



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

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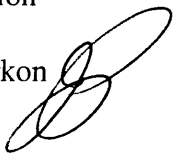
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**AGENDA ITEM**  
For Meeting of: 10-21-04


**SUBMITTED LATE**


MEMORANDUM


TO: The Commission


THROUGH: James A. Pehrkon   
Staff Director

FROM: Lawrence H. Norton   
General Counsel

Rosemary C. Smith   
Associate General Counsel

Brad C. Deutsch   
Assistant General Counsel

Jonathan Levin   
Senior Attorney

Ron Katwan   
Attorney

Subject: Draft AO 2004-37

Attached is a proposed draft of the subject advisory opinion. We request that this draft be placed on the agenda for October 21, 2004.

Attachment

1 ADVISORY OPINION 2004-37

2  
3 Joseph M. Birkenstock, Esq.

4 Smith Kaufman LLP

5 777 S. Figueroa Street

6 Suite 4050

7 Los Angeles, CA 90017-5864

8  
9 Dear Mr. Birkenstock:

**BLUE DRAFT**

10 This responds to your letters dated September 27 and October 7, 2004, on behalf of (1)  
11 Representative Maxine Waters, (2) Citizens for Waters (the “Waters Committee”), which is  
12 Representative Waters’ principal campaign committee, and (3) People Helping People (“PHP”),  
13 which is Representative Waters’ “leadership PAC” and is a multicandidate committee, requesting  
14 an advisory opinion concerning the application of the Federal Election Campaign Act of 1971, as  
15 amended (the “Act”), and Commission regulations to the production and distribution by either  
16 committee of a brochure<sup>1</sup> listing and expressly advocating the election of certain Federal and  
17 non-Federal candidates.

18 Your request raises two principal issues. The first is whether the proposed brochure  
19 would constitute support of, or be an in-kind contribution to, the authorized committees of the  
20 Federal candidates listed in the brochure, where each Federal candidate listed in the brochure will  
21 reimburse whichever committee produces and distributes the brochure for the full costs  
22 attributable to that candidate. The second issue is whether reimbursements by the Federal  
23 candidates constitute support of, or would be contributions to, the Waters Committee or PHP,  
24 subject to the Act’s applicable contribution limits.

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<sup>1</sup> Although you describe the document you plan to produce as a “sample ballot,” because certain candidates will be featured more prominently than others and because the document will include brief commentary by Representative Waters about the candidates listed, the document is not simply a sample ballot. Accordingly, this advisory opinion will refer to the document as a “brochure.”

1           The Commission concludes that the proposed brochure would not constitute support of,  
2 or be an in-kind contribution to, the Federal candidates listed in the brochure, provided that the  
3 Federal candidates provide reimbursements in the appropriate amount in a timely manner. The  
4 Commission also concludes that reimbursements by the Federal candidates for their attributable  
5 portion of the costs would not constitute support of, or be contributions to, the Waters  
6 Committee or PHP. Additionally, this advisory opinion discusses how the Waters Committee or  
7 PHP should determine the cost attributable to each candidate and should report both the initial  
8 payments for production and distribution of the brochure and the reimbursements by the Federal  
9 candidates. Finally, this advisory opinion sets forth the disclaimer requirements for the proposed  
10 brochure.

11    ***Background***

12           Representative Waters is the U.S. Representative from the 35<sup>th</sup> Congressional District of  
13 California and a candidate for re-election to that office in the November 2, 2004, general  
14 election. You state that, through either the Waters Committee or PHP, Representative Waters  
15 intends to produce and distribute a brochure that will expressly advocate the election of clearly  
16 identified Federal and non-Federal candidates in the November 2, 2004, general election. The  
17 brochure will be distributed by U.S. Mail.

18           The brochure will feature a prominent picture or likeness of Representative Waters on the  
19 front page. It will be promoted as Representative Waters' "official sample ballot" and will  
20 contain brief quotes, which convey her opinions and endorsements of the Federal and non-  
21 Federal candidates listed.

22           You anticipate that the brochure will include Presidential candidate Senator John Kerry,  
23 Vice-Presidential candidate Senator John Edwards, U.S. Senator Barbara Boxer, U.S.

1 Representatives Juanita Millender-McDonald and Diane Watson, perhaps other U.S. House  
2 candidates, and candidates for various non-Federal offices. You represent that Federal candidates  
3 will be included in the brochure only if their principal campaign committees reimburse for the  
4 full production and distribution costs of the brochure attributable to them.

5 You state that candidates will be given space and prominence in the brochure in rough  
6 proportion to their prominence on the Democratic ticket. Senators Kerry and Edwards will be  
7 portrayed very prominently, statewide candidates and U.S. House candidates less so, and local  
8 candidates generally will only be listed on a ballot line resembling an actual voting ballot. The  
9 listings of the candidates will be accompanied by endorsements of varying lengths. All  
10 endorsements will be printed in Representative Waters' handwriting.

11 You indicate that several different versions of the brochure will be produced and  
12 distributed in order to reflect accurately the actual ballot within the recipient's voting precinct.  
13 Accordingly, any candidate other than Representative Waters will only be included in brochures  
14 that are mailed to precincts where he or she is on the actual ballot on November 2, 2004. More  
15 than 500 pieces of each version of the brochure will be mailed and the total distribution of all  
16 versions will be approximately 200,000 pieces.

17 Finally, you state that you are not requesting the Commission's opinion regarding the  
18 application of the Act and Commission regulations to any arrangements with, or payments by,  
19 non-Federal candidates or their committees, but instead you limit your advisory opinion request  
20 to the arrangements with, and payments by, any Federal candidates who will be included in the  
21 proposed brochure.

1 ***Legal Analysis and Conclusions***

2 1. *Would the proposed brochure constitute support of, or be an in-kind contribution to,*  
3 *the authorized committees of the Federal candidates listed in the proposed brochure*  
4 *where all Federal candidates listed in the brochure will reimburse the Waters*  
5 *committee or PHP for their attributable portion of the brochure's production and*  
6 *distribution costs?*

7 Depending on which committee pays for the production and distribution of the proposed  
8 brochure, your request implicates two separate sections of the Act and Commission regulations.  
9 First, if the Waters Committee pays for the production and distribution of the proposed brochure  
10 it would implicate the limits that the Act and Commission regulations place on the *support* that a  
11 principal campaign committee or authorized committee of a Federal candidate may provide to  
12 other Federal candidates or their committees. *See* 2 U.S.C. 432(e)(3)(A) and (B); 11 CFR  
13 102.12(c)(1) and (2); 11 CFR 102.13(c)(1) and (2). Second, if PHP (which has only a Federal  
14 account) pays for the brochure, it would implicate the limits that the Act and Commission  
15 regulations place on *contributions* to candidates by multicandidate committees. *See* U.S.C.  
16 441a(a)(2)(A) and 110.2(b)(1). Both the limits on support by principal campaign committees and  
17 the contributions limits on multicandidate committees would be triggered if the proposed  
18 brochure were an in-kind contribution to the Federal candidates listed in the brochure. The  
19 brochure would be an in-kind contribution if it were a coordinated communication under 2  
20 U.S.C. 441a(a)(7)(B)(i) and 11 CFR 109.21.

21 The Act defines as an in-kind contribution an expenditure made by any person "in  
22 cooperation, consultation, or concert, with, or at the request or suggestion of, a candidate, his  
23 authorized political committees, or their agents." 2 U.S.C. 441a(a)(7)(B)(i). The Commission's

1 "coordinated communication" regulation at 11 CFR 109.21 specifies that a payment for a  
2 communication is made for the purpose of influencing a Federal election, and is an in-kind  
3 contribution to the candidate or authorized committee with whom or which it is coordinated if it  
4 satisfies the following three-pronged test: (1) the communication must be paid for by a person  
5 other than the Federal candidate or authorized committee in question; (2) one or more of the four  
6 content standards set forth in 11 CFR 109.21(c) must be satisfied; and (3) one or more of the six  
7 conduct standards set forth in 11 CFR 109.21(d) must be satisfied. *See* 11 CFR 109.21(a), (b)(1).

8 In the present case, because you represent that each Federal candidate will be included in  
9 the brochure only if he or she reimburses the Waters Committee or PHP for the full production  
10 and distribution costs attributed to him or her, the proposed brochure would not satisfy the  
11 payment prong of the coordinated communication test. Accordingly, the Commission determines  
12 that the payments by either the Waters Committee or PHP for the brochure would not constitute  
13 support of, or in-kind contributions to, any Federal candidate appearing in the brochure, so long  
14 as the authorized committee of that Federal candidate reimburses the Waters Committee or PHP  
15 within a reasonable period of time. *See* Advisory Opinions 2004-1 (concluding that  
16 communications produced and distributed by one candidate's authorized committee and  
17 coordinated with a second candidate's authorized committee would not result in an in-kind  
18 contribution to the second authorized committee so long as the second committee reimbursed the  
19 first committee for the attributed portion of the coordinated communications) and 2004-29  
20 (reaching a similar conclusion with respect to a coordinated communication by a State ballot  
21 committee and the authorized committee of a Federal candidate). Thus, because the proposed  
22 brochure would not be an in-kind contribution to any of the Federal candidates listed in it, the

1 production and distribution of the brochure would not be subject to the limits of either 2 U.S.C.  
2 432(e)(3) or 441a(a)(2)(A).

3 You represent in your October 7 letter that “federal candidates who do not pay a  
4 proportionate share of the expenses of the ballot under 11 C.F.R. § 106.1 will not be included in  
5 the ballot.” The Commission assumes that if PHP produces and distributes the sample ballot, the  
6 Waters Committee, like the authorized committees of all the other Federal candidates listed, will  
7 reimburse PHP for the full costs attributable to Representative Waters.

8 2. *Would reimbursements by the authorized committees of the Federal candidates listed*  
9 *in the brochure constitute support of, or be contributions to, the Waters Committee or*  
10 *PHP and thus be subject to the Act’s applicable contribution limits?*

11 This question implicates the same sections of the Act and Commission regulations as  
12 your first question. The Commission concludes that reimbursements by the authorized  
13 committees of the Federal candidates listed in the brochure in amounts equal to the attributable  
14 costs associated with each candidate’s listing would not constitute support of the Waters  
15 Committee or contributions to PHP because, in this situation, mere reimbursement of the costs  
16 associated with the production and distribution of the proposed brochure within a reasonable  
17 period of time would not constitute “anything of value” to the Waters Committee or PHP under 2  
18 U.S.C. 431(8)(A)(i) and 11 CFR 100.52. *See* Advisory Opinion 2004-1. Therefore, such  
19 reimbursements would not be subject to the Act’s limits at 2 U.S.C. 432(e)(3) and 441a(a)(2)(A).  
20 To the extent that any reimbursement by a candidate’s authorized committee exceeds the costs  
21 attributed to that candidate, such excess reimbursement would constitute a contribution either to  
22 the Waters Committee or PHP and would be subject to the Act’s applicable contribution limit.  
23 *See* 2 U.S.C. 432(e)(3)(B); 2 U.S.C. 441a(a)(1)(C); 11 CFR 102.12(c)(2); 11 CFR 110.1(d).

1           3. *How should the Waters Committee or PHP calculate the amount of the brochure's*  
2           *production and distribution costs attributable to each candidate listed in the*  
3           *brochure?*

4           Commission regulations provide for the attribution of the expenses of a communication  
5           that is for the purpose of influencing the election of more than one candidate. Under 11 CFR  
6           106.1, expenditures made on behalf of more than one clearly identified Federal candidate shall be  
7           attributed to each such candidate according to the benefit reasonably expected to be derived. In  
8           the case of a publication such as the proposed brochure, the attribution shall be determined by the  
9           proportion of space devoted to each candidate as compared to the total space devoted to all  
10          candidates. 11 CFR 106.1(a)(1). The regulation makes clear that this attribution method also  
11          applies to payments involving both expenditures on behalf of one or more clearly identified  
12          Federal candidates and disbursements on behalf of one or more clearly identified non-Federal  
13          candidates. 11 CFR 106.1(a). Thus, attribution is determined by the proportion of space devoted  
14          to each candidate, as compared to the total space devoted to all candidates, whether Federal or  
15          non-Federal.

16          Because, as you indicate, your proposed brochure will feature a prominent picture or  
17          likeness of Representative Waters, will be promoted as her official "sample ballot," and will  
18          expressly advocate the election of each of the other identified candidates, the Commission  
19          concludes that the costs of a particular version of the brochure must be attributed to each Federal  
20          or non-Federal candidate, including Representative Waters, according to the space devoted to  
21          such candidate in proportion to the space devoted to all candidates. Given that different versions  
22          of the brochure will be distributed, and not every candidate will appear in all versions, the



1 calculation of the costs attributable to a particular Federal or non-Federal candidate must also  
2 take into account the varying shares and costs attributable to each version of the brochure.

3 *4. How should the Waters Committee or PHP report (a) the initial payments for the*  
4 *production and distribution of the brochure and (b) the reimbursements by the*  
5 *candidates listed in the brochure for their attributed portion of these costs?*

6 The Waters Committee (on FEC Form 3) or PHP (on FEC Form 3X) must report all the  
7 production and distribution costs of the proposed brochure as operating expenditures and,  
8 likewise, report reimbursements by each authorized committee of the individual candidates listed  
9 in the brochure as offsets to operating expenditures. 2 U.S.C. 434(b)(2)(I) and (4)(A); 11 CFR  
10 104.3(a)(2)(vii) and (3)(ix); 11 CFR 104.3(b)(1)(i) and (2)(i). Assuming that the costs  
11 attributable to each candidate will exceed \$500, either the Waters Committee or PHP must  
12 disclose the costs attributable to each of the candidates as a debt owed to it on Schedule D of the  
13 30-Day Post General Election Report and future reports, unless a candidate's complete  
14 reimbursement occurs on or before November 22, 2004, the closing date of the Post General  
15 Election Report.<sup>2</sup> 2 U.S.C. 434(b)(8); 11 CFR 104.11(a) and (b).

16 With the itemized entries under "operating expenditures," the Waters Committee or PHP  
17 should include a notation stating: "Exp. for mailing - see AO 2004-37." For each of the entries  
18 under "offsets to operating expenditures," the notation should read: "Reimb. for mailing - see AO  
19 2004-37." Moreover, any related entries on Schedule D should state "For mailing - see AO  
20 2004-37."

21 *5. What are the disclaimer requirements for the proposed brochure?*

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<sup>2</sup> The debt will no longer have to be disclosed after the report covering the period in which the debt is completely extinguished.

1           Because more than 500 pieces of each version of the proposed brochure will be  
2 distributed by U.S. Mail, each version of the brochure will be a “mass mailing”<sup>3</sup> and therefore  
3 will constitute a public communication.<sup>4</sup> Under the Act and Commission regulations, public  
4 communications that are paid for by candidates, or their authorized committees or agents of  
5 either, must also include a disclaimer that clearly states that the communication has been paid for  
6 by the authorized political committee. 2 U.S.C. 441d(a); 11 CFR 110.11(a)(1) and (b)(1).  
7 Accordingly, the proposed brochure must include a disclaimer stating that the brochure has been  
8 paid for by the authorized committees of each Federal candidate appearing in the brochure. The  
9 Commission has previously allowed for some flexibility in listing candidate names in a  
10 disclaimer notice. *See* Advisory Opinion 1994-13 and MUR 2216. In this case, the Commission  
11 determines that, instead of listing each Federal candidate’s committee in the disclaimer, the  
12 Waters Committee or PHP would also satisfy the Act’s disclaimer requirements by marking each  
13 paying candidate with an asterisk and including a statement on the mailing declaring that the  
14 brochure was “paid for by the authorized committees of the candidates marked with an asterisk.”

15           This response constitutes an advisory opinion concerning the application of the Act and  
16 Commission regulations to the specific transaction or activity set forth in your request. *See* 2  
17 U.S.C. 437f. The Commission emphasizes that, if there is a change in any of the facts or  
18 assumptions presented, and such facts or assumptions are material to a conclusion presented in

19 \_\_\_\_\_  
<sup>3</sup> A “mass mailing” is defined at 11 CFR 100.27 as “a mailing by United States mail or facsimile of more than 500 pieces of mail matter of an identical or substantially similar nature within any 30-day period . . . .”

<sup>4</sup> “Public communication” is defined in 2 U.S.C. 431(22) and 11 CFR 100.26 as “a communication by means of any 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.”

1 this advisory opinion, then the requestor may not rely on that conclusion as support for its  
2 proposed activity.

3  
4 Sincerely,

5  
6  
7  
8 Bradley A. Smith  
9 Chairman

10 Enclosures (AOs 2004-29, 2004-1 and 1994-13)