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Please respond to
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To spw2@fec.gov

cc

bcc

Subject Comment on Proposed Regulations on State and Local Party
Wage Payments

September 29, 2005

Ms. Mai T. Dinh
Assistant General Counsel
Federal Election Commission
999 E Street NW
Washington DC 20463

via e-mail to: spw2@fec.gov

Dear Ms. Dinh:

This note is in response to the Commission's request for comments on State, District, and Local Party Committee Payment of Certain Salaries and Wages (round 2).

We share the view of others who have asked the Commission to leave the regulations as they currently exist. The suggestion that complex manipulation of assignments for party employees will be used to circumvent core BCRA principles is not grounded in reality.

However, if the Commission is intent on changing these regulations, by far the best approach is to treat salaries and wages, and associated taxes and fringe benefits, as administrative expenses using already established allocation ratios and procedures. This would not require us to incorporate yet another procedure into our payroll and payables processes, as would the other proposed alternatives. Because there are already procedures in place for disbursing funds from the federal account and reimbursing appropriate amounts from the non-federal account, during well-defined time windows, it would be possible to generate paychecks on payday, and then make the appropriate funds transfers later, when all relevant facts are known about what type of funds must be used based on employee activities. The alternatives require either an additional allocation procedure, on top of the one already in place, or some unwieldy procedure of paying each employee with one or two different checks for a single pay period, depending on the contents of their activity logs. Furthermore, there are practical difficulties in paying fringe benefits or taxes out of more than one bank account, due to restrictions from payment processing entities or, for electronic tax payments, the IRS. These problems do not arise under the current system for allocating administrative expenses.

We strongly object to a required fixed allocation of 25% for those employees who do not meet the threshold for 100% federal funding. Such a scheme would introduce yet another step into an already complex process, and require additional rules for determining how to manage payroll operations, over and above what is already required for administrative expense allocation.

The proposal to allow allocation of federal and non-federal funds towards compensation costs based on logs of actual time spent, if an

option and not a requirement, is not objectionable to us; it is hard to envision any circumstance under which such an impractical approach would be used by our party organization, however.

Very truly yours,

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