



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

May 18, 2005

Ken Sagar, Treasurer
Iowa Democratic Party
5661 Fleur Drive
Des Moines, IA 50321

**Response Due Date:
June 17, 2005**

Identification Number: C00035600

Reference: Year End Report (11/23/04-12/31/04)

Dear Mr. Sagar:

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:

-Schedule A supporting Line 17 of your report discloses payments from **Feaster Inc and Landmark Strategies Inc.** It appears these receipts were for goods and/or services provided by your committee. Pursuant to Advisory Opinion 1979-18, the sale/purchase price paid to a political committee could involve the receipt of a contribution from a purchaser if the purchase price exceeds the "usual and normal charge". The term "usual and normal charge" for goods is defined as the price of those goods in the market from which they ordinarily would have been purchased at the time of the contribution. Examples of goods and services include equipment, supplies, personnel, advertising services, membership lists, and mailing lists. 11 CFR §100.52(d)(1) and (2)

Please clarify whether your committee assessed the usual and normal charge for the goods and/or services you provided and explain the steps your committee took in determining the amount charged. If your committee provided the goods and/or services at more than the usual and normal charge, the difference between the two is considered to be an in-kind contribution received by your committee from a **corporation** and is prohibited subject to the limits set forth at 2 U.S.C. §441b(a)

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-Schedule A of your 30 Day Post-General (10/14/04-11/22/04) and Year End (11/23/04-12/31/04) Reports disclose receipts totaling \$45,000 from the Dollars for Democrats, which is a joint fundraising committee affiliated with your committee. The sum of the entries itemized on the memo Schedule A, however, total only \$15,244.60.

Please be advised that a memo Schedule A must be provided to itemize your committee's share of the gross contributions received through the joint fundraiser. The memo schedule should itemize each individual who has contributed an aggregate in excess of \$200 during the calendar year, and provide the amount of unitemized contributions received. In addition, the memo schedule should itemize your committee's share of all contributions from political committees, regardless of amount. 11 CFR §102.17(c)(8)(i)(B) Please clarify this discrepancy.

-On Schedule D of a previous amended report, the Amended June Monthly Report (5/1/04-5/31/04), received 3/4/05, you disclosed a debt(s) owed to the Iowa Democratic Party Non-Federal account. This obligation(s), however, has been omitted from this report. Please amend your report to include this debt(s) on Schedule D and Line 10 of the Summary Page. All debts and obligations must be disclosed until extinguished. 11 CFR §104.11

-Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule(s) B of your report to clarify the following description(s): **"campaign travel and office expenses, casual labor election, contract services, election night activities, election work, field staff work, reimb. for expenses, and reimb for expenses."** For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

-Please amend your report by providing the full, complete, and correct names and mailing addresses for each disbursement itemized on Schedule(s) B supporting Line(s) 21(b) and 30(b).

-Schedule H4 of your report discloses disbursements for the **Administrative** category which use a ratio that is inconsistent with the ratio disclosed on Schedule H1 for the 2004 election cycle. The fixed ratio for the allocation of administrative, generic voter drive and exempt activity expenses should be the same for the full two-year election cycle. Please amend your report to clarify this apparent discrepancy.

Please note that if your non-federal account has overpaid your federal account because of this miscalculation, it will be necessary to immediately transfer these funds back to the non-federal account. While the Commission may take further legal action concerning any impermissible overpayments by the non-federal account, your prompt action will be taken into consideration.

-On Schedule H4 supporting Line 21(a) of the Detailed Summary Page, you have failed to include almost all of the purposes of disbursements for joint expenditures (**the Administrative category**) to various vendors. Note that the activity or event identifier is not considered an adequate description of purpose. Please amend your report to include this missing information.

-Your report discloses **Limited** payments for administrative expenses. Administrative expenses are payments made for the purpose of operating a political committee including, but not limited to, rent, utilities, salaries, telephone service, office equipment and supplies. Each state, district or local party committee utilizing separate federal and non-federal accounts is required to allocate any administrative expenses (excluding salary) between the accounts according to a fixed percentage selected on FEC Schedule H1. A Schedule H1 must be filed with the first FEC FORM 3X filed at the beginning of each calendar year. Payments for salary and wages for employees who spend more than 25% of their compensated time on Federal election activities or on activities in connection with a Federal election must be made from a federal account and disclosed on a Schedule B supporting Line 30(b) of the Detailed Summary Page. 11 CFR §106.7

Any goods or services provided to your committee by a person, except volunteer activity (i.e., a person's time), would be considered an in-kind contribution from that person, and would be subject to the disclosure requirements of 2 U.S.C. §434(b)(3) and 11 CFR §104.13, and the limitations and prohibitions of 2 U.S.C. §§441a and 441b.

Clarification regarding administrative expenses should be provided during each two year election cycle beginning with the first report filed in the non-election year. Please provide the necessary information regarding administrative expenses incurred by your committee and/or amend your report to disclose such expenses according to the referenced provisions of the Act and Commission Regulations.

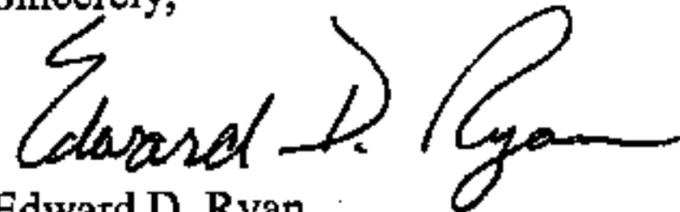
-Your report disclosed certain categories of financial activity that have been reflected on the wrong lines of the Detailed Summary Page. Transfers from

National Party Committees, Other Federal Receipts, Transfers to Affiliated/Other Party Committees, and Contributions to Federal Candidates/Committees and Other Political Committees should be properly disclosed on a separate Schedule(s) A and B, supporting Line(s) 12, 17, 22, and 23 of the Detailed Summary Page. Please refer to the instructions for each line when determining the proper categorization(s) for your next filing.

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 5 to reach the Reports Analysis Division) or my local number (202) 694-1144.

Sincerely,



Edward D. Ryan
Campaign Finance Analyst
Reports Analysis Division

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