



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

December 29, 2010

KATHERINE MORET, TREASURER
DEMOCRATIC STATE CENTRAL COMMITTEE
OF CA - FEDERAL
1401 21ST STREET SUITE 200
SACRAMENTO, CA 95811-5221

Response Due Date
02/02/2011

IDENTIFICATION NUMBER: C00105668

REFERENCE: MAY MONTHLY REPORT (04/01/2010 - 04/30/2010)

Dear Treasurer:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **Failure to adequately respond by the response date noted above could result in an audit or enforcement action.**

Additional information is needed for the following **8** item(s):

1. The totals listed on Lines 11(a)(i), 11(a)(ii), 21(a)(i), 21(a)(ii), 21(b), 21(c), 23 and 32, Column B of the Detailed Summary Page(s) appear to be incorrect. Please be advised that you should add the "Calendar Year-to-Date" total from your previous report to the current "Total This Period" figure from Column A to derive the correct Column B totals. Please amend your report and any subsequent reports that may be affected by this correction.
2. Schedule A supporting Line 12 discloses a transfer(s)-in from "Democratic National Committee." Schedule H6 supporting Line 30(a) reflects payments for Federal Election Activity. Please be advised that under 11 CFR §300.34, a State, district or local party committee must not use any Federal funds transferred to it from a national party committee or any other State, district or local party committee, as the Federal component of an expenditure or disbursement for Federal Election Activity. Furthermore, your committee must itself raise the Federal component of expenditure or disbursement allocated between Federal and Levin funds.

Please clarify whether the transfer(s)-in was used for the subsequent payments for Federal Election Activity. In addition, please clarify the procedures you are currently using to ensure that Federal funds transferred to your committee from national, State, district and local party committees are not being used for Federal Election Activity.

3. Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "advertising (website)". Please be advised that pursuant to 11 CFR §300.33(c)

DEMOCRATIC STATE CENTRAL COMMITTEE OF CA - FEDERAL

Page 2 of 4

(1), expenditures for public communications (as defined by 11 CFR §100.26) that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any such candidate for Federal office must not be allocated between or among federal and non-federal accounts. Only federal funds may be used.

Further, expenditures and disbursements for public communications that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any candidate for Federal office, meet the definition of Federal Election Activity under 11 CFR §100.24 and should be disclosed on Schedule B for Line 30(b) along with the identity of the candidate(s). However, public communications that meet the definition of Federal Election Activity and that also contain express advocacy as defined under 11 CFR §100.22, but do not meet the conditions of exempt activity, would constitute an in-kind contribution, an independent expenditure or a coordinated party expenditure and should be properly disclosed on a Schedule B, E or F supporting Lines 23, 24 or 25, as appropriate, rather than on Schedule B for Line 30(b). Please amend your report to properly disclose this activity or provide clarifying information.

If this activity was categorized incorrectly, the Commission recommends that you immediately transfer the funds received by your federal account for this activity back to the non-federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

4. Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "401-k employee contribution," "bicycle commuter benefit," "dental insurance," "employee wage garnishment," "federal payroll taxes," "finance assistant," "health insurance," "salary," "state payroll taxes" and "vision insurance". Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal Election Activity (FEA) or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

Please clarify whether this activity is for employees who spent 25% or less of their time during the month(s) referenced above on FEA or activities in

DEMOCRATIC STATE CENTRAL COMMITTEE OF CA - FEDERAL

Page 3 of 4

connection with a Federal election. If this is not the case, any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding any improper allocation activity, your prompt action will be taken into consideration.

5. Schedule H4 of your report discloses \$8,000 in payments for "fundraising services" to individuals. Please clarify whether these individuals are employees of your committee. If they are employees, please clarify whether this activity is for employees who spent 25% or less of their time during the month(s) referenced above on Federal Election Activity (FEA) or activities in connection with a Federal election. You are advised that pursuant to 11 CFR §300.33(c) (2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on FEA or activities in connection with a Federal election must not be allocated between or among federal, non-federal and Levin accounts. Rather, only federal funds may be used.

Any reimbursement from your committee's non-federal or Levin account for salary and wage payments for employees who spent more than 25% of their compensated time in a given month on FEA is not permissible and must be returned. Please provide clarification regarding these payments.

6. Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule(s) H4 of your report to clarify the following description(s): "fundraising services" (paid to an individual). For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

7. Your report disclosed certain categories of financial activity that have been reflected on the wrong lines of the Detailed Summary Page. Transfers from affiliated and other party committees as well as contributions from other political committees, including federal candidates, should be properly disclosed on a separate Schedule(s) A, supporting Line(s) 12 and 11(c), respectively, of the Detailed Summary Page. Please refer to the instructions for each line when determining the proper categorization(s) for your next filing.

8. Schedule H4 discloses "expense offset: Bob Mulholland" paid to Blue Shield of California and "expense offset: Clarice Liu" paid to Arthur Levy. If these offsets represent payments from Bob Mulholland and Clarice Liu that correspond to disbursements made to Blue Shield of California and Arthur Levy, please amend your report to disclose the name of the person from whom your committee actually received funds. You should indicate the source of the original payment in the purpose field of that entry. Please clarify the source of these offsets.

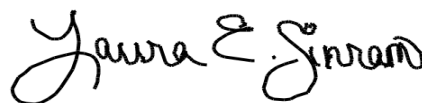
DEMOCRATIC STATE CENTRAL COMMITTEE OF CA - FEDERAL

Page 4 of 4

Please note, you will not receive an additional notice from the Commission on this matter. Adequate responses must be received by the Commission on or before the due date noted above to be taken into consideration in determining whether audit action will be initiated. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action. **Requests for extensions of time in which to respond will not be considered.**

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1157.

Sincerely,

A handwritten signature in black ink that reads "Laura E. Sinram". The signature is written in a cursive style with a large initial "L" and a distinct "E" before the last name.

Laura Sinram
Senior Campaign Finance Analyst
Reports Analysis Division