

**STATE OF MINNESOTA
CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD**

**FINDINGS REGARDING THE
21ST CENTURY DEMOCRATS (MINNESOTA COMMITTEE)**

Procedural Background

Campaign Finance and Public Disclosure Board (“Board”) staff’s review of the 21st Century Democrats’ Report of Receipts and Expenditures for the period covering January 1, 2004, through August 23, 2004, disclosed contributions from a associations not registered with the Board.

Minn. Stat. §10A.27, subd. 13 (a), prohibits a political committee that is registered with the Board from accepting a contribution in excess of \$100 from an unregistered association, unless, at the time the contribution was made, the unregistered association provides the political committee with the disclosure required by Minn. Stat. §10A.20.

Brian Svoboda, counsel to the 21st Century Democrats, responded to the Board’s inquiry regarding the contributions from unregistered entities. Board staff’s discussions with Mr. Svoboda regarding this matter disclosed that 21st Century Democrats (“Minnesota Committee”) is a segregated state account created by a national committee also named 21st Century Democrats (“National Association”). The National Association acts as an umbrella organization that determines the amount of money to be expended in Minnesota and then transfers to the Minnesota Committee account an amount sufficient to cover those expenditures. The individuals and associations disclosed as contributors by the Minnesota Committee were actually contributors to the National Association. The Minnesota Committee 21st Century Democrats reported the contributions as being received directly received from the contributors and not as contributions from the National Association.

As an unregistered association the National Association is required to provide the disclosure required by Minn. Stat. §10A.27, subd. 13, when it contributes over \$100 to an association registered in Minnesota.

On November 15, 2004, Mr. Svoboda amended the Minnesota Committee’s Reports of Receipts and Expenditures for calendar years 2001, 2002, and 2003, and for the period covering January 1, 2004, through October 18, 2004, to disclose 25 contributions totaling \$334,157.35 from the National Association. Specifically, the Minnesota Committee disclosed receiving three contributions totaling \$10,907.35 in 2001, six contributions totaling \$57,000 in 2002, six contributions totaling \$21,800 in 2003, and ten contributions totaling \$244,450 in the period covering January 1, 2004, through October 18, 2004.

In a letter received on December 14, 2004, Mr. Svoboda stated, “21st Century Democrats is a federal PAC that is active on a national basis. Its Minnesota activity has made up only a small part of its overall activity. Accordingly, its procedures were not designed specifically to conform to Minnesota procedures. This fact, combined with accounting and administrative lapses on the part of organization staff, resulted in the circumstances that prompted your office to seek additional information. These circumstances were wholly the product of inadvertent error.”

Mr. Svoboda also provided the Board with disclosure statements for the National Association for calendar years 2001, 2002, 2003 and the period covering January 1, 2004, through October 18, 2004. However, these statements did not provide all the disclosure required by Minn. Stat. §10A.20.

This matter was considered by the Board in executive sessions in its meetings on November 17, 2004, and December 17, 2004. The Board's decision was based upon Board staff's conversations with Mr. Svoboda, correspondence from Mr. Svoboda, amendments filed by Mr. Svoboda, and Board records.

Based on the record before it, the Board issues the following:

EVIDENTIARY FINDINGS

1. There is evidence that the Minnesota Committee violated Minn. Stat. §10A.20, when the Minnesota Committee failed to properly report contributions received from the National Association on the Minnesota Committee's Reports of Receipts and Expenditures for calendar years 2001, 2002, and 2003 and for the periods covering January 1, 2004, through August 23, 2004, and January 1, 2004, through October 18, 2004.
2. The Minnesota Committee has amended Reports of Receipts and Expenditures for calendar years 2001 through 2003 and the period covering January 1, 2004, through October 18, 2004, to disclose contributions from the National Association.
3. There is evidence that the Minnesota Committee inadvertently violated Minn. Stat. §10A.27, subd. 13, when it accepted 25 contributions in excess of \$100 from the National Association, an unregistered association, without obtaining the required disclosure.
4. There is evidence that these contributions were not returned within 60 days. Prior to August 1, 2002, Minnesota Statutes Chapter 10A provided no penalty for a political committee that accepted a contribution from an unregistered association. Since August 1, 2002, Minn. Stat. §10A.27, subd. 13 (c), provides that the treasurer of a political committee that accepts a contribution in excess of \$100 from an unregistered association without the required written disclosure is subject to a civil penalty of up to four times the amount by which the contribution exceeded \$100.
5. The Minnesota Committee has now obtained disclosure statements from the National Association and provided this disclosure to the Board. However, these statements do not include all the disclosure required by Minn. Stat. §10A.20.

Based on the above Statement of the Evidence, the Board makes the following:

FINDINGS CONCERNING PROBABLE CAUSE

1. There is probable cause to believe that the Minnesota Committee inadvertently violated Minn. Stat. §10A.20, when it failed to disclose on its Reports of Receipts and Expenditures for calendar years 2001, 2002 and 2003 and for the periods covering January 1, 2004, through August 23, 2004, and January 1, 2004, through October 18, 2004, contributions received from the National Association.
2. The Minnesota Committee has amended their Reports of Receipts and Expenditures for the calendar years 2001 through 2003 and the period covering January 1, 2004, through October 18, 2004, and thus there is no probable cause to believe that a violation of Minn. Stat. §10A.20 continues to exist.

3. There is probable cause to believe that the Minnesota Committee violated Minn. Stat. §10A.27, subd. 13, when it accepted 25 contributions from the National Association without obtaining disclosure statements at the time it received the contributions. The Minnesota Committee has now obtained and provided the Board with these statements. However, they do not include all the disclosure required by Minn. Stat. §10A.20.

Based on the above Findings, the Board issues the following:

ORDER

1. The Board imposes a civil fine of \$292,950, one times the amount by which the contributions received after August 1, 2002, exceeded \$100 each year, on the Minnesota Committee for accepting contributions in excess of \$100 from an unregistered association without obtaining the disclosure required by Minn. Stat. §10A.27, subd. 13.
2. The Minnesota Committee is directed to forward to the Board payment of the civil penalty, by check or money order payable to the State of Minnesota, within thirty days of receipt of this order.
3. The Board directs the Minnesota Committee to ensure that any future contributions accepted from the National Association are accompanied by disclosure statements that meet all the disclosure requirements of Minn. Stat. §10A.20.
4. The Board withholds the right to increase the amount of the civil penalty and issue additional Findings should the National Association have given any contributions to the Minnesota Committee during the period covering October 18, 2004, through December 31, 2004.
5. If the Minnesota Committee does not comply with the provisions of this order, the Board's Executive Director shall refer this matter to the Attorney General for civil enforcement pursuant to Minn. Stat. §10A.34, subd. 2.
6. The Board investigation of this matter is hereby made a part of the public records of the Board pursuant to Minn. Stat. §10A.02, subd. 11, and upon receipt of the civil penalty imposed herein, this matter is concluded.

Dated: December 17, 2004

Wil Fluegel, Chair
Campaign Finance and Public Disclosure Board