

THE NUTS AND BOLTS OF A TRANSITION ORGANIZATION

This resource outlines the steps required to create, organize and run a transition team from an operational standpoint.

Create the legal structure for the transition

What is a 501(c)(4) organization?

As mandated in the 2010 presidential transition legislation, a transition team needs to create a 501(c)(4) organization, separate from the campaign, to prepare for the assumption of the duties of the president, if they would like to receive federal government resources.

Under the IRS code, non-profit organizations can be established under section 501(c)(4) in order to pursue political activities so long as political activities do not represent their primary purpose.¹ The earnings of an entity established under section 501(c)(4) may not benefit any individual shareholder or member. In addition, 501(c)(4) organizations are not allowed to directly or indirectly participate in any political campaigns on behalf of or in opposition to a candidate. Thus, the 501(c)(4) must limit their activities to transition planning and execution and not engage in any political activity in support of the candidate.

¹ Life Cycle of a Social Welfare Organization. <https://bit.ly/2VRiXl2>

Checklist: Setting up a 501(c)(4) organization

- Choose a name for your organization.
- Assemble a board of directors that consists of at least three people.
- Submit Articles of Incorporation and organizational bylaws to the state in which the 501(c)(4) is being incorporated, which will subsequently become public. Check with the state office in which you are filing to understand specific requirements, which vary by state.
- Obtain an Employee Identification Number (EIN) either through an [online application](#) or by submitting a Form SS-4 to the IRS.
- Fill out and submit Form 8976 to notify the IRS of the intent to operate as a section 501(c)(4) organization within 60 days of formation. This is easy to complete electronically with the following information:
 - An email address to activate your login ID and password.
 - Business name.
 - Address.
 - EIN.
 - Date organized.
 - State and country organized.
 - Filing year/month.
 - Statement of purpose of the organization.

If the organization submitted a complete and accurate form, it can expect to receive an acknowledgement from the IRS within 60 days of submitting Form 8976.

(Continued) Checklist: Setting up a 501(c)(4) organization

- File Form 1024-A and Form 8718. Consult legal counsel on whether to file this portion. While some organizations that believe they are properly classified as a 501(c)(4) organization may self-declare their tax exempt status, organizations that choose to apply for IRS Section 501(c)(4) exemption with the IRS may avoid confusion with the IRS when filing mandatory tax documents. Form 1024-A provides this official recognition and can only be submitted after receiving an EIN. Form 8718, the user fee application, must accompany Form 1024-A to request the letter of recognition. The following information is covered in the Form 1024-A:
 - Organizational structure of the entity.
 - Information about the organization’s officers, directors, employees, and independent contractors, and whether such individuals are compensated.
 - A narrative of the organization’s past, present, and planned activities.
 - Whether the organization will engage in electioneering activities.
 - Information about the organization’s membership, if any.
 - Whether the organization has a relationship with or is connected to another exempt or nonexempt organization.
 - Whether the organization receives payment for services.
 - Whether the organization plans to lease property.
 - Whether the organization plans to engage in foreign activities or grantmaking.
 - Financial data.

 - Prepare and file an annual information report with Form 990. Although 501(c)(4) organizations are exempt from taxation, organizations are still required to file annual returns of their income and expenses through Form 990.
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Create a budget

The budget planning process

After the 501(c)(4) is formed, the transition team must open a bank account and formulate a budget. In the past, teams have divided their budgets into three segments: pre-election, post-convention and post-election. Historically, the majority of a transition team’s budget is allocated to staff and travel. Some practices to consider when fundraising and building the team’s budget include the following:

- **Consider which donors to approach.** Ideal donors are those who have already given the maximum possible contribution to the campaign and may therefore be looking for additional ways to support the candidate. In order to receive government support, the transition team cannot accept contributions of more than \$5,000 from any single donor.
- **Coordinate closely with the campaign’s finance team.** The existing campaign fundraising operation can raise money for the transition team. If the transition team seeks to raise the money itself, someone on the transition team should be designated to work closely with the campaign’s fundraising team to ensure coordination and compliance with campaign finance laws and regulations.
- **Negotiate fixed cost retainers with vendors.** By setting accounting and other consulting services at a fixed cost, the transition team will be able to more accurately predict budget needs for fundraising and planning purposes. Addressing these costs at an early stage will benefit the transition team in the long run.
- **Build a relationship with the General Services Administration (GSA) early on.** After the final nominating convention, the GSA provides office space, technology and other administrative resources to each eligible candidate for transition planning. This year, the GSA will offer support starting on September 1, however in order to plan appropriately, the GSA will likely commence conversations with the transition team in early summer. Speaking with the GSA before the convention allows the transition team to address any questions or concerns about using federal government resources (e.g. what IT platforms transition teams will be using, potential implications when fundraising for a private 501(c)(4) in the federal office space, how to ensure data privacy and security). The Center for Presidential Transition will facilitate engagement with the GSA.

Examples: Past transition budgets and expenditures

The Romney Readiness Project budget² and the Clinton-Kaine Transition Project expenditures are provided here.³ Despite the difference in timing, the total expenditures are comparable in that both teams spent around \$1.2 million prior to the election. One notable aspect of the Romney Readiness Project budget is that the team consistently underspent, primarily as a result of utilizing more volunteers than they originally planned.

² Leavitt, M.O. (2013). Romney readiness project 2012. Lexington: R2P, Inc.

³ Clinton-Kaine Transition Fund. <https://bit.ly/2Xzk9SY>

ROMNEY READINESS PROJECT – OVERALL BUDGET	
Pre-convention budget	\$350,000
Actual expenditures	\$200,000
Post-convention budget	\$1.5 – 2 million
Actual expenditures	\$1.2 million
Transition phase projected budget	\$9 million

CLINTON-KAINE TRANSITION PROJECT – ACTUAL EXPENDITURES	
Banking and processing feeds	\$70,249.76
Legal and accounting fees	\$115,656.76
Office	72,278.48
Payroll	\$1,118,087.33
Travel and meetings	\$39,350.16
Total expenditures	\$1,415,622.49

Funding buckets

Transition teams are granted a certain allocation of funding and resources from the GSA pre- and post-election, which supplements private donations to the 501(c)(4). Understanding how to maximize the federal funding is important when planning the budget and organizing finances throughout the campaign.

The GSA will likely begin formal conversations with eligible candidates early this summer. The Presidential Transition Act designates GSA support after the later of the two nominating conventions. Obviously, the COVID-19 crisis has created some uncertainty as to the timing of the nominating conventions. After the Republican National Convention (or whichever convention is the second convention) concludes on August 27, 2020, the GSA will finalize agreements with the eligible candidates for pre-election resources, although the GSA will likely want a Memorandum of Understanding (MOU) to be negotiated well before the convention so that all that remains post-convention is adding a signature. The timing of the Republican National Convention highlights an important budgeting consideration. Under the current schedule, the transition team will have access to GSA support five weeks later than in 2016, when the final party convention concluded in July. Because preparation for transition cannot be delayed by five weeks, the timing of these circumstances could translate to greater administrative expenses for the transition team compared to prior years.

The GSA already has funds budgeted for pre-election support. Of note, these resources will be allocated towards providing the transition team with administrative support services, including office space and IT equipment. The GSA will not cover payroll or travel prior to the election, so the transition team will need to raise funds on its own to pay these costs. In order to receive federal support, nominees

must be recognized as eligible candidates by the GSA administrator and abide by a certain set of rules. For example, the transition team is required to publicly disclose a list of the names of all transition personnel and their most recent employment and share the source of funding which supports the transition activities of such personnel.⁴ More information about these requirements are listed in Appendix A.

Post-election, the GSA expands its funding for the president-elect's transition team for expenses that directly support the presidential transition. Unlike the pre-election resources, these post-election funds are not restricted to solely administrative support services. After November 3, 2020, the transition team will receive approximately \$6.3 million in value from the GSA for a variety of services including reimbursement for staff payroll and travel.⁵ The GSA requested an additional \$1 million for appointee orientation activities in the FY21 budget, an amount that is being discussed in the current congressional appropriations cycle.

Past transition teams have used post-election GSA funds for supplies, facility and rental expenses, payroll for some employees, and travel. Private funding has been used for hotels, single-source contracts (e.g. IT), payroll for retired government employees and staff health insurance. The transition team may expect to spend approximately \$5 million in privately-raised funds. Considering that contributions are capped at \$5,000 maximum, the transition team may need to recruit at least one thousand donors. To better depict the organization of funding for transition, a high-level breakdown of the Trump for America transition team's expenditures⁶ is listed on the next page.

⁴ H.R. 3932. <https://bit.ly/34H5PJF>

⁵ \$6.3 million is the amount GSA has requested in the FY21 budget for post-election transition for an incoming administration. <https://bit.ly/2ySbn0L>

⁶ U.S. Government Accountability Office. <https://bit.ly/34zWHGI>

TRUMP FOR AMERICA – EXPENDITURE BREAKDOWN ENDING ON JAN. 31, 2017			
GSA Funds		Private Funds	
Payroll	\$1.88 million	Payroll and taxes	\$1.03 million
Travel	\$1.2 million	Travel and relocation	\$1.8 million
Other*	\$50,000	Legal and consulting	\$923,000
Total:	\$3.13 million	Rent and utilities	\$258,000
*Denotes office supplies, equipment, shipping costs and mail		Fundraising	\$249,000
		Communications	\$213,000
		Operations	\$177,000
		Events	\$32,000
		Technology	\$22,000
		Total:	\$4.7 million

Establish human resources processes

Team operations

Since the 501(c)(4) will be a separate and new organization, it will need to establish independent HR, IT and payroll capacity. HR processes that pay, instruct and guide individuals as employees are vital to effective management of a transition team. These processes include IT systems that conduct payroll, healthcare, ethics and operating protocol and the typical HR policies that may be found in successful organizations across sectors.

Before the convention, transition teams have historically consisted of fewer than 10 individuals, most of whom have close ties to the candidate and the campaign. After the conventions, teams have typically grown to include between 25 and 50 employees pre-election. Keeping the team small ensures that most resources are still allocated to the campaign and further advances the importance of confidentiality for the transition work.

Running a pre-election transition team is significantly different from managing the organization that will take shape after the election, when hundreds of employees will come onboard. Maximizing time on the front end to establish clear processes will have enormous benefits later on. Key questions for the initial core transition team to consider include:

- **Norms.** What will the team's organizational norms and rules be regarding communication, coordination with the campaign, speaking with media and confidentiality? How will team members be held accountable?
- **Pay.** How will the transition team determine staff pay? How will that pay reflect the candidate's objectives in terms of pay equality, working wages, etc.?
- **Benefits.** What type of healthcare, life insurance and other benefits will the transition team provide? And through what provider? These questions can be answered by working with an effective broker when establishing the transition team.
- **Onboarding.** How will new employees be onboarded? What will the supporting materials be? What will differ between full-time staff and volunteers, if anything?

The operations director

One of the first core team members hired for the transition team should be an operations director, an individual who should be a member of senior management. This person will be responsible for building and managing the core operational functions of the transition office and should coordinate closely with the GSA. In addition to managing the administrative functions of the transition team, the operations director should also oversee strategic projects such as creating the budget, building the pre- and post-election organizational charts and establishing IT processes that will support transition efforts. Whoever fills this role needs to be a decisive, action-oriented individual who has skillsets in management, strategic planning and communication. See more about the competencies recommended for an operations director in Appendix B.

Confidentiality and ethics considerations

Working on a transition team typically requires staff to keep information “close-hold” so as to not distract from the campaign or make headlines about a candidate’s presidential plans prematurely. In the past, transition teams have required all staff and volunteers to sign a nondisclosure agreement. Previous agreements have covered the following issues:

- Conflicts of interest, including financial investments, past regulated lobbying activities, future agency involvement and gift acceptance.
- Restricted representation on behalf of the candidate and affiliated parties.
- Confidentiality regarding non-public information being used exclusively for the transition team.
- Time-restricted participation and representation involving federal agencies or policies dealt with during the transition.
- Conservation and usage of federal property solely for transition team-related activities.
- Restrictions regarding federally registered lobbyist participation.

It is also important to keep in mind that the transition team is legally required to publish its ethical code of conduct by October 1, 2020, a code which details the standards by which the transition team will hold its employees and volunteers to account after the election.

Appendix A

Summary of legal requirements for receiving federal support for transition planning

Legislation authorizes appropriations to the Administrator of General Services to provide services and facilities to:

1. The President-elect and Vice President-elect in connection with the preparation of their assumption of official duties;
2. And the former President and former Vice President in connection with winding up their affairs.

In order to receive the administrative support and services, there are some benefits and requirements to consider regarding the President-elect's preparation. The law:

- Requires that a specified amount be returned to the Treasury if the former Vice President is the incumbent President.
- Requires amounts authorized for presidential transition costs to be increased by an inflation adjusted amount to reflect the actual increases in such costs since the previous presidential transition.
- Requires the President-elect and the Vice President-elect to disclose to the Administrator all private money received for use in their preparation for the assumption of official duties. Requires the Administrator to make such disclosures public.
- Requires the President-elect and the Vice President-elect to disclose to the public a list of the names of all transition personnel and the most recent employment and source of funding which support the transition activities of such personnel. Requires public disclosures to be made before the initial transition team contacts a Federal department or agency.
- Prohibits the President-elect and the Vice President-elect from accepting more than \$5,000 from any person, organization, or other entity for transition purposes.
- Authorizes the use of Government aircraft for transition purposes, on a reimbursable basis, if requested by the President-elect or the Vice President-elect, or their designee, and approved by the President. Provides that when the President-elect or the Vice President-elect request the use of a chartered aircraft, any collections received from persons occupying space on such aircraft shall be deposited to the credit of appropriations for presidential transitions.
- Authorizes the payment of certain travel and transportation expenses for any individual performing presidential transition activities.
- Authorizes the President to fill executive agency vacancies for not more than 120 days (under current law, not more than 30 days), unless a nomination to fill such vacancy has been submitted to the Senate. Declares that if such nomination has been made, the designated person may serve: (1) until the Senate confirms the nomination; (2) for not more than 120 days after the Senate rejects the nomination or the nomination is withdrawn; or (3) if designated when the Congress has adjourned sine die, for no more than 120 days after the Congress next convenes.

Appendix B

Operations Director position description

ROLE	OPERATIONS DIRECTOR
Reporting Relationship	Reports to the Transition Chair
Role Summary	The director of operations is responsible for the core operational functions of the transition office and must coordinate closely with the General Services Administration (GSA) to ensure that the transition team has the support it needs, including basic office space, human resources, information technology support and day-to-day coordination of resources. He or she is also responsible for developing the overall budget and tracking spending throughout the transition.
ROLE ACCOUNTABILITIES AND COMPETENCIES	
Individual Accountabilities	<ul style="list-style-type: none"> • Oversee office space, human resources, accounting and finance, and day-to-day coordination of resources. • Build and manage operations team. • Develop the overall budget and track spending throughout the transition. • Develop technological infrastructure (including website and personnel database for appointments team). • Determine scaling of transition team post-convention and post-election. • Onboard staff as transition team grows. • Coordinate security protocols, including submission of security clearances for transition team staff and key advisors requiring access to classified information post- election and coordination with Secret Service for post-election security procedures Shut down transition operations and move teams and systems to White House.
Shared Accountabilities	<ul style="list-style-type: none"> • Liaise with heads of other teams (Appointments, Agency Review, Policy Implementation, etc.) to hire and onboard team members. • Work with campaign fundraising staff to identify private funding for transition costs. • Work with campaign to secure campaign vendor list. • Work with campaign to draft consistent internal policies around expense reimbursement policy, code of ethics, digital communication policy, etc. • Work with GSA to coordinate office space, equipment, supplies, secure IT infrastructure, payroll, financial, human resources, and contracting services. • Work with Appointments to develop personnel database infrastructure.
Key Competencies	<ul style="list-style-type: none"> • Highly rigorous with respect to planning. • Strong background in management. • Comfortable tracking finances for a large organization. • Skilled in coordinating large amounts of time-sensitive resources. • Strong ability to work well in team environment and lead large teams effectively.