



FEDERAL ELECTION COMMISSION
 1050 FIRST STREET, N.E.
 WASHINGTON, D.C. 20463

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 7882
 Christy Smith for Congress, *et al.*)
)

**STATEMENT OF REASONS OF CHAIRMAN ALLEN DICKERSON
 AND COMMISSIONERS SEAN J. COOKSEY AND JAMES E. “TREY” TRAINOR, III**

The complaint in this Matter alleged that the authorized campaign committee of Christy Smith, who unsuccessfully sought election to represent California’s 25th Congressional district in the 2020 election, failed to properly report the committee’s salary disbursements to staff, and our Office of General Counsel (“OGC”) recommended a substantial financial penalty as recompense for the error. Because we concluded that civil enforcement would not be a wise use of Commission resources, we voted to invoke the agency’s prosecutorial discretion and dismiss.¹

* * *

11 C.F.R. § 104.3(b)(2) requires that candidate committees report “the total amount of disbursements made during” a given “reporting period,” including the committee’s itemized and unitemized “operating expenditures.”² Specifically, the committee must report “[e]ach person to whom an expenditure in an aggregate amount or value in excess of \$200 within the election cycle is made by the reporting authorized committee to meet the authorized committee’s operating expenses, together with the date, amount, and purpose of each expenditure.”³

Our regulations define “purpose” as “a brief statement or description of why the disbursement was made” and provide a non-exhaustive list of “[e]xamples of statements or descriptions which meet” that “requirement[...includ[ing]...dinner

¹ *Heckler v. Chaney*, 470 U.S. 821 (1985).

² 11 C.F.R. § 104.3(b)(2).

³ 11 C.F.R. § 104.3(b)(4)(i).

expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursement, and catering costs.”⁴

The Smith committee timely filed its reports during the 2020 election cycle and reported \$656,580 in expenditures to Method Campaign Services (“MCS”).⁵ MCS is a “campaign consulting firm that provides a variety of campaign services, including community outreach, coalition building, data and strategy services, political campaign services, and text messaging services.”⁶ Pursuant to our regulations, the Smith committee itemized these expenditures using terms, such as “campaign consulting” and “payroll,” substantially similar to those that fall within the regulatory safe harbor.⁷

The complaint argued that the payments listed as “salary” and “payroll” were inappropriately reported because those particular disbursements, which the Smith committee listed as going to MCS, ought instead to have reflected “the names and salaries of [Smith’s] campaign staff.”⁸ The committee responded that Smith was not routing payments to her committee’s staff as though MCS were “a payroll company processing the Committee’s employee payroll.”⁹ Rather, all disbursements to MCS went solely to pay for the work of MCS’s employees.¹⁰ We found this response credible, and neither the Complainant nor OGC provided any evidence to contradict these assertions.

Thus, we were faced with question of whether the committee’s reporting of these disbursements, “when considered along with the identity of the disbursement recipient, [was] sufficiently specific to make the purpose of the disbursement clear.”¹¹ The Committee listed “salary” or “payroll” to explain payments to MCS for services

⁴ *Id.* The regulation also provides examples of insufficient “purpose” statements, such as “advance, election day expenses, other expenses, expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote and voter registration.” *Id.*

⁵ First Gen’l Counsel’s Report (“FGCR”) at 10, MUR 7882 (Christy Smith for Congress, *et al.*), Dec. 23, 2021.

⁶ Resp. of Christy Smith for Congress at 2, Mar. 17, 2021.

⁷ FGCR at 2-3 (breaking down the itemizations in a chart).

⁸ Complaint at 2.

⁹ Resp. at 2 (emphasis removed).

¹⁰ *Id.*

¹¹ Statement of Policy: “Purpose of Disbursement” Entries for Filings with the Commission, 72 Fed. Reg. 887 (Jan. 9, 2007) (citing 11 C.F.R. §§ 104.3(b)(3)(i)(B), (b)(4)(i)(A)).

that salaried employees of the consultancy were providing for the committee.¹² The complaint does not allege that the Smith committee misreported the amounts that it disbursed to MCS, itself a widely known campaign vendor that works on many federal campaigns.

In such circumstances, we determined that the public's informational interest would not be meaningfully enhanced by the Smith committee's amendment of its filings to add further specificity, and certainly that the facts did not support the imposition of the [REDACTED] fine recommended by our general counsel. Even assuming the committee's reporting amounted to a violation, it was at best a minor one, and we believed the Commission's resources would be better spent pursuing other, more serious and better supported, violations of our governing statute.

Accordingly, we voted to invoke the Commission's prosecutorial discretion.



Allen Dickerson
Chairman

May 17, 2022

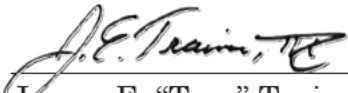
Date



Sean J. Cooksey
Commissioner

May 17, 2022

Date



James E. "Trey" Trainor, III
Commissioner

May 17, 2022

Date

¹² Resp. at 2 ("Simply put, the ultimate payees of the payments at issue are employees of Method Campaign Services, not the Committee") (emphasis omitted).