



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

February 8, 2011

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

**Response Due Date**  
**03/15/2011**

IDENTIFICATION NUMBER: C00105668

REFERENCE: AUGUST MONTHLY REPORT (07/01/2010 - 07/31/2010)

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 12 item(s):

1. A review of the reports filed by your committee (see attached) indicates that your committee received one or more transfers from California Senate 2010 which has not been disclosed on their report(s) of receipts and disbursements. Please provide clarifying information regarding the source of the transfer(s) received by your committee.

2. Schedule B of your report (see attached) discloses one or more contributions which appear to exceed the limits set forth in the Act. 2 U.S.C. §441a(a) prohibits a committee and its affiliates from making contributions to another political committee and its affiliates in excess of \$5,000 per calendar year.

If any apparently excessive contribution in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information.

If you have made an excessive contribution, you must notify the recipient and request a refund of the amount in excess of \$5,000. The refund of the excessive amount must be made within sixty (60) days of receipt of the contribution.

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of the refund request sent to the recipient committee(s). In addition, any refunds should be disclosed on Schedule A

## DEMOCRATIC STATE CENTRAL COMMITTEE OF CA - FEDERAL

Page 2 of 5

supporting Line 16 of the report covering the period during which they are received.

Although the Commission may take further legal action regarding the excessive contribution(s), your prompt action in obtaining a refund will be taken into consideration.

**3.** The beginning cash balance of this report should equal the ending balance of your Amended July Monthly Report (6/1/10 - 6/30/10), received 7/20/10. Please clarify this discrepancy and amend any subsequent report(s) that may be affected by this correction.

**4.** The totals listed on Lines 6(c), 7, 11(a)(i), 11(a)(ii), 11(a)(iii), 11(d), 12, 15, 17, 19, 20, 21(a)(i), 21(a)(ii), 21(b), 21(c), 22, 23, 31 and 32, Column B of the Summary and 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.

**5.** Your report discloses an outstanding balance(s) beginning this period for a debt(s) owed to Call Center Services. However, an outstanding balance(s) at the close of the period was not disclosed on your Amended July Monthly Report (6/1/10 - 6/30/10), received 7/20/10. Please amend your report(s) to clarify this discrepancy.

**6.** 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," "health insurance," "health insurance reimbursement," "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 5

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.

7. Schedule H4 of your report discloses \$4,000 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.

8. 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, exempt activity costs and expenses for public communications made by PACs referencing only political parties 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.

9. 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).

## DEMOCRATIC STATE CENTRAL COMMITTEE OF CA - FEDERAL

Page 4 of 5

**10.** Schedule H4 of your report discloses reimbursements to individuals for "parking, taxi, **internet service.**" Please be advised that when itemizing reimbursements to individuals for goods or services, payment to the original vendors must be itemized as memo entries regardless of amount. Each memo entry must include the name and address of the original vendor, as well as the date, amount and purpose of the original purchase must be provided. Please amend your report to include the missing information and clearly identify on the Schedule H4, which reimbursement each memo entry relates to. 11 CFR § 104.10 and 104.17, and Advisory Opinions 1992-1 and 1996-20, footnote 3

**11.** Schedule H4 discloses "expense offset: Bob Mulholland" and "expense offset: Jane Ranlett" both paid to Blue Shield of California and "expense offset: Liu Employment Law Firm" paid to Arthur Levy. If these offsets represent payments from Bob Mulholland and Jane Ranlett that correspond to disbursements made to Blue Shield of California and from Liu Employment Law Firm that corresponds to 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.

**12.** Your report disclosed a category of financial activity that has been reflected on the wrong line of the Detailed Summary Page. Contributions to non-affiliated party committees should be properly disclosed on a separate Schedule B, supporting Line 23 of the Detailed Summary Page. Please refer to the instructions for each line when determining the proper categorization(s) for your next filing.

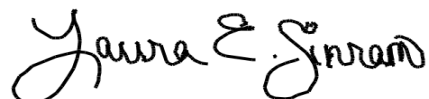
**Please note, you will not receive an additional notice from the Commission on this matter.** Adequate responses must be received by the Commission on or before the due date noted above to be taken into consideration in determining whether audit action will be initiated. Failure to comply with the provisions 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.

DEMOCRATIC STATE CENTRAL COMMITTEE OF CA - FEDERAL

Page 5 of 5

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'.

Laura Sinram  
Senior Campaign Finance Analyst  
Reports Analysis Division

221

**Excessive Contribution from a Committee:**

| <b>Contributor Name</b> | <b>Date</b> | <b>Amount</b> | <b>Report</b>       |
|-------------------------|-------------|---------------|---------------------|
| California Senate 2010  | 7/7/10      | \$4,000       | 2010 August Monthly |
| California Senate 2010  | 7/7/10      | \$4,000       | 2010 August Monthly |
| California Senate 2010  | 7/7/10      | \$200         | 2010 August Monthly |

**Excessive Contribution to a Committee:**

| <b>Recipient Name</b>                       | <b>Date</b> | <b>Amount</b> | <b>Report</b>       |
|---|-------------|---------------|---------------------|
| San Diego County Democratic Party - Federal | 7/29/10     | \$7,500       | 2010 August Monthly |