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MEMORANDUM

To: Interested Parties
From: Michael J. Sullivan, Director
Subject: Dissolution of Political Committees and Disposition of Residual Funds

The campaign finance law, M.G.L. Chapter 55, contains provisions for the organization of political committees and for their regular disclosure of financial activity. Chapter 55 also specifies the procedure for these committees to cease operation and dissolve. This memorandum is intended to address issues relating to committee dissolution as well as the disposition of any funds¹ remaining in a committee's account at dissolution.

I. DISSOLUTION OF A COMMITTEE

Candidates are not required to dissolve their committees after leaving office. A candidate's committee is organized for the purpose of enhancing the political future of the candidate, specifically, supporting the candidate's election to public office. If a candidate, after leaving office, still intends to seek public office sometime in the future, even if he or she is unsure of the specific office, the candidate may (but is not required to) keep the committee open.

As long as the committee remains open, it must continue to comply with the campaign finance law, whether or not a candidate is in office. For example, the committee must comply with the contribution limits contained in Chapter 55. In addition, expenditures made by a committee organized on behalf of a candidate who recently sought election must continue to comply with the statutory standard for such expenditures, e.g., they may only be made if they are made to enhance the political future of the candidate, and no expenditure that is primarily for the personal use of the candidate or any other person may be made. Finally, the committee must continue to file campaign finance reports according to the schedule applicable to the most recent office sought. For example, depository candidates would continue to have their banks file reports at least monthly with OCPF and would also file a year-end summary report. Non-depository candidates who are not on the ballot would file reports covering a calendar year on the following January 20.

¹ The guidance in this Memorandum also applies to the extent a committee has assets that must be disposed of on dissolution. See M-84-02.



Political action committees, peoples committees and local party committees may remain in operation indefinitely, subject to the statutory requirements noted above.² State and local ballot question committees, however, must generally dissolve after the election at which their particular questions are on the ballot.³

While this memorandum uses the example of a committee, much of the advice applies also to candidates who maintain campaign funds without forming committees. Such candidates may dissolve their campaign accounts by taking the steps indicated in the next section and filing the appropriate campaign finance report with OCPF or the relevant local election official.

II. DISPOSITION OF RESIDUAL FUNDS

The decision by a candidate or the officers of a non-candidate committee to dissolve triggers certain requirements under the campaign finance law. To dissolve, a committee must file a dissolution report accounting for the final disposition of any remaining funds and indicating its intention to shut down.

In order for a committee to dissolve, it must have no remaining funds or liabilities.

Liabilities usually take one of two forms: outstanding bills or past personal loans from a candidate. Before it can shut down, a committee must pay or settle, in accordance with OCPF regulations, all outstanding bills. See 970 CMR 1.03. If a committee has not repaid a loan made to the committee by the candidate, the candidate may forgive the obligation, and disclose, in the dissolution report, an in-kind contribution from himself to the committee in the amount forgiven.

The campaign finance law does not allow a committee's funds to be transferred to the personal accounts of a candidate or any other person. In addition, a committee may not, upon dissolution, return funds to contributors. See 970 CMR 1.04.

If, after paying off its liabilities, a committee has any remaining funds on hand, it must dispose of the funds in accordance with the Residual Funds Clause in M.G.L. Chapter 55, Section 18. Specifically, a committee must dispose of any residual funds remaining in its accounts at the end of its existence by donating them to one of the following:

- 1) the Local Aid Fund of the Commonwealth.⁴

² Local party committees must also reorganize after presidential primaries in accordance with the requirements of M.G.L. c. 52.

³ There is a limited exception for local ballot question committees to remain in operation if the relevant question fails at the polls and will be on the ballot in an identical or virtually identical form soon after an election; consult OCPF for further guidance if this is the case.

⁴ In 2003 the Legislature repealed c. 29, § 2C ½, which had created the Local Aid Fund. Section 18 has not yet been amended to reflect this change. OCPF is submitting proposed legislation to allow residual funds payments to be made to the Commonwealth's General Fund.

- 2) the General Fund of any city or town. Those wishing to direct the money to a specific department may make such a request of the city or town, but the municipality is under no obligation to honor such a request.
- 3) A scholarship fund. A candidate, treasurer or any officer of the committee may not participate in the selection of the beneficiary of any scholarship awarded from the fund, and the beneficiary of any such scholarship may not be related by blood or marriage to the candidate, treasurer or any officer of the committee.
- 4) A charitable or religious organization. A candidate, treasurer or any officer of the committee may not be related by blood or marriage to any trustee, officer, principal or beneficiary of the organization either at the time of the gift or within the next ten years. In addition, the organization may not employ as a trustee, officer, principal or beneficiary any person related to the candidate, treasurer or any committee officer at the time of the gift or within the next ten years. Donations to charitable organization may be made only if the entity is a public charity subject to M.G.L. c. 12, § 8. Public charities register with the Attorney General's Division of Public Charities.