

CHAPTER FIVE

EXPENDITURES

A. ABOUT EXPENDITURES

A campaign expenditure is a payment made for goods or services that is reasonably related to a political purpose.⁷⁸ 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

You may only use your campaign funds to make expenditures relating to your candidacy for City office. All of your campaign expenditures must be reasonably related to a political purpose.⁷⁹

C. PROHIBITED EXPENDITURES

1. CONTRIBUTIONS

Your committee is prohibited from making a contribution to another candidate running for elective office, to a committee supporting or opposing a candidate for elective office, or in support of or opposition to a City ballot measure. However, you may use your own personal funds to contribute to other candidates and ballot measure committees.

2. SEPARATE ELECTIONS

The primary and general elections are considered two separate elections.⁸⁰ A campaign committee may only make expenditures related to its specific election. Your primary committee may not pay for goods or services received for the general election, and your general committee may not pay for goods or services received for the primary election.

⁷⁸ Cal. Gov't Code § 82025.

⁷⁹ Cal. Gov't Code § 89512.

⁸⁰ Charter § 470(b)(3), 470(c)(1), 470(c)(9).

3. TRANSFERS TO OTHER COMMITTEES

Funds from your campaign committee may not be transferred to another committee established for elective City office or to an independent committee that supports or opposes a candidate for elective office, including you. **If you advance to the general election, you may not transfer funds from your primary election committee to your general election committee.**

4. PERSONAL BENEFIT

An expenditure that gives you a personal benefit must be directly related to a political, legislative, or governmental purpose.⁸¹ The PRA has specific rules about certain types of expenditures that create a personal benefit for you or your immediate family. Please contact the Ethics Commission if you are considering an expense related to any of the following:

- Attorney fees
- Automobile
- Childcare
- Charitable donations
- Clothing
- Equipment and appliances
- Legal Fines
- Gifts
- Health
- Loans
- Professional Services
- Real Property
- Tickets for entertainment and political fundraisers.
- Travel and accommodations.
- Victory celebrations.

5. SPOUSE OR DOMESTIC PARTNER

You may not use your campaign funds to compensate your spouse or domestic partner for any services.⁸²

⁸¹ Cal. Gov't Code § 89512.

⁸² Cal. Gov't Code § 84307.5.

6. 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.⁸³

D. PAYMENT METHODS

All campaign expenditures must be made from your campaign checking account.⁸⁴

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 Chapter 1.

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 not be made on that account until the campaign's balance has been paid and no other campaign expenditures will be made with that credit card.

You must maintain credit card bills and original invoices and receipts for each credit card expenditure. The credit card bill, by itself, is insufficient documentation of expenditures. You are required to **itemize each credit card expenditure of \$100 or more**, including disclosing complete vendor information on Schedule E of 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.⁸⁵ Receipts and other documentation must be maintained for expenditures made from the petty cash fund.

⁸³ LAAC § 24.38(a).

⁸⁴ Charter § 470(g); Cal. Gov't Code § 85201.

⁸⁵ Cal. Gov't Code § 84300(b); Charter § 470(j).

E. RETAINING 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 be made available to the Ethics Commission upon request.⁸⁶ You should make your consultants, contractors, and vendors aware of this requirement.

1. INDIVIDUAL EXPENSES

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:

- Receipts, bills, invoices, and work orders for expense transactions.
- Receipts and invoices for credit card or petty cash payments.
- Canceled checks, bank statements, credit card statements, and check registers.
- Contracts, including employment contracts, independent contractor agreements, and lease agreements.

Example: You hire a campaign consultant to produce and distribute your campaign communications. You must maintain all original invoices, bills, and receipts from each of the vendors used by the consultant. It is not sufficient for you to merely keep paperwork from the consultant that lists payments made to different vendors.

2. ACCRUED EXPENSES

Campaign statements must contain the total amount of expenditures made during the period covered by the campaign statement, as well as an itemization of each expenditure of \$100 or more.⁸⁷ An expenditure is considered to be made on the earlier of the date the payment is made or incurred or the date the good or service is received.⁸⁸

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

⁸⁶ Charter § 470(m).

⁸⁷ Cal. Gov’t Code § 84211.

⁸⁸ Cal. Gov’t Code § 82025.

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 August 2021, you ordered and received literature from a printer at a cost of \$2,500, but you do not pay the printer until October 2021. On your third quarter Form 460, you must report the \$2,500 unpaid bill as an accrued expense on Schedule F. On your fourth quarter Form 460, 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.⁸⁹

Contracts with consultants and independent contractors are not considered regularly recurring administrative overhead and must, therefore, be reported as accrued.⁹⁰

c. Credit Card Bills.

Credit card bills 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. More information about accrued expenses is available in the FPPC's *Campaign Disclosure Manual 2*.

F. 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. There is one exception, which allows you to use personal funds directly to pay for your initial filing fees. Personal funds must be reported as a contribution or a loan to your campaign.

⁸⁹ 2 CCR § 18421.6(b).

⁹⁰ 2 CCR § 18421.6.

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.⁹¹

Itemized expenses of \$100 or more must be reported on Schedule E of 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 between you or your committee and the agent or independent contractor that provides for the reimbursement;
- 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.⁹²

An unreimbursed expenditure made by an agent or independent contractor is considered an in-kind contribution and is subject to the contribution limit.

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.

⁹¹ 2 CCR § 18526(a)(2).

⁹² 2 CCR § 18526(b)(2).