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Clean Up Congress  
1101 N. Highland St., #404  
Arlington, VA 22201

Jan McBride  
Reports Analyst  
Reports Analysis Division  
Federal Election Commission  
Washington, DC 20463

Identification Number: C00245456

Dear Ms. McBride,

Today I received your three letters dated September 14, 1994. In each of them, you ask whether Clean Up Congress may have improperly designated some of our expenditures as "independent expenditures" (Schedule E). You state that Schedule E should only be used for "expenditures for communications." You suggest that we should have reported expenditures such as salaries, rent, pizza, etc., as "operating expenditures." (Schedule B).

I disagree with your suggestion; let me explain why. Clean Up Congress is not the typical PAC that gives money to candidates; in fact we have never given a dime (out of the some \$500,000 we have raised and spent) to any candidate. What Clean Up Congress does do is make independent expenditures. All of these expenditures are for communication about candidates. For instance, we hire large staffs to hand out the environmental voting records of candidates we favor or oppose. Although this grassroots communication is not the typical form of communication (TV commercials, billboards, etc.) it is still communication. We feel that the most honest and accurate thing to do is to report all of our grassroots campaign expenses as independent expenditures. By doing so we allow anyone who reads our quarterly reports to know exactly how we are spending our money. For instance, the candidates we oppose can now tell the media exactly how much Clean Up Congress is spending to defeat them. In the interest of full disclosure, it is only fair that we report our grassroots communications expenditures as specifically as other PACs report their non-grassroots communications independent expenditures (on TV commercials, etc.)

Thus the only expenditures that we report as operating expenditures are those general, shared costs that cannot be ascribed to any of our grassroots campaigns. These include expenditures for payroll taxes, health insurance, my salary as national director, etc.

The Federal Election Commission raised this issue with us once before. I offered an explanation similar to the one I have just given you, and the Commission's representative was satisfied with my explanation. This happened back in 1990, when we were still a local group called "Willamette Citizen." Jack McDonald of the Reports Analysis Division wrote me a letter stating that we should have reported some of our expenditures as operating expenditures instead of independent expenditures. I telephoned Mr. McDonald in

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December of 1990. During our phone conversation, I explained to him why Willamette Citizen reported none of its 1990 expenditures as operating expenditures and all of them as independent expenditures instead. He approved our system and asked me to explain it in a letter to him. I wrote that letter in May 1991.

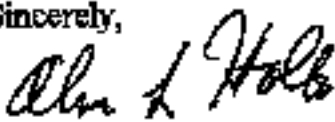
On July 30, 1991, Mr. McDonald wrote me a similar letter about a later Willamette Citizen report. I wrote him on August 12 reminding him of our December 1990 phone call and of my May 1991 letter. I reminded him that he had agreed that Willamette Citizen should report its expenditures for grassroots communications as independent expenditures. After mailing my August 12, 1991 letter to Mr. McDonald, I never heard from again. So I assumed that the Commission continued to approve of Clean Up Congress's reporting policy. (I have enclosed copies of Mr. McDonald's letter of July 30, 1991 and of my letter of August 12, 1991.)

If the Commission now wants to re-visit the issue and require Clean Up Congress to report its expenditures for grassroots communications as operating expenditures, Clean Up Congress will of course comply. In fact it is in our self-interest (narrowly defined) NOT to report all of our grassroots communications expenditures as independent expenditures, since Schedule E requires us to disclose exactly how much we spent for and against each candidate. This is information that our opponents (the candidates we oppose) love having, and the system you are suggesting would allow us to keep it from them. But we think the purpose of open elections would be best served if Clean Up Congress continued to fully disclose its expenditures for grassroots communications as independent expenditures.

If the Commission does want us to switch to the narrower definition of "communication" that you propose, I would ask one thing. Please do not ask us to go back and change the reports that we have already filed using the old system. Mr. McDonald did approve the old system. We would not have continued to use it throughout 1992 and 1994 if Mr. McDonald had not approved it.

I may be reached by telephone at (703) 841-1994.

Sincerely,

  
Abner L. Holton  
Director

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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JA. 30 1991

Abner Linwood Holton III, Treasurer  
Willamette Citizen  
95 North Street  
Somerville, MA 02144

Identification Number: C00245456

Reference: 30 Day Post-General (10/18/90-11/26/90) and Year End  
(11/27/90-12/31/90) Reports

Dear Mr. Holton:

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:

-Please provide a total for Line 19, Column A of the Detailed Summary Page. Each operating expenditure reported by your Committee should be included in the total for Line 19 (e.g. copies, phone service, postage, travel, taxes and salary).

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) 376-2480.

Sincerely,

Jack MacDonald

Jack MacDonald  
Reports Analyst  
Reports Analysis Division

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Copy

Willamette Citizen  
9<sup>th</sup> North Street  
Somerville, MA 02144  
August 12, 1991

Jack MacDonald  
Reports Analysis Division  
FEC  
Washington, DC 20463

Identification Number: C00245456

Reference: 30 Day Post-General (10/18/90-11/26/90) and Year End (11/27/90-12/31/90) Reports

Dear Mr. McDonald,

I am writing in response to your letter to me dated July 30, 1991.

Your letter asked Willamette Citizen to report its operating expenditures on line 19, column A of our Detailed Summary Page.<sup>1</sup> Willamette Citizen was formed exclusively to defeat Benny Smith, who was in 1990 the incumbent congressman in the 5th district of Oregon, and to elect his opponent, Mike Kopetski. Because defeating Smith and electing Kopetski was our sole mission, we considered every penny we spent to be an independent expenditure on behalf of Kopetski. So we reported every one of our expenditures as an independent expenditure, ~~nothing was~~ just an operating cost.

You will find that we did the same thing with the other reports that we filed in 1990. You wrote me previously on this subject. We had a telephone conversation on the subject in December 1990 during which I explained to you why Willamette Citizen reported none of its 1990 expenditures as operating

<sup>1</sup>In a second letter to me also dated July 30, 1991, you also asked Willamette Citizen to report its operating expenditures on our October 1991 Quarterly Report. In a third letter to me also dated July 30, 1991, you also asked Willamette Citizen to report its operating expenditures on our 12 Day Pre-General Election Report for 1990.

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expenditures and all of them as independent expenditures instead. You approved our system and asked me to explain it in a letter to you. I wrote you that letter in May 1991.

As I mentioned in my May 1991 letter to you, Willamette Citizen has expanded its activities beyond the Smith-Kopelicki race in 1991. Expenditures for these activities (which so far have been non-partisan) are reported as operating expenditures on the mid-year report that we filed on July 31, 1991.

Please write me or call me at (617) 628-0087 if our system is not acceptable or if you have any questions.

Sincerely,

*Woody Holton*

Woody Holton  
Treasurer

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**Federal Election Commission  
ENVELOPE REPLACEMENT PAGE  
FOR INCOMING DOCUMENTS**

The Commission has added this page to the end of this filing to indicate how it was received.

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*JmH*  
PREPARER

9-20-94  
DATE PREPARED

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