



Political Action Committee (PAC) Frequently Asked Questions

What is a Political Action Committee (PAC)?

A PAC is a fund organized for the purpose of supporting (or opposing) candidates for office (local, state, and federal). The term 'PAC' is a popular/informal term. Under the Federal Election Commission (FEC), they are considered "Separate Segregated Funds (SSFs)," because money contributed to the PAC is kept and maintained in a bank account separate from the treasury of the affiliated corporation or organization. Under the IRS code, PACs are considered 527 organizations and may have additional reporting requirements.

Why does the AOC need a PAC?

The key to advocacy is promoting leadership and influencing the decision-making process at every level. To accomplish this the AOC needs access to leaders (our membership expects this). A PAC provides the AOC a "seat at the table" with key stakeholders in Congress and other industry leaders attending such events. Unfortunately, without a PAC, the AOC Advocacy and Outreach program has insufficient bandwidth to expand and sustain our education and awareness activities on Capitol Hill. Contributing to political campaigns and attending fundraisers inherently increases direct access to key Members of Congress and provides an opportunity to build new relationships and solidify our existing ones. We are unable to meet the demand as we are currently structured and resourced.

Does AFA, AUSA, IEEE, or other defense-related associations have PACs?

Service-connected associations do not have PACs, but they provide unparalleled access to military leaders and activities. The following associations comparable or related to AOC have PACs: Aerospace Industries Association (AIA), Aircraft Owners Pilots Association (AOPA), National Defense Industries Association (NDIA), Professional Services Council (PSC), Association for Unmanned Aerial Vehicles International (AUVSI). Except for AOPA, which is nondefense, these PACs traditionally report very low activity levels. IEEE does not have a PAC, but they have over 400,000 members globally.

How large is the PAC expected to be? What are the early fundraising goals?

According to various PAC consultants, based on our size, we can expect 5-6 percent participation rate of the US membership in the beginning with a conservative average contribution of \$250. To put in perspective, we had 11 percent of eligible members vote in our most recent election. We have 10,700 US members, so early participation would come from 600 individuals. To be safe, we assume that the average contribution will be \$120 (about \$10/month). This would result in PAC resources of \$72,000. This is more than enough to cover administrative expenses and provide maximum contribution amounts to select candidates.

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Is the AOC eligible to start a PAC? Does a PAC affect AOC tax status?

The AOC is registered as a 501(c)6 nonprofit association and is permitted to start a PAC. All 501(4) and 501(6) organizations are eligible. In fact, nearly half of the top PACs are affiliated with 501(6) associations. The fact that AOC also has a separate 501(c)3 educational foundation (AEF) has no bearing on its ability to start a PAC. However, bookkeeping and governance must be separate. Therefore, neither the AOC treasurer nor the AEF treasurer should be the treasurer of the PAC. The same applies to other executive leadership responsibilities.

What are the alternatives to starting a PAC?

See PAC Justification Read-Ahead. There are four (4) realistic options.

- 1) Maintain current program / no action. This will result in the Advocacy and Outreach (A/O) program diminishing over time, which may make it ineffective. The consequences of this will reverberate across AOC activities and industry partners to potentially hurt revenue. **NO COST / NO RETURN.**
- 2) Grow A/O Department to provide additional staff. **HIGH COST / HIGH RETURN.**
- 3) Expand our relationship with our external consultants to include lobbying services. AOC can expect to spend as much as \$10-15k per month on a reputable lobbying firm. A portion of that cost ultimately shows up as an individual contribution to specific candidates; however, the AOC does not gain direct access or own the relationship. **MEDIUM-HIGH COST / HIGH RETURN.**
- 4) Build a grassroots network. Due to size and chapter structure, this is not a viable option for the AOC today. **MEDIUM-LOW COST / IMPOSSIBLE.**
- 5) Establish a PAC. PACs are sustained through voluntary activity and contributions of a limited number of individuals. **LOW COST / HIGH RETURN.**

Who manages the PAC? Does the AOC have to establish a separate PAC board? What is the size of the PAC Board and what are its responsibilities?

A separate PAC Governance Committee (PAC Board) will be established and appointed to manage the PAC with strategic guidance provided by Forza DC. The AOC will be responsible for drafting Articles of Association and By-Laws, identifying and appointing individuals to the PAC Board, registering the PAC with the FEC, and assigning administrative duties to ensure compliance. There is no minimum or limit to the size of the PAC Board, but major executive responsibilities should be accounted for including treasurer. The AOC may establish any rules for PAC Board appointment and term of service; however, it is a recognized best practice to reserve seats on the PAC Board for the most senior individuals who support and contribute to the PAC. It is also recommended that the AOC determine the PAC's disbursement policies to ensure the PAC operates according to the best interests of the AOC. The AOC



Board does not have any governance responsibilities over the PAC; however, it may establish reporting requirements and other guidance to maintain its affiliation status.

Who is responsible for ensuring PAC compliance with the FEC and IRS?

The PAC Board is responsible for all compliance activities, which will be assigned directly to a PAC consultant who will execute all PAC compliance and reporting requirements. The AOC GIR has been in consultation with PAC Outsourcing, LLC, to help set up and manage PAC operations.

How much will a PAC cost?

The PAC itself is relatively inexpensive; however, it is recommended the following expenditures to help ensure compliance, effectiveness, and growth:

PAC Set-up	\$2,500 (marketing, branding, paperwork, etc)
Consultant	\$12,000/yr (Peter Sherman of <u>DDC Public Affairs, LLC</u>)
PAC Software	\$7500/yr
Total 2020:	\$22,000

In addition to establishing a PAC, the AOC can also establish a PAC administrative fund, which will help cover the annual costs of the PAC. Anyone may contribute to this fund; however, there are accountability concerns because contributions are not disclosed publicly. Because there is no disclosure, AOC international members may contribute to this fund. The preference is to avoid an administrative fund and for the PAC to cover all administrative costs and fundraising activities. We are committed to keeping the PAC transparent and accountable.

What is a Connected vs. Non-connected PAC? Which type of PAC will AOC start?

AOC would establish a Connected PAC, which means that we can raise money from a “restricted class,” meaning our individual members. The litmus test for whether our membership qualifies as a “restricted class” is as follows:

- (1) Membership has a financial involvement (i.e. they pay dues) in the AOC.
- (2) Members have willingly signed up (not coerced or provided a membership without their knowledge/consent).
- (3) Members have voting rights in the association.

AOC satisfies all three tests; therefore, our individual membership is deemed a “restricted class” for purposes of a PAC. Nonconnected PACs are groups with an ideological mission or are focused on a single issue. They may accept contributions from anyone, but there are limitations on solicitation.

What is the difference between a non-multicandidate PAC and a multicandidate PAC?



The distinction is a function of time and other factors. Should AOC establish a PAC, it would start as a non-multicandidate PAC, which means that it can only contribute up to \$2,700 per candidate per election (primary and general). A PAC can apply for and achieve multi-candidate status upon meeting three conditions:

- (1) The PAC is operational for six (6) months.
- (2) The PAC has contributed to at least five candidates.
- (3) The PAC has received 50 contributions.

Once a PAC achieves multi-candidate status, it can contribute up to \$5000 per candidate per election cycle. The reality is that AOC's PAC would be relatively small and the limits on it due to its non-multicandidate status in the beginning will not have any impact on the effectiveness of the PAC. Still, the AOC PAC should apply for multicandidate status as soon as possible.

What are the PAC contribution limits?

As stated above, initially the PAC can contribute up to \$2700 per candidate per election. The primary and the general elections are each considered separate elections. It is important to note that the primary election season covers the period of time between inauguration/first day and the next primary election. Therefore, notwithstanding special elections, we are currently in the primary election season for the 2020 general election. This primary season started in January 2019. The general election period only covers following a primary to the general election itself (varies by state).

For Senators who serve 6-year terms, the primary season is even longer. If Senator X was elected in 2018, he/she will be up for re-election in 2024, which means their primary election will run from 2019-2023 (pending the date of the primary election). The \$2700 limit applies to the entire primary election. If the AOC PAC gives Senator X \$2700 today, it cannot give anymore until the general election. There are a few caveats and ways around this, but not currently relevant to AOC.

Can federal employees and active-duty military personnel be allowed to contribute to a PAC? Do PAC contribution violate the Hatch Act?

Yes, federal employees and military personnel are permitted to contribute to a PAC with their own personal resources. Such a contribution does NOT violate the Hatch Act. The purpose of the Hatch Act is to "prevent pernicious political activity" in the workplace, which mainly aims at curbing overt or potentially disruptive political engagement, including coercion, bribery, and solicitation. Federal employees are allowed to contribute to political action committees. It is your money and your voice. As long as political activity is done outside of the federal workplace, not on official time, and using personal accounts (email, phone, financial, etc), there are no prohibitions. The Hatch Act is not meant to keep federal employees from engaging in any political activity.

****See US Office of Special Counsel (OSC), Federal Hatch Act, for more information.*

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How much can a person contribute to a PAC? Are contributions voluntary?

Yes, all contributions are voluntary and have no bearing on AOC membership status. AOC is permitted to solicit its restricted class, but any member may voluntarily opt out of future PAC solicitation. The limit for contributions to a PAC is \$5,000 per year. There is no minimum contribution. The AOC PAC will establish a contribution structure that identifies various thresholds of contributions. Contributions to PACs are NOT tax deductible as charitable contributions.

What responsibilities will the AOC Board of Directors have in managing or monitoring the PAC and its activities?

Most of the AOC Board responsibilities for a PAC are in the initial establishment phase, including (taken from PAC Outsourcing, LLC):

- (1) Select a name for the PAC (legal requirement)
- (2) Establish the solicit able class (legal requirement)
- (3) Determine the PAC’s disbursement policies (recommended)
- (4) Develop guidance on voluntary giving levels (recommended)
- (5) Draft Articles of Association and By-laws (legal requirement)
- (6) ID/Appoint PAC Board
- (7) Register the PAC with the FEC (legal requirement)
- (8) Apply for a Federal Tax ID number (legal requirement)
- (9) Open a bank account (legal requirement)
- (10) Assign administrative duties to an employee and/or retain the services of a PAC compliance service (latter recommended)
- (11) Turn over responsibility to the PAC Board to manage PAC affairs.

Once the PAC has been established and responsibility has been transferred to the PAC Board, the AOC will provide monitoring and oversight to ensure integrity and compliance, but otherwise, the AOC will have no governing role with the PAC. The PAC is properly termed “affiliated” with the AOC.

What roles does the PAC Board have in managing the PAC?

Upon assuming responsibility, the PAC Board is responsible for the following (from PAC Outsourcing, LLC):

- (1) Develop a solicitation plan and notify the solicitable class of the PAC’s establishment and encourage voluntary participation.
- (2) Record contribution receipts (legal requirement)



- (3) ID candidates for PAC donations (based on disbursement formula approved by AOC)
- (4) Record and report receipts and disbursements to the FEC (legal requirement)
- (5) Issue periodic reports to the restricted class about PAC activities
- (6) Establish a PAC website.

Must the PAC disclose donors to the Federal Election Committee (FEC)?

Yes, the PAC must disclose all contributions to the FEC. For any amount, the PAC must report the date received and the amount. For contributions over \$50, the PAC must include the name and address of the contributor. For contributions over \$200, the PAC must report contributor's occupation and employer (from PAC Outsourcing, LLC). This information will be gathered and stored via PAC management software and managed by PAC Outsourcing, LLC).

Can the PAC donate directly to campaigns? How can PAC funds be used?

Yes, PACs can donate directly to campaigns (note: Super PACs, an outgrowth of Citizens United, are not allowed to donate directly to campaigns). Under current law, corporations and trade associations cannot contribute directly to campaigns, except through a PAC.

PAC funds can be used to contribute to federal candidates and other federal political committees, pay for the F/B costs for a fundraising event for a candidate or other political committee, and fund "independent expenditures" to support or oppose candidates (i.e., a communication that expressly advocates for the election or defeat of a candidate, but is not coordinated with the candidate).

What is a PAC Administrative Fund?

A PAC administrative fund (PAC AF) is a separate account associated with the PAC that can be used for any purpose, except direct contributions to federal candidates and other federal political committees. PAC AFs are very loosely regulated. It is the responsibility of the PAC Board to oversee the PAC AF to ensure integrity and responsible use of funds. A PAC AF can help expand allowable contributions and separate/organize expenditures. For example, the PAC AF can be used pay for all costs associated with a PAC, including consultant fees and PAC management software, leaving PAC contributions almost exclusively for distribution to federal candidates. The PAC AF can also cover any other PAC related expense that may otherwise have to be accounted for in the AOC general treasury. However, there are no rules governing PAC AFs and there are no reporting requirements on contributions to the fund. PAC AFs are typically not transparent and it is harder to maintain accountability.

Can international AOC members and/or foreign corporations contribute to the PAC? Can they contribute to the PAC Administrative Fund?

Foreign nationals are prohibited from contributing to PACs and corporations would not be considered part of the AOC's "restricted class." However, no such rules apply to PAC AFs. Therefore, if AOC establishes a PAC AF, any person or corporation, foreign or domestic, can contribute to it. As such, AFs

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provide an opportunity for international members of the AOC to contribute to support PAC operations, without directly contributing to the PAC. Donations to PACs and PAC AFs are not tax deductible. There are concerns with accountability and transparency.

Does the AOC Board need to vote to establish a PAC?

Technically, the AOC Board does not need a vote to establish a PAC; however, it is highly recommended for best practice that the AOC Board hold a formal vote. In addition to transparency, it is important for the early success of the PAC that members of the association members see support from the AOC Board for establishing the PAC.

How will AOC determine disbursement policies for the PAC?

The Advocacy and Outreach department, with strategic development assistance of Forza DC, will establish a disbursement formula that assigns points to each Member of Congress based on several factors, including committee assignment and seniority, caucus membership and leadership, relevance of congressional district, etc. The formula helps not only identify the top 10-20 incumbents for the AOC PAC to support, but also the level of support (max contributions per election cycle). At this time, unless there is a special circumstance and resources are available, the AOC PAC will not support candidates in open races. The PAC will focus on incumbents with a track record of serving our community.

What are the initial steps and the timeline to establish the PAC?

We recommend the establishment of an ad hoc committee to execute the initial steps to establish the PAC. The key initial steps include:

- (1) Select name and determine restricted class.
- (2) Finalize agreement with PAC compliance consultant.
- (3) Complete necessary registration requirements.
- (4) Establish the PAC Board.
- (5) Determine PAC disbursement policies.

Steps 1-3 can be completed within one week of Board approval. Steps 4-5 can take 2-4 weeks. The goal is to have the PAC operational in early 2024 and begin disbursements to candidates for the 2024 congressional general election cycle.

How would an AOC PAC differ from an industry PAC?

Essentially, an AOC PAC would be identical to an industry PAC. Both are SSF organizations and can only solicit from a restricted class. They both are also bound by the same contribution limits to candidates. There are strict guidelines on PAC-to-PAC contributions, which make it difficult, but there are opportunities for industry PACs to contribute to an AOC PAC.



Will the AOC PAC be bipartisan? If so, how?

Yes, it is extremely important that the AOC PAC remain bipartisan; however, that does not necessarily equate to a 50/50 split in contributions based on the make-up of Congress, the representation of certain districts, and the advancement of specific issues. The best way to ensure bipartisan contributions is through a candidate contribution formula (see above) that is implemented from the start through the bylaws.

How will an AOC PAC maintain impartiality between industry members?

It will be easier to maintain impartiality between industry members within the PAC structure than through regular association sponsorships efforts. There are only narrow windows to solicit contributions from industry PACs and strict contribution limits. Thus, the AOC PAC will receive only limited contributions from industry PACs, and it will be difficult for any single industry PAC to exercise influence over the AOC PAC, especially if the AOC PAC adheres to a candidate contribution formula (see above).

Will the AOC need to regularly promote the PAC through its communications activities (JED, E-Crow, website, etc)?

The FEC prohibits PACs from soliciting outside its restricted class (AOC members in the US). Any publication or communication, including material displayed at a tradeshow booth, that reaches non-members is prohibited from mentioning the PAC or soliciting contributions. The only exception is that we may link to the PAC from our website, but it must not be prominent to imply solicitation. A good example is AOPA at www.aopa.org. Their PAC link is on their advocacy page, and it requires a login to view. That is the only permitted “advertisement”. The AOC cannot and will not be responsible for promoting the PAC. The PAC is responsible for all solicitations to only the restricted class (AOC members in the US).

