



The FEC's "One-Third Rule" and MCULLAF Fundraising

Credit unions and leagues (as corporations) may purchase gifts, entertainment, auction items, door prizes or raffle prizes for use in fundraising for MCULLAF, but must comply with the Federal Election Commission's "one-third rule." The one-third rule requires that the value of PAC prizes or entertainment may not exceed, in the aggregate, one-third of the amount of contributions received as a result of the prizes, entertainment, raffle, or auction.

The credit union or league may pay the total cost for food, beverages, and facility rental without regard to the one-third rule. Additionally, games of chance (such as raffles) for the PAC may be subject to or prohibited by state gambling laws.

Examples of One-Third Rule Application to Common MCULLAF Fundraisers

Raffles - The state league conducts a raffle at its annual meeting. For raffle prizes, the league purchases a \$250 set of golf clubs, a \$100 gift certificate to a restaurant, and an autographed photograph of a local sports figure valued at \$125. In order to comply with the one-third rule, the total raffle proceeds must exceed \$1,425 (the total value of the raffle prizes, \$475, is one-third of \$1,425). Alternately, member credit unions, rather than the league may donate the above items, but the calculation remains the same.

Giveaways – A credit union purchases coffee mugs to give away in return for contributions. The per unit price of the coffee mug is \$5, so each contribution must be at least \$15 in order to comply with the one-third rule.

Payroll Deduction or Deduct-a-Buck – A credit union may apply the one-third rule over a reasonable amount of time. For example, the credit union above decides to give away the \$5 coffee mug to every employ who enrolls in payroll deduction. To comply, each employee must commit to at least \$.58 per paycheck (assuming a 26-pay period payroll schedule over the course of a year; \$.58 times 26 pay periods equals \$15.08).

Auctions – Unfortunately, one-third rule compliance makes auctions particularly difficult as MCULLAF fundraisers. If a credit union holds a silent auction and one item is a pair of baseball tickets valued at \$48 each (total of \$96); the winning bid must raise at least \$288 in order to comply (\$96 is one-third of \$288). For this reason we generally advise against auctions as fundraisers for MCULLAF.

Golf Outing – The value of any greens fees, plus any giveaways or "goodie bags" is subject to the one-third rule while the cost of any catering is exempt. The league hosts its golf outing fundraiser for MCULLAF at a country club that charges \$75 per person for greens fees. Additionally, each golfer receives a goodie bag containing giveaways donated by member credit unions with a total per-bag value of \$35. Therefore, each golfer must contribute a total of \$330 per person. This per-person total need not be the price of admission, provided that the total raised elsewhere during the golf outing (such as by purchasing bogies, etc.) exceeds one third of the total value of all entertainment and prizes. Note: only member credit unions may donate giveaways; vendors or other sponsors that are not members of the league may not participate.

Reception with Entertainment – The league decides to hold a "comedy night" at its annual meeting and sell tickets for MCULLAF. The comedian charges the league \$4,000 to perform. Additionally, the league rents a facility, and has it catered with an open bar. In this case, the one-third rule only applies to the comedian's fee, since food, drink and facility rental are exempt. Therefore, total ticket sales must exceed \$12,000 in order to comply.

Note: all of the above examples assume that participates are eligible to solicit for MCULLAF, e.g. they are members of a credit union with a current, signed permission agreement.