

Quarles & Brady LLP



The background features a stylized map of the United States with a network of white lines connecting various points, overlaid on a light blue and red geometric pattern.

Compliance at the State Level: What Every Organization Needs to Know

July 20, 2016

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Quarles & Brady LLP

What We Will Accomplish Today:

1. Overview

2. Lobbying

3. Ethics

4. Campaign Finance

5. Pay-to-Play

6. What An Organization Can Do

A stylized world map in the background, overlaid with a network of white lines and dots, suggesting global connectivity. The map is rendered in a light blue and white color scheme, with the network lines in white.

1. Overview of Government Affairs Compliance

What is political law compliance?

- Activity related to complying with the laws surrounding interactions with government entities and officials-- includes ethics, lobbying, campaign finance and pay-to-play laws, and more.

Why does it matter to you?

- It is critical to understand the basic framework--enough to spot issues, when your organization engages in government affairs to avoid any compliance pitfalls.

2. Lobbying

a. Lobbying Registration

Start with the Basics

No two jurisdictions define lobbying exactly the same

Interpret the rule or statute carefully

Understand the activities of your organization in depth

Don't rely on outdated information

Ask questions of your state agency

Verify information provided by outside consultants

Don't Spin Your Gears



Ask Yourself these Questions

Action

- What are you doing?

Audience

- Who are you directing your action at?

Intent

- What do you intend to do?

Method

- How are you conveying your message?

Time

- How long are you acting?

Expenditure

- Are you spending money?

Exceptions

- Does an exception apply?

Lobbying: Action

States can define lobbying to include:

Communicating or urging others to communicate

Compensating people to communicate

Coalition building to influence legislation

Making expenditures

Lobbying: Audience

States can include communication with:

Local officials

State officials

State legislators

State employees

Lobbying: Intent

States can define lobbying in terms of intent to:

Influence legislation

Generate goodwill

Influence administrative action

Influence agency rule

Influence executive action

Lobbying: Methods

States can limit lobbying to communicating:

In person

Email

Any means

Making expenditures to benefit officials

Lobbying: Time

States can require registration based on time:

De minimis allowed/not allowed/qualified

For ____ hours or more in a quarter/month/year

For the equivalent of \$____ in pro rata compensation

Time not a factor, unless an expenditure is made

Lobbying: Expenditures

In some states expenditures trigger registration:

Trigger registration requirement alone

Considered in threshold separately

Only if for certain officials/amounts

Not a factor in triggering (only reporting)

Exceptions Can Swallow the Rule

Examples of exceptions can include:

Not primarily employed for GA

Invited to testify

Lack of expenditures

No intent to influence (educational)

Examples of Lobbying Definitions

WI

- Individual who communicates by any means with an official with an intent to influence official action on at least five days out of a six month reporting period

IL

- Person who communicates with an executive/legislative official with the intent to influence; or who makes any expenditure to benefit a “public official.”

FL

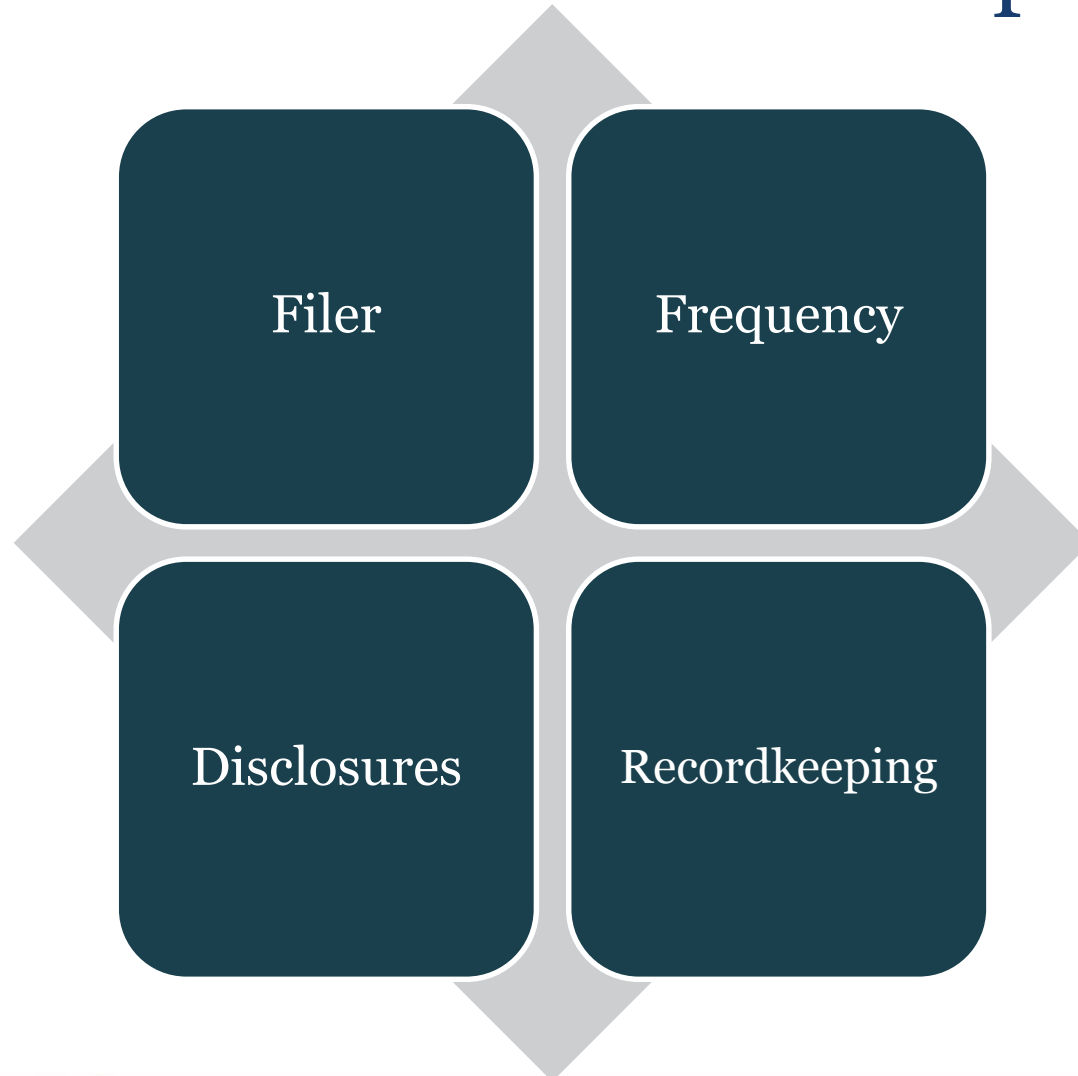
- Person principally employed to communicate with state officials to influence official action.

LA

- Direct communication with an executive branch official with the intent to influence, but registration is not required until an expenditure is made.

b. Lobbying Reporting

Major Considerations for Reporting



Filer

- Principal
- Lobbyist
- Principal for lobbyist and organization
- Lobbyist affirming prior principal reporting only
- Principal despite not being required to register

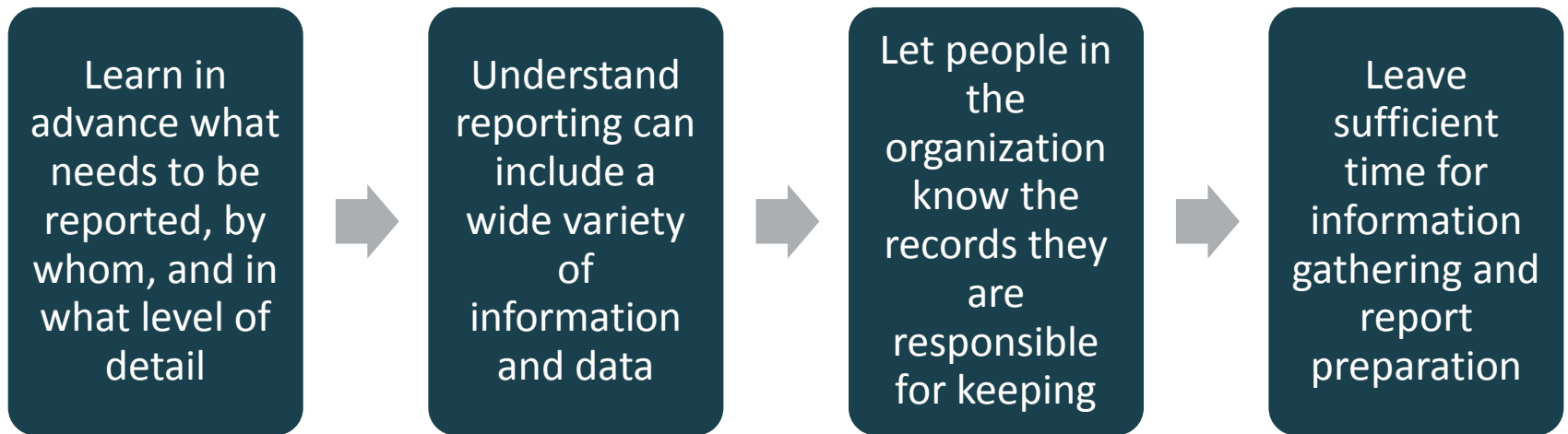
Frequency

- As frequently as twice per month
- As infrequently as once per year
- Can vary based on session/out of session
- Can vary for different content (report bills every 15 days and report expenditures only twice per year, in the same state)

Disclosure

- Varies from one lump sum to itemized expenditures (date, time, location, amount, each recipient, purpose)
- Varies from listing general lobbying topics to reporting each bill/rule/topic (number, summary, purpose, position) on a rolling basis

Tips for Good Recordkeeping



Reporting Examples

WI

- Reporting interest in matter w/in 15 days of communicating
- Detailed reporting twice annually by principals
- Individual lobbyists certify time in detail

MN

- Principals report one lump sum, rounded to the nearest \$20,000
- Individual lobbyist separately reports itemized lobbying related expenditures in multiple categories and separated by administrative/legislative

MA

- Exceptionally detailed reporting requirements
- Little guidance as to its detailed requirements, so must rely on past practice or advice of experiences and/or local counsel.

3. Ethics

Ethics Compliance Considerations

Permissibility

- Total ban
- Banned for lobbyists/permitted for others
- Banned for those doing business with the state
- Banned for those with issues pending before an official/agency

Limitations

- Limited by dollar amount per year
- Limited by dollar amount per occasion
- Limited by timing (session freeze)
- Permitted only if certain relationships are in place (personal friendship, family, special occasion)

Reportability

- Principal
- Lobbyist
- Official
- State (if gift to agency)
- Not at all

Ethics Rules Examples

IA

- Permits gifts up to \$3 per day per official

CA

- Permits gifts from principals up to \$420 per year
- Permits gifts from lobbyists up to \$10 per year
- Reported in itemized detail

WI

- No cup of coffee state

IL

- Bans gifts from lobbyists and principals
- Has many exceptions including meals up to \$75 per day, anything in value up to \$100 per year, and travel for official purposes to name a few

4. Campaign Finance

Campaign Finance Overview

Permissibility

- Direct contribution
- PAC
- Personal/individual only
- Not permitted at all
- Not permitted from lobbyist
- Public funding of campaigns only

Limitations

- Amount
- Source
- Timing
- Delivery

Reportability

- Contributor reports
- Recipient reports
- Both report
- Timing (changes with session and/or election)
- Transmittal letters

Pay to Play

- Comes into play if contracted to do business with a state

5. Pay-to-Play

What is Pay-to-Play?



Relationship between
contracting with a
state and political
contributions

The diagram consists of two large, overlapping arrows. The left arrow points to the left and contains the text 'Relationship between contracting with a state and political contributions'. The right arrow points to the right and contains the text 'Limitation or prohibition on political contributions to some or all political committees for a period'. The two arrows overlap in the center, with the right arrow appearing slightly behind the left one.

Limitation or prohibition
on political contributions
to some or all political
committees for a period

Pay-to-Play Considerations

Increasingly complex and variable area of law

Prohibition can extend to employees/spouses

Strict penalties

Certification is often done at bid stage

Risk of inadvertent cross-department errors

Why Does it Matter?



Former state ethics commissioner hit with \$2,500 ethics violation

By Rafael Guerrero and Clout Street | January 29, 2013
SPRINGFIELD - A former commissioner of the state's executive ethics panel got slapped with a \$2,500 fine for participating in a political event - a violation of the very standards he oversaw. Stephen Thurston's fine was revealed in a commission report released Tuesday. The 60-year-old from Olympia Fields was appointed by former Gov. Rod Blagojevich in November 2008. In March 2011, Thurston attended a prayer breakfast at First Greater Bethlehem M.B. Church...

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Ethics Commission fines lobbyists for failure to file expense reports

By Megan Henney
Monday, July 7, 2014, 8:45 p.m.

The Pennsylvania State Ethics Commission on Monday announced it fined Voyager Jet Center of West Mifflin and Pennsylvania Distributors Association Inc. of Harrisburg for failing to file expense reports under the state's lobbying disclosure law.

It fined Voyager Jet Center \$3,150 and the Distributors Association \$1,300. Rob Caruso, executive director for the commission, said Voyager's fine was higher because it was in violation of the law longer. Both eventually filed reports.

No one from Voyager could be reached for comment. Gerald Kupris, president of the Distributors Association, declined comment.

Both had received a warning from the commission, which gave them 30 days to file their reports with no consequences, Caruso said.

"We don't know why companies' lobbying groups don't file after they get the warning notice," Caruso said. "There would be no penalty imposed."

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CIA Insider Warns "2nd Great Depression is Coming"

Many inside the U.S. intelligence community fear a single flashpoint could soon sink America into "The 25-Year Great Depression" [Click Here to See Why](#)

Ad

Politics

Lobbyist faces \$5 million fine for allegedly failing to file disclosure reports



By Holly Yeager March 18 [Follow @hollyy](#)

Federal prosecutors have charged a lobbyist and his Alexandria firm with violating federal lobbying law by failing to submit dozens of disclosure reports, a rare legal move that could carry a fine of as much as \$5.2 million.

The civil complaint, filed by the U.S. Attorney's Office for the District of Columbia, alleges that Alan Mauk and his firm, Alan Mauk Associates, did not file required quarterly lobbying reports at least 13 times between 2009 and 2013. They are also charged with failing to file semi-annual reports on

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Mallory pleads guilty to ethics violations

Chrissie Thompson, cthompson@enquirer.com 3 p.m. EDT October 29, 2014



(Photo: The Enquirer/Chrissie Thompson)

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COLUMBUS -- State Rep. Dale Mallory pleaded guilty Wednesday morning to [breaking ethics laws](#), a crime that could cost him up to \$1,250 in fines.

Mallory, D-West End, admitted to taking Bengals tickets in 2009 and 2013 from lobbyists, then failed to report the 2009 tickets on required state disclosure forms -- a first-degree misdemeanor. In addition, the cost of the tickets exceeded lawmakers' \$75 legal limit for gifts from lobbyists -- a fourth-degree misdemeanor.

Both of the charges come with the possibility of jail time, but Franklin County Common Pleas Judge Patrick Sheeran indicated he was leaning toward sentencing Mallory only to probation because he lacks a prior criminal record. Sentencing is scheduled for Dec. 11.

6. What Can Your Organization Do?

Good Compliance Practices

- 
- Identify one compliance point person
 - Educate the whole organization
 - Provide regular training and updates
 - Seek outside assistance when needed

Utilize Technology: Extranets

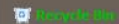


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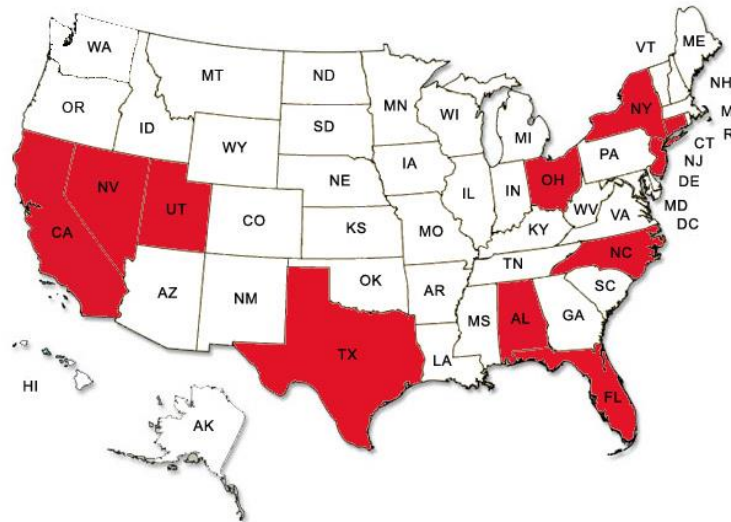
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Contacts

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O'Connor	Sarah	(202) 555-1234	sarah.o'connor@corporate.com

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 California




Principal and Lobbyist Registrations

Type	Name
	2011-2012 Lobbyist Employer Authorization
<input type="checkbox"/> Add new document	


Principal and Lobbyist Lobbying Disclosure Reports

Type	Name
	2011 Report of Employer Lobbyist (Form 635)(4th Quarter)
	2012 Report of Employer Lobbyist (Form 635)(1st Quarter)
	2012 Report of Employer Lobbyist (Form 635)(2nd Quarter)
	2012 Report of Employer Lobbyist (Form 635)(3rd Quarter)
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Principal and Lobbyist Campaign Finance Disclosure Reports

Type	Name
	2011 End of Year Major Donor Report NEW
	2012 January-June Major Donor Report NEW
	October 23, 2012 Special Report of Late Contribution NEW
<input type="checkbox"/> Add new document	



Overview of Lobbying and Campaign Finance Laws

Type	Name
	California Lobbying Ethics and Campaign Finance Overview
<input type="checkbox"/> Add new document	

E-Filing User Name and Password

Contact	User Name	Password
	Siri Singh NEW	L20076CHT QRin6T8KL
<input type="checkbox"/> Add new item		

Contracts

Type	Name
	2011 Consultant Contract CA Farmingham Inc NEW
	2012-13 Consultant Contract CA Political Solutions NEW

Contract Lobbyist

Last Name	First Name	Business Phone	E-mail Address
Political Solutions LLC		(916) 492-2766	
<input type="checkbox"/> Add new item			

Contacts



Last Name	First Name	Business Phone	E-mail Address
Grayson	Phillip	(202) 878-1234	p.grayson@corporate.com
O'Connor	Sarah	(202) 555-1234	sarah.o'connor@corporate.com
<input type="checkbox"/> Add new item			

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- ☐ State of California
- ☐ Governor of California
- ☐ California State Legislature
- ☐ California Secretary of State -- Lobbying
- ☐ California Secretary of State -- Additional Lobbying
- ☐ California Secretary of State -- Campaign Finance

☐ Add new link

Use Compliance Calendars: Update Regularly

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Site Actions ▾

 **North Carolina**

North Carolina Reporting Calendar ▾

Date	Report	State
1/1	Lobbyist Registration Expires	North Carolina
1/1	Principal Registration and Lobbyist Authorization Statement (w/in 10 days of lobbyist)	North Carolina
1/1	Federal PAC 4th Quarter Report	North Carolina
1/10	Lobbyist Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
1/10	Principal Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
1/24	State PAC (Federal) Semi-Annual Report	North Carolina
1/24	Lobbyist Quarterly Report	North Carolina
1/24	Principal Quarterly Report	North Carolina
2/14	Lobbyist Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
2/14	Principal Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
3/14	Lobbyist Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
3/14	Principal Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
4/14	Lobbyist Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
4/14	Principal Monthly Report (if reportable expenditures & Gen. Ass'y in session)	North Carolina
4/21	Lobbyist Quarterly Report	North Carolina

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Track All Pol Cons No Matter What

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Political Contributions

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Actions

View: All Items

	Name	Amount	Approved	Date Transmitted	State	Office
	Frank Watson	\$4,000.00	✓	10/25/2011	Illinois	Senate
	Art Turner	\$3,500.00	✓	10/4/2011	Illinois	Assembly
	Iris Martinez	\$3,000.00	✓	9/20/2011	Illinois	Senate
	Brent Hassert	\$2,500.00	✓	9/30/2011	Illinois	Senate
	Mike Villines	\$3,600.00	✓	3/18/2011	California	Assembly
	Emil Jones	\$3,000.00	✓	9/30/2011	Illinois	Senate
	Lisa Madigan	\$5,000.00	✓	8/22/2011	Illinois	Attorney General
	Alliance to Protect the Illinois Constitution	\$5,000.00	✓	9/2/2011	Illinois	Ballot Measure Committee
	California Chamber of Commerce (JobsPAC)	\$3,000.00	✓	9/15/2011	California	PAC
	Roy Ashburn	\$1,500.00	✓	9/15/2011	California	Board of Equalization
	Dave Cogdill	\$2,000.00	✓	8/30/2011	California	Senate
	Ed Hernandez	\$3,600.00	✓	8/10/2011	California	Assembly
	Dan Kotowski	\$4,000.00	✓	7/30/2011	Illinois	Senate
	Californians for Jobs and Education	\$5,000.00	✓	8/1/2011	California	Ballot Measure Committee
	George Plescia	\$2,500.00	✓	7/20/2011	California	Assembly
	John Cullerton	\$3,500.00	✓	6/5/2011	Illinois	Senate
	Michael Bond	\$2,000.00	✓	5/1/2011	Illinois	Senate
	Bill Davis	\$2,500.00	✓	5/1/2011	Illinois	Assembly
	Gloria Negrete McLeod	\$3,000.00	✓	5/5/2011	California	Senate
	James Clayborne	\$3,000.00	✓	4/8/2011	Illinois	Senate
	Mike Villines	\$3,600.00	✓	3/18/2011	California	Assembly
	California Republican Party	\$5,000.00	✓	1/21/2011	California	Party

Questions and Discussion

The background features a stylized world map with glowing white lines connecting various points, overlaid on a light blue and white geometric pattern of overlapping parallelograms.

Thank You!

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