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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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April 29, 2003

MEMORANDUM

TO: The Commission

THROUGH: James A. Pehrkon *JAP*  
Staff Director

FROM: Lawrence H. Norton *LHN*  
General Counsel

James A. Kahl *JAK*  
Deputy General Counsel

Rosemary C. Smith *RCS*  
Acting Associate General Counsel

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Dawn M. Odrowski *DMO*  
Staff Attorney

Subject: Draft AO 2003-06

**AGENDA ITEM**  
For Meeting of 5-8-03

Attached is a proposed draft of the subject advisory opinion. We request that this draft be placed on the agenda for May 8, 2003.

Attachment

1 CERTIFIED MAIL  
2 RETURN RECEIPT REQUESTED  
3 ADVISORY OPINION 2003-06  
4 Bobby R. Burchfield  
5 Covington & Burling  
6 1201 Pennsylvania Avenue, N.W.  
7 Washington, DC 20004-2401

**DRAFT**

8 Dear Mr. Burchfield:

9 This responds to your letter of March 11, 2003, requesting an advisory opinion on behalf  
10 of Public Services Enterprise Group, Inc., ("PSEG") on the application of the Federal Election  
11 Campaign Act of 1971, as amended ("the Act"), and Commission regulations to the proposed  
12 transfer of payroll deduction authorizations by restricted class employees to an affiliated separate  
13 segregated fund.

14 You state that last year, PSEG, a public utility holding company, established a separate  
15 segregated fund, Public Service Enterprise Group PAC ("PSEG PAC"). PSEG PAC's Statement  
16 of Organization lists as an affiliated committee another separate segregated fund, PSE&G PAC  
17 ("PEGPAC"). PEGPAC is the separate segregated fund of PSE&G, one of four wholly-owned  
18 subsidiaries of PSEG.<sup>1</sup> For some time, PEGPAC has solicited contributions from the restricted  
19 class employees of each of PSEG's four subsidiaries and has facilitated these voluntary  
20 contributions through payroll deductions.

21 You state that PSEG and PSE&G anticipate that PEGPAC may be terminated at some  
22 future date leaving PSEG PAC as the sole remaining separate segregated fund operated by PSEG

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<sup>1</sup> PSEG's other three wholly-owned subsidiaries are: PSEG Services Corporation, PSEG Power, and PSEG Energy Holdings.

1 and its subsidiaries. In light of the anticipated termination of PEGPAC, PSEG and PSE&G  
2 propose to transfer from PEGPAC to PSEG PAC the existing payroll deductions authorized by  
3 restricted class employees.

4 Before implementing the payroll deduction transfer, you propose to send a letter to each  
5 restricted class employee who currently contributes to PEGPAC through a payroll deduction  
6 plan. You state that the letter will contain all appropriate notices pursuant to 11 CFR 114.5(a)(1)  
7 through (5), the regulations ensuring the voluntary nature of contributions to separate segregated  
8 funds. The letter will notify employees that their payroll deductions will cease to be directed to  
9 PEGPAC as of a specified future date and will instead be directed to PSEG PAC after that date,  
10 unless the employee provides notice that he or she wishes to terminate his or her payroll  
11 deduction authorization. To facilitate an employee's ability to terminate contributions made  
12 through payroll deductions, the notification letter will be accompanied by a form that an  
13 employee may use to "opt out" of the payroll deduction plan and terminate their contribution or,  
14 alternatively, to alter the amount of the payroll deduction. If an employee provides notification  
15 that he or she prefers to "opt out," the employee's payroll deduction will be discontinued. If an  
16 employee does not terminate or alter the amount of the payroll deduction, the employee's payroll  
17 deduction will be transferred to PSEG PAC without requiring an employee to complete a new  
18 authorization form expressly authorizing contributions via payroll deduction to PSEG PAC.

19 You cite to advisory opinions in which the Commission has approved transfers of payroll  
20 deduction authorizations without requiring an employee to complete a new payroll deduction  
21 form where the transfers were among affiliated committees. See Advisory Opinions 1991-19 and  
22 1994-23. These opinions addressed instances where the payrolls of related corporate entities  
23 were being consolidated due to corporate merger or acquisition.

1           You ask whether, in the absence of a payroll consolidation, the payroll deduction  
2 contributions authorized by restricted class employees to PEGPAC may be transferred to PSEG  
3 PAC without obtaining new payroll deduction authorizations from each employee, provided that  
4 each employee is given the above-described advance notice and opportunity to opt out of the  
5 payroll deduction plan. The Commission answers your question in the affirmative.

6 **Analysis**

7           Commission regulations permit the use of a payroll deduction plan for soliciting and  
8 collecting voluntary contributions to a corporation's separate segregated fund. See 11 CFR  
9 114.5(k)(1). Commission regulations also permit a corporation to solicit contributions to its  
10 separate segregated fund from the administrative and executive personnel of its subsidiaries,  
11 branches, divisions and affiliates, and the corporation may administer a payroll deduction plan to  
12 facilitate such contributions. 11 CFR 114.5(g)(1) and Advisory Opinion 1991-19. All separate  
13 segregated funds established, financed, maintained, or controlled by the same corporation,  
14 including its subsidiaries, are affiliated, and consequently, share a single contribution limit.  
15 11 CFR 100.5(g)(2) and (3). Given their affiliated status, either a parent company or its  
16 subsidiary can establish and finance a payroll deduction plan to facilitate contributions to an  
17 affiliated separate segregated fund. Advisory Opinions 1987-34 and 1982-34.

18           Solicitations to a separate segregated fund, including those made in connection with a  
19 payroll deduction plan, must comply with the standards of voluntariness set forth in 11 CFR  
20 114.5(a)(1) through (5). Written solicitations for contributions to a separate segregated fund  
21 must specifically inform a restricted class employee of the political purpose of the fund and of  
22 the employee's right to refuse to contribute without reprisal. If a contribution guideline is  
23 suggested, the written solicitation must inform employees that the guidelines are only

1 suggestions, that the employee may contribute more or less than the amount suggested, and that  
2 the corporation will not favor or disadvantage anyone based on the amount contributed or the  
3 decision not to contribute. 11 CFR 114.5(a)(5).

4 In past advisory opinions, the Commission has permitted payroll deduction authorizations  
5 to be transferred from one separate segregated fund to another without requiring new  
6 authorizations from employees where the transfer was between affiliated committees, provided  
7 that employees were given advance notice containing the requisite voluntariness statements and  
8 explicit notification of their right to revoke the authorization without reprisal. Advisory  
9 Opinions 1991-19, 1994-23 and 1997-25. In distinguishing circumstances where payroll  
10 deduction authorization transfers were permitted with those where they were not, the  
11 Commission concluded in Advisory Opinion 1997-25 that because affiliated separate segregated  
12 funds are viewed as a single committee for purposes of contribution limits and corporations may  
13 solicit separate segregated fund contributions from the restricted class employees of its affiliated  
14 companies, those employees are not making a significant change in their payroll deduction  
15 authorizations when the authorization is transferred from one affiliated committee to another.

16 Since PSE&G is a wholly-owned subsidiary of PSEG, PEGPAC and PSEG PAC are  
17 affiliated committees. *See* 11 CFR 100.5(g)(2). The absence of a payroll consolidation between  
18 the parent company and its subsidiary does not change the underlying analysis on the transfer of  
19 payroll deduction authorizations of eligible employees between the affiliated separate segregated  
20 funds established, financed, maintained or controlled by these two companies. Because  
21 PEGPAC and PSEG PAC are affiliated committees, the transfer of payroll deduction  
22 authorizations from PEGPAC to PSEG PAC would not constitute a significant change in  
23 authorization. *See* Advisory Opinion 1997-25. Thus, the restricted class employees who

1 currently make contributions to PEGPAC via payroll deduction need not execute new payroll  
2 deduction authorizations for contributions to PSEG PAC provided that each employee receives  
3 advance notice of the transfer of his or her payroll deduction from PEGPAC to PSEG PAC and  
4 has the opportunity to terminate his or her payroll deduction authorization or alter his or her  
5 contribution amount.

6       The notice must meet the requirements of 11 CFR 114.5(a)(1) through (5). In addition to  
7 disclosing the political purpose of PSEG PAC as stated in your advisory opinion request, the  
8 notice must explicitly notify the restricted class employee contributors of the continuing right to  
9 revoke the authorization without reprisal. See 11 CFR 114.5(a)(4) and Advisory Opinions 1991-  
10 19, 1994-23 and 1997-25. To the extent that the notice contains a guideline for contributions, it  
11 must also comply with 11 CFR 114.5(a)(2). Finally, in order to provide current restricted class  
12 employee contributors with sufficient time to exercise their right to revoke their payroll  
13 deduction authorizations, the effective date of the transfer specified in the notice should be at  
14 least 30 days after the notice is given to the affected employees. See, e.g., Advisory Opinion  
15 1997-25.

16       This response constitutes an advisory opinion concerning the application of the Act and  
17 Commission regulations to the specific transaction or activity set forth in your request. See  
18 2 U.S.C. 437f. The Commission emphasizes that, if there is a change in any of the facts or  
19 assumptions presented, and such facts or assumptions are material to a conclusion presented in

1 this opinion, then the requestor may not rely on that conclusion as support for it's proposed  
2 activity.

3 Sincerely,

4  
5 Ellen L. Weintraub

6 Chair

7 Enclosures: AOs 1997-25, 1994-23, 1991-19, 1987-34 and 1982-34