



*Los Angeles
City Ethics Commission*

City Contributor Guide

2017 Regular Elections

May 2015



Campaign Contributions to
City Candidates

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Introduction

In April 1985, Los Angeles City voters enacted limits on contributions to City campaigns. Those contribution limits became the first in a series of political campaign reform measures designed to encourage broader participation in the political process and to help restore public confidence in government. In June 1990, the voters amended the Los Angeles City Charter to create the Los Angeles City Ethics Commission, strengthen City campaign finance laws, and fund the Public Matching Funds Program for City elections.

This guide summarizes significant provisions of the City's Campaign Finance Ordinance and relevant state campaign finance laws that apply to contributors to candidates running for Mayor, City Attorney, Controller, and City Council. It is provided as a means of educating contributors about the general provisions of these laws. However, contributors are encouraged to contact the Ethics Commission with questions about applying the law.

Thank you for your interest and cooperation in providing transparent and accountable government to the people of the City of Los Angeles.

Mission Statement

The Ethics Commission helps to preserve the public trust by promoting elections and government decisions that are fair, transparent, and accountable. The Commission acts through its voter mandate to shape, administer, and enforce laws regarding governmental ethics, conflicts of interests, campaign financing, and lobbying.

Contact Information

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For additional information about the campaign finance laws, you may also visit the Ethics Commission's website at ethics.lacity.org.

Types of Contributions

What is a contribution?

A contribution is a monetary or non-monetary payment made to a candidate or committee for which you do not receive goods, services, or other consideration of equal value in return. CA Gov't Code § 82015.

Generally, a contribution is one of the following:

- A monetary payment;
- A non-monetary payment, such as donated goods or services or discounts;
- Forgiveness of a loan;
- Payment of a loan by a third party; or
- An enforceable promise to make a payment for political purposes.

Monetary Contributions

Monetary contributions to campaigns can include the following:

- A check;
- A cash contribution (which may not exceed \$25 per candidate);
- A text (SMS or MMS) contribution (which may not exceed \$25 per candidate);
- A credit card charge;
- A money order (which may not exceed \$99 per candidate);
- A loan; or
- An enforceable promise to make a payment (such as a loan guarantee).

Non-monetary Contributions

Non-monetary (or in-kind) contributions are goods or services provided to a campaign or paid for at the behest of a candidate. Typical non-monetary contributions include the following:

- Food, beverages, flowers, and decorations donated to the campaign;
- Printing or mailing costs of a campaign mailer donated by the printer;
- An expenditure made at the behest of the candidate;
- A discount or rebate that is not generally extended to the public;
- The transfer of anything of value to a campaign committee without full consideration provided in return; and
- The reproduction, broadcast, or distribution of any material belonging to a candidate.

Loans must be documented in writing and repaid within 30 days. Los Angeles City Charter § 470(c)(8). The document should include the loan amount, interest rate, and due date.

All contributions (other than contributions or loans from the candidate to his or her own campaign committee) are subject to the contribution limits listed on the next page.

Contribution Limits

Per-person Contribution Limit

A person is an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, or any other organization or group of persons acting in concert. Cal. Gov't Code § 82047.

City law limits the amount that a single person may contribute to a single candidate in a single election. Los Angeles City Charter §§ 470(c)(3)—(c)(4). The contribution limits are adjusted to reflect changes in the Consumer Price Index, and updated limits are published every March by the Ethics Commission.

The contribution limit for the 2017 regular City election is **\$700** per candidate per election for City Council and **\$1,400** per candidate per election for Mayor, City Attorney and Controller. The primary election and the general election are two different elections.

Example: You contribute \$700 to City Council Candidate Smith's campaign committee in the primary election. Candidate Smith goes on to the general election. You may then contribute another \$700 to her general election committee.

Aggregated Contributions

Contributions Considered to be from a Single Person

Under certain circumstances, the law requires contributions from two or more persons to be aggregated and treated as having been made by a single person. Los Angeles Municipal Code § 49.7.4. In that case, the total amount in contributions from those persons is subject to the lowest applicable per-person, per-election contribution limit. If one aggregated person is prohibited from making a contribution (see page 6), then all aggregated persons are also prohibited.

Contributions (both monetary and non-monetary) must be aggregated when made by the following set of persons:

- Two persons, one of whom controls the other's contribution or expenditure activity;
- A business entity and a person who participates in the business entity's decision to make a contribution when the person is prohibited from making the contribution and holds an ownership interest of at least 20 percent in the business entity;
- An individual and a business entity, other than a sole proprietorship or a general or limited partnership, in which the individual owns an investment of 50 percent or more;
- An individual and a sole proprietorship owned by the individual;
- A general partner and a general or limited partnership in which the general partner owns an investment of 50 percent or more or holds a majority of the voting rights;
- A corporation or limited liability company that share the same majority shareholders or members as or holds a majority of the voting rights in another corporation or limited liability company;
- Two corporations in a parent-subsidiary relationship, as long as at least one of them is not publicly traded;
- Two entities when the same individuals constitute a majority of each entity's board of directors;
- Two entities that share the same officers or a majority of officers (an officer does not include an individual who serves only as a member of the entity's board of directors);
- A committee and a person who participates in the committee's decision to make a contribution when the person is prohibited from making the contribution and provides (alone or in conjunction with other similarly prohibited persons) 20 percent or more of the committee's funding; and
- A sponsored committee, as defined in California Government Code § 82048.7, and its sponsoring organization.

Example: You are the sole proprietor of a restaurant, and you make a \$500 contribution to a City Council candidate. A separate contribution to the same candidate from your restaurant's bank account may not exceed \$200. Your contribution and your restaurant's contribution must be aggregated, and the per-person contribution limit is \$700 for a City Council candidate.

**Contributions
by Immediate
Family
Members**

Contributions by spouses are treated as separate contributions (see page 5 regarding contributions made from a joint checking account). Contributions from children under the age of 18 are presumed to be contributions by their parents and are attributed to them proportionately—half to each parent or the total amount to a single custodial parent. Los Angeles Municipal Code § 49.7.5.

Making a Contribution

The following are additional requirements to be aware of when contributing to candidates running for elective City office.

- **Address, occupation, and employer.**
A campaign must have your name, address (including zip code), occupation, and employer on file *before* depositing your contribution into his or her campaign bank account. Los Angeles Municipal Code § 49.7.16(A).
- **Certification of legal contribution.**
Campaigns are required to obtain your certification that your contribution complies with the law (e.g., is not prohibited, does not exceed applicable limits, is not being reimbursed, etc.). Los Angeles Municipal Code § 49.7.16(B).
- **Cash contributions.**
No person may give more than \$25 in cash to a City candidate. Los Angeles City Charter § 470(d).
- **Cashier's checks.**
A cashier's check may only be used to make a contribution of less than \$100. Cal. Gov't Code § 84300(c).
- **Joint checking accounts.**
If a contribution is made with a check that has the name of more than one individual imprinted on it, the contribution will be attributed to the individual who signs it, unless a signed document accompanying the check states otherwise. If more than one individual whose name is imprinted on the check signs it, the contribution will be attributed to each individual equally, unless a signed document accompanying the check states otherwise.
- **Credit cards.**
If you contribute by credit card, you must disclose to the campaign committee whether you are making the contribution with a personal or business credit card and provide all other contributor information that is required.
- **Money laundering.**
It is illegal for you to make a contribution in someone else's name, to reimburse someone for a contribution, or to be reimbursed for a contribution you make. Los Angeles City Charter § 470(k). If you are asked to make a contribution in another person's name or are offered reimbursement for your contribution, please contact the Ethics Commission.
- **Reporting major contributions.**
If your contributions to City and other California state or local campaigns total \$10,000 or more in a calendar year, you must file a Major Donor Committee Campaign Statement (California Form 461). The deadline and location for filing this statement will depend upon the types and timing of contributions you have made. 2 Cal. Code Regs. § 18427.1(b). Once you become a major donor, you may be required to file a report within 24 hours if you make contributions totaling \$1,000 or more to a single campaign during the 90 days before an election. Cal. Gov't Code § 84203; 2 Cal. Code Regs. § 18427.1(b).

Prohibited Contributions

The following types of contributions are prohibited under City and state law:

- **Quid pro quo.**
It is illegal to ask for or offer to make a political contribution in exchange for an official action. Los Angeles Municipal Code § 49.5.5. For example, if you are applying for a permit or license and you are told that you must make a contribution to receive favorable treatment, do not make the contribution. You should not be pressured into making a political contribution. If you are pressured or threatened, please contact the Ethics Commission.
- **City buildings.**
Contributions may not be received or delivered in City Hall, another City-owned building, or a building for which the City pays the majority of the rent. This does not apply to City property that is rented to the public, unless the rental agreement expressly prohibits it. Los Angeles Municipal Code § 49.7.11(B)(2).
- **City employees.**
No one may solicit contributions from City officers or employees, including commissioners. Cal. Gov't Code § 3205; Los Angeles Municipal Code § 49.7.11(B)(1).
- **Foreign nationals.**
Federal law prohibits foreign nationals from contributing to political campaigns. Title 2, US Code § 441(e). A foreign national is a person who is not a citizen of the United States of America, a person who does not have legal permanent residency status, a foreign corporation or partnership, or an organization that has a foreign country as its principle place of business. Additionally, a U.S. subsidiary of a foreign or U.S. corporation that is owned by a foreign national also may be prohibited from making contributions.
- **Lobbyists and lobbying firms.**
A lobbyist or lobbying firm may not make a contribution to a City candidate if the lobbyist or lobbying firm is registered to lobby either the office the candidate is running for or the candidate's current City agency. City candidates are prohibited from receiving such contributions. Los Angeles City Charter § 470(c)(11).
- **City bidders, contractors, and underwriters.**
City law limits the contribution and fundraising activity of certain City bidders, contractors, subcontractors, and underwriters. Los Angeles City Charter §§ 470(c)(12), 609(e); Los Angeles Municipal Code §§ 49.7.35, 49.7.36. The prohibition extends to some of their executives, employees, and subcontractors. Please contact the Ethics Commission for additional information.

Public Matching Funds

The City administers a public matching funds program to help qualified candidates for elective City office finance their campaigns without having to rely on large campaign contributions or excessive fundraising. Candidates must meet certain qualifying requirements before they are eligible to receive any public funding, including raising a certain amount of qualified contributions. Qualified contributions include only those received from individuals residing within the City. In addition, candidates must receive contributions of at least five dollars from 200 individuals residing within the district for which election is sought.

Once qualified, a candidate can receive public funds to match qualified private contributions. A City Council candidate can receive up to \$250 per contributor, and a Citywide candidate can receive up to \$500 per contributor. The total amount of public funding available to a candidate is subject to a certain overall maximum, depending on the type of election and the office the candidate seeks.

Non-Candidate Spending

Non-candidate spending, also called independent expenditures, may not be made at the behest of or in consultation or coordination with candidates or their agents. Los Angeles Municipal Code §§ 49.7.2(A), 49.7.2(J). If you make a campaign expenditure in cooperation with a City campaign, it is an in-kind contribution and is subject to the City's contribution limits. Additional rules, including disclosure and disclaimer requirements, apply to non-candidate spending. Please contact the Ethics Commission for assistance before engaging in any non-candidate spending.

Officeholder Committees

An elected City officer may establish an officeholder committee to raise and spend money for the purposes of assisting, serving, or communicating with constituents while in office. Officeholder funds may not be used for purposes of election or re-election to City office. Officeholder funds may only be spent in specific limited ways. Los Angeles Municipal Code § 49.7.19. Contributions to officeholder accounts do not count toward the campaign contribution limits discussed on page 3. Contribution limits to officeholder accounts are as follows:

Type of Officeholder	Per-Person Contribution Limit
Mayor, City Attorney, Controller	\$1,400 per fiscal year
City Council	\$700 per fiscal year

Officeholders and candidates may also open legal defense committees, which have a separate contribution limit of \$1,400 per person per fiscal year. Los Angeles Municipal Code § 49.7.20.

Violations

A person who violates the City's campaign finance laws—or aids another person in violating the laws—may be subject to an administrative enforcement action and monetary penalties up to the greater of \$5,000 per violation or three times the amount improperly reported, contributed, or spent. A person who knowingly, willfully, or negligently violates the laws may also be subject to civil and criminal penalties. City officials and employees who violate the laws may also be subject to administrative discipline from their appointing authorities. Los Angeles Municipal Code § 49.7.38.

Reporting Complaints

The Ethics Commission is required to investigate violations of the City's campaign finance laws. Any person may file a complaint regarding possible violations of these laws. Complaints are confidential to the extent permitted by law.

Complaints may be submitted by phone, online, or in writing. Contact information is provided on page 1. Please be sure to provide as much specific detail as possible. Enforcement decisions that have been issued by the Ethics Commission are available at ethics.lacity.org/enforcement/enforcement.cfm.

Conclusion

This guide is designed to be a general overview to help you comply with City and state campaign finance laws when making a contribution to a candidate for elective City office. Because the laws are detailed, we encourage you to contact us for assistance in applying them to your circumstances.

Advice from the Ethics Commission

The Ethics Commission will gladly answer any questions you have regarding the laws contained in this guide. Situation-specific advice can also be provided, either formally or informally:

- Formal advice is requested and provided in writing. Your request must be submitted *before* taking any action and must provide specific facts about your circumstances. A person who receives formal advice and acts in good faith based on that advice will not be subject to administrative enforcement actions or penalties. Advice letters that have been issued to others can be viewed at ethics.lacity.org/Advice/advice.cfm.
- Informal advice does not have to be requested or provided in writing. It does not provide immunity in enforcement actions.

Ethics Commission

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Advice from the state

The Ethics Commission does not have jurisdiction over matters of state law, and questions regarding those laws should be directed to the Fair Political Practices Commission.

Fair Political Practices Commission

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