

AGENDA DOCUMENT NO. 11-16



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

FEDERAL ELECTION COMMISSION
SECRETARIAT

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March 11, 2011

MEMORANDUM

AGENDA ITEM

TO: The Commission

THROUGH: D. Alec Palmer, Acting Staff Director *AP*

FROM: J. Duane Pugh, Director *JDP*
Amy E. Pike, Deputy Director *AEP*
Congressional, Legislative and Intergovernmental Affairs

SUBJECT: Draft Legislative Recommendations 2011

For Meeting of 3-16-11

SUBMITTED LATE

Attached for your approval are four draft Legislative Recommendations. All six Commissioners supported the inclusion of each of these proposals in the Commission's Legislative Recommendations for 2011. The recommendations are:

- Electronic Filing of Senate Reports
- Fraudulent Misrepresentation of Campaign Authority
- Conversion of Campaign Funds
- Pay Levels for the Staff Director and General Counsel

Once the Commission has approved the draft Legislative Recommendations, we will prepare transmittal letters to the President and Congress for the Chairman's signature.

Attachment

Electronic Filing of Senate Reports

Sections: 2 U.S.C. §§ 432(g) and 434(a)(11)

Recommendation: Congress should require electronic filing for all Senate candidates and their authorized committees (and for those persons and political committees filing designations, statements, reports or notifications pertaining only to Senate elections) if they have, or have reason to expect to have, aggregate contributions or expenditures in excess of the threshold amount determined by the Commission.

Explanation: The Treasury and General Government Appropriations Act, 2000, Public Law 106-58, § 639, 113 Stat. 430, 476 (1999), required that the Commission make electronic filing mandatory for political committees and other persons required to file with the Commission who, in a calendar year, have, or have reason to expect to have, total contributions or total expenditures exceeding a threshold amount set by the Commission (which is currently \$50,000). However, because Senate candidates file with the Secretary of the Senate, the mandatory electronic filing provisions do not apply to Senate candidates and their committees. The Commission notes that legislation has been introduced again in the 112th Congress to mandate electronic filing by Senate campaigns. *See* Senate Campaign Disclosure Parity Act, S. 219, 112th Cong. (2011).

Compared to data from paper reports, data from electronically filed reports is received, processed and disseminated more easily and efficiently, resulting in better use of resources. In fact, the Commission estimates at least \$430,000 per year in costs directly attributable to current Senate filing procedures would be saved by requiring electronic filing. In addition to these savings for the Commission, the Secretary of the Senate would also realize savings, and committees that file reports could substantially reduce their processing costs. Reports that are filed electronically are normally available, and may be downloaded, within minutes. In contrast, the time between the receipt of a report filed through the paper filing system and its appearance on the Commission's web site is 48 hours. Moreover, a Senate campaign filing often consists of thousands of pages, and data from the filings themselves take up to 30 days to be integrated into the Commission's searchable databases. If such reports were electronically filed, the data could be integrated within a few days.

Electronic filing (by means other than mailing a diskette) is not affected by disruptions in the delivery of mail, such as those arising from security measures put in place after the discovery of anthrax powder and ricin in mail in 2001 and 2004. Because of these security measures, the Commission's receipt of mailed paper filings by Senate campaigns is delayed. In contrast, electronic filings are not subject to these delays.

Legislative Language:

S. 219 provides legislative language for this Legislative Recommendation.

Fraudulent Misrepresentation of Campaign Authority

Section: 2 U.S.C. § 441h

Recommendation: Congress should revise the prohibitions on fraudulent misrepresentation of campaign authority to encompass all persons purporting to act on behalf of candidates and real or fictitious political committees and political organizations. In addition, Congress should remove the requirement that the fraudulent misrepresentation must pertain to a matter that is “damaging” to another candidate or political party.

Explanation: The Federal Election Campaign Act of 1971, Public Law 92-225, 86 Stat. 3 (1972), as amended (“FECA”), prohibits a Federal candidate or his or her agents or employees from fraudulent misrepresentation such as speaking, writing or otherwise acting on behalf of a candidate or political party committee on a “matter which is damaging to such other candidate or political party” or an employee or agent of either. *See* 2 U.S.C. § 441h(a). The Commission recommends that this prohibition be extended to any person who would disrupt a campaign by such unlawful means, rather than being limited to candidates and their agents and employees. Proving damages as a threshold matter is often difficult and unnecessarily impedes the Commission’s ability to pursue persons who employ fraud and deceit to undermine campaigns. Fraudulent solicitations of funds on behalf of a candidate or political party committee have been prohibited without any required showing of damage to the misrepresented candidate or political party committee. *See* Bipartisan Campaign Reform Act of 2002, § 309, Public Law 107-155, 116 Stat. 81, 104 (2002), *codified at* 2 U.S.C. § 441h(b).

In addition, while both subsections (a) and (b) of 2 U.S.C. § 441h directly address fraudulent actions “on behalf of any other candidate or political party,” they do not address situations where a person falsely claims to represent another type of political committee or claims to be acting on behalf of a fictitious political organization, rather than an actual political party or a candidate. For example, the current statute does not bar fraudulent misrepresentation or solicitation on behalf of a corporate or union separate segregated fund or a non-connected political committee.

Legislative Language:

Section 322 of the Federal Election Campaign Act of 1971 (2 U.S.C. § 441h) is amended:

- (1) in subsection (a), by striking “who is a candidate for Federal office or an employee or agent of such a candidate”;
- (2) in paragraph (a)(1), by striking “candidate or political party or employee or agent thereof on a matter which is damaging to such other candidate or political party or employee or agent thereof” and inserting “candidate, political party, other real or fictitious political committee or organization, or employee or agent of any of the foregoing,”; and

- (3) in paragraph (b)(1), by striking “candidate or political party or employee or agent thereof” and inserting “candidate, political party, other real or fictitious political committee or organization, or employee or agent of any of the foregoing,”.

Conversion of Campaign Funds

Section: 2 U.S.C. § 439a

Recommendation: Congress should amend FECA's prohibition of the personal use of campaign funds to extend its reach to all political committees.

Explanation: In 2007, the Department of Justice noted, “[r]ecent years have seen a dramatic rise in the number of cases in which candidates and campaign fiduciaries steal money that has been contributed to a candidate or political committee for the purpose of electing the candidate or the candidates supported by the political committee.” See U.S. Department of Justice, *Federal Prosecution of Election Offenses*, 194-95 (7th ed. May 2007). In fact, the Commission has seen a substantial number of instances where individuals with access to the funds received by political committees have used such funds to make unauthorized disbursements to pay for their own personal expenses.

FECA makes it illegal for an individual to use contributions accepted by a candidate or a candidate's committee for his or her own personal use, *i.e.* to fulfill any commitment, obligation, or expense that would exist irrespective of the candidate's election campaign or duties as a holder of Federal office. See 2 U.S.C. § 439a(b). However, no corresponding provision covers individuals who convert contributions received by party committees, separate segregated funds, leadership PACs, and other political committees to their own personal use, including through theft or embezzlement. While other provisions of FECA are sometimes available to address these types of unauthorized disbursements, sometimes they are not.

The Commission proposes to revise 2 U.S.C. § 439a(b) to address this growing problem by prohibiting the use by any person of any political committee's receipts for expenses that would exist irrespective of the political committee's political activities. Political activities would include activities in connection with a Federal election, as well as activities in furtherance of a political committee's policy or educational objectives and other legitimate committee functions. Such an amendment would provide for coherent and consistent application of FECA.

Legislative Language:

Section 313 of the Federal Election Campaign Act (2 U.S.C. § 439a) is amended:

- (1) in paragraph (b)(1), by inserting “or a receipt of any other political committee” after “subsection (a)”;
- (2) in paragraph (b)(2), by striking “contribution or donation” and replacing with “contribution, donation, or receipt”;

- (3) in paragraph (b)(2), by striking “campaign or individual’s duties as a holder of Federal office,” and inserting “campaign, individual’s duties as a holder of Federal office, or political committee’s political activities,”.

Pay Levels for the Staff Director and General Counsel

Section: 2 U.S.C. § 437c(f)(1)

Recommendation: Congress should revise section 310 of the Federal Election Campaign Act to delink the salaries of the Staff Director and the General Counsel from Level IV and Level V of the Executive Schedule.

Explanation: The Commission believes that the statutory change is needed to bring the Commission's personnel structure in line with that of other comparable federal agencies. This would ensure that the Commission is able to compete with other government agencies and the private sector in recruiting and retaining key management personnel. These changes would also enable the Commission, like other agencies, to move to merit-based pay systems for top executives.

The current provision in FECA specifies that the Staff Director and General Counsel are to be paid at Level IV and Level V of the Executive Schedule, respectively. Both positions supervise personnel at the GS-15 and Senior Level pay scales, which often provide higher salaries than Levels IV and V of the Executive Schedule. The Staff Director and General Counsel have significant responsibilities and oversight duties with respect to both administrative and legal areas, as well as management over almost all agency personnel. According to recruiting specialists working with the Commission, the current limit makes attracting a strong pool of applicants to these positions more challenging. The appointment and retention of these key leaders has been identified as an ongoing challenge to the Commission by the Inspector General in recent Performance and Accountability Reports.

The Commission proposes to remove the statutory references to the Executive Schedule so that the Staff Director and General Counsel would be compensated under the same schedule as the Commission's other senior managers in Senior Level positions. This revision will address the current situation where the Commission's top managers are compensated at a lower rate than many of their direct reports, and will ensure that the Commission can retain highly qualified individuals to serve in those positions as well as enable it to remain competitive in the marketplace for Federal executives when a vacancy arises. This change will not require an increase in the Commission's appropriation request.

Legislative Language:

Section 310(f)(1) of the Federal Election Campaign Act of 1971 (2 U.S.C. §437c(f)(1)) is amended by striking the second and third sentences.