FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIRMAN

July 29, 2022

Chairman Patrick J. Leahy
Chair Christopher Van Hollen

Vice Chairman Richard C. Shelby
Ranking Member Cindy Hyde-Smith

Chair Rosa L. DeLauro
Chairman Michael B. Quigley

Ranking Member N. Kay Granger
Ranking Member Stephen A. Womack

U.S. Senate and House of Representatives Committees on Appropriations
Subcommittees on Financial Services and General Government
Washington, DC 20510 and 20515

Re: FEC Management Challenges

Dear Chairman Leahy, Chairs DeLauro and Van Hollen, Chairman Quigley,
Vice Chairman Shelby and Ranking Members Granger, Hyde-Smith and Womack:

During Congressional consideration of the Financial Services and General Government Appropriations Act, 2022, the Committees on Appropriations issued an Explanatory Statement directing the Federal Election Commission "to brief the Committees on the agency's management challenges."[1] Accordingly, I enclose the attached document on behalf of the Commission.

The Commission appreciates the Committees' support and the opportunity to share this information. Should you or your staffs have any questions please do not hesitate to contact me or Duane Pugh, the FEC's Director of Congressional Affairs, at (202) 694-1002.

On behalf of the Commission,

Allen J. Dickerson
Chairman

Enclosure

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1 *See* Explanatory Statement, 168 Cong. Rec. H1709, H2353 (daily ed. Mar. 9, 2022).

Management Challenges
at the
Federal Election Commission
July 2022

The Federal Election Commission (FEC) is funded by the Financial Services and General Government Appropriations Act, 2022, which is Division E of the Consolidated Appropriations Act, 2022.[1] An Explanatory Statement of the Consolidated Appropriations Act, 2022, was prepared jointly by the Appropriations Committees of the U.S. House of Representatives and the U.S. Senate and was published in the Congressional Record for March 9, 2022.[2] The Explanatory Statement directs the FEC "to brief the Committees on the agency's management challenges."[3]

This document responds to that requirement. Prepared by FEC management at the direction of the FEC's Commissioners, this document was approved by the Commission on July 29, 2022. The management challenges faced by the FEC are identified and described in the material that follows. They are grouped in the following three categories:

I. Managing Human Capital: Strengthening the Workforce to Achieve the FEC's Mission;
II. Managing Information Technology (IT) Resources: Prioritizing Modernization and Cybersecurity; and
III. Securing Financial Resources: FEC Budget Needs Are Growing.

FEC staff are also available to discuss these challenges.

I. Managing Human Capital: *Strengthening the Workforce to Achieve the FEC's Mission*

A. Agency's Critical Hiring Needs

1. Background

The Federal Election Commission has 293 employees as of June 30, 2022. As shown on the chart below, the FEC's employment level has contracted substantially during the recent past. During the period FY 2012 to FY 2022, the number of FEC employees has been reduced by 17 percent.

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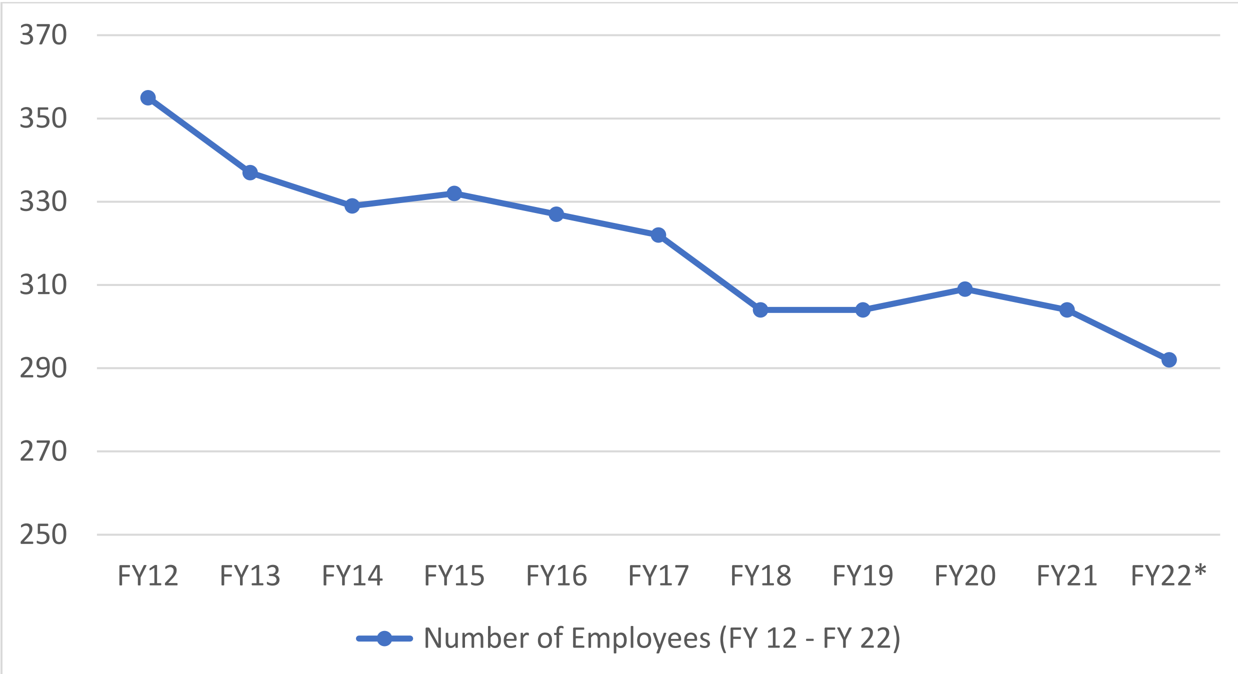
1 *See* Consolidated Appropriations Act, 2022, Pub. L. No. 117-103, Div. E, 136 Stat. 49, 269 (Mar. 15, 2022).

2 Section 4 of the Consolidated Appropriations Act, 2022, directs that this explanatory statement has the same effect as Conference Committee report on the legislation. *See* Consolidated Appropriations Act, 2022, § 4, 136 Stat. at 51; *see also* Explanatory Statement, 168 Cong. Rec. H1709, H1709 (daily ed. Mar. 9, 2022).

3 *See* Explanatory Statement, 168 Cong. Rec. at H2353.

FEC Total Staffing Levels FY 2012 – FY 2022



* FY22 is as of June 30, 2022.

The workload carried by the FEC's employees has not decreased in a similar fashion. In fact, the FEC's workload has increased. For example, the table below shows Total Reported Receipts and Disbursements for the period 2012 through 2020, the most recent complete election cycle. (Naturally, presidential election cycles show increased spending compared to nonpresidential election cycles.)

Total Reported Receipts and Disbursements by Election Cycle[4]

Election Cycle	Total Receipts	Total Disbursements
2012	$8,884,594,132	$8,795,764,278
2014	$5,976,582,396	$5,815,419,284
2016	$10,926,836,244	$10,729,954,205
2018	$10,333,084,467	$10,010,442,497
2020	$27,920,326,860	$27,179,563,157

Reported receipts and disbursements are an indicator of overall campaign finance activity. Just as a rising tide lifts all boats, an increase in campaign finance activity directly increases the FEC's workload. For example, as total reported receipts and disbursements increase, the number of filed reports and statements required to be reviewed increases; similarly, an increase in the

[4] The data in the chart are the reported total receipts and disbursements. Reported contributions and expenditures would be a subset of receipts and disbursements.

number of transactions on reports adds complexity and time to the review process, and also increases the number of transactions subject to audit. The Commission has similarly seen rising numbers of cases handled by the Office of General Counsel's (OGC's) Enforcement Division in comparison to historical workloads. Between Fiscal Years (FYs) 2007 and 2011, the average numbers of enforcement cases pending per year was 140. More recently, between FYs 2017 and 2021, the average number of enforcement cases was 304. In the last four and one-half fiscal years, the Enforcement Division has taken an increased amount of time to prepare matters for Commission review. Between FYs 2011 and 2017, setting aside an outlier in FY 2014, the Enforcement Division was able to circulate "First General Counsel Reports" recommending Commission action in 116 days or less. During those years, the cases per attorney was between 3.9 and 11.8. But since FY 2018, the amount of time to circulate First General Counsel Reports rose to 142 to 233 days, and the number of cases per attorney averaged between 12.4 and 16.9.

The Commission has approved filling an additional 28 positions. Filling these positions will take some time and would bring the total number of FEC employees to a maximum of 321, subject to any departures in the interim (including current employees vacating their current positions to fill the additional positions).[5] The FEC's requested appropriation of $81,674,000 for FY 2023 would support up to approximately 330 employees on board by the end of that fiscal year.

To fill positions, the Commission has used a strategic hiring approach since 2011. Under this approach, positions vacated by attrition are not routinely filled again. Instead, the Commission's Personnel Committee approves filling each vacant position by consensus, based on staff recommendations. This approach ensures that only the highest priority positions are filled in an austere budget climate.

The FEC continues to confront a growing workload alongside relatively flat funding levels that have contributed to the reduced staffing levels the FEC has seen over the past several years. Over the past decade, the FEC has been able to meet its statutory mission primarily due to efficiencies gained by reassigning staff using details, maximizing operational efficiencies through reorganizations, and improving technology and processes, among other efficiencies. However, in recent years the FEC has begun to exhaust the benefits that can be gained through such efficiencies and has, in some situations, reduced performance targets in response to these reductions in staffing amid increasing campaign finance activity. To name a few examples of the growing workload:

- The number of inquiries handled by Reports Analysis Division (RAD) campaign finance analysts has increased by more than 300 percent between the 2010 and 2020 election cycles, while the number of RAD campaign finance analysts has decreased by 18 percent over the same period.
- The caseload for individual Enforcement Division attorneys has grown from 3.9 to 13.9 cases in just over a decade.

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[5] The FEC's FY 2022 Congressional Budget Justification estimated that an appropriation of $76,500,000 would have supported 328 full time equivalents. The FEC's FY 2022 appropriation was $74,500,000.

- Although OGC's Litigation Division caseload has remained relatively consistent, the number of staff attorneys has decreased from 11 to 4 over the past decade which puts considerable strain on meeting court-imposed deadlines.
- The number of cases processed by the Enforcement Division as a whole more than doubled in the same time period – from FY 2011 116 cases to a current caseload of 250 cases as of the most recent quarter in FY 2022.
- During FYs 2011 through 2020, the Policy Division averaged 11.17 matters per active attorney. The estimated caseload, at current staffing levels, would be 18 such matters per active attorney in FY 2022.

If left unaddressed, the staffing shortage at the FEC can be expected to negatively impact the agency's performance and employee morale and retention. The challenge in the Enforcement Division is particularly severe: the chart below shows that the Enforcement Division is the agency component with the highest losses, both by number and percentage (other than the smallest offices).

While the agency strives to meet its performance metrics, reduced staffing levels mean that many FEC offices are less resilient in the face of operational challenges. For example, one of the key indicators for an FEC performance goal is the percent of campaign finance reports that are processed within 30 days of receipt. The FEC's long-standing target for processing reports is 95 percent. However, due in large part to continuing staffing constraints, the FEC has missed this target in five out of the last 10 years,[6] which means the transaction level data disclosed on the reports is not categorized timely for public use. Another key indicator for Enforcement Division matters is the percentage of cases resolved within 15 months of receipt. Although the lack of a Commission quorum played a role with respect to recent statistics, the Commission met this goal for only 34% of Enforcement Division cases in FY 2021 compared with 68% of the cases for FY 2017.

In other areas, the customer service that the agency can provide would be improved with more employees. RAD previously assigned a campaign finance analyst to every authorized committee that reports to the FEC, so that every committee had a single point of contact who was familiar with its campaign finance filings. Instead, recently RAD staffing shortages have resulted in a number of committees not being assigned to a specific analyst. Consequently, senior campaign finance analysts and RAD management review reports and respond to inquiries from unassigned committees as availability permits, without the familiarity or established rapport that exists for committees that have an assigned analyst. With more staff, RAD could fulfill the agency's mission of public disclosure in a more time manner by assigning a campaign finance analyst to each active committee, providing the effective and efficient customer service that has been the FEC's practice.

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[6] Processing reports was under 95% in FYs 2013, 2014, 2015, 2019 and 2021. Other operational challenges that also played a role include most prominently the dramatic increase in the number of transactions reported to the FEC and to a lesser extent the limited physical presence in the FEC offices during the early days of the pandemic (which slowed processing of paper reports). RAD has made a number of significant adjustments to its process, including technology improvements, data tracking improvements, and an office reorganization, each of which has made a positive contribution to performance, and yet these improvements were outpaced by rising workload and decreasing staff levels.

The reduction of expectations for performance goals provides another sign of the dilemma of increasing workloads and decreasing staff levels. In some cases, the FEC has reduced expectations for performance from preferred levels to lower levels that are achievable with reduced staff. In one such instance, the target for the key indicator of the percent of enforcement matters presented to the Commission for initial review within one year of the date of receipt had a target of 80 percent initially, and it has been twice reduced first to 75 percent and then finally to 50 percent.

2. Critical Needs

The overall reduction in the number of FEC employees has affected almost every office, to varying extents. The chart below shows the changes in the FEC's employment level broken down by major office.

FEC Employment Levels by Office

Office/Division*	FY 2012**	FY 2022***	Number Change from 2012 to 2022	Percent Change from 2012 to 2022
Office of Commissioners	**21**	**20**	**-1**	**-4.8%**
Office of Staff Director	**205**	**180**	**-25**	**-12.2%**
Staff Director	2	1	-1	-50.0%
Office of Compliance	108	90	-18	-16.7%
Office of Communications	27	24	-3	-11.1%
Office of Mgt. & Admin.	21	19	-2	-9.5%
Equal Employment Opportunity	3	3	0	0.0%
Office of the Chief Information Officer	44	43	-1	-2.3%
Office of General Counsel	**109**	**74**	**-35**	**-32.1%**
General Counsel	3	1	-2	-66.7%
Administration	10	10	0	0.0%
Policy Division	21	16	-5	-23.8%
Enforcement Division	59	35	-24	-40.7%
Litigation Division	14	10	-4	-28.6%
Law	2	2	0	0.0%
Office of the Chief Financial Officer	**13**	**11**	**-2**	**-15.4%**
Office of the Inspector General	**6**	**8**	**2**	**+33.3%**
TOTAL	**354**	**293**	**-61**	**-17.2%**

* Teams that have been reorganized have been counted where they are found under the 2022 organizational chart.

**As of the end of pay period 19 in 2012 (9/22/2012), which is the pay period immediately before the end of FY 2012. Detailed data pulled on a pay period basis may vary slightly from summary-level data pulled as of the end of a fiscal year.

***As of the end of pay period 13 in 2022 (7/2/2022).

The 28 positions approved to be filled reflect the areas of greatest need at the FEC. Ten of the positions are in OGC's Enforcement Division, five are in Office of the Chief Information Officer, and four in OSD's Office of Compliance. OGC's Policy Division is filling two positions, and OGC's Litigation Division is getting one position filled. The Office of Inspector General plans to fill an additional position as well, which would bring OIG to nine employees.

The Committee on Appropriations of the House of Representatives "encourage[d] the FEC to develop a staffing model to determine the number of personnel needed to ensure the agency is appropriately resourced to meet its mission."[7] In doing so, the Committees cited the FEC's "critical mission" and the "exponential growth in the volume of campaign finance data." The Committee also explained its view that "[w]hile the FEC has realized efficiencies in the past several years, the growth in workload has outpaced the FEC's resources and personnel." The Explanatory Material accompanying the Consolidated Appropriations Act, 2022, directed the FEC to meet the requirement to provide the Appropriations Committees with a status report on development of a staffing plan.[8] Development of the staffing plan is under way.

B. Salary Structures

1. Commissioners

At the FEC, commissioners are compensated at level IV of the Executive Schedule (EX), as specified in FECA.[9] The full compensation for this level in 2022 is $176,300.[10] However, the compensation for certain political appointees, including Members of the FEC, has been frozen since 2019 at $158,500, which is 1.9% more than the 2013 amount.[11] EX salaries are uniform nationwide, while the General Schedule (GS) salaries include locality adjustments. The relatively high cost of living in the Washington, D.C. region, which is the FEC's sole location, means that salaries at the top of the GS scale applicable to FEC employees have outpaced frozen salaries on the EX scale.[12] Thus, the pay freeze exacerbates a salary discrepancy where

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7 H.R. Rep. No. 117-79, at 69 (July 1, 2021).

8 The Explanatory Statement provides that "the language set forth in House Report 117–79 carries the same weight as language included in this joint explanatory statement and should be complied with unless specifically addressed to the contrary in this joint explanatory statement." *See* Explanatory Statement, 168 Cong. Rec. at H2349.

9 *See* Federal Election Campaign Act of 1971, as amended ("FECA"), § 306(a)(4), 52 U.S.C. § 30106(a)(4) (citing 5 U.S.C. § 5315).

10 *See* OPM, *Salary Table 2022-EX* (Jan. 2022) *available at* https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/22Tables/exec/pdf/EX.pdf (last visited July 27, 2022).

11 The Consolidated Appropriations Act, 2014, Div. E, § 741, Pub. L. No. 113-76, 128 Stat.5, 241 (2014), imposed a pay freeze on certain political appointees, including members of the FEC, and each successive appropriations act since then has continued the freeze, subject to only one adjustment in 2019. *See, e.g.,* Consolidated Appropriations Act, 2022, Div. E, § 747, 136 Stat. at 305-06. *See generally* CHCO Council, *Continued Pay Freeze for Certain Senior Political Officials* (2022), *available at* https://www.chcoc.gov/content/continued-pay-freeze-certain-senior-political-officials-6 (last visited July27, 2022).

12 *See* OPM, *Salary Table 2022-SLST* (Jan. 2022) *available at* https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/22Tables/exec/pdf/SLST.pdf (last visited July 27, 2022) & OPM,

commissioners receive less compensation than FEC employees in Senior Level (SL) positions, and less compensation than some agency employees in GS-14 and GS-15 positions, including many of their direct reports. Under these circumstances, it may be difficult to find individuals willing to serve as FEC commissioners in the future, and recruitment will be limited to a smaller pool of potential commissioners due to this salary constraint. While FEC management is not responsible for recruiting potential commissioners, the lack of quorum that could result from vacant commissioner seats would be a management challenge for the FEC.[13] Looking ahead to May 1, 2023, it is very likely that the terms of four of the six Commissioners serving at that point will have expired. An expired term leaves a commissioner serving in a hold-over capacity and eligible to be replaced at any time.[14]

2. Staff Director/General Counsel Salary and Dual Appointment

FECA specifies that the Staff Director is to be paid at Level IV of the Executive Schedule (currently $176,300), and that the General Counsel is to be paid at Level V of the Executive Schedule (currently $165,300).[15] Both of these positions supervise personnel on the Senior Level and GS 15 pay scales, which often provide higher salaries than Levels IV or V of the Executive Schedule. The appointment and retention of these key leaders has been identified by the Inspector General as ongoing management and performance challenges to the Commission in the Agency Financial Reports for the eight-year period FY 2014 through FY 2021 and in previous Performance and Accountability Reports.

Because of the challenges in maintaining consistent senior leadership, the Commission unanimously adopted a Legislative Recommendation in 2021, 2018, 2017, 2016, 2015, 2014, 2013 and 2011 that urges Congress to address this situation.[16] Specifically, the Commission recommends that Congress remove the statutory references to the Executive Schedule in FECA with respect to the Staff Director and General Counsel, so that these officials would be compensated under the same schedule as the Commission's other senior managers. This revision would remedy the current situation where the Commission's top managers are compensated at a lower rate than many of their direct reports. It would also ensure that the Commission can retain highly qualified individuals to serve in those positions as well as enable it to remain competitive

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Salary Table 2022-DCB (Jan. 2022) *available at* https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/22Tables/pdf/DCB.pdf (last visited July 27, 2022).

13 The FEC lacked a quorum during the periods of January to June 2008, September 2019 to June 2020, and July to December 2020. FECA requires four affirmative votes in order to take most actions in enforcement matters, litigation matters, rulemakings, advisory opinions, and matters arising under the public financing program for presidential elections. *See* FECA, § 306(c), 52 U.S.C. § 30106(c). Moreover, FEC Directive 10 extends the four-vote requirement to all motions "exercising a power and duty under the Act" that do not already require four votes by statute, and also imposes a four-member quorum requirement for any meeting of the Commission. *See* FEC, *Directive 10* (2007) *available at* https://www.fec.gov/resources/cms-content/documents/directive_10.pdf (last visited July 27, 2022).

14 This assumes the recently confirmed Commissioner will have joined the Commission.

15 *See* OPM, *Salary Table 2022-EX* (Jan. 2022) *available at* https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/22Tables/exec/pdf/EX.pdf (last visited July 27, 2022).

16 The Commission did not issue Legislative Recommendations in 2020 or 2019.

in the marketplace for Federal executives when filing the current vacancy or when further vacancies arise.

While the Commission awaits a legislative solution to this situation, it has adopted interim solutions. When the Commission promoted the FEC's Chief Information Officer (CIO) to serve as Staff Director, the Commission approved, with the concurrence of the U.S. Government Accountability Office (GAO), the Staff Director's continued service as CIO simultaneously, which permits him to be compensated at the Senior Level, rather than absorb a substantial pay cut in order to accept the promotion. Since September 2016, the General Counsel's position has been filled on an acting basis by a Deputy General Counsel. Both of these dual roles for the Staff Director and Acting General Counsel have permitted the Commission to maintain needed stability in these key leadership positions. Moreover, the Commission has been able to continue to receive the services of leaders who were selected for the positions after substantial experience working in positions of significant responsibility for the FEC.

C. Employee Recruitment, Retention, and Engagement

1. Increased Funding for Performance Awards & Training

Due to the COVID-19 pandemic and budget constraints, FEC spending on employee training was reduced during FY 2021. Similarly, FEC spending on performance awards was reduced due to budget constraints that year. In FY 2021, FEC spending on performance awards was 54 percent less than the average of the previous four fiscal years, and spending on training was 34 percent less than the corresponding average. In FY 2022, the FEC has begun adjusting its spending to devote more resources to both areas to improve the skills base of the workforce and reward high performance and to make these investments comparable to levels prior to FY 2021. The FEC intends to continue doing so in future fiscal years. The FEC is also committed to continuously improving the performance of staff in support of the agency's mission objectives. To ensure staff development opportunities and trainings are provided fairly, effectively, and strategically in support of mission objectives, the FEC will develop and implement an agency-wide training program.

2. Ensuring a Fair, Impartial, Inclusive, and Accessible Work Environment

The Commission understands that the success of its programs depends upon the skills and commitment of its staff. To ensure the agency can recruit and retain the best talent in support of its mission, the agency will work to increase strategic outreach and recruitment efforts. Additionally, the agency will work to ensure fair, impartial, inclusive, and accessible hiring processes, training and promotion opportunities at all levels, and general work environment to attract and maintain a diverse and high performing workforce.

3. Expanded Workplace Flexibilities Pilot Program

On February 28, 2022, staff returned to FEC offices following their evacuation due to the COVID-19 pandemic. At that time, the FEC began operating a year-long pilot program that provides expanded telework and flexible work schedule options to employees on a temporary basis. The pilot program contains provisions that require management to evaluate its effects. Continuation, modification, or termination of the programs contained in the Expanded Workplace Flexibilities Pilot will be the subject of labor-management negotiations.

D. COVID-19 Response

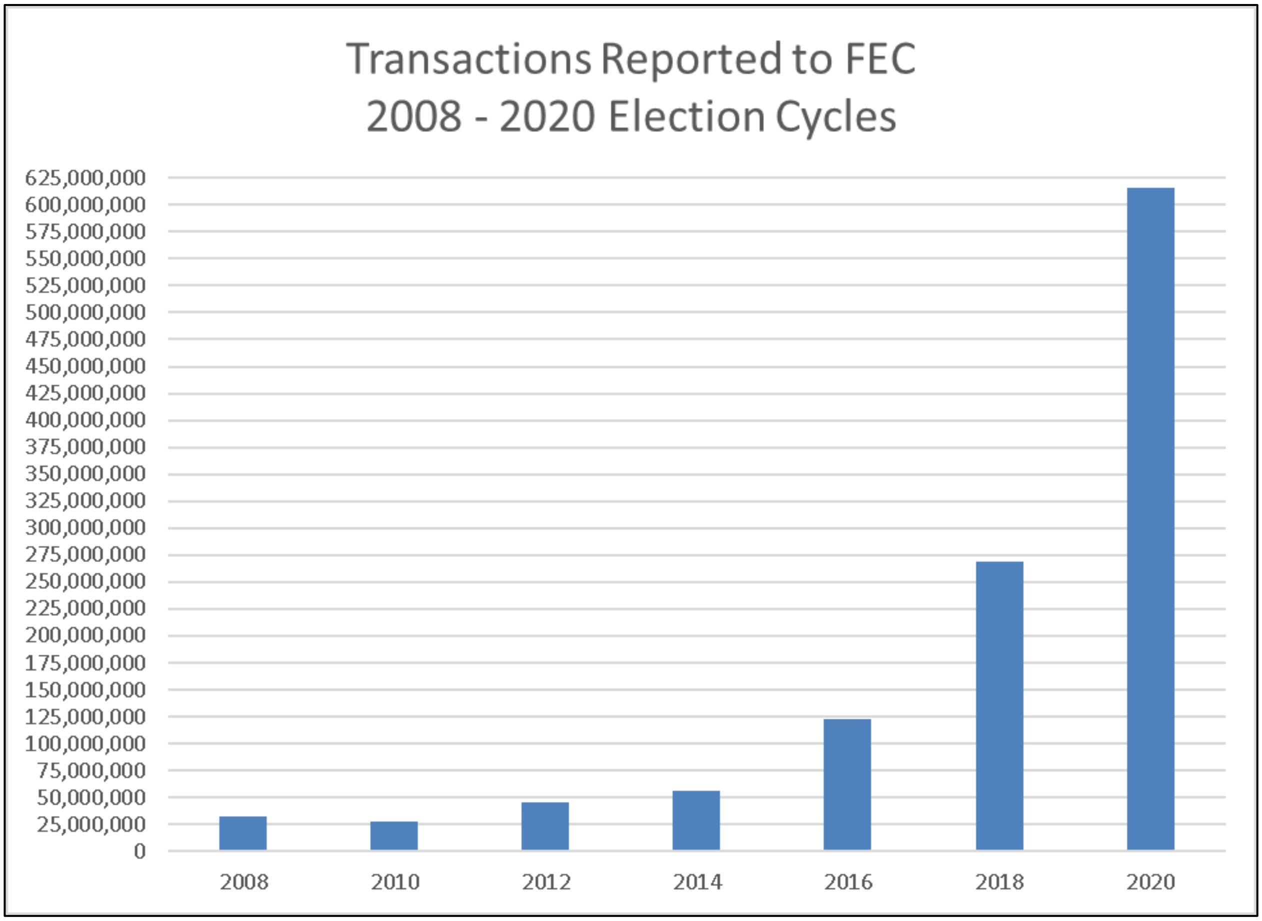
Responding to the COVID-19 pandemic, including an evacuation of the FEC's offices and return to those offices with a workplace safety program, has consumed a significant amount of management's attention, efforts, and resources since March 2020. The future course of the pandemic and the response required is uncertain.

II. Managing Information Technology (IT) Resources: *Prioritizing Modernization and Cybersecurity*

A. Reported Transactions Explosive and Continuing Growth

The FEC receives campaign finance reports, statements, and other disclosure documents from more than 16,000 political committees and other filers. During the 2020 election cycle, these filers reported more than 600 million financial transactions, which were reviewed by FEC staff and disclosed to the public on the FEC's website. This is more than double the number of transactions reported in the previous election cycle, and a nearly 400 percent increase compared to 2016, the last presidential election cycle. The 2022 election cycle is not yet completed, and data from just a portion of the 2022 election cycle already exceeds the total for the complete 2018 election cycle, which was the last nonpresidential election cycle. As of July 4, 2022, the FEC has already received more than 363 million transactions for the 2022 election cycle, which just for this portion of the 2022 election cycle alone constitutes an approximately 35 percent increase over the *entire* 2018 election cycle.

Changes in the way political committees raise and spend funds have contributed to this stark increase in the number of transactions disclosed to the FEC. This ever-growing volume of campaign finance disclosure data must be received, processed, and made available to the public within the agency's tight deadlines for public disclosure, and must be safeguarded to ensure the integrity and accessibility of the information. The chart below illustrates the exponential growth of data transactions that the FEC needs to process, store, search, and display to support the FEC's disclosure mission.



Aside from the substantial increase in the number of transactions reported to the FEC, the FEC website's Application Programming Interface (API), which permits users to customize data searches making vast quantities of campaign finance data readily available, received over 407 million hits during the 2020 election cycle. With the steep rise in transactions reported every election cycle comes a heavier burden on the FEC's API to quickly search across the FEC's campaign finance database and display the data requested by the public. Thus, the FEC is facing challenges in processing and reviewing historically high levels of campaign finance disclosure information, while satisfying an increased demand for customer service and data information requests from the public.

B. IT Modernization

Transparency requires that information is not only kept by the FEC but also that it is provided to the public in a way that is intuitive to users and provides the necessary context for understanding how federal elections are funded. The FEC must make election-related reports and information accessible to the public in a timely, reliable, and useful fashion. The Commission is therefore committed to providing the public with robust access to campaign finance data, compliance information, and legal resources.

The FEC is pursuing an IT modernization plan, which requires investment now and over the next several years. The agency is modernizing applications and data pipelines. Data pipelines are a set of automated methods and procedures that process raw data files received from filers into the primary campaign database for internal agency use and for public consumption on FEC.gov. They are essential to processing and reviewing campaign finance disclosure information in compliance with FECA's mandates. The return on this investment will help the agency avoid steep rises in costs for physical data center space and equipment, help minimize potential cybersecurity risks, and help agency staff more effectively perform their duties. These modernized applications and data pipelines will be more secure and will help staff process and review the increasing volume of data.

1. Cloud Migration/Modernizing Applications within a Cloud Environment

The trends in campaign finance activity of increasing spending, increasing transactions, and increasing API hits illustrate how crucial it is for the agency to continue to implement new programs and systems to ensure the timely disclosure of campaign finance data. The migration of campaign finance data to a cloud environment and modernization of applications migrated to the cloud during previous fiscal years are essential components of these efforts. Modernizing the applications and data pipelines will permit users to utilize all the advantages of the cloud fully, which will help the agency to efficiently, fairly, and effectively achieve its mission objectives. The move to a cloud-hosted model also provides the Commission with opportunities to retire a number of other legacy systems that are costly to maintain and to continue to reduce the agency's datacenter footprint.[17]

In recent years, the federal government has put into place an initiative to reduce the reliance on physical data centers. As a result of the FEC's ongoing cloud migration efforts, the agency was able to shut down one of its four physical datacenters in FY 2018, reducing its physical datacenter footprint by 25 percent. The agency plans to reach a 50 percent reduction by the end of FY 2023. At the same time, the agency is focused on reducing the size of its remaining on-premise datacenter. While the agency is in the process of actively migrating and modernizing these systems and applications it must continue to pay both physical datacenter and cloud hosting costs for these assets. Migrating the assets currently held in physical datacenters to a cloud environment will ultimately result in improved efficiency and effectiveness of these systems and applications and help control the long-term costs of maintaining them.

2. eFiling Platform Upgrade

The FEC provides free electronic filing software, FECFile, to support political committees of federal candidates, political parties, and other filers in reporting their campaign finance activity to the FEC. Efforts to modernize the FEC's eFiling system are also essential components of the efforts to ensure the timely disclosure of this increasing volume of campaign finance data, and the FEC is currently working to upgrade the agency's eFiling platform. In

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[17] The FEC's efforts to reduce spending on operation and maintenance costs is consistent with the Government Accountability Office's May 2016 report, *Federal Agencies Need to Address Aging Legacy Systems, available at* https://www.gao.gov/assets/680/677454.pdf (last visited July 27, 2022), and recent guidance from OMB, *available at* https://datacenters.cio.gov/policy/ (last visited July 27, 2022).

FY 2017, the Commission published a study of its current eFiling platform, including a survey of the existing functionality of the FEC's free filing software and an in-depth investigation of needs expressed by filers.[18] The study of the FEC's eFiling system showed that 59 percent of electronic filers use the agency's software. The FEC is relying on the recommendations of this study to improve its eFiling platform to allow greater operating system flexibility for users when generating filings for submission to the Commission, and to increase the consistency and accuracy of reporting.

The FEC's new eFiling platform is expected to improve data quality and data validation, provide users with inline feedback and generate modern file outputs that will provide for more flexibility in accessing data. The redesigned eFiling platform will improve ease of filing for users by allowing greater operating system flexibility when generating filings for submission to the Commission. The FEC's new eFiling platform will also improve the process for validating filings prior to acceptance and generate modern file outputs that will provide for more flexibility in accessing data. In addition, the modernization efforts will provide for seamless integration with the data portion of the website and, therefore, more efficient use of the agency's resources.

C. Cybersecurity

In recent years, the federal government has issued numerous cybersecurity-related initiatives to defend federal government information systems from the escalation of cyber-attacks, the increased activity of ransomware compromises, and the attacks to widespread use of software systems. In response to these ever-growing cybersecurity threats, the FEC must improve its security posture to protect equipment and information systems. The FEC continuously develops, maintains and improves its security architecture that mitigates threats. The FEC's security operation center along with continuous diagnostics and mitigation allows the agency to address some identified cybersecurity gaps. In partnership with the Department of Homeland Security (DHS) and numerous strategic partners, the FEC identifies, protects, detects, responds to and recovers from the impact of known and potential threats.

Operating applications in a cloud environment requires specialized design, development, and security considerations to ensure both the security of our systems and the integrity and accessibility of our data. It is essential that the FEC takes a more comprehensive view of the risk to our information systems, establishes a governance framework, and remediates the vulnerabilities of our critical infrastructure. Seeking the expertise to manage the FEC's cybersecurity requirements in a cloud environment and the growing federal mandates is necessary.

[18] *See* 18F, *Modernizing the E-filing Experience and Infrastructure* (2016) *available at* https://www.fec.gov/about/reports-about-fec/agency-operations/e-filing-study-2016/ (last visited July 27, 2022).

D. Outstanding OIG recommendations

As of June 30, 2022, the OIG had issued a total of 24 recommendations that remained open. The Commission appreciates and shares the Office of Inspector General's commitment to sound financial and management practices and looks forward to continuing its cooperative working relationship as management takes appropriate measures to improve operations of the agency. Some of these recommendations require a response that will require the investment of substantial human resources, financial resources, or both.

III. Securing Financial Resources: *FEC budget needs are growing*

A. Appropriations History

The chart below includes information about the FEC's appropriations during the period FY 2014 through the pending request pending before Congress for FY 2023. Over the most recent nine years, the FEC's appropriation has increased by a total of only 13.2 percent, or an average of less than 1.5 percent per year.

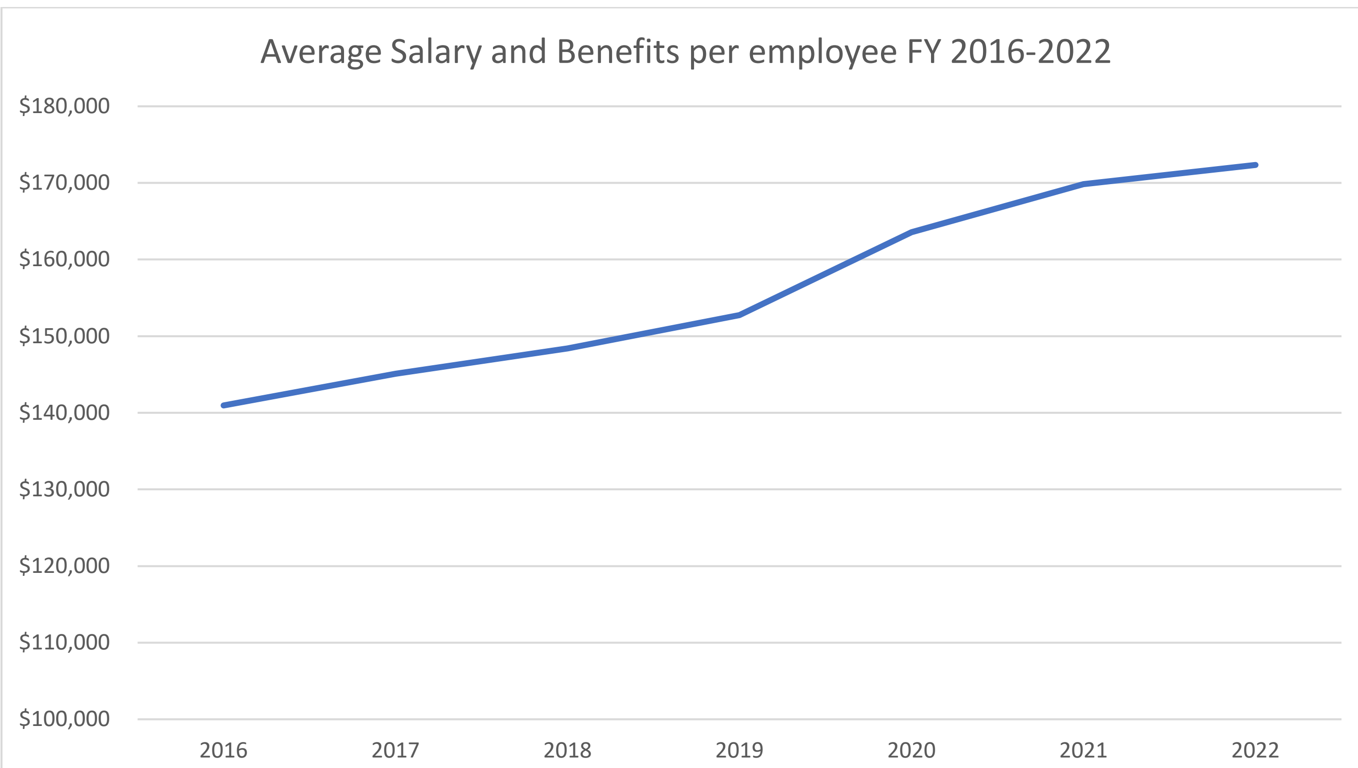
Year	FEC Request	Requested Increase Over Prior Year Appropriation	FEC Appropriation	Appropriation Percentage of Request	Appropriation Increase Over Prior Year Appropriation
FY 2014	$65,791,000	4.60%	$65,791,000	100.00%	4.60%
FY 2015	$67,500,000	2.60%	$67,500,000	100.00%	2.60%
FY 2016	$71,119,000	5.36%	$71,119,000	100.00%	5.36%
FY 2017	$72,540,000	2.00%	$71,119,000	98.00%	0.00%
FY 2018	$71,250,000	0.18%	$71,250,000	100.00%	0.18%
FY 2019	$71,250,000	0.00%	$71,250,000	100.00%	0.00%
FY 2020	$70,537,500	-1.00%	$71,497,000	101.40%	0.30%
FY 2021	$73,328,787	2.56%	$71,497,000	97.50%	0.00%
FY 2022	$76,500,000	7.00%	$74,500,000	97.40%	4.20%
FY 2023	$81,674,000	9.63%			

In the period FY 2014 through the most recently enacted appropriation, the FEC has been fairly modest in seeking increases in its appropriation. The average requested increase for the period FY 2014 through FY 2021 was only 2.1 percent; even including the relatively larger requested increases in FY 2022 and FY 2023, the average requested increase was only 3.3 percent.

The priorities outlined in Parts I and II above combine with the relatively flat funding the FEC has received over the recent past to make the FEC's need for increased funding particularly acute at this time. If increased funding for the FEC is not available, juggling the priorities outlined above will require significant sacrifices in selecting which of the priorities will not be possible in light of funding below the FEC's request.

B. Personnel Expenses Rising

Personnel expenses have been rising over the last several years, increasing pressure on the overall FEC budget. As shown in the chart below, the combination of pay raises, higher agency benefit contributions, and the mix of agency positions increased per-employee salary and benefit costs by approximately 22 percent from FY 2016 to FY 2022. In contrast, the agency's appropriation increased by under five percent during that time. This challenge caused the share of personnel costs to total costs to increase to approximately 73 percent by the end of FY 2021, leaving fewer resources for non-personnel items, and has contributed to reduced staffing levels.



*FY 2022 is projected based on two-thirds of fiscal year.

C. Rent history

For Fiscal Years 2018 through 2020, the FEC was able to achieve efficiencies in its building rent that helped offset rising costs in other areas, such as personnel expenses. The FEC achieved these efficiencies by conserving space and entering a long-term lease at a new building, where the landlord provided favorable rent terms for the early years of the lease. For example, the FEC reduced office space spending from approximately $6 million in FY 2016 to an average of under $3 million for FYs 2018, 2019 and 2020. These efficiencies, however, are largely exhausted as the rent returns to levels comparable with previous levels.

D. Other Costs Rising

1. Growth in Transactions Increases Costs

The growth in the number of transactions reported to the FEC described earlier increases costs for the FEC. While the FEC has realized some efficiencies after migrating its databases and related processes to the cloud, the cost of presenting and making available to the public the increased volume of transaction-level data outpaces any savings realized. Part of the FEC's IT modernization plan should allow for better cost control. Redesigning and modernizing the data pipeline, and migrating to a more cost efficient, cloud-friendly database engine should help the FEC process more transactions and present the FEC's data in an intuitive and useful way for the public to view and download data.

2. Government-wide Mandates Costs

a. CISA Cybersecurity Mandates

In 2018, the FEC—and all federal agencies—were directed to fund and implement a government-wide program to better safeguard our information technology assets.[19] The Department of Homeland Security's High Value Asset (HVA) program requires federal agencies to identify and submit lists of our high value assets to DHS, participate in DHS-led assessments, ensure timely remediation of identified vulnerabilities, and report mitigation plans and progress. Due to budget constraints, the FEC was not able to implement this program immediately, but as of this writing, is preparing a Statement of Work for consulting services to help the agency comply with this mandate. Additionally, the Cybersecurity and Infrastructure Security Agency (CISA) regularly issues numerous cybersecurity directives with which federal agencies must comply by the stated deadlines.[20] With only a small number of employees who are able to work on information security mandates and remediation measures, the FEC must rely on outside vendors to help meet these requirements.

b. DATA Act

Under the Digital Accountability and Transparency (DATA) Act, federal agencies are required to produce financial, contract, and grant information in common formats to be made available on a central website. GAO has identified certain data limitations that has impacted the

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[19] *See* CISA, *Binding Operational Directive 18-02* (2018), *available at* https://www.cisa.gov/binding-operational-directive-18-02 (last visited July 27, 2022).

[20] *See* CISA, *Directives* (2022), *available at* https://www.cisa.gov/directives (last visited July 27, 2022).

data quality.[21] These and other challenges required the FEC to expend more time and resources to meet the mandate.

c. Payment Integrity Information Act of 2019

The Payment Integrity Information Act (PIIA) of 2019 requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant improper payments.[22]

d. Fully Electronic Records Management

The FEC's records management program will continue to focus on updating the agency's Records Management Program and training staff on the agency and governmentwide records schedules, policies, and responsibilities. The Commission has progressed toward managing all permanent records in an electronic format with appropriate metadata prior to January 1, 2023, in accordance with the goal of OMB's Memorandum on the Transition to Electronic Records Memorandum, M-19-21 (June 28, 2019). The Commission has established the Commission's agency-wide Email Management Policy *via* the Capstone approach and received approval of that effort. The Commission has continued to develop the implementation of that policy. The Commission is also developing a Directive on Controlled Unclassified Information, which will develop a program to manage information that is not classified for national security purposes but nevertheless requires safeguarding or dissemination controls, as required by Executive Order 13,556 (Nov. 4, 2010).

e. Transition to GSA's Enterprise Infrastructure Solutions (EIS)

In FY 2021, the FEC also awarded two contracts to begin its required transition to GSA's Enterprise Infrastructure Solutions (EIS) service. This transition is mandated for all federal agencies and is the vehicle responsible for our telecommunication and infrastructure services, such as the agency's 800-line, Contact Center Service (CCS), all digital and analog lines, and secure network services. Agencies must transition from GSA's expiring legacy contract, Networx, or risk having services shut down. The deadline for the transition to EIS is September 30, 2022.

E. Starting FYs with CRs delays hiring

Delays in funding associated with continuing resolutions at the start of fiscal year pose a challenge to agencies like the FEC that are personnel intensive. Hiring in particular is often slowed or even frozen while the agency awaits its annual funding. Delayed receipt of increased

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21 *See* GAO, *DATA Act: Quality of Data Submissions Has Improved but Further Action is Needed to Disclose Known Data Limitations,* GAO-20-75 (2019) *available at* https://www.gao.gov/products/gao-20-75 (last visited July 27, 2022).

22 Pub. L. No. 116-117, 134 Stat. 113 (2020).

funding complicates the use of the funding on hiring, given the time necessary to hire new employees.

Conclusion

The Federal Election Commission has identified the management challenges it faces, as discussed in this document. The Commission did so in accordance with the direction from the Committees on Appropriations of the U.S. House of Representatives and the U.S. Senate in connection with the appropriations for Fiscal Year 2022.