



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-3

April 1, 1999

Dennis M. Charles, Treasurer  
Indiana Democratic Congressional  
Victory Committee  
One N Capitol Avenue, Suite 200  
Indianapolis, IN 46204

Identification Number: C00108613

Reference: Amended Year End (7/1/97-12/31/97), dated 6/4/98, April Quarterly  
(1/1/98-3/31/98), Amended July Quarterly (4/16/98-6/30/98), dated  
11/23/98, October Quarterly (7/1/98-9/30/98), Amended 12 Day Pre-  
General (10/1/98-10/16/98), dated 10/22/98 and 30 Day Post-General  
(10/17/98-11/23/98) Reports

Dear Mr. Charles:

On March 3, 1999 you were notified that a review of the above-referenced report(s) raised questions as to specific contributions and/or expenditures, and the reporting of certain information required by the Federal Election Campaign Act.

The Commission is in receipt of your letter dated March 16, 1999. Please be advised that if the information requested by the Commission is not received within fifteen (15) days from the date of this notice, the Commission may choose to initiate audit or legal enforcement action.

If you should have any questions related to this matter, please contact Andrew Dodson on our toll-free number (800) 424-9530 or our local number (202) 694-1130.

Sincerely,

John D. Gibson  
Assistant Staff Director  
Reports Analysis Division



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

Dennis M. Charles, Treasurer  
Indiana Democratic Congressional Victory Committee  
One N Capitol Avenue Suite 200  
Indianapolis, IN 46204

MAR - 3 1999

Identification Number: C00108613

Reference: Amended Year End Report (7/1/97-12/31/97), dated 6/4/98 and April  
Quarterly (1/1/98-3/31/98)

Dear Mr. Charles:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule H4 of your report to clarify the following description(s): Holiday97, Idea97, JJ97, IDP OPEN 97 and CirClub97. For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

-Please be advised that if your report contains any disbursements for fundraising events or programs that have been incorrectly disclosed you should amend your report to adhere to the following reporting requirements.

1. A committee which allocates the costs of fundraising events between its federal and non-federal accounts is required to allocate the costs directly associated with a fundraising program or event according to the "funds received" method. The fundraising ratio shall be estimated prior to each fundraising event based on the committee's reasonable prediction of its federal and nonfederal revenue from that event. The estimated percentage of federal funds received to nonfederal funds received for a fundraising event must be disclosed on a Schedule H2 with a unique identifier code and included with each report disclosing a disbursement for that event or program.

2. Any transfer received from your nonfederal account for the nonfederal account's share of fundraising expenses must be disclosed on a Schedule H3 identifying the date of receipt, amount, fundraising event and unique identifier code.
3. All disbursements for fundraising expenses which have been allocated between the federal and nonfederal accounts must be categorized as fundraising disbursements on Schedule H4. The date of disbursement, purpose of disbursement, unique identifier code, event year-to-date total and both the federal and nonfederal shares of the disbursement must also be provided.
4. The committee has up to 60 days after the ending date of the event to adjust the estimated allocation ratio based on the actual funds received.
  - a. The committee must report the adjusted ratio for the fundraising event on Schedule H2 and date of the fundraising event.
  - b. If the adjusted ratio increases the federal portion of the fundraising ratio the federal account must make a transfer to the nonfederal account for any nonfederal over-payment of fundraising expenses on Schedule H4.

If your report contains any disbursements for fundraising events or programs that have been incorrectly disclosed please amend your report to disclose the allocation ratio and unique identifier code for all fundraising events or programs on Schedule H2. Also, please disclose any nonfederal transfers for fundraising events on Schedule H3 including identification of the fundraising event, unique identifier code and date of receipt. Please categorize as "fundraising" any disbursements associated with fundraising events on Schedule H4 and include the purpose of disbursement, unique identifier code, date of disbursement and the federal and nonfederal share of each disbursement. Please see the attached instructions illustrating the proper reporting method for allocating federal and nonfederal expenditures for fundraising events.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 694-1130.

Sincerely,



Andrew J. Dodson  
Senior Reports Analyst  
Reports Analysis Division

## 6. Allocating Committee Fundraising Expenses

### Example

The Loyalist State Party Committee raises money for its federal and nonfederal accounts at a banquet called "King's Ransom" (the unique identifier). People buying tickets must designate their checks as either federal contributions (subject to the limits and prohibitions of the Act) or nonfederal contributions (subject to applicable state law). People wishing to contribute to both accounts must write separate checks to each account. The Loyalist State Party Committee spends \$7,000 on "King's Ransom."

### Required Forms

- Schedule H2—Allocation Ratios
- Schedule H3—Transfers from Nonfederal Account
- Schedule H4—Payments for Allocable Expenses

### Estimated Fundraising Ratio (H2)

A committee raising money for both its federal and nonfederal accounts through the same fundraising activity allocates the costs directly associated with the program or event according to the "funds received" method (ratio of federal funds received to total funds received). In the first reporting period in which money is spent on "King's Ransom," the Loyalist State Party Committee estimates the ratio on Schedule H2, as shown in the illustration.

The committee must continue to file Schedule H2 with each report disclosing a disbursement for "King's Ransom."

## ESTIMATED FUNDRAISING RATIO (H2)

SCHEDULE H2 please file!		ALLOCATION RATIOS	
		Page	of
NAME OF COMMITTEE Loyalist State Party Committee			
ALLOCATION RATIOS FOR INDIVIDUAL FUNDRAISING EVENTS, EXEMPT ACTIVITIES, AND SHARED DIRECT CANDIDATE SUPPORT APPEARING ON THIS REPORT.			
METHOD OF ALLOCATION			
I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of monies raised.			
II. EXEMPT activities are allocated using the "time and space method" where the federal proportion of disbursements is based on the proportion of time or space devoted to federal candidates.			
III. Shared DIRECT CANDIDATE support activities are allocated according to benefit expected to be derived, where the federal proportion of disbursements is based on the benefit derived by federal candidates from the activity.			
NAME OF ACTIVITY OR EVENT King's Ransom	FEDERAL % 50%	NON-FEDERAL % 50%	
ACTIVITY IS: <input type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT <input type="checkbox"/> DIRECT CANDIDATE SUPPORT			
CHECK IF THE RATE IS: <input type="checkbox"/> NEW <input type="checkbox"/> REVISED <input type="checkbox"/> SAME AS PREVIOUSLY REPORTED			

Schedule H2 shows the allocation ratios for categories of expenses other than the administrative/generic voter drive category. The unique identifier must be entered ("King's Ransom") as well as the appropriate expense category ("Fundraising"). The "New" box is checked to show that the ratio is disclosed for the first time. The 50/50 ratio is an estimate; it will have to be adjusted within 90 days after the fundraiser to reflect the actual ratio.

### Nonfederal Transfer (H3)

Using Schedule H3, the Loyalist State Party Committee reports the transfer received from the nonfederal account to pay the nonfederal portion of "King's Ransom" (\$3,500). The unique identifier is again noted.

(The total amount of transfers itemized on Schedule H3 is entered on Line 18 of the Detailed Summary Page.)

### TRANSFER FROM NONFEDERAL ACCOUNT (H3)

RECEIPT SCHEDULE H3 (Repeal 11/97)		TRANSFERS FROM NON-FEDERAL ACCOUNTS		PAGE 2 OF 2
				FOR LINE 18
NAME OF COMMITTEE Loyalist State Party Committee			TOTAL AMOUNT TRANSFERRED	
NAME OF ACCOUNT Nonfederal Account		DATE OF RECEIPT 8/23/98	\$5,900.00	
BY CATEGORY OF TRANSFER RECEIVED				
	ADMINISTRATIVE OTHER AMOUNT	DIRECT FINANCING AMOUNT	EXHIBIT ACTIVITY/DIRECT IMMEDIATE SUPPORT	
1. Tax Administration/Other				
2. Direct Financing (List Recipient in Part)				
a) King's Ransom		\$3,500.00		
b)				
c)				
d)				

The nonfederal share of "King's Ransom" payments must be transferred within the 70-day window.

### Payments (H4)

The committee discloses the federal and nonfederal shares of "King's Ransom" payments on Schedule H4, again using the unique identifier.

(The federal and nonfederal payments totals that appear on Schedule H4 are entered on Lines 21a(i) and (ii) of the Detailed Summary Page.)

### ALLOCATED PAYMENTS (H4)

DISBURSEMENT SCHEDULE H4 (Repeal 11/97)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE		PAGE 2 OF 2
				FOR LINE 21a
NAME OF COMMITTEE Loyalist State Party Committee				
A. FULL NAME MAILING ADDRESS & ZIP CODE	PURPOSE/TYPE OF DISBURSEMENT	DATE	TOTAL AMOUNT	FEDERAL SHARE NON-FEDERAL SHARE
Hope Royale 3838 His Majesty's Way City, State ZIP	Chartering: King's Ransom	8/10/98	\$8,000.00	\$3,000.00 \$5,000.00
CITATION: 1. COMMERCIAL/OTHER PARTY 2. FINANCING EXHIBIT TYPE YEAR/AMOUNT \$8,000.00 DIRECT INDIRECT SUPPORT				
B. FULL NAME MAILING ADDRESS & ZIP CODE	PURPOSE/TYPE OF DISBURSEMENT	DATE	TOTAL AMOUNT	FEDERAL SHARE NON-FEDERAL SHARE
A-List Invites 1000 Elise Circle City, State ZIP	King's Ransom	8/13/98	\$1,000.00	\$500.00 \$500.00
CITATION: 1. COMMERCIAL/OTHER PARTY 2. FINANCING EXHIBIT TYPE YEAR/AMOUNT \$1,000.00 DIRECT INDIRECT SUPPORT				

Payments for "King's Ransom" are allocated according to the estimated ratio: 50 percent federal, 50 percent nonfederal.

## ADJUSTED RATIO: FEDERAL PERCENTAGE INCREASED (H2)

SCHEDULE H2 ALLOCATION RATIOS (Form 1121)		PAGE	OF
NAME OF COMMITTEE Loyalist State Party Committee			
ALLOCATION RATIOS FOR INDIVIDUAL FUNDRAISING EVENTS, EXCEPT ACTIVITIES, AND SHARED DIRECT CANDIDATE SUPPORT APPEARING ON THIS REPORT.			
Methods of Allocation: I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of receipts received.			
NAME OF ACTIVITY OR EVENT King's Ransom (event date 8/31/88)	FEDERAL % 80%	NON-FEDERAL % 20%	
ACTIVITY IS: <input checked="" type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXCEPT <input type="checkbox"/> DIRECT CANDIDATE SUPPORT CHECK IN THE APPROPRIATE BOX: <input type="checkbox"/> AS REPORTED <input checked="" type="checkbox"/> REVISED <input type="checkbox"/> AS INDICATED			

The "Revised" box is checked because the original ratio (80/20) had to be adjusted. The adjustment increases the federal portion by 10 percent. The federal account must therefore make a transfer to the nonfederal account to reimburse the 10 percent overpaid by the nonfederal account.

## Adjusted Ratio (H2)

Within 60 days after the last day of the program or event, the committee needs to adjust the allocation ratio to reflect the actual ratio of federal receipts to total receipts. The committee reports the adjusted ratio on Schedule H2. Note that the committee must disclose the date of a fundraising program or event when reporting an adjustment to the ratio.

(Further ratio adjustments will be necessary if additional receipts come in.)

## FEDERAL TRANSFER (H4)

DISBURSEMENT SCHEDULE H4 JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE (Form 1121)		PAGE	OF		
NAME OF COMMITTEE Loyalist State Party Committee					
FOR LINE 114					
1. FILE NAME (FILING NUMBER & ZIP CODE)	2. PURPOSE/TYPE	3. DATE	4. TOTAL DEDUCTIBLE	5. FEDERAL SHARE	6. NON-FEDERAL SHARE
State Party Committee - Nonfederal Account 448 Democracy Blvd City, State ZIP	King's Ransom fund adjustment (event date 8/31/88)	8/31/88	\$700.00	\$700.00	0
CHECK ONE: <input type="checkbox"/> ADMINISTRATIVE EXPENSE <input checked="" type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXCEPT <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					

The adjusted ratio requires the federal account to transfer to the nonfederal account 10 percent (or \$700) of "King's Ransom" payments (which totaled \$7,000). Note that the "Event Year-to-Date" total is left blank when disclosing a federal transfer.

## Federal Transfer (H4)

If the adjusted ratio increases the federal portion, the federal (or allocation) account must make a transfer to the nonfederal account for the nonfederal overpayment. Again, the transfer must be made within 60 days after the close of the program or event. The date of the program or event must be noted when reporting a transfer based on an adjusted ratio.