

## CHAPTER 5 – EXPENDITURES

### A. ABOUT EXPENDITURES

A campaign expenditure is a payment made for goods or services that is reasonably related to a political purpose. Cal. Gov't Code § 82025. Typical examples of campaign expenditures include but are not limited to payments for the following:

- Campaign communications, mass mailings, slate mailers.
- Campaign consulting and other professional services (legal, accounting, etc.).
- Advertising (print, electronic media, outdoor signs, etc.).
- Rent for office space or equipment.
- Salaries for campaign workers.

### B. ALLOWABLE EXPENDITURES

All of your campaign expenditures must be reasonably related to a political purpose. Cal. Gov't Code § 89512.

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#### 1. YOUR CANDIDACY

You may only use your campaign funds to make expenditures relating to your candidacy for City office. You may not use your campaign funds to support ballot measures or other candidates for elective office. Charter § 470(c)(9). In addition, funds from your campaign committee or officeholder committee may not be transferred to another committee established for a different elective City office or to an independent committee that supports or opposes a candidate for elective office, including you.

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#### 2. PERSONAL BENEFIT

An expenditure that gives you a substantial personal benefit must be directly related to a political, legislative, or governmental purpose. Cal. Gov't Code § 89512. The PRA governs the use of campaign funds for attorney fees, automobile expenses, charitable donations, clothing, equipment and appliances, legal fines, gifts, health-related expenses, loans, professional services, real property, tickets for entertainment events and political fundraisers, travel and accommodations, and victory celebrations. Please contact the Ethics Commission with specific questions.

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#### 3. MATCHING FUNDS

Expenditures made with matching funds must be reasonably related to influencing or attempting to influence the action of the voters for or against a City candidate in your race. Using matching funds in any other way is a misappropriation of public funds and a violation of City law. LAAC § 24.38(a).

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#### 4. OTHER CANDIDATE COMMITTEES

Your committee is prohibited from making contributions to any other candidate running for elective office, any committee supporting or opposing a candidate for elective office, or in support of or in opposition to a City ballot measure. However, you may use your

own personal funds to contribute to other candidates and to ballot measure committees. Charter § 470(c)(g).

## C. PAYMENT METHODS PERMITTED FOR MAKING EXPENDITURES

All campaign expenditures must be made from your campaign checking account. Charter § 470(g); Cal. Gov't Code § 85201. However, you may make expenditures by credit card or from a petty cash fund.

### 1. CREDIT CARDS

Credit card accounts may be established in the name of your campaign committee. Payments to the credit lender must be made from the campaign checking account. For additional information about campaign checking accounts, please refer to Section 1.B.

If your committee uses your personal credit card, the account must have a zero balance (no outstanding personal debts) when the committee begins to use the card. Personal expenditures may no longer be made on that account until the campaign's balance has been paid and no other campaign expenditures will be made with that the credit card.

You must maintain credit card bills. You must also maintain original invoices and receipts for each credit card expenditure. You are also required to itemize each credit card expenditure of \$100 or more, including disclosing complete vendor information on Schedule E of California Form 460.

### 2. CASH

Expenditures of \$100 or more may not be made in cash. However, your campaign may disburse up to \$50 per week from the campaign checking account for petty cash purposes. Cal. Gov't Code § 84300(b); Charter § 470(j). Receipts and other documentation must be maintained to account for expenditures made from the petty cash fund.

## D. RETAINING EXPENDITURE RECORDS

You are required to keep expenditure records of all individual and accrued expenses. In addition, any person who supplies goods or services to your campaign must keep detailed records of any transaction involving expenditures by your campaign. These records must be kept for at least four years and must be made available to the Ethics Commission upon request. Charter § 470(m). You should make your consultants, contractors, and vendors aware of this requirement.

### 1. INDIVIDUAL EXPENSES

You must keep detailed records of all expenditures made by your campaign. For every payment of \$25 or more, your records must identify the name and full address of the vendor, sub-vendor, or payee, the amount of the expense, the date of the transaction, and a description of the good or service for which the payment was made. Your expenditure records must include at least the following:

- Receipts, bills, invoices, and work orders for expense transactions.
- Receipts and invoices for credit card payments.
- Receipts and invoices for petty cash payments.

- Canceled checks, bank statements, credit card statements, and check registers.
- Contracts.
  - Employment or independent contractor agreements.
  - Rental and lease agreements.
  - Other contracts for service to your campaign.

**Example:** Jane hires a campaign consultant to produce and distribute campaign communications for her. Jane must maintain all original invoices, bills, and receipts from each of the vendors used by the consultant. It is not sufficient for Jane to keep merely an invoice from the consultant that lists payments made to different vendors.

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## 2. ACCRUED EXPENSES

Campaign statements must contain the total amount of expenditures, as well as an itemization of each expenditure of \$100 or more, made during the period covered by the campaign statement. Cal. Gov't Code § 84211. An expenditure is considered to be made on the earlier of the date the payment is made or the date consideration (the good or service) is received. Cal. Gov't Code § 82025. Expenditures for goods or services received in one reporting period but paid in part or in full during another period are commonly referred to as "accrued expenditures."

Accrued expenditures count toward the expenditure limit for matching funds participants. See Section 4.C for more information. Accrued expenditures also count toward your expenditure notification requirements.

### a. Reporting Accrued Expenses.

You must report accrued expenses of \$100 or more on Schedule F of Form 460. Accrued expenses must be disclosed in the reporting period in which they are accrued and in each reporting period thereafter until the expense is paid in full. Once payment is made in full, the expense must also be reported on Schedule E.

**Example:** In December 2018, you ordered and received literature from a printer at a cost of \$2,500, but you did not pay the printer until April 2019. On the February 2019 semi-annual campaign statement, you must report the \$2,500 unpaid bill as an accrued expense on Schedule F of your Form 460. On the July 2019 filing, you must itemize the accrued expense on Schedules E and F and report a beginning balance of \$2,500, a payment of \$2,500, and a balance owed of \$0.

### b. Administrative Expenses.

Regularly recurring administrative overhead expenses (rent, utilities, campaign salaries, etc.) continue from one reporting period to another. However, they do not have to be reported as accrued expenses, as long as the payment due date has not occurred by the end of the reporting period. 2 CCR § 18421.6(b).

Contracts with consultants and independent contractors are not considered regularly occurring administrative overhead and must, therefore, be accrued. 2 CCR § 18421.6.

### c. Credit Card Bills.

Credit card bills that are not paid in full may need to be accrued and reported on Schedule F, and vendors owed \$100 or more must be reported in detail. Do not use Schedule G to report accrued expenditures for credit cards. See FPPC's *Campaign Disclosure Manual 2*, p. 8.41.

Additional information about accrued expenses is available in the FPPC's *Campaign Disclosure Manual 2*.

## E. REIMBURSING EXPENSES

### 1. PERSONAL FUNDS

You may not make campaign-related expenditures directly from your personal funds. You must first deposit personal funds into the campaign checking account before using them for campaign expenditures (except for your initial filing fee and the fee for your *Statement of Qualification*). Please refer to Section 1.B for more information about the campaign checking account. Personal funds must be reported as a contribution to your campaign. Please refer to Chapter 3 for more information regarding contributions.

### 2. VOLUNTEERS AND PAID EMPLOYEES

Volunteers and paid employees may be reimbursed for goods, services, and travel expenses if:

- Reimbursement is made within 45 calendar days after the expenditure was made; and
- Your treasurer received a written description of each expenditure and a dated receipt or invoice prior to reimbursement. 2 CCR § 18526(a)(2).

Itemized expenses of \$100 or more must be reported on Schedule E of California Form 460. Unreimbursed goods, services, and travel expenses must be reported as non-monetary contributions, and are subject to applicable contribution limits.

### 3. AGENTS AND INDEPENDENT CONTRACTORS

Agents and independent contractors may be reimbursed for goods, services, or travel expenses if all of the following apply:

- The expenditure was made pursuant to a written contract which provides for the reimbursement of such expenditure between you or your committee and the agent or independent contractor;
- Reimbursement is made within 45 calendar days after the expenditure was paid; and
- Your treasurer received a written description of each expenditure and a dated receipt or invoice prior to reimbursement. 2 CCR § 18526(b)(2).

Any unreimbursed expenditure is considered an in-kind contribution and is subject to applicable contribution limits.

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#### 4. TIME LIMIT

If reimbursements are not paid within 45 calendar days, the expenditure or provision of goods or services is considered a non-monetary contribution to your campaign and must be reported as such.