2017 Candidate Update

September 2016

Fundraisers

When holding a fundraiser for your campaign, there are a few things to keep in mind regarding contributions.

If a person hosts a fundraiser in his or her home or office, the costs incurred do not have to be reported as a contribution to your campaign, as long as the total cost of the event is $500 or less.

For a fundraising dinner, the face value of the ticket is a reportable contribution. The costs of the meal may not be subtracted when determining the amount of the contribution.

When an item is donated for auction or sale at a fundraiser, the donated item is a nonmonetary contribution. When the item is purchased, the payment must be reported as a miscellaneous increase to cash.

If someone pays more for an item than it is worth, the fair market value of the item must be reported as a miscellaneous increase to cash, and the amount over the fair market value must be reported as a monetary contribution.

Credit Card Expenditures

Credit cards may be used for campaign purposes. Before establishing a credit card for your campaign, it is important to become familiar with the rules that apply. A few are highlighted here.

A credit card may be established in the name of your committee. A credit card established for one campaign committee cannot be used by another campaign committee.

You may also use a personal credit card to make campaign expenditures, but it must first be designated for campaign purposes. To do that, you must pay the credit card balance down to zero. The credit card number and the date designated should be recorded.

A personal credit card designated for campaign purposes may not be used for personal charges during the campaign and until your committee has paid off all campaign charges.

For recordkeeping and disclosure purposes, you must keep each credit card statement and attach all related invoices and receipts.

For all expenditures, you are required to collect specific information, such as the amount of the expenditure, the date of the expenditure, the type of expenditure, and the name and address of the vendors. For credit card expenditures, the credit card company is an additional vendor.

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Social Media

Social media platforms, such as Facebook, Instagram, and Twitter, can be effective communication tools for your campaign. However, each social media account used for that purpose must include this disclaimer:

“This account is being used for campaign purposes by [name of candidate or committee].”

The disclaimer must be prominently displayed on each social media account’s home page or main page. It must be in a font that is easily legible to the average reader and in a color that contrasts with the background.

We suggest that you also include in the disclaimer the identification number assigned to your committee by the FPPC.

Individual posts and tweets do not need to be filed with the Ethics Commission.

Documenting Contributions

For each contribution that you or your committee accepts, you must maintain certain information and documentation. For example, you must obtain information about each contributor, as detailed in the Candidate Guide.

Contributor cards are often used to collect contributor information. For contributions used for matching funds purposes, you must obtain the contributor's certification that the information is correct and that the address is the contributor’s residence.

You must maintain all documentation associated with a contribution. The documents must show that the contribution was debited from the contributor's account and deposited into your campaign account. These documents include copies of checks, bank statements, deposit slips, and other transaction histories.

For contributions accepted electronically, such as via credit cards or the Internet, you must maintain documents that record the cardholder's name, address, and card number. These documents include itemized transaction reports, credit card confirmation numbers, and credit card receipts.

Organizing the documents associated with your contributions will help you comply with City and state laws during your campaign and also during an audit. These organizational tips can help:

- Keep documents in chronological order.
- Attach contribution documents to the associated deposit slip.

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For contributions accepted electronically, such as via credit cards or the Internet, you must maintain documents that record the cardholder’s name, address, and card number. These documents include itemized transaction reports, credit card confirmation numbers, and credit card receipts.

Organizing the documents associated with your contributions will help you comply with City and state laws during your campaign and also during an audit. These organizational tips can help:

- Keep documents in chronological order.
- Attach contribution documents to the associated deposit slip.

For questions about the nominating petition process, please contact the City Clerk at 213-978-0444.

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You are required to file periodic campaign disclosure statements with the Ethics Commission, to disclose contributors, monetary and non-monetary contributions, loans received and made, expenditures, unpaid bills, and other activity in your campaign bank account.

To comply with this requirement, you must file either the California Form 460 or the California Form 470. Form 460 is used by candidates who have raised $2,000 or more and, as a result, must create a campaign committee.

Form 470 is used by all other candidates.

On Schedule E, you must disclose all the money spent in connection with your campaign during the reporting period. An expenditure occurs on the earlier of the date you make the payment or the date your committee receives the goods or services.

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For purposes of the contribution limits, City law requires that contributions from certain closely related persons be combined (or aggregated). If the aggregated total exceeds the contribution limit, it is considered an excess contribution.

It is your responsibility to check for aggregation and avoid excess contributions. The Ethics Commission provides several tools to help you do this.

First, CEFS allows you to run aggregation reports on your contributions. We recommend that you do this after every campaign filing and that you review each report for possible excess contributions.

Second, if you spot possible excess contributions, you can ask contributors to complete and sign a contributor verification. This form is provided to help you determine whether contributions must be aggregated. A signed contributor verification may be used to document that contributions do not require aggregation and can help you avoid potential audit findings.

Third, despite your best efforts, you may receive contributions that, because they must be aggregated, exceed the contribution limit. In that case, you may be able to cure the excess contribution under the excess contribution policy. Curing must be completed within a specified period of time. The excess funds must leave your campaign bank account by the deadline, through either a refund to the contributor or a cashier’s check to the General Fund of the City of Los Angeles.

**Aggregated Contributions**

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Loans

A loan to a campaign is generally a contribution that is subject to the contribution limits. There are two exceptions. First, a loan from a commercial lending institution is not a contribution if it is made in the regular course of business on the same terms available to members of the public.

Second, a loan you make to your own campaign is not a contribution. However, the amount is limited if you are participating in the matching funds program. For the 2017 elections, the personal loan limits for matching funds candidates are $129,300 (Citywide candidates) and $32,300 (City Council candidates).

There is no limit on the duration of a personal loan to your campaign, but all other loans must be repaid within 30 days.

All loan agreements must be made in writing, and a copy of the agreement must be filed with the Ethics Commission with the campaign statement it is reported on. Be sure to keep in your records the amount of the loan, the interest rate, the due date, and the names, addresses, occupations, and employers of the lender, guarantors, and persons liable for the loan.

If you are elected to office, you may not repay yourself more than the amount that matching funds candidates may contribute to their own campaigns. Any excess is a contribution.

Expenditures: Organizing & Documenting

Chapter 4 of the City Candidate Guide explains allowable campaign expenditures. We recommend that you familiarize yourself with those provisions before making any campaign expenditures.

The candidate guide also provides examples of records that you must collect to document your campaign expenditures. These records must be maintained over the course of an election and for the four years following a campaign filing.

Complete and well-organized expenditure records are critical to a well-run campaign. Organizing your expenditure records will help you prepare accurate campaign statements and comply with City and state laws and will also facilitate the post-election audit process.

These organizational tips can help:

- Group expenditure records by campaign statement period.
- Keep copies of canceled checks sequentially or in chronological order.
- Attach invoices, receipts, and signed contracts to the associated canceled check or other expenditure record.
- Keep copies of all campaign communications (for audio and video communications, also keep the script).
- If your committee has a credit card, attach all receipts and invoices for credit card expenditures to the associated credit card statement.

To participate in the matching funds program, you must submit Form 20 (Acceptance or Rejection of Matching Funds) by the end of candidate filing week in November. However, you may file the form any time after you file Form 12 (Intent to Solicit and Receive Contributions).

Next Filing Deadline: August 1, 2016
Period Covered: January 1—June 30, 2016

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QUESTION OF THE MONTH

Q: Mary is running for City Attorney and is having a fundraising dinner. Her friend Anna wants to pay the $1,000 cost for the flowers. Is this a contribution?

A: Yes, paying for the flowers is an in-kind contribution, and the contribution limit applies. The per-person contribution limit for Citywide candidates is $1,400. Therefore, Anna can pay for the flowers and can also contribute an additional $400 to Mary’s campaign committee.

REMINDER OF THE MONTH

To participate in the matching funds program, you must submit Form 20 (Acceptance or Rejection of Matching Funds) by the end of candidate filing week in November. However, you may file the form any time after you file Form 12 (Intent to Solicit and Receive Contributions).

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Candidates who raise or spend $10,000 or more in connection with their campaigns must file their campaign disclosure statements using the Ethics Commission’s Campaign Electronic Filing System (CEFS).

To access CEFS, you must obtain an identification number by filing an “Application for CEFS ID” (Form 18) with the Ethics Commission.

If you distribute or broadcast a campaign communication to 200 or more persons, you must use CEFS to file an electronic copy of the communication. Copies of ads, mailers, signs, billboards, and other print communications must be uploaded in PDF format. Radio ads and robo-calls must be uploaded in MP3 format, along with a PDF copy of the script. Television ads and videos must be uploaded in MP4 format, along with a PDF copy of the script.

CEFS is also a helpful tool in other areas of your campaign. For example, based on the amounts you report in your campaign disclosure statements, you can use CEFS to see if you have met the notification threshold for contributions and expenditures or are nearing the maximum amount of non-individual contributions.

Checking for Aggregate Excess Contributions

We highly encourage you to check for aggregate excess contributions before depositing your contributions. To identify contributions that must be aggregated, it is important to compare the contributor information of each new contributor with the information provided by previous contributors.

Names. Check for duplicate names and update cumulative contribution totals. Compare the names of individuals with the names of non-individuals; similar names may indicate control in a business.

Addresses. Look for similar addresses among contributors. Pay special attention to non-individual contributors that share a similar address or business. CEFS will generate reports that list contributors with similar addresses or business. The tool’s usefulness depends on the quality of the information disclosed through campaign statements. And it is only supplemental—we recommend that you also use other strategies for detecting and avoiding aggregate excess contributions.

Business/Employer. Check occupations and employers. Pay special attention to individuals who have titles that indicate ownership or control over a business entity’s contributions.

When contributor information indicates a possible need for aggregation, we recommend that you immediately contact the affected contributors for more information. The Ethics Commission’s contributor verification document may be used for that purpose.

If aggregation is required, you may avoid an excess contribution by not depositing the contribution and returning it to the contributor within 14 days of receipt.

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Campaign Communications

A campaign communication is one that: 1) expressly advocates the election or defeat of a City candidate or ballot measure or urges a particular result in a City election; and 2) is authorized, distributed, or paid for by a City candidate or committee.

Campaign communications must include disclaimers and be disclosed. A candidate or committee that pays for a campaign communication must include the words “Paid for by” immediately followed by the full name, address, and city of that candidate or committee. Communications must also include the words, “Additional information is available at ethics.lacity.org.” The 2017 Candidate Guide has details about the proper size and placement of disclaimers.

You must also disclose each campaign communication that you distribute to 200 or more persons. An electronic copy must be filed through the Ethics Commission’s Campaign Electronic Filing System. From November 7, 2016, through May 16, 2017, you must file within 24 hours after you first distribute the communication. At other times, you must file within five business days.

Finally, if you use a social media account, you must disclose on the main home page that the account is being used for campaign purposes.

Aggregated Contributions

City laws limit per-person contributions to candidate campaigns. In some cases, contributions from multiple persons are aggregated and attributed to a single person, which can result in a total contribution that exceeds the limit. Contributions are typically aggregated when they are controlled by the same persons. More details are provided in the 2017 Candidate Guide and Los Angeles Municipal Code § 49.74.

It is important to collect accurate and relevant information about contributors who may be related. This information includes occupation, employer, and address. The information should be analyzed immediately so that you can identify potential aggregations and track amounts received from related contributors.

The Ethics Commission provides a supplemental tool that generates reports with lists of contributors that may require aggregation. You may use this in addition to your own methods for identifying aggregation.

If contributions appear to require aggregation but you do not believe they actually do, you must obtain documentation to that effect from credible third-party sources. Examples include an entity’s publica-

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What is the Matching Funds Program?

The City’s matching funds program provides limited public funds to help qualified candidates run their campaigns for elected City office. For candidates who qualify for the program, the City matches certain amounts of contributions from private individuals.

To qualify for matching funds, you must be certified to appear on the ballot, be opposed by a candidate who is also certified to appear on the ballot, receive a minimum of 200 qualifying contributions of at least $5, agree to debate your opponents, raise a certain amount of funds, limit your campaign spending, limit contributions from your personal funds, attend a training, and file all campaign statements.

To participate in the program, you must file a “Statement of Acceptance or Rejection of Matching Funds” (Form 20). You may file the form any time after submitting your initial fundraising paperwork to the Ethics Commission, and you must file it by the last day of Candidate Filing Week.

After filing your Form 20, you must file a “Matching Funds Request for Qualification or Claim for Payment” (Form 22). For each contribution identified in the form, you must include a certification from the contributor regarding the accuracy of the contributor’s information. You must also include supporting documentation, such as a canceled check, a credit card transaction, a bank statement, etc. The Ethics Commission will review your Form 22 and supporting documentation to determine whether you qualify for the program and how much public funding you are qualified to receive.

We recommend submitting your Form 22 early. Payments to qualified candidates will begin in December 2016, after the City Clerk’s office determines which candidates will appear on the 2017 ballot.

Candidate Filing Week for the 2017 regular elections will be held November 7 through 12, 2016. During this week, you are required to file several forms with the City Clerk’s Election Division and the Ethics Commission.

You must file a “Declaration of Intention to Become a Candidate” with the City Clerk’s Election Division. Nominating petitions, which you must use to qualify to have your name appear on the ballot, will not be issued to you unless this form is properly filed.

You must also file three forms with the Ethics Commission: 1) a “Statement of Acceptance or Rejection of Matching Funds” (Form 20), unless you have already filed one; 2) a “Statement of Economic Interests” (CA Form 700); and 3) a “Statement of City-related Business” (Form 44).

For your convenience, Ethics Commission staff will be housed at the City Clerk’s office during Candidate Filing Week.