expenses are campaign expenses that should be paid by the general election campaign and subject to the spending limits. On the other hand, several witnesses and commenters pointed out that effective fundraising necessarily involves setting forth what the candidate stands for. Some felt it is not appropriate to use public funds to raise private contributions that are used solely for legal and accounting compliance purposes.

The Commission has concluded that the rules regarding fundraising for the GELAC should remain largely unchanged. The Commission's audit and enforcement processes provide the appropriate mechanisms for ensuring that GELAC fundraising activities (or any other type of expenses paid from GELAC funds) do not involve campaigning for the candidate's election.

However, changes are being made regarding the information to be disclosed in solicitations to prospective contributors. Former section 9003.3(a)(1)(i)(A) required solicitations to clearly state that the contributions are solicited for the GELAC. The NPRM proposed adding language to let contributors know that their money would be used solely for legal and accounting costs. Those supporting the Petition for Rulemaking did not believe the proposed change would resolve the problems they perceived. Others noted that if the required language is lengthy enough, nobody will read it. Hence, the final rules have been modified to require committees to tell contributors that federal law prohibits the use of private contributions to pay a publiclyfunded general election candidate's campaign expenses. This new language more clearly conveys to contributors that their contributions to the GELAC will only be used to ensure compliance with the law. The GELAC solicitation must also indicate how contributors should make out their checks, so as to avoid potential confusion regarding the contributor's intent.

Please note that the provisions regarding redesignations and transfers of primary funds to the GELAC in paragraphs (a)(1)(ii)-(iv) have been reorganized for clarity. In addition, new language has been added to resolve questions regarding depositing designated and undesignated contributions in the GELAC. Paragraph (a)(1)(i)(C) states that contributions must be designated in writing for the GELAC to be deposited directly into the GELAC. All contributions not designated in writing for the GELAC must be deposited initially in a primary election account and reported as such. An

explanation of the term "designated in writing" for the GELAC is being added as new paragraph (a)(1)(vi). Please note that 11 CFR 110.1(b)(4) covers designations for a presidential primary election. Contributions made out to the candidate's name or the primary committee, unless properly designated in writing for the compliance fund, cannot be deposited in it, and can be transferred to it only if they are properly redesignated by the contributor for the GELAC. Undesignated contributions cannot be deposited in the GELAC, regardless of when they are made or received, and can be transferred to it only if the committee receives a proper GELAC redesignation from the contributor. An exception to the redesignation requirement exists for leftover primary contributions made during the matching payment period; they may be transferred to the GELAC without securing redesignations if they exceed the amount needed to pay remaining net outstanding campaign obligations for the primary and any repayments. In addition, the revised rules permit contributions made after the date of nomination, but not designated in writing for the GELAC, to be redesignated for the GELAC only if they are not needed to pay remaining net outstanding campaign obligations from the primary campaign. The rules also specify that contributions designated in writing or redesignated for the GELAC cannot be matched.

Current paragraphs (a)(2)(i) (A) through (H) of section 9003.3 set forth the permissible uses of GELAC funds. The Petition for Rulemaking, and several commenters, urged the Commission to delete current paragraph (H) allowing GELAC funds to be used to pay unreimbursed costs of providing transportation for the Secret Service and national security staff. Other commenters and one witness urged the Commission to retain this provision, given the alternative of requiring campaigns to pay these costs from their limited campaign funds, even though transporting Secret Service and National Security staff does little to further the campaign.

This provision has been retained in the final rules because the limits on the amounts that can be reimbursed for transporting the Secret Service and National Security staff may be less than the actual cost to the campaign, and because the campaign must transport security personnel who do not provide a campaign-related benefit. However, GELAC funds may not be used to pay transition costs (costs incurred by the President-elect in preparation for the assumption of his or her official duties

which are not provided for under the Presidential Transition Act of 1963) (cf. AO 1980–97); legal defense fund expenses (expenses incurred in a judicial, civil, criminal, administrative, state, federal, or Congressional investigation, inquiry or proceeding not related to the Presidential campaign) (cf. AO 1979–37); or legal expenses not related to ensuring compliance with the FECA and the Fund Act, such as contract litigation.

In addition, the Commission has reduced from 70% to 50% the standard amount that the GELAC may pay for computer-related costs, and the corresponding exclusion from the spending limits. See 11 CFR 9003.3(a)(2)(ii)(A), (b)(6) and (c)(6). Some expressed concern that this allocation demonstrated the impossibility of separating compliance expenses from campaign expenses, thereby necessitating repeal of the GELAC rules. One commenter argued that the allowance should be reduced to 10%. On the other hand, others urged the Commission to increase the allowance to 80% or 90% to more accurately reflect the burden of compliance.

The Commission believes that a reduction from 70% to 50% accurately reflects the increased usage of computers for non-compliance campaign-related activities such as scheduling of campaign-related events, electronic communications, word processing, office automation, maintaining political databases, etc. Moreover, campaign committees must incur computer costs to perform basic accounting purposes irrespective of the need to comply with the campaign financing laws. Please note, however, that committees may still deduct a higher amount if they can show that their computer-related compliance costs are higher.

Section 9003.3(a)(2)(iv) has been modified slightly to clarify that funds remaining in the GELAC may only be used to pay debts remaining from the primary or for other lawful purposes pursuant to 2 U.S.C. § 439a if all GELAC expenses have been paid. Two commenters argued that this allows wealthy donors to evade the primary contribution limits and results in corruption of the public financing system. As explained above, the Commission believes that this provision is in keeping with the purpose and structure of the public funding statutes and notes that Congress did not disapprove of the Commission's regulations on transfers of surplus GELAC funds.