

00-070

ELECTIONS: CAMPAIGN FINANCE DISCLOSURE ACT.

Act does not include limited liability corporation as entity that must comply with campaign finance reporting requirements; does not address expenditure of funds transferred from political action committee to limited liability corporation. Expenditure of such funds by corporation is not subject to reporting requirements of Act.

The Honorable Madison E. Marye
Member, Senate of Virginia

The Honorable Albert C. Pollard Jr.
Member, House of Delegates

December 11, 2000

You inquire regarding the use of a limited liability corporation ("LLC") to receive and expend political funds which the Campaign Finance Disclosure Act normally requires to be made public.

Within the very limited facts that you provide, you advise that it has been reported that funds solicited by and contributed to certain members of the General Assembly were transferred to a lawfully established political action committee which, in turn, transferred substantial sums to a lawfully established LLC. It is your understanding that the LLC is not required to file financial reports of receipts and expenditures with the State Board of Elections. You specifically inquire whether an LLC, which is not required to report political contributions or expenditures, may expend funds originating from an entity which is subject to the reporting requirements of the Campaign Finance Disclosure Act. If so, you ask whether such expenditure constitutes campaign activity that must be reported by the LLC.

The Campaign Finance Disclosure Act, §§ 24.2-900 through 24.2-930 of the *Code of Virginia*, constitutes "the exclusive and entire campaign finance disclosure law of the Commonwealth."¹ Section 24.2-923(A) requires that "[p]ersons and political committees shall file the prescribed reports of contributions and expenditures with the State Board [of Elections] in accordance with the applicable schedule set out in § 24.2-916." Furthermore, "[a] committee shall comply with the election year schedule for each year in which it seeks to influence the outcome of the election."²

For the purposes of the Campaign Finance Disclosure Act, the term "person" is defined as "any individual or corporation, partnership, business, labor organization, membership organization, association, cooperative, or other like entity."³ The term "political committee" is defined as

any state political party committee, congressional district political party committee, county or city political party committee for a county or city with a population of more than 100,000, organized political party group of elected officials, *political action committee*, other committee, person or group of persons which

receives contributions or makes expenditures for the purpose of influencing the outcome of any election. The term shall not include: (i) a campaign committee; (ii) a political party committee exempted pursuant to § 24.2-911; or (iii) a person who receives no contributions from any source and whose only expenditures are made solely from his own funds and are either contributions made by him which are reportable by the recipient pursuant to Article 4 (§ 24.2-914 et seq.) of [the Act] or independent expenditures which are reportable by him to the extent required by subsection B of § 24.2-910, or a combination of such reportable contributions and independent expenditures.^{14]}

"Expenditure" is defined to include "money ... paid, ... or in any other way disbursed by any candidate, campaign committee, political committee, inaugural committee, or person for the purpose of influencing the outcome of an election."⁵

The Campaign Finance Disclosure Act requires that campaign finance reports be filed according to the schedule contained in § 24.2-916 "until a final report is filed."⁶ Section 24.2-920(A) requires that "[t]he final report shall include a termination statement, signed by the candidate, that all reporting for the nomination or election is complete and final." In addition, "[o]nce a candidate's final report has been filed, no further report relating to that election shall be required."⁷ Moreover, "each general election *shall* be treated separately."⁸ Finally, the Act requires campaign finance reports to be filed by each committee "until a final report is filed."⁹

The Supreme Court of Virginia has held that, "[w]hile in the construction of statutes the constant endeavor of the courts is to ascertain and give effect to the intention of the legislature, that intention must be gathered from the words used, unless a literal construction would involve a manifest absurdity."¹⁰ "[T]he plain, obvious, and rational meaning of a statute is always to be preferred to any curious, narrow, or strained construction."¹¹ Statutes should not be construed to frustrate their purpose.¹²

The Campaign Finance Disclosure Act requires contributions and expenditures of persons and political committees to be reported to the State Board of Elections in accordance with the schedule set forth in the Act.¹³ A political action committee clearly is required to report such activity to the Board. The applicable definitions of terms used in the Act, however, do not include the described LLC as an entity that must comply with the campaign finance reporting requirements of the Act. Furthermore, the plain language of the Act does not address an LLC that expends funds transferred from a political action committee.

Consequently, I must conclude that the General Assembly has chosen not to enact any laws addressing the question of whether an entity, which is not required to report political contributions or expenditures, may expend funds transferred from an entity which is required to report such funds. Because I am unable to find any Virginia law addressing such a factual situation, I also must conclude that such expenditures of funds by the LLC are not subject to the reporting requirements of the Campaign Finance Disclosure Act.

¹Section 24.2-900.

²Section 24.2-923(A).

³Section 24.2-901(A).

⁴*Id.* (emphasis added).

⁵*Id.*

⁶Section 24.2-916(10).

⁷Section 24.2-920(A).

⁸Section 24.2-920(B) (emphasis added).

⁹Section 24.2-923(B).

¹⁰*Watkins v. Hall*, 161 Va. 924, 930, 172 S.E. 445, 447 (1934) (quoting *Floyd, Trustee v. Harding*, 69 Va. (28 Gratt.) 401, 405 (1877)).

¹¹*Turner v. Commonwealth*, 226 Va. 456, 459, 309 S.E.2d 337, 338 (1983).

¹²See 1982-1983 Op. Va. Att'y Gen. 309, 311 (illogical result frustrates purpose of statute).

¹³See §§ 24.2-914 to 24.2-928.