ELECTION LAW ENFORCEMENT COMMISSION

Respond to:
CN-185
Trenton, New Jersey 08625-0185
(609) 292-8700

PUBLIC SESSION MINUTES

DECEMBER 17, 1996

Chair Martin, Commissioner Franzese, Legal Counsel, Senior Staff, and Deputy Legal Director Medda Gold Massar were present.

1. Open Public Meetings Statement

Chair Martin called the meeting to order and announced that pursuant to the "open Public Meetings Act," N.J.S.A. 10:4-6 et seq., special notice of the meeting of the Commission had been filed with the Secretary of State's Office and distributed to the entire State House Press Corps.

The meeting convened at 11:00 a.m. in Trenton, New Jersey.

2. Approval of Public Session Minutes of November 19, 1996

On a motion by Commissioner Franzese, seconded by Chair Martin and passed by a vote of 2-0, the Commission approved the Public Session Minutes of November 19, 1996.

3. Public Hearing Scheduled for the December 17, 1996 Commission Meeting

A public hearing was held on the Commission's proposed new rule concerning contributions from affiliated corporations, associations, or labor organizations. A copy of the Proposal Notice appeared in the December 2, 1996 edition of the New Jersey Register. A press advisory and mailing concerning the proposal were issued on December 2, 1996.

The purpose of the proposed new rule is to prevent multiple entities which are commonly-owned or controlled and therefore closely affiliated with each other from making contributions which in the aggregate exceed the contribution limits established in the New Jersey Campaign Contributions and Expenditures Reporting Act, N.J.S.A. 19:44A-1, et seq.

Testimony was offered by Robert Purlong, a concerned citizen, and James Schroeder, representing the New Jersey Education Association (N.J.E.A.).

The public hearing was transcribed by a Court Reporter. Copies will be made available by the Commission.

Located at: 28 W. State Street, 13th Floor, Trenton, New Jersey
4. Executive Director's Report

Vice Chair Linett arrived at this point.

A. Staff Activities

Executive Director Herrmann advised the Commission that Legal Director Nagy has developed an Advisory Opinion Form with the help of Administrative Assistant Elvia Zeppetelli. He said that the form should help staff more efficiently process those important requests.

Executive Director Herrmann reported that Legal Assistant Gail Shanker has established a Campaign Finance Case Law Library under Legal Director Nagy's direction. According to Legal Director Nagy, the library will be used to support staff's legal work.

Executive Director Herrmann mentioned that on November 21, 1996, Director of Compliance and Information Evelyn Ford and Associate Compliance Officer Linda White staffed a consulting table at the League of Municipalities Annual Convention in Atlantic City.

The Executive Director mentioned that on December 3, 1996, he lectured at Deputy Director Brindle's political science class at the College of New Jersey on campaign finance issues. According to Executive Director Herrmann, the Deputy Director and he attended the 53rd Electoral College in New Jersey ceremony at the State House Annex.

Executive Director Herrmann advised the Commission that on December 18 and 19, 1996, Director of Public Financing Neda G. Massar will be running an information session for gubernatorial candidates and their treasurers and representatives.

Executive Director Herrmann introduced the following new public financing analysts:
- Andrew Maserol
- Harry Ravenel
- Pamela Hamilton, and
- Kimberly McCubbin.

Executive Director Herrmann noted that ELBC has added a color printer and scanner to its new technology.

B. Legislative Developments

Executive Director Herrmann said that A-1128 (Lance), which requires lobbyists to notify benefit passing recipients before filing their annual reports, passed the Senate 38-0 on November 25, 1996.
C. COGREL Conference

Executive Director Herrmann said that the annual COGREL Conference was held in Philadelphia from December 8th to 11th. He reported that it was attended by Chair Ralph V. Martin, Executive Director Frederick M. Herrmann, Deputy Director Jeffrey M. Brindle, Legal Director Gregory B. Nagy, Deputy Legal Director Nedda G. Massar, Director of Compliance and Information Evelyn Ford, Director of Review and Investigation Carol L. Hoeke, and Systems Administrator Carol Neiman.

The Executive Director said that he led a breakfast table discussion on Monday, December 9 and Tuesday, December 10, 1996, about whether or not mandatory debates should be part of a public financing program. He added that the New York City Campaign Finance Board did a major study on this topic two years ago and had asked him to testify before its members about the New Jersey gubernatorial debates. Executive Director Herrmann said that Chair Martin was an active participant on the first morning.

According to the Executive Director, Chair Martin and the staff attended many educational sessions on such topics as:
- recent campaign finance law initiatives,
- recent lobbying law initiatives,
- agency computerization and electronic filing,
- investigations,
- the commingling of prosecutorial and adjudicatory functions in an agency,
- contribution limits in a public financing context, and
- prohibiting gifts to legislators and regulators.

Executive Director Herrmann reported that among the highlights of the conference were comments by Richard Smolka, a retired political scientist from American University and the highly-respected publisher of an influential, national newsletter about Election Law, which praised the White Paper series as did remarks by Kent Cooper in his COGREL Award acceptance speech. Executive Director Herrmann expressed special thanks to Deputy Director Brindle for his decade of authorship.

Executive Director Herrmann reported that Iowa’s new computer initiative, the subject of a session at last year’s conference, has encountered major problems. He said that Iowa’s experience should be helpful to other agencies as well as ELEC. The Executive Director said that fortunately ELEC’s approach to recomputerization is quite different and that the Commission should not encounter the same difficulties.

Executive Director Herrmann noted that Iowa’s situation only emphasizes the need for great care and cautious planning when dealing with a project as complex as installing a new computer system.
Executive Director Herrmann added that he met a staffer from the Ohio Elections Commission that was involved in the McIntyre decision. He said that under the McIntyre court's ruling jurisdictions are prevented from requiring "minor players" from labeling political communications.

Executive Director Herrmann said that interestingly, Mrs. McIntyre, who was fined, not only went to court to protest her penalty but also made similar charges against other individuals, under similar circumstances to hers, for not labeling their political communications.

Executive Director Herrmann pointed out that Chair Martin and the staff learned at one very useful session that the so-called "major purpose" test for determining which entities have to file reports is more unclear than ever because even minimal contributions can result in a finding that they have to report.

The Executive Director added that the Federal Election Commission's General Counsel said that he was very perplexed by recent federal court decisions and was not sure where we are all headed.

Executive Director Herrmann announced that next year's conference is in Edmonton, Alberta, Canada in September and that the 1998 conference will be held in Seattle. He expressed thanks from staff to Chair Martin for his involved participation in this year's conference.

D. Winter Schedule

The following winter meeting schedule was announced by the Commission:
- January 17, 1997 at 10:30 a.m., Seton Hall Law School;
- February 18, 1997; and

5. Adoption of "Street Money" Regulation

The staff recommended that the "street money" regulation, now ripe for adoption, be adopted.

The proposal was published in the New Jersey Register on October 21, 1996, and the Commission conducted a hearing at its meeting on November 19, 1996. No persons appeared to testify, and no written comments were received. A press release and mailing to interested parties was distributed on October 16, 1996.

The principal purpose of the amendment is to clarify reporting and payment-by-check requirements for "street money" payments made to a third party, such as a vendor, group, association, or other similar entity. A payment by a candidate to an intermediary entity for the purpose of providing
funds so that entity can make "street money" payments to individuals must be made by check payable to the intermediary, and the candidate making the payment retains legal responsibility for the timely disclosure of the individuals who receive "street money" payments from the intermediary. Also, the payments by the intermediary have to be made by check.

Mr. Robert Furlong, an interested citizen, expressed views concerning the proposed street money regulation. In citing as an example, the recent recall election in Ashbury Park, Mr. Furlong termed the use of street money as "abuse that has been going on too long." He said that the proposed regulation is a step in the right direction but that the use of street money should be prohibited.

Vice Chair Linett said that the Commission has no jurisdiction to stop street money but rather can only provide for the full disclosure of street money payments.

Mr. Furlong indicated that he realized that it would be more appropriate for him to address the Legislature on this issue. He said, however, that he would like the Commission's support on this matter. Mr. Furlong said that the Commission is held in high regard and that its support for a ban on street money would be critical.

Vice Chair Linett said that there may be constitutional issues involved.

Executive Director Herrmann said that it was important not to confuse money spent to buy somebody's vote with money spent for election day workers.

Chair Martin said that the proposed regulation simply attempts to clarify the existing street money statute and to close a loophole regarding the use of vendors in managing street money.

On a motion by Commissioner Franzese, seconded by Vice Chair Linett and passed by a vote of 3-0, the Commission adopted the proposed regulation.

6. Advisory Opinion Request No. 05-1996

M. Paige Berry, Esq., submitted a request for an Advisory Opinion on behalf of Picco Herbert Kennedy, P.C., a New Jersey law firm.

The request states that the firm has submitted written comments to proposed regulations in the past. In addition, individual attorneys of the firm have drafted and submitted written comments on behalf of the firm's clients. Testimony will be prepared on behalf of the firm as an interested party or on behalf of a client.

At the outset, there was a question as to whether either the law firm or Ms. Berry has standing to request the advisory opinion. However, a legislative agent registration is currently in effect for Steven J. Picco, Esq., a member of the firm.
Specifically, the question asked by Ms. Berry concerns whether or not participation in the open public comment period or a hearing regarding proposed regulations is incorporated within the definition "influence regulation" as it is defined by N.J.S.A. 92:13C-28p in the Legislative Activities Disclosure Act.

Legal Director Nagy explained that provided the law firm as the employer of a registered legislative agent has standing to seek an opinion, staff recommended the law firm be advised that nothing contained in the cited definition of "influence regulation" excluded lobbying communications prepared for or made in the open public comment period for proposed regulations.

The lobbying Act exempts certain specified activities, including acts of a person in communicating with an officer or staff member of the Executive Branch if such communication is undertaken by him or her as a personal expression and not incident to his or her employment, even if it is upon a matter relevant to the interests of a person by whom or which he or she is employed, and if he or she receives no additional compensation or reward for or as a result of the communication. However, in the absence of any submitted facts indicating what specific regulation might generate testimony, precisely whose interests would be represented by such testimony, who the agent would be offering the testimony, and what compensation, if any, the agent might be receiving, staff is unable to consider whether or not the exemption has any applicability to this request.

Commissioner Franzese asked: Does the law firm have standing to request this advisory opinion?

Vice Chair Linett said that he was not sure that enough facts are available for the Commission to make a decision.

Legal Director Nagy indicated that the law firm does not have standing because it is not a legislative agent.

Vice Chair Linett asked whether M. Paige Berry, Esq., as a non-legislative agent, has standing?

Legal Director Nagy said that perhaps Ms. Berry did not have standing because she is not a registered legislative agent.

Vice Chair Linett said that by responding to this request, the Commission might confuse the public. He said that it may discourage citizens from testifying before legislative committees for fear of having to register as a lobbyist.

Chair Martin said that it is unclear as to whom this person is representing. He said that the Commission needs definiteness in order to respond.

Vice Chair Linett suggested that the Commission decline to answer unless more specific facts are provided. He moved to decline answering the query but directed staff to invite Ms. Berry to submit a more specific statement of the anticipated conduct for consideration by the Commission.
Franzese seconded the motion. On a vote of 3-0, the Commission approved Vice Chair Linett's motion.

7. Advisory Opinion Request No. 06-1996

The Commission received by fax transmission a request for an advisory opinion from Ralph J. Ciallella, treasurer, Committee to Re-elect Joe DiVincenzo. Mr. DiVincenzo is currently the president of the Essex County Board of Freeholders. Mr. Ciallella asked several questions concerning the use of candidate committee funds for the production and distribution of the Board of Freeholders' 1996 Annual Report.

Mr. Ciallella writes that Freeholder President DiVincenzo wants to distribute copies of the 1996 Report to community agencies and county residents. He states that the mailing expense will be paid by the county government but that part of the total projected $15,000 cost will be underwritten by the Committee to Re-elect Joe DiVincenzo, and the following entities are listed as "contributor(s): Bell Atlantic $2,500, First Union $2,500, and PSE&G $2,500.

Based on Mr. Ciallella's oral conversations with staff, it appears the following questions may be inferred:

1. Is this a permissible use of candidate committee funds?

2. Is the 1996 Report a possible political communication pursuant to N.J.A.C. 19:25-10.10, and therefore are the payments for costs of production and distribution reportable by the candidate committee as in-kind contributions to the committee?

3. Are the amounts being contributed by the above-named companies prohibited pursuant to N.J.S.A. 19:44A-26?

Legal Director Naisy suggested that the use of candidate committee funds to produce or distribute the Annual Report of a governing body on which the candidate sits is payment for an ordinary and necessary expense of holding public office within the meaning of N.J.S.A. 19:44A-11.2a(6).

Further, assuming that the 1996 Report is produced and distributed in calendar year 1997, that report could not be deemed to be a political communication on behalf of any candidacy of Mr. DiVincenzo because Mr. DiVincenzo is not running for any office in 1997.

Staff noted that this request is submitted on behalf of Mr. DiVincenzo only, and therefore no opinion can be expressed in regard to any other candidate who may be seeking election in 1997, or at any other future date.

Finally, staff recommended that Mr. DiVincenzo be advised that the Commission cannot express any opinion on whether or not payments made by Bell Atlantic, First Union or PSE&G are prohibited contributions. The Commission has no jurisdiction to decide issues arising under a statute that is not part of the Campaign Contributions and Expenditures Reporting Act and the prohibition against political contributions by certain companies at N.J.S.A.
19:34-45 is exclusively a criminal statute, not part of the Campaign Reporting Act. The Commission can only refer it to the Office of the Attorney General for possible review by that office.

Vice Chair Linett said that it is unfortunate that obvious questions have to be referred to the Attorney General.

Chair Martin asked: How will the Annual Report reflect who paid for it? He said that if it looks as if Mr. DiVincenzo is being endorsed by regulated industries, there is a problem.

Chair Martin added that ELEC’s response should be limited to the first two questions.

Commissioner Franzese said that it is an unclearly drafted request and that she is hesitant to respond or answer until more information is forthcoming.

Vice Chair Linett said that the melding of political money with governmental money is disconcerting.

Vice Chair Linett asked if campaign money can be contributed to government.

Legal Director Nagy answered in the affirmative.

Executive Director Herrmann said that to clarify the issue it should be noted that this situation is regulated money being put into governmental activity, not campaign activity.

Vice Chair Linett asked if the 90-day rule on political communications came into play in this situation.

Legal Director Nagy said that because the Freeholder Director is not a candidate in 1997, the rule does not apply to him. He said it may apply to others mentioned in the annual report, however.

Vice Chair Linett moved the staff recommendation directing that staff issue the advisory opinion to contain strong language about impermissible contributions from banks and utilities. The motion was seconded by Commissioner Franzese and passed by a vote of 3-0.

8. Advisory Opinion Request No. 07-1996

Alex Archides has asked whether or not N.J.S.A. 19:34-32 and 19:34-45, which prohibit certain regulated industries from making political contributions, has any applicability to the formation of the contemplated Continuing Political Committee (CPC) by insurance company employees.

Staff recommended that this question be referred to the Attorney General for his consideration.
On a motion by Commissioner Franzese, seconded by Vice Chair Linett and passed by a vote of 3-0, the Commission approved the staff recommendation to refer the request to the Attorney General.

9. **Advisory Opinion Request No. 08-1996**

The Commission received a request for an advisory opinion from Senator Edward T. O'Connor, Jr., on behalf of the Committee to Re-elect Ed O'Connor, his duly established candidate committee.

Senator O'Connor noted that on December 4, 1996, the Boys' and Girls' Club of Hudson County conducted a raffle. A ticket of $100 for this raffle was purchased "in the name of Ed O'Connor," but was paid for by the candidate committee. This ticket proved to be a winning one, and has generated cash proceeds of $7,340.00.

Senator O'Connor asked the following:

1. If the proceeds are payable to his candidate committee, how are they to be reported?

2. Are there limits on the amount his candidate committee may receive?

3. If the proceeds are payable to Senator O'Connor personally, does he have to reimburse the candidate committee for the purchase price of the raffle ticket?

Legal Director Magy recommended that Senator O'Connor be advised that the proceeds from the winning raffle ticket are the property of his candidate committee, and as such must be deposited into the campaign depository account of that committee.

Staff suggested that it is not expressing any opinion on whether or not using candidate committee funds to purchase a raffle ticket "in the name of Ed O'Connor" or using campaign funds to make a wager, is a permissible campaign use under the above cited statute. Since the purchase of the ticket was made prior to seeking this advisory opinion, the fact of the purchase is no longer subject to prospective advice and the protection of advisory opinion review.

Staff recommended that Senator O'Connor be therefore advised that the proceeds from the raffle ticket are the property of his candidate committee, they must be deposited in his committee's depository account, they must be reported as a receipt of raffle winnings, they are not subject to contribution limits, and they can only be expended for the six permissible uses provided for candidate committee funds in R.S.D.A., 13:44A-11.2.

Chair Martin expressed real concern over the issue of candidates and committees expending campaign money on wagering. Chair Martin said that there is no difference between candidates purchasing raffle tickets from the Boys' Club and other types of gambling, such as at the Casinos. He said that purchasing a chance on a raffle is different than making a contribution to charity.
Commissioner Franzese indicated that perhaps the Commission could approve the Advisory Opinion response with the caveat that it would advise Senator O'Connor to give the winnings back to the Boys' Club.

Vice Chair Linett said that while recognizing that candidates buy raffle tickets all the time, he does not necessarily think they should use campaign funds for this purpose.

Chair Martin suggested that perhaps the Commission could prohibit candidates from using campaign funds for purchasing tickets and for other types of gambling.

Executive Director Harrmann noted that in previous advisory opinions the Commission permitted candidates to use campaign funds to invest in stocks.

Deputy Director Brindle said that he believed there to be a distinction between buying a raffle ticket from the Boys' Club, a charity, and gambling in Atlantic City. He also questioned how far the Commission's jurisdiction went in terms of restricting the use of campaign funds, except in the area of personal use. He suggested that if a candidate was foolish enough to use campaign funds in Atlantic City, the voters and contributors would be the ultimate judge of the soundness of that decision.

Commissioner Franzese said that she agreed that there was a distinction to be made between the Boys' Club and gambling at Atlantic City. She added, however, that she also agreed with Vice Chair Linett, who frowned upon using campaign dollars to purchase raffle tickets. She reiterated the view that the money should be required to be returned to the Boys' and Girls' Club.

Chair Martin said that he is not being critical of Senator O'Connor in asserting the view that the Commission should address the issue of whether or not campaign money can be used for wagering. He said that he applauded the Senator for asking the questions he did. Chair Martin said that the Commission should use this opportunity to address the broader question of whether or not campaign money can be used for raffles and other types of wagering.

Legal Director Nasty said that the Commission was not asked to review the propriety of using campaign funds in this way. He added that perhaps the Commission could let Senator O'Connor know that it could not preclude the possibility of the issue being reviewed in an investigation.

Counsel Wyse said, however, that by rendering an opinion as set forth in the draft, the Commission is implicitly suggesting that candidates can use campaign dollars for purchasing raffle tickets.

Chair Martin said that he believed the Commission needs more facts before rendering an opinion. He suggested that a starting point would be staff writing to Senator O'Connor for the purpose of determining the motive for purchasing the raffle ticket.
On a motion by Vice Chair Linett, seconded by Commissioner Franzese and passed by a vote of 3-0, the Commission decided to defer making an opinion until the January meeting and directed staff to ask Senator O’Connor to provide a statement of his intent when he purchased the raffle ticket.

10. Proposed New Rule Concerning Contributions from Children

Counsel Wyse recommended that the Commission propose the following guidelines with regard to campaign contributions by minors:

(A) Contributions by minors shall be attributed to the legal guardian(s) of the minor and not to the minor unless:

1. the minor is 14 years or older;

2. the contribution is made from funds comprised of the minor’s earned income as defined in N.J.A.C. 19:25-1.7; and

3. a sworn statement made by the minor and guardian is submitted with the contribution which states that:

   (i) the decision to contribute was solely that of the minor; and

   (ii) the funds used to make the contribution were comprised solely of the minor’s earned income.

(B) For the purposes of 10, if the minor has more than one legal guardian, the contribution shall be attributed equally to each legal guardian of the minor.

The guidelines will apply to gubernatorial general elections, gubernatorial primary elections, and to nongubernatorial elections.

The Commission amended the proposed regulation to further state that a child’s earned income does not include amounts paid to the child by a parent or guardian.

On a motion by Vice Chair Linett, seconded by Commissioner Franzese and passed by a vote of 3-0, the Commission voted to propose the regulation as amended and directed staff to file the proposal with the Office of Administrative Law.

11. 1997 Gubernatorial Public Financing Program Preparation

For detailed information, please see the memorandum from Nedda G. Massar, Deputy Legal Director to Frederick M. Herrmann, Ph.D., Executive Director and entitled, “1997 Gubernatorial Public Financing Program Preparation.” Director of Public Financing Nedda G. Massar described steps which have been taken by staff to prepare for the 1997 public financing program and outlined proposed procedures for certification by staff of public matching funds to participating candidates.
Director of Public Financing Massar said that the major planning for public financing is complete. Staff has reviewed the operation of the matching funds program in 1993 and updated its detailed internal procedures manual.

The existing public financing computer module has been examined and simulated submissions will be performed as part of training of new staff members.

Public matching fund submission forms have been reviewed, revised where necessary, and duplicated. Detailed instructions for gubernatorial primary election candidates have been drafted which explain the matching fund submission process. A letter was mailed to all individuals identified as interested in the gubernatorial primary election announcing two information sessions.

When an initial submission for matching funds is received, staff will first determine whether or not the candidate is qualified to receive public funds. A candidate is qualified if he or she has raised and spent $210,000 in contributions subject to the contribution limit ($2,100) and has agreed in writing to participate in two gubernatorial primary election debates. A candidate may make submissions for 1997 primary election public matching funds as follows: on January 6 and 27; on alternate Mondays in February and March; and weekly from April 7 through May 27. After the June 3, 1997 primary election, submissions return to a two-week cycle through November 10, 1997.

Each contribution in each submission and its supporting documentation will be reviewed by staff for conformity with statutory and regulatory criteria.

In 1981 the Commission established a policy that if there was a prima facie violation of the contribution limit included in the contributions submitted for match, the campaign would be given an opportunity to correct it before the completion of the submission review cycle. If the excessive contribution was not refunded by the campaign, no public funds would be issued for the entire submission. This policy has been followed in all subsequent public financing cycles and staff recommends that it be continued for 1997.

Staff anticipates that the detailed submission review process for early submissions received from each campaign will take approximately two weeks. As campaigns become familiar with the complex public financing submission requirements, later submissions usually contain fewer errors and therefore can be reviewed more quickly. Once staff has completed its detailed examination of a submission and all data is entered into the computer and verified, a computer calculation is made to determine the exact amount of public funds to be certified to the candidate for the submission.

Staff will identify policy issues arising out of submissions and bring them to the Commission’s attention.
In order to certify public matching fund amounts to the Department of Treasury as quickly as possible, and therefore to make public funds promptly available to candidates, staff requested that the Commission specifically authorize it to certify public fund amounts to the Department of Treasury for payment upon completion of its review of a submission.

Public financing staff is also responsible for monitoring compliance with the primary election expenditure limit.

Finally, the regulations recently adopted for both the gubernatorial primary and general elections have now clarified that in order to trigger an emergent preelection hearing at the Office of Administrative Law (OAL) in the Department of State of expenditure limit litigation, a complainant must offer evidence that the alleged expenditure limit violation will have an impact on the outcome of the election or will cause irreparable harm to a candidate. Only in those cases will emergent preelection hearing and decision procedures be undertaken.

On a motion by Vice Chair Linett, seconded by Chair Martin and passed by a vote of 3-0, the Commission approved the public financing procedures.

12. Resolution to Go Into Executive Session

On a motion by Vice Chair Linett, seconded by Commissioner Franzeze and passed by a vote of 3-0, the Commission resolved to go into closed Executive Session to discuss the following matters which will become public as follows:

1. Investigative Reports of possible violations, which reports will not become public. However, any complaint generated as the result of an investigative Report will become public no later than 50 days after mailing.

2. A report on written requests for investigations of possible violations, which report will not become public. However, any complaint which may be generated as a result of a request for an investigation will become public no later than 50 days after mailing.

13. Return to Public Session

On a motion by Commissioner Franzeze, seconded by Vice Chair Linett and passed by a vote of 3-0, the Commission voted to return to public session.


Commissioner Franzeze recorded her vote to approve the procedures for public funds submissions in the 1997 primary election.
15. Adjournment

On a motion by Vice Chair Linett, seconded by Commissioner Franzese and passed by a vote of 3-0, the Commission voted to adjourn at 1:45 p.m.

Respectfully submitted,

[Signature]

Frederick M. Herrmann, Ph.D.

PML/elz