



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 19, 2003

RQ-2

Patricia Blevins, Treasurer
Democratic State Committee Delaware
P.O. Box 2065
Wilmington, DE 19899

**Response Due Date:
December 19, 2003**

Identification Number: C00211763

Reference: Mid-Year Report (1/01/03-6/30/03)

Dear Ms. Blevins:

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. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-The beginning cash balance of this report should equal the ending balance of your 2002 Amended Year End Report, received 5/21/03. Please clarify this discrepancy and amend any subsequent report(s) that may be affected by this correction.

-Your report does not disclose any payments for salary or wages on Schedule B supporting Line 30(b) of the Detailed Summary Page. 11 CFR §100.24 defines as Federal Election Activity, services provided by an employee of a State, district or local party committee who spends more than 25 percent of their time during that month on activities in connection with a Federal election. You are advised that payments for salaries and wages for employees who spend more than 25 percent of their compensated time in a given month on Federal Election Activity or activities in connection with a Federal election must be made with Federal funds only. Please provide clarification regarding the lack of payments for salary and wages disclosed by your committee.

-On Schedule H4, your allocated activity or event year-to-date total calculations for the Administrative category are incorrect. Allocated activity or event year-to-date totals for administrative, voter drive and

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exempt activity costs are derived by aggregating all disbursements during the calendar year for each separate category. Allocated activity or event year-to-date totals for fundraising and direct candidate support activities are derived by aggregating all disbursements during the calendar year within a specific event. These should be calculated by adding the latest disbursement for a category or event to the previous event year-to-date total for that category or event. This running event year-to-date total should be disclosed after each disbursement is listed. Please amend your report by providing the correct event year-to-date totals.

-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): "generic party activity." For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

-Schedule B supporting Line 29 of your report discloses a disbursement for an apparent refund or rebate to your non-federal account for a previously allocated expense. Please be advised the refund or rebate must be allocated between the federal and non-federal accounts according to the same allocation ratio used to allocate the original disbursement. Furthermore, the federal account must transfer the non-federal portion to the non-federal account using one of two methods.

The method of reporting described in Advisory Opinion 1995-22 allows a committee to itemize the refund or rebate as a negative entry on Schedule H4. Alternatively, a committee may disclose the receipt of the refund or rebate into the federal account on Schedule A supporting Line 15, and the transfer of the non-federal account's share to the non-federal account on Schedule H4. Please refer to the enclosed sample of properly reported refunds and rebates of allocable activity and amend your report as appropriate.

-Schedule B supporting Line 29 discloses \$5,336 in transfers to what appears to be a non-federal account of your committee. Please provide further clarification regarding this transfer to your non-federal account.

You are advised that 11 CFR §102.5 prohibits a non-federal account from financing activity in connection with federal elections. If any of the disbursements disclosed on Schedule B supporting Line 29 were made to influence the election or defeat of specific federal candidates, the

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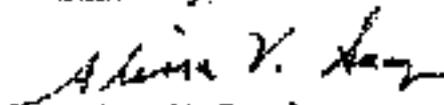
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disbursements should be allocated accordingly and disclosed as either in-kind contributions on Schedule B supporting Line 23, independent expenditures on Schedule E supporting Line 24, or as coordinated expenditures on Schedule F supporting Line 25. 11 CFR §§104.3(b)(3) and 106.1 In addition, if your non-federal account has paid any expenditures which should have been allocated, you are advised to correct any non-compliance with 11 CFR §106.5 and 106.6 and establish procedures to insure future compliance with allocation regulations.

Unlike previous election cycles, you will not receive an additional notice from the Commission on this matter. Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee. 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.

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 1, then press 2 to reach the Reports Analysis Division) or my local number (202) 694-1153.

Sincerely,



Alissa V. Sagri
Campaign Finance Analyst
Reports Analysis Division

10. Refunds and Rebates of Allocable Expenses

If a committee receives a refund or a rebate of an allocable expense, the refund or rebate must be deposited in the federal or nonfederal account. The refund or rebate must then be allocated between the federal and nonfederal accounts according to the same allocation ratio used to allocate the original disbursement. The federal account must transfer the nonfederal portion to the nonfederal account.

Example

A committee receives a \$400 rebate on office expenditures from the State Office Store. The original disbursement for the office expenses was allocated according to the original 25 percent federal/25 percent nonfederal.

Reporting Method 1 describes how the rebate would be reported according to the method approved in *Advisory Opinion (AO) 1985-22*. Reporting Method 2 shows how the rebate would be reported under an alternative method.

Reporting Method 1

Using the method of reporting described in AO 1985-22, the committee discloses the receipt of the rebate and the federal and nonfederal shares on Schedule H4. The amounts are negative entries subtracted from total shared federal and nonfederal disbursements for the reporting period (disclosed on Lines 21a(i) and (j) of the Detailed Summary Page).

Reporting Method 2

Under the alternative method, the committee reports the receipt of the \$400 rebate under the category "Offsets to Operating Expenditures" on Line 15 of the Form 3X Detailed Summary Page. The committee uses Schedule H4 to disclose the federal and nonfederal shares of the rebate.

ALLOCATION OF REBATE (H4) (METHOD 1)

DISBURSEMENT SCHEDULE H4 (FORM 1109)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE				LINE 15 OF FORM 3X
NAME OF COMMITTEE State Party Committee						
APPLICABLE MAILING ADDRESS (P.O. BOX) State Office Store 1950 Grand Blvd. City, State ZIP	DISBURSED BY Federal	DATE 3/12/88	TOTAL AMOUNT (\$400.00)	FEDERAL SHARE (\$100.00)	NON-FEDERAL SHARE (\$300.00)	
DISTRIB. TO: <input type="checkbox"/> FEDERAL/STATE/LOCAL <input type="checkbox"/> PAYMENT <input type="checkbox"/> DEBIT						
DEBIT FROM ACCOUNT: <input type="checkbox"/> FEDERAL/STATE/LOCAL <input type="checkbox"/> PAYMENT <input type="checkbox"/> DEBIT						

This entry shows the receipt of the \$400 rebate and the federal and nonfederal allocated shares. All the amounts are in parentheses to indicate that they are negative entries, that is, the amounts are subtracted from the corresponding Schedule H4 totals (thus reducing the federal and nonfederal shares of disbursements). The year-to-date total is also reduced by the amount of the rebate.

RECEIPT OF REBATE (A/LINE 15) (METHOD 2)

SCHEDULE A TRANSFER RECEIPTS		LINE 15 OF FORM 3X
OFFSETS TO OPERATING EXPENDITURES		
All amounts listed here with Reports and Reimbursements (R4) and (R5) are to be entered for the purpose of offsetting disbursements or to correct disbursements. Enter the name, address and address of any person, committee or local organization to which the receipt is made.		
NAME OF COMMITTEE (If None)		
State Party Committee		
A. Full name, mailing address and ZIP Code State Office Store 1950 Grand Blvd. City, State ZIP	Amount of Receipt \$400.00	Amount of Donor's Share (If None) \$400.00
DISTRIB. TO: <input type="checkbox"/> FEDERAL <input type="checkbox"/> STATE <input type="checkbox"/> LOCAL		
DEBIT FROM ACCOUNT: <input type="checkbox"/> FEDERAL/STATE/LOCAL <input type="checkbox"/> PAYMENT <input type="checkbox"/> DEBIT		

The \$400 rebate is reported as a receipt under the category "offsets to operating expenditures" (Line 15 of the Form 3X Detailed Summary Page). The rebate has to be itemized on Schedule A because it exceeds \$200.

TRANSFER OF NONFEDERAL SHARE (H4) (METHOD 2)

DISBURSEMENT SCHEDULE H4 (FORM 1109)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE				LINE 15 OF FORM 3X
NAME OF COMMITTEE State Party Committee						
APPLICABLE MAILING ADDRESS (P.O. BOX) State Office Store 1950 Grand Blvd. City, State ZIP	DISBURSED BY Federal	DATE 3/12/88	TOTAL AMOUNT \$100	FEDERAL SHARE \$100	NON-FEDERAL SHARE 0	
DISTRIB. TO: <input type="checkbox"/> FEDERAL/STATE/LOCAL <input type="checkbox"/> PAYMENT <input type="checkbox"/> DEBIT						
DEBIT FROM ACCOUNT: <input type="checkbox"/> FEDERAL/STATE/LOCAL <input type="checkbox"/> PAYMENT <input type="checkbox"/> DEBIT						

Based on the 75/25 allocation ratio for administrative expenses, the federal account must return \$100 (25 percent of the rebate) to its nonfederal account. The transfer to the nonfederal account is shown on Schedule H4. The entry explains the receipt for the transfer and includes a cross-reference to the Schedule A where the rebate is itemized.

