, but are not limited to, computers, 21 software. Internet domain names, and Internet Service Provider (ISP) services. 22

§ 100.155 Uncompensated individual or volunteer activity that is not an expenditure.

3 (a) Expenditure.

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- 4 (1) No expenditure results where an individual, acting independently or as a
- 5 volunteer, without receiving compensation, performs Internet activities using computer
- 6 equipment and services that he or she personally owns for the purpose of influencing any
- 7 Federal election, whether or not the individual's activities are known to or coordinated
- 8 with any candidate, authorized committee or party committee.
- 9 (2) No expenditure results where an individual, acting independently or as a
 10 volunteer, without receiving compensation, performs Internet activities using computer
 11 equipment and services available at any public facility for the purpose of influencing any
 12 Federal election, whether or not the individual's activities are known to or coordinated
 13 with any candidate, authorized committee or party committee. The term "public facility"
 14 within the meaning of this section shall include, but is not limited to, public libraries,
 15 public schools, community centers, and Internet cases.
 - (3) No expenditure results where an individual acting independently or as a volunteer, without receiving compensation, performs Internet activities using computer equipment and services in his or her residential premises for the purpose of influencing any Federal election, whether or not the individual's activities are known to or coordinated with any candidate, authorized committee or party committee.

22 (b) *Internet activities*. "Internet activities" within the meaning of this section shall include, but are not limited to: e-mailing, including forwarding; linking, including

2	committee's website; distributing banner messages; blogging; and hosting an Internet
3	site.
4	
5	(c) Computer equipment and services. "Computer equipment and services"
6	within the meaning of this section shall include, but are not limited to, computers,
7	software, Internet domain names, and Internet Service Provider (ISP) services.
8	
9	PART 114 – CORPORATE AND LABOR ORGANIZATION ACTIVITY
10	§ 114.9 Use of corporate or labor organization facilities and means of
1 1	transportation.
12	(a) Use of corporate facilities for individual volunteer activity by stockholders and
13	employees. (1) Stockholders and employees of the corporation may, subject to the rules
14	and practices of the corporation, make occasional, isolated, or incidental use of the
15	facilities of a corporation for individual volunteer activities in connection with a Federal
16	election and will be required to reimburse the corporation only to the extent that the
17	overhead or operating costs of the corporation are increased. The facilities of a
18	corporation within the meaning of this subsection include computers, software, and other
19	Internet equipment and services. As used in this paragraph, occasional, isolated, or
20	incidental use generally means
21	* * * *
22	(b) Use of labor organization facilities for individual volunteer activity by officials,
23	members, and employees. (1) The officials, members, and employees of a labor

providing a link or hyperlink to a candidate's, authorized committee's or party

organization may, subject to the rules and practices of the labor organization, make 1 2 occasional, isolated, or incidental use of the facilities of a labor organization for individual volunteer activities in connection with a Federal election and will be required 3 to reimburse the labor organization only to the extent that the overhead or operating costs 4 of the organization are increased. The facilities of a labor organization within the 5 meaning of this subsection include computers, software, and other Internet equipment 6 and services. As used in this paragraph, occasional, isolated, or incidental use generally 7 8 means... 9 10 PART 110 - CONTRIBUTION AND EXPENDITURE LIMITATIONS AND 11 12 **PROHIBITIONS** 8. The authority citation for part 110 would continue to read as follows: 13 Authority: 2 U.S.C. 431(8), 431(9), 432(c)(2), 437d, 438(a)(8), 441a, 441b, 441d, 441e, 14 441f, 441g, 441h, and 36 U.S.C. 510. 15 9. Section 110.11 would be amended by revising the first sentence of the 16 introductory text in paragraph (a) to read as follows: 17 § 110.11 Communications; advertising; disclaimers (2 U.S.C. 441d). 18 (a) Scope. Public communications are those defined by 11 CFR 100.26. For the 19 purposes of this section, Public Communications will also include 500 unsolicited 20

committees available to the general public; and electioneering communications as defined

substantially similar electronic mail communications; Internet websites of political

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in 11 CFR 100.29. "Unsolicited" e-mail shall be defined as those e-mail that are sent to electronic mail addresses purchased from a third party Scott E. Thomas Chairman Federal Election Commission DATED: BILLING CODE: 6715-01-U