

STATE OF CONNECTICUT
STATE ELECTIONS ENFORCEMENT COMMISSION

In the Matter of a Complaint by Danielle L. Palladino,
Torrington

File No. 2014-141

AGREEMENT CONTAINING CONSENT ORDER

This Agreement by and between Daniel Farley and Gregg Cogswell, of the City of Torrington, County of Litchfield, State of Connecticut (hereinafter "Respondents"), and the undersigned authorized representative of the State Elections Enforcement Commission, is entered into in accordance with Connecticut General Statutes § 4-177 (c) and Regulations of Connecticut State Agencies § 9-7b-54. In accordance herewith, the parties agree that:

1. Respondent Farley was a candidate for state representative from the 65th General Assembly District at the November 4, 2014 election. Further, Respondent Farley registered the candidate committee "Dan Farley for State Representative" (hereinafter "the Committee") and designated Respondent Cogswell his treasurer. The Committee applied for and received a grant from the Citizens' Election Program (CEP).
2. Complainant alleged that Respondent Farley violated General Statutes § 9-601b, § 9-616, § 9-706, et al, and Regs. Conn. State. Agencies § 9-706-1 and § 9-706-2, by making expenditures as a CEP candidate that attacked Governor Malloy's record. *See* Advisory Opinion 2014-04, *Negative Communications Featuring Candidates for Different Offices* (pertaining to its application of General Statutes § 9-601b, § 9-616, § 9-706, and Regs. Conn. State. Agencies § 9-706-1 and § 9-706-2).
3. More specifically, Complainant alleged that a double-sided postcard sent out on or about October 22, 2014 by the Committee to multiple households in the 65th District that "provide[d] the Foley campaign with free advertising by devoting fifty percent of its space to attacking Governor Malloy" and thereby violating Connecticut campaign finance law because Governor Malloy was not Respondent's direct opponent. *See* General Statutes § 9-601b, § 9-616, § 9-706, et al; Regs. Conn. State. Agencies § 9-706-1 and § 9-706-2; and Advisory Opinion 2014-04.
4. The Commission notes that Respondent Farley and Respondent Cogswell have no prior cases with the Commission. Further, the Committee was not selected for the random audit of CEP candidate committees for the 2014 election cycle by the Commission's Campaign Finance and Disclosure Unit. Finally, Respondents cooperated fully with this investigation and provided comprehensive financial records from their committee, including checks, invoices and receipts, for the expenditures pertaining to this complaint and investigation.

5. By way of background, the Commission at its October 17, 2014 regular monthly meeting voted to issue an Advisory Opinion to respond to requests for clarification regarding the ability of candidates in the CEP to make expenditures for communications that refer to – and oppose or feature in a negative light – other candidates who are not their direct opponents.
6. As a result, Advisory Opinion 2014-04 reiterated longstanding Commission advice that in order to avoid making an impermissible expenditure from a CEP candidate committee, committees of candidates and political parties must pay their proportionate share of the communication’s costs as a joint expenditure. *See* Advisory Opinion 2014-04.
7. General Statutes § 9-601b, provides in pertinent part:
 - (a) As used in this chapter and chapter 157, the term “expenditure” means:
 - (1) Any purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value, when made to promote the success or defeat of any candidate seeking the nomination for election, or election, of any person or for the purpose of aiding or promoting the success or defeat of any referendum question or the success or defeat of any political party;
8. General Statutes § 9-607, provides in pertinent part:
 - (g) (1) As used in this subsection, (A) “the lawful purposes of the committee” means: (i) For a candidate committee or exploratory committee, the promoting of the nomination or election of the candidate who established the committee, except that after a political party nominates candidates for election to the offices of Governor and Lieutenant Governor, whose names shall be so placed on the ballot in the election that an elector will cast a single vote for both candidates, as prescribed in section 9-181, a candidate committee established by either such candidate may also promote the election of the other such candidate; ...
 - (2) Unless otherwise provided by this chapter, any treasurer, in accomplishing the lawful purposes of the committee, may pay the expenses of: (A) Advertising in electronic and print media; (B) any other form of printed advertising or communications including “thank you” advertising after the election; (C) campaign items, including, but not limited to, brochures, leaflets, flyers, invitations, stationery, envelopes, reply cards, return envelopes, campaign business cards, direct mailings, postcards, palm cards, “thank you”

notes, sample ballots and other similar items; ... and (Z) any other necessary campaign or political expense.

9. General Statutes § 9-610, provides in pertinent part:

(b) A candidate committee may pay or reimburse another candidate committee for its pro rata share of the expenses of operating a campaign headquarters and of preparing, printing and disseminating any political communication on behalf of that candidate and any other candidate or candidates, including any shared expenses for which only the committee being paid or reimbursed was under a contractual obligation to pay.

Notwithstanding the provisions of subdivision (1) of subsection (a) of section 9-616, a candidate committee may reimburse a party committee for any expenditure such party committee has incurred for the benefit of such candidate committee.

10. General Statutes § 9-706, provides in pertinent part:

(a) (1) A participating candidate for nomination to the office of state senator or state representative in 2008, or thereafter, or the office of Governor, Lieutenant Governor, Attorney General, State Comptroller, Secretary of the State or State Treasurer in 2010, or thereafter, may apply to the State Elections Enforcement Commission for a grant from the fund under the Citizens' Election Program for a primary campaign, after the close of the state convention of the candidate's party that is called for the purpose of choosing candidates for nomination for the office that the candidate is seeking, ... The State Elections Enforcement Commission shall make any such grants to participating candidates in accordance with the provisions of subsections (d) to (g), inclusive, of this section.

...

(e) The State Elections Enforcement Commission shall adopt regulations, in accordance with the provisions of chapter 54, on permissible expenditures under subsection (g) of section 9-607 for qualified candidate committees receiving grants from the fund under sections 9-700 to 9-716, inclusive.

11. Regulations of Connecticut State Agencies § 9-706-1, provides:

(a) All funds in the depository account of the participating candidate's qualified candidate committee, including grants and

other matching funds distributed from the Citizens' Election Fund, qualifying contributions and personal funds, shall be used only for campaign-related expenditures made to directly further the participating candidate's nomination for election or election to the office specified in the participating candidate's affidavit certifying the candidate's intent to abide by Citizens' Election Program requirements.

(b) The absence of contemporaneous detailed documentation indicating that an expenditure was made to directly further the participating candidate's nomination for election or election shall mean that the expenditure was not made to directly further the participating candidate's nomination for election or election, and thus was an impermissible expenditure. Contemporaneous detailed documentation shall mean documentation which was created at the time of the transaction demonstrating that the expenditure of the qualified candidate committee was a campaign-related expenditure made to directly further the participating candidate's nomination for election or election to the office specified in the participating candidate's affidavit certifying the candidate's intent to abide by Citizens' Election Program requirements. Contemporaneous detailed documentation shall include but not be limited to the documentation described in section 9-607(f) of the Connecticut General Statutes.

12. Regulations of Connecticut State Agencies § 9-706-2, provides in pertinent part:

(a) In addition to the requirements set out in section 9-706-1 of the Regulations of Connecticut State Agencies, participating candidates and the treasurers of participating candidates shall comply with the following citizens' election program requirements. Permissible campaign-related expenditures shall include but are not limited to expenditures for the following:

1. Purchase of political campaign advertising services from any communications medium, including but not limited to newspaper, television, radio, billboard or internet;
2. Political campaign advertising expenses, including but not limited to printing, photography, or graphic arts related to flyers, brochures, palm cards, stationery, signs, stickers,

shirts, hats, buttons, or other similar campaign communication materials;
3. Postage and other commercial delivery services for political campaign advertising; ...

(b) In addition to the requirements set out in section 9-706-1 of the Regulations of Connecticut State Agencies, participating candidates and the treasurers of such participating candidates shall comply with the following citizens' election program requirements. Participating candidates and the treasurers of such participating candidates ***shall not spend funds in the participating candidate's depository account for the following:***

...
8. Contributions, loans or expenditures to or for the benefit of another candidate, political committee or party committee;

...
10. Any expenditure made in conjunction with another candidate for which the participating candidate does not pay his or her proportionate share of the cost of the joint expenditure; ...

13. Independent expenditures to benefit another candidate;
14. Expenditures in violation of any federal, state or local law;
[Emphasis added.]

13. On October 17, 2014, the Commission issued Advisory Opinion 2014-04 instructing and cautioning candidates regarding negative communications that feature candidates other than their opponents or for different office. The Commission directed that:

[W]hen a CEP candidate makes a communication that is not directly related to the candidate's own race and that also promotes the defeat of or attacks a candidate that is not opponent direct opponent of the candidate sponsoring the communication, but is in a different race, then the cost of that communication must be properly allocated. ... [T]he candidate committee of a CEP participant may not attack candidates opposing other members of such candidate's party.

14. The Commission finds that the campaign mailer that is the subject of this complaint and investigation is in the form of a postcard and provides a disclaimer from the Committee pursuant to General Statutes §9-621. Further, the Commission finds that the postcard references Respondent Farley's opponent Michelle Cook and Governor Malloy, includes a photo of Governor Malloy and contains the following excerpts:

Rep. Michelle Cook & Gov. Malloy don't understand what Torrington needs...Rep. Cook has served six years claiming we are doing better. Our economy is floundering on her watch. Her promised influence as "Deputy Majority Leader" only bolstered Gov. Malloy's team that pushes legislation opposite of Torrington's values.
Rep. Cook – Supported Gove. Malloy's spending plans, budget exceeded the state's Spending Cap Deficit projected at \$3 billion.
– Rubber-stamped Gov. Malloy's massive middle class sales and income tax hikes.

15. The Commission finds that the postcard was an expenditure pursuant to Regs. Conn. State. Agencies § 9-706-1 that benefited the gubernatorial campaign of Thomas Foley and opposed the re-election of Governor Malloy. The Committee was limited by both statute and regulation to making expenditures of the Committee's funds for its own benefit. Therefore, this expenditure by the Committee was inconsistent with the advice of Advisory Opinion 2014-04 and contrary to the Commission's advice and directives therein. *See* Advisory Opinion 2014-04, § 9-601b, § 9-616, § 9-706, and Regs. Conn. State. Agencies § 9-706-1 and § 9-706-2.
16. Respondents should have, pursuant to General Statutes § 9-610 (b) and consistent with Advisory Opinion 2014-04, properly allocated a portion of the cost of the subject mailer with the Thomas Foley campaign or the Party Committee because the communication opposed Governor Malloy, clearly identified him as a candidate, portrayed his policies in a negative light and Governor Malloy was not a direct opponent to Respondent Farley in his campaign for state representative from the 65th General Assembly District.
17. After investigation, it was determined that the subject mailer was transmitted by the Committee to the vendor for production and distribution by mail four days *prior* to the publication of Advisory Opinion 2014-04 by the Commission. The investigation did not reveal any coordination between the Respondents and Thomas Foley, his candidate committee or its agents or the Republican Party.

18. The Commission stresses that in addition to being prohibited from making contributions to benefit other candidates, candidate committees are prohibited from making independent expenditures for the benefit of another candidate because a candidate committee may only make expenditures to promote the nomination or election of the candidate who established the committee. *See* General Statutes § 9-607 (g) (1) (A) (i), Advisory Opinion 2014-04.
19. Under these circumstances there is no allegation or facts discovered to show that the Respondents coordinated the mailers at issue with Thomas Foley's candidate committee. However, the Commission cautions that such an expenditure is still prohibited by Connecticut's campaign finance laws, as an expenditure to attack a candidate that is not the candidate's opponent is, by definition, not an expenditure to promote the nomination or election of the candidate.
20. The Commission concludes, for the reasons detailed herein, that Respondent Farley and Respondent Cogswell violated General Statutes § 9-607 (g), § 9-706 and Regs. Conn. State Agencies § 9-706-1 and § 9-706-2, by using CEP funds to support another candidate and to oppose, through negative references, a candidate committee other than the direct opponent of the Committee.
21. Respondents contend that the mailer subject to this complaint clearly intended to show State Representative Michelle Cook as someone who did not believe in being fiscally responsible in her House Leadership role. Further, Respondents stress that their inclusion of the Governor was not intended to benefit or oppose any candidate other than a legislative opponent. However, the Respondents do wish to avoid further costs of litigation regarding this matter and agree to sign the Commission's order. Therefore, the Respondents believe in good faith that they satisfied the requirements of General Statutes § 9-607 and § 9-706 and Regs. Conn. State Agencies 9-706-1 and 9-706-2. Further, settlement of this case and any admissions made by the parties is not binding with regards to any other matter pending before the Commission pertaining to the Respondents, and may not be used as an admission in any such proceeding involving the Respondents.
22. While the Commission notes that Advisory Opinion 2014-04 reiterated the Commission's longstanding advice regarding joint expenditures and the allocation of costs for the same, nevertheless it finds the levying of a civil penalty, under these narrow and specific circumstances, as unwarranted because (1) Respondents did correctly disclose and report the Committee's expenditures for the postcard in question and (2) the Commission reiteration and clarification pertaining to the rules for negative advertisements that included candidates other than opponents in Advisory Opinion 2014-004 was published four days *after* the postcard was transmitted to the vendor by the Committee for production and distribution by mail.

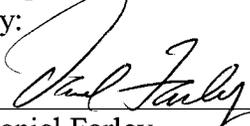
23. The Commission stresses that had the Respondents arranged for organization expenditures from appropriate committees to cover the costs of the communication that is subject of this complaint pursuant to General Statutes § 9-601b (b) (8), it would have been entirely permissible.
24. Moreover, the Commission's intent in regulating such communications is not with regard to regulating speech pursuant to Advisory Opinion 2014-04, but rather, merely to verify the appropriate campaign finance funds for each communication are properly allocated to each committee benefited pursuant to General Statutes § 9-610. This goal is particularly urgent when, as in this instance, a candidate committee is participating in the CEP and therefore using public funds when engaging in *pro rata* expenditures for joint communications.
25. Respondents admit all jurisdictional facts and agree that this Agreement and Order shall have the same force and effect as a final decision and order entered into after a full hearing and shall become final when adopted by the Commission.
26. The Respondents waive:
 - a. Any further procedural steps;
 - b. The requirement that the Commission's decision contain a statement of findings of fact and conclusions of law, separately stated; and
 - c. All rights to seek judicial review or otherwise to challenge or contest the validity of the Order entered into pursuant to this Agreement.
27. Upon the Respondents' agreement to comply with the Order hereinafter stated, the Commission shall not initiate any further proceedings against Respondents concerning this matter.
28. It is understood and agreed by the parties to this Agreement that the Commission will consider this Agreement at its next meeting and, if the Commission rejects it, the Agreement will be withdrawn and may not be used as an admission by either party in any subsequent hearing, if one becomes necessary.

ORDER

IT IS HEREBY ORDERED THAT Respondents shall henceforth strictly comply with the requirements of General Statutes § 9-607, § 9-706 and Regs. Conn. State. Agencies § 9-706-1 and § 9-706-2.

Respondents

By:

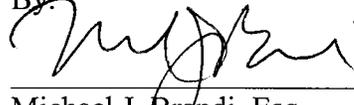


Daniel Farley
174 Benham Street
Torrington, Connecticut

Dated: 9/26/2016

For the State of Connecticut

By:



Michael J. Brandi, Esq.
Executive Director and General Counsel and
Authorized Representative of the
State Elections Enforcement Commission
20 Trinity Street, Suite 101
Hartford, Connecticut

Dated: 9/29/16

By:



Gregg Cogswell
204 Essex Court
Torrington, Connecticut

Adopted this 12th day of October, 2016 at Hartford, Connecticut by vote of the Commission.



Anthony J. Castagno, Chairman
By Order of the Commission

RECEIVED
STATE ELECTIONS

SEP 29 2016

ENFORCEMENT COMMISSION