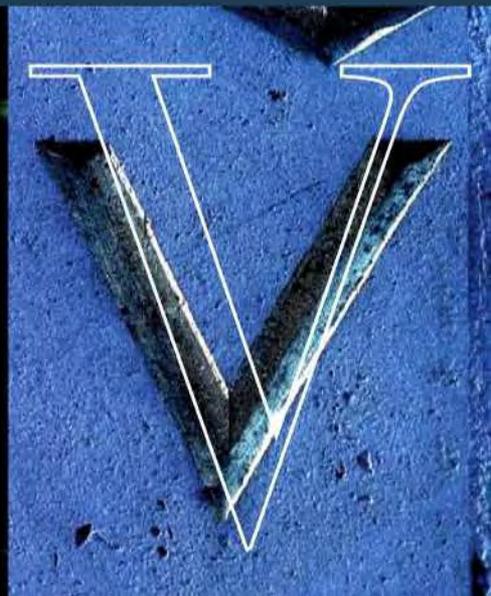


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Government Affairs Compliance Tune-Up

January 16, 2014



Today's Presenters



Larry Norton
202.344.4541
lhnorton@venable.com



Alexandra Megaris
212.370.6210
amegaris@venable.com



Ron Jacobs
202.344.8215
rmjacobs@venable.com

www.venable.com/political-law-practices

www.PoliticalLawBriefing.com

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Agenda

1. Political Activity

- PACs
- Super PACs
- Other Ideas
- Transparency
- Pay-to-Play

2. Lobbying

- Federal
- State
- Enforcement Trends

3. Gifts & Entertainment

- Common Exemptions
- Hosting Events
- State trends



Risks and Rewards

- Protect your business
- New opportunities
- Enhance reputation
- Favorable regulatory climate
- Laws vary widely
- Many traps
- Impact on business and personal activity
- Scrutiny from:
 - Regulators
 - Media
 - Competitors
 - Watchdogs
- Compliance must involve entire company



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Political Activities



Menu of Political Options

Corporate Contributions

Create PAC

Candidate Events

Create Super PAC

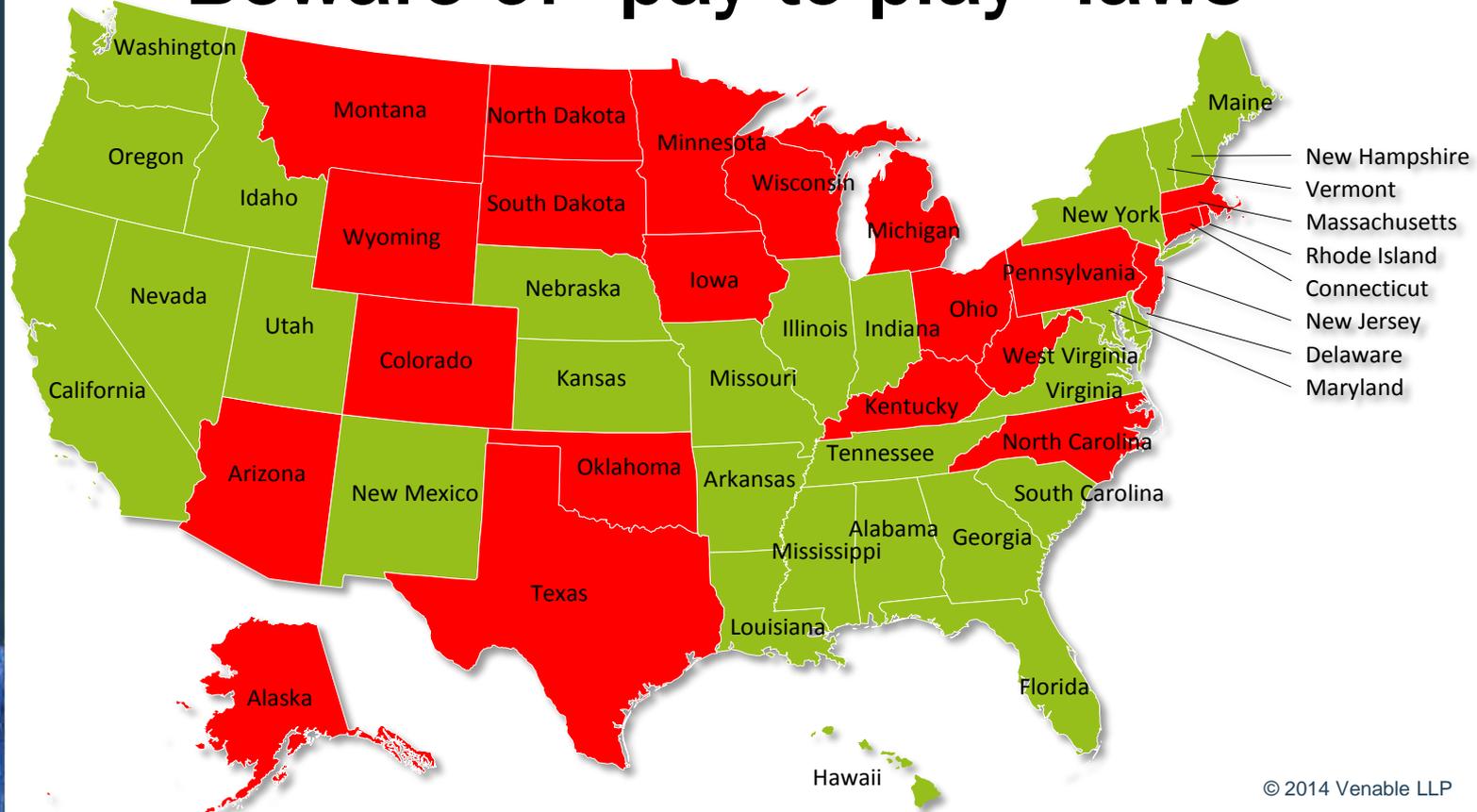
Donate to Super PAC

Donate to 501(c)(4)



Corporate Campaign Contributions

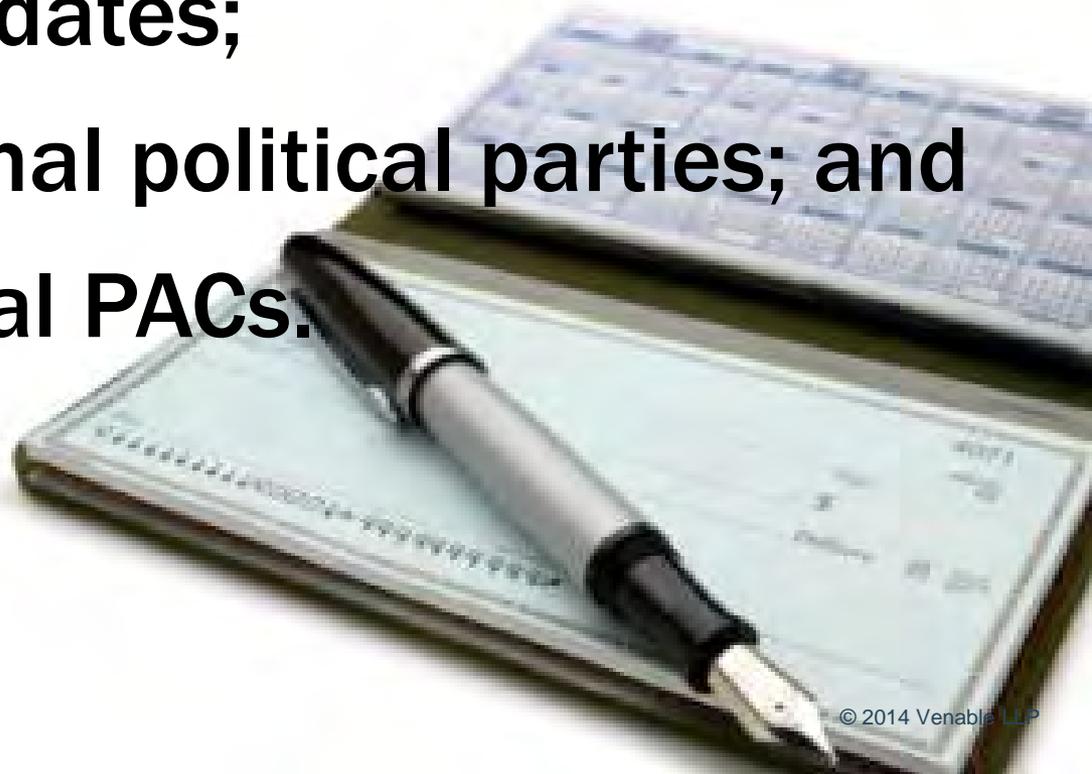
- Permitted in some states
- Beware of “pay-to-play” laws



No Federal Corporate Contributions

No monetary or in-kind corporate contributions to:

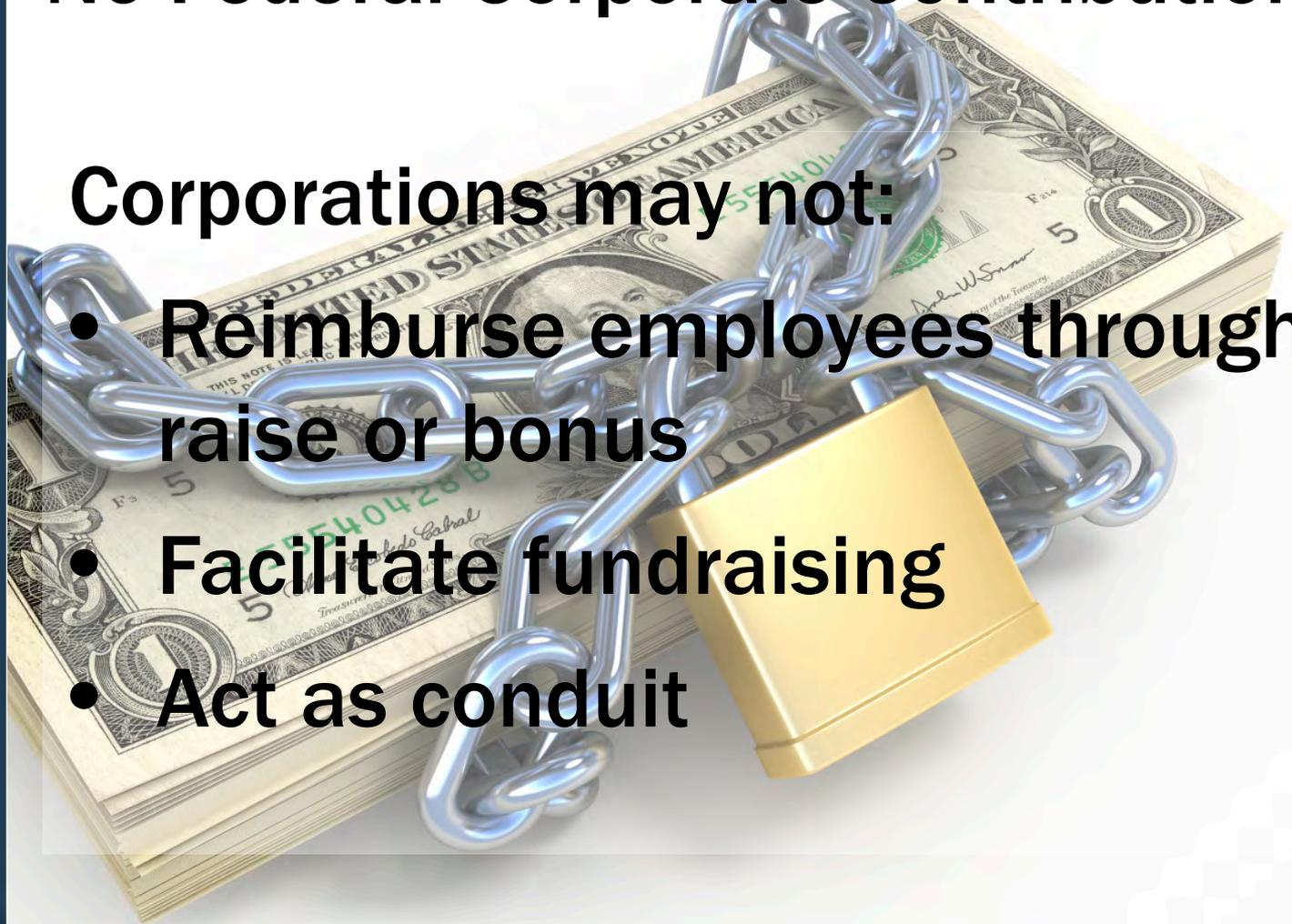
- candidates;
- national political parties; and
- federal PACs.



No Federal Corporate Contributions

Corporations may not:

- Reimburse employees through raise or bonus
- Facilitate fundraising
- Act as conduit



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Raising Money



Permissible Activities

- **May communicate freely with “restricted class,” including request to contribute to candidates**
- **May allow use of corporate resources with advance payment or reimbursement**
- **Volunteer exception**



Volunteer Fundraising

- **Keep it separate from corporate**
- **Be very careful about soliciting downstream**
- **Use own email address, postage, envelopes**
- **Limit time during office hours to one hour/week, four hours/month**
- **Ask contributors to send checks directly to campaign**
- **30 days to forward contributions**



State Lobbyist Bundling Rules

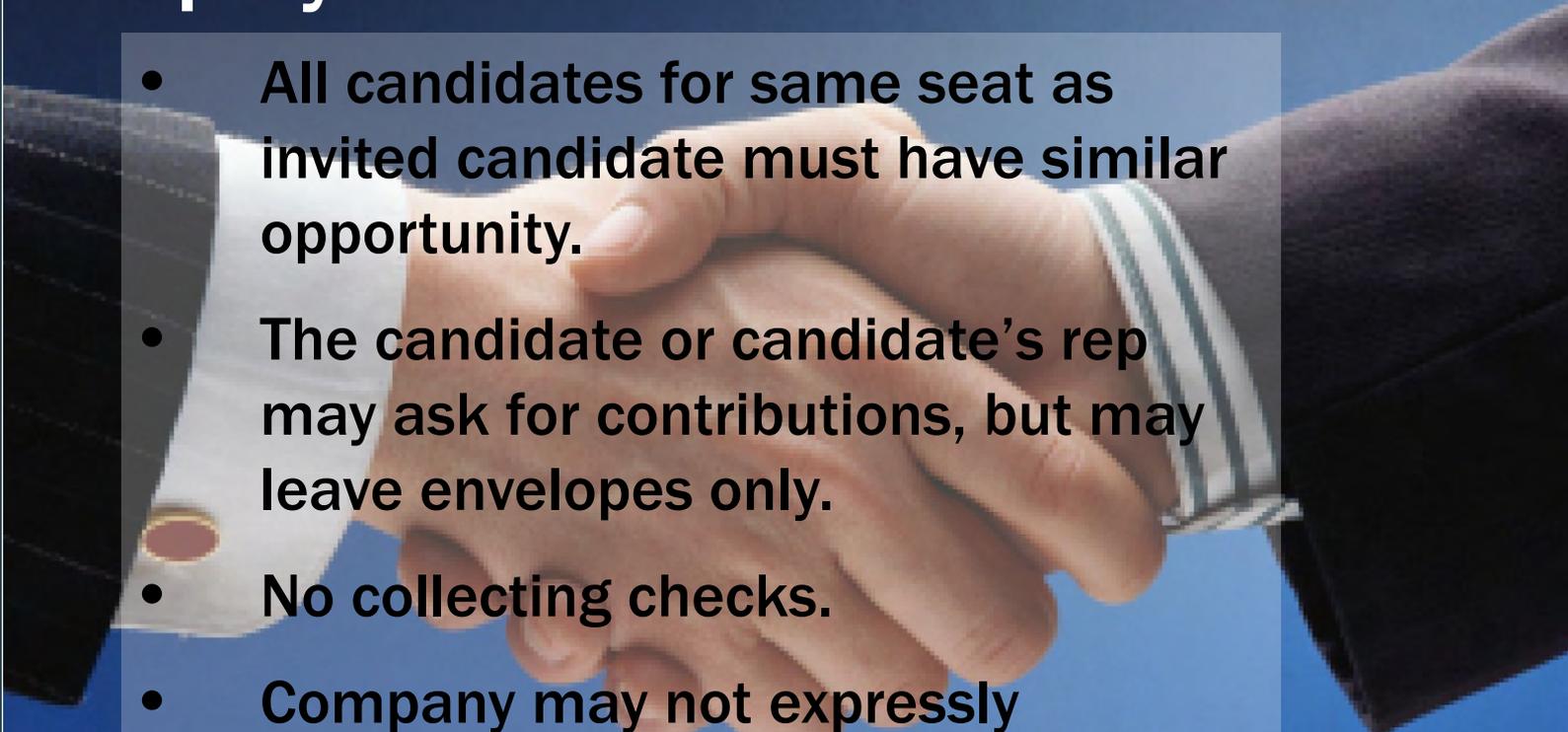
- Many states restrict lobbyists from raising money.
- May apply during the legislative session.
- Others year-round.
- Some states prohibit lobbyists from being PAC treasurers.

Candidate Appearances – Restricted Class

- **Political fundraiser may be held in office**
- **If held in conjunction with site visit, should be separate event**
- **Candidate and company reps may expressly advocate candidate's election**
- **Candidate and company reps may solicit contributions before, during, and after event**
- **Candidate may accept contributions, but no company representative may do so**



Candidate Appearances – All Employees

- 
- All candidates for same seat as invited candidate must have similar opportunity.
 - The candidate or candidate's rep may ask for contributions, but may leave envelopes only.
 - No collecting checks.
 - Company may not expressly advocate for candidate.
 - Company may not solicit/direct/facilitate contributions.



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PACS

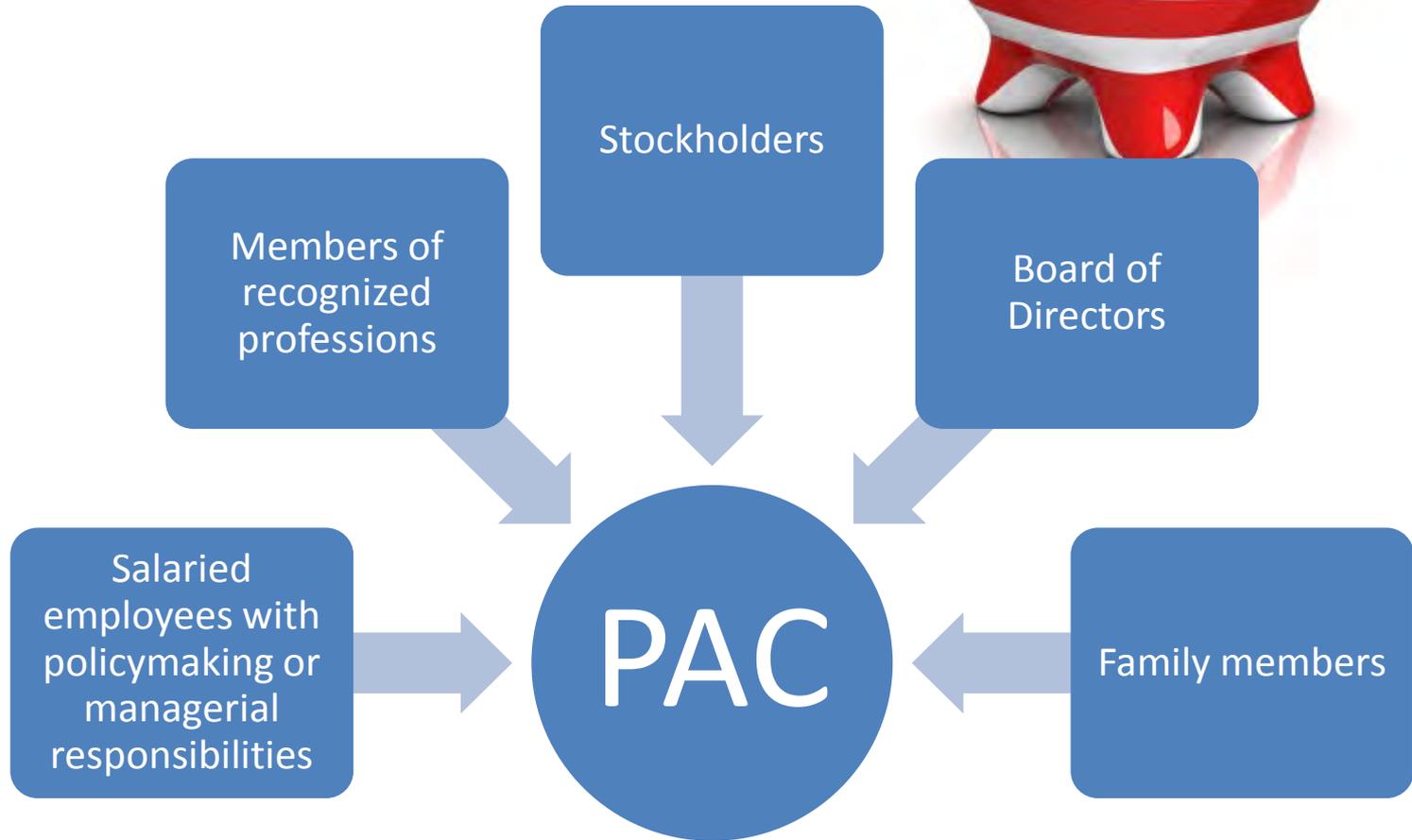


What is a PAC?

- **Special bank account**
- **Corporate name**
- **Administrative support from corporation**
- **Host fundraising events**



Who funds a PAC?



Who funds a PAC?

- **Limit: \$5,000 per year**
- **May use payroll deduction**
- **Only U.S. Citizens or “greencard” holders**



Making Contributions

- **\$5,000 per year to federal candidates and PACs**
- **State candidates subject to state law**
 - **Registration and/or reporting often required**



Disclosure

- Filed with FEC
- Donors disclosed:
 - Name
 - Address
 - Occupation
 - Employer
- Online



Corporate Support of the PAC

- **Administrative costs**
- **Fundraising costs**
 - **Prizes**
 - **Charitable Match**
 - **Trinkets**
- **May not contribute to the PAC**



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Other Options



What is a Super PAC?



Makes independent expenditures

Does not contribute to candidates

May not coordinate with candidates

Contributions fully disclosed

May accept unlimited corporate



501(c)(4)s and (c)(6)s

- Allowed to engage in political activity
- May not be primary purpose
- No disclosure of donors



IRS Rulemaking on 501(c)(4)s

- **Defines political activity**
- **Very broad**
- **No concept of how much is too much**
- **Questions about whether to apply to other groups**



Corporate Transparency Efforts

- Shareholder and good government groups
- Political giving policies
- Posting of contributions
- Effort to create database
- SEC petition to require disclosure



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Pay-to-Play Laws



Where are there *local* P2P laws?

- California
 - Oakland
 - L.A. City
 - County of L.A.
 - Culver City
 - San Francisco
 - County of San Diego
- Illinois
 - Chicago
 - Cook County
- Texas
 - Dallas
 - Houston
 - San Antonio
 - Teacher Retirement System of TX
- Colorado
 - Denver
- Florida
 - Fort Lauderdale
 - Orange County
- New Jersey
 - In over 165 cities and towns
- New York
 - New York City
- Pennsylvania
 - Philadelphia



What's at Stake?

- Bids disqualified and contracts voided
- Barred from future contracts
- Fines and criminal penalties
- Damage to reputation



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Federal Lobbying

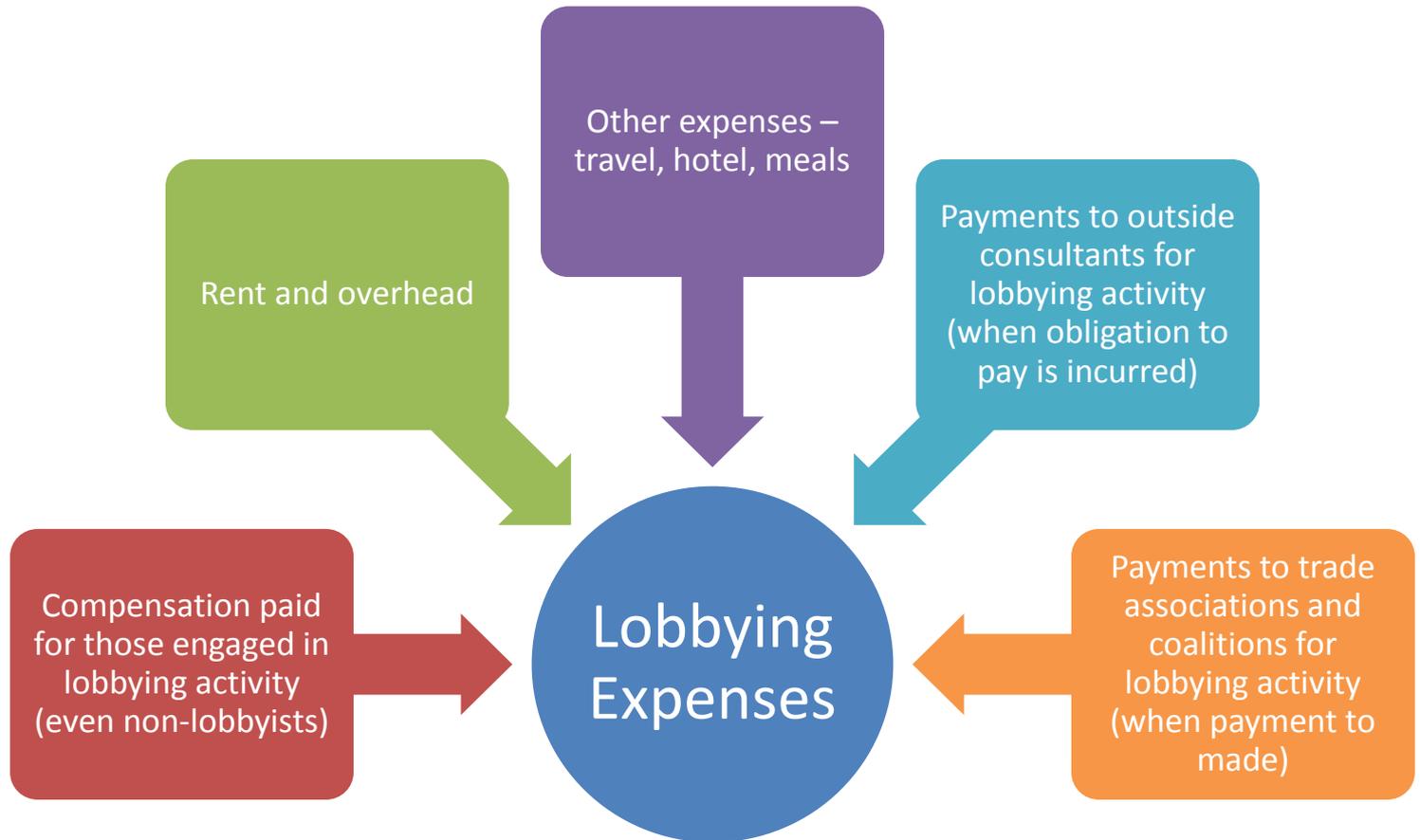


Quarterly Reporting of Lobbying

- **Issues and agencies lobbied**
- **Expenses for lobbying**
- **Names of lobbyists**



Expenses



What is lobbying activity?



What is a Lobbying Contact?

Oral or written communication:

- Legislation
- Policy
- Contracts/Grants
- Nominations



Who is a covered official?

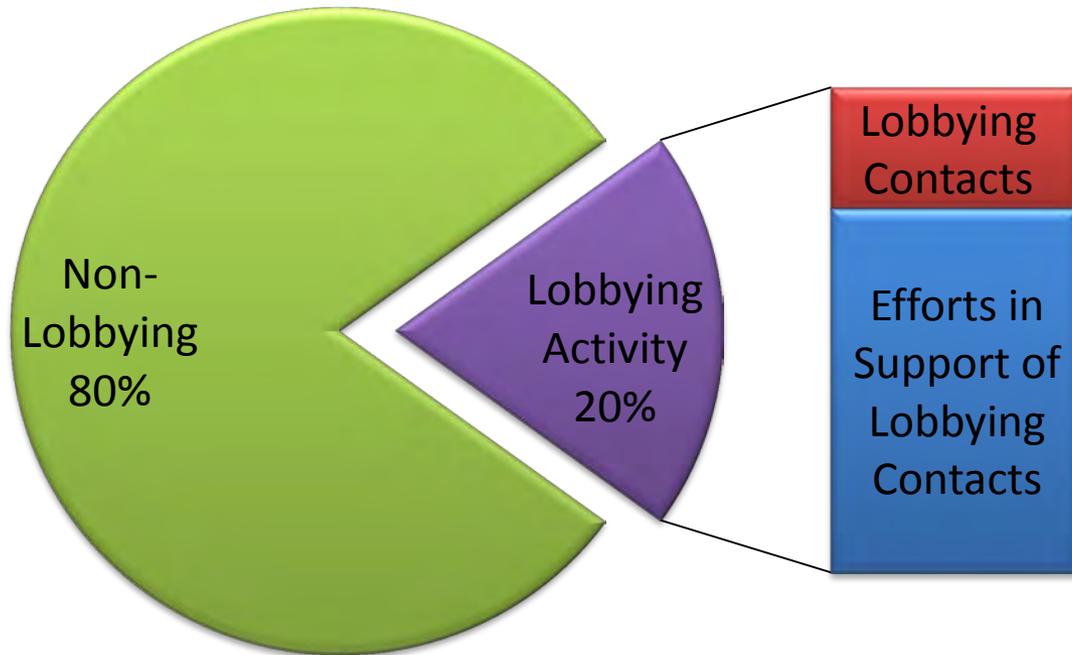
- Congress & Staff
- President & VP
- Executive Office of the President
- Executive Schedule 1-5
- Admirals and Generals
- Schedule C Appointees



Who is a lobbyist?

More than one lobbying contact

PLUS



Semiannual Contribution Report

Federal Campaign Contributions

Events Honoring/Recognizing Official

Meetings Held by/In Name of Official

Entity established/controlled by Official

Presidential Library/Inaugural Committee



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State Lobbying



What is lobbying?



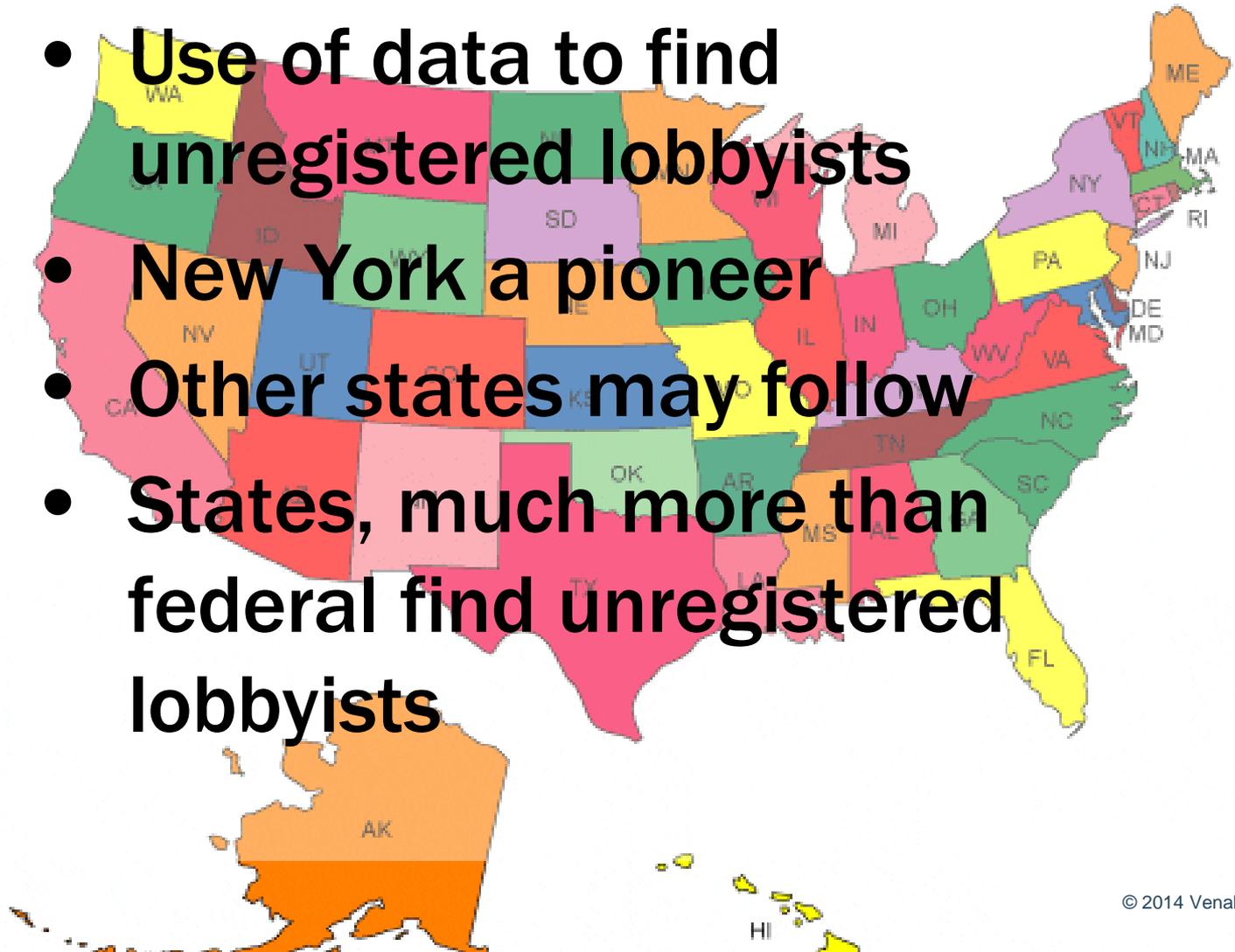
Common State Issues

- **Companies that employ or hire lobbyists must register and file reports**
- **Goodwill lobbying covered**
- **Stricter gift rules on lobbyist-employers and government contractors**
- **Officers/owners subject to stricter limits and disclosure of personal political contributions**
- **Training, certifications**



Expanded Enforcement

- **Use of data to find unregistered lobbyists**
- **New York a pioneer**
- **Other states may follow**
- **States, much more than federal find unregistered lobbyists**



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Gifts and Entertainment



What is a Gift?



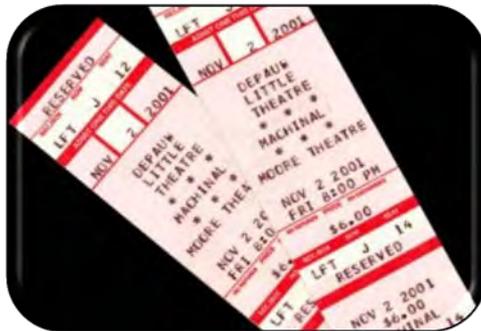
Meals and beverages



Travel expenses



Invitations to charitable events



Tickets

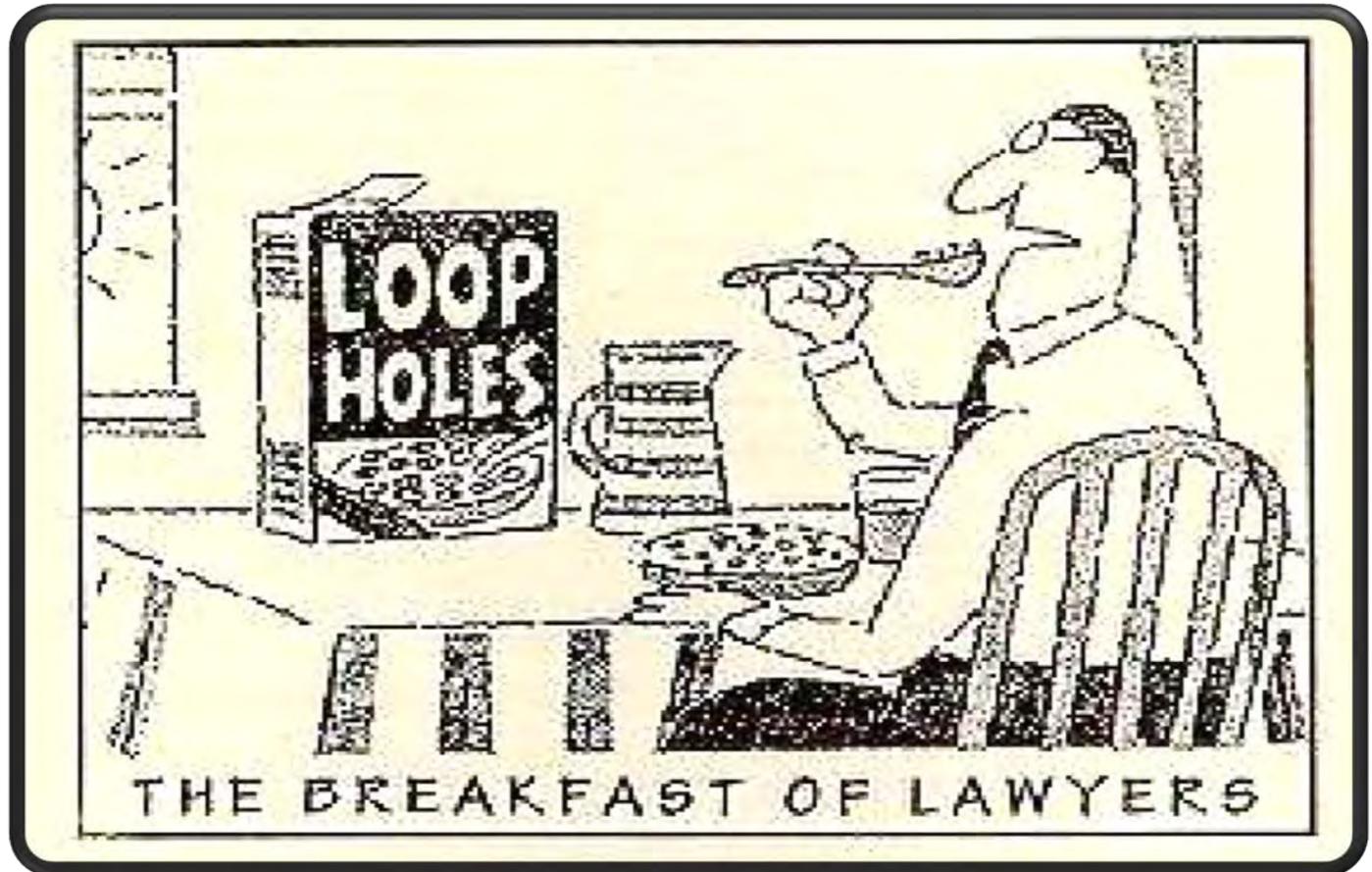


Commemorative items



Books, periodicals and informational materials

Common Exceptions



Federal Gift Rules



Congress

- Registrant:
 - No, unless exception
- Lobbyist:
 - No, unless exception
- Others:
 - <\$50 or exception



Career

- Registrant:
 - \$20 or exception
- Lobbyist:
 - \$20 or exception
- Others:
 - \$20 or exception



Appointee

- Registrant:
 - No, unless exception
- Lobbyist:
 - No, unless exception
- Others:
 - \$20 or exception



Widely Attended Events

Invitee



Event

Speaker at the event or determine that attendance is related to official duties

Speaker

In the interest of the agency because it will further agency programs and operations or speak at the event

Number of People

More than 25 non-hill

If not sponsor, more than 100; if sponsor no number

If not sponsor, more than 100; if sponsor no number

Audience

Individuals from throughout an industry or profession or represent a wide range of persons interested in a given matter

Diversity of views or interests will be present

Diversity of views or interests will be present

Site Visits

- Food and refreshments on site, in group setting with employees
- Local transportation
- Senator's own state or House member's own district (or at House expense)
- Lobbyist may not plan/arrange for travel



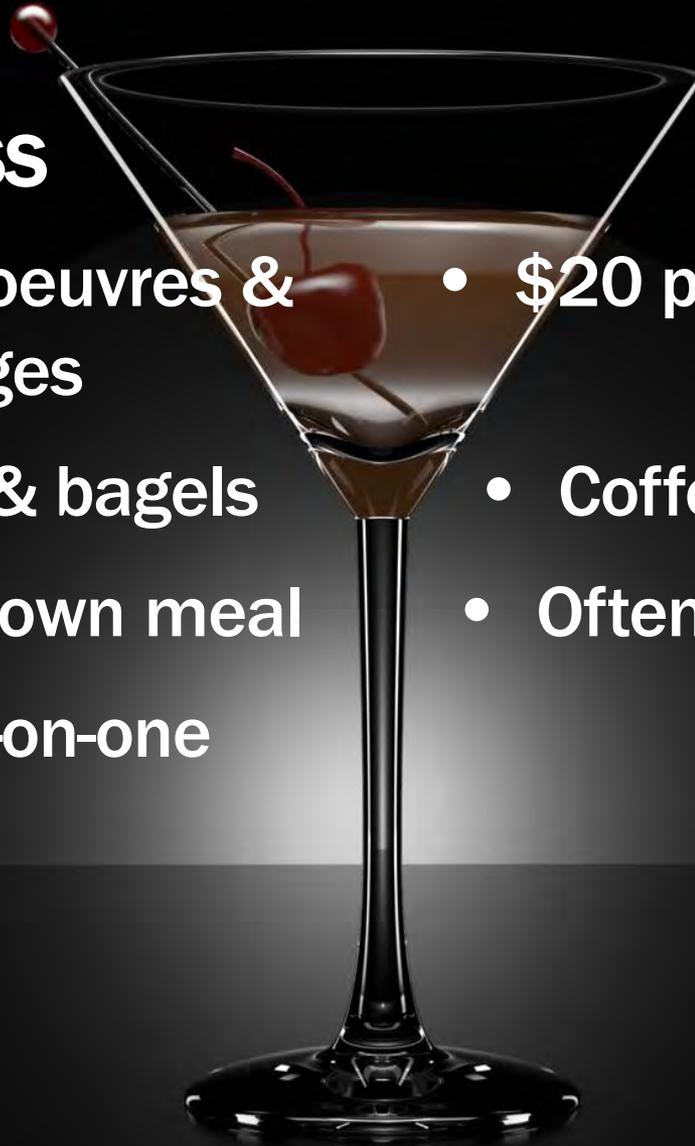
Receptions

CONGRESS

- Hors d'oeuvres & beverages
- Coffee & bagels
- No sit-down meal
- No one-on-one

EXEC BRANCH

- \$20 per person/\$50 per year
- Coffee, donuts, etc.
- Often have to pay to attend



Personal Friendship

- **Cannot expense gifts**
- **Look to history of relationship**
 - Mutual exchange of gifts
 - Duration and formation
 - Similar gifts to others
- **Allows gifts up to \$250 (without waiver) for legislative branch—no limit on executive**



Others

- Plaques
- Home State Items
- Promotional Items
- Informational Materials
- Cards
- Items of Nominal Value



State Rules

Broadly defined

Apply to elected officials and employees

Legislative and executive may differ

Exceptions vary widely

Often have different rules for lobbyists



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Putting it all Together



Risk Management

- **Develop simple and clear policies and procedures**
- **Provide regular training**
- **Let employees know who is responsible for answering questions**
- **Separate responsibility for government relations and legal compliance**



Risk Management

- Don't forget consultants
- Obtain pre-approval of gifts
- Track time on activities that support lobbying
- Assess risks under pay-to-play laws



Final Thoughts

- Heavily regulated area, with many traps for the unwary
- Ask first!
- Usually a way to accomplish your goals
- Regardless of the rules, always consider “the *Washington Post* test”



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www.venable.com/political-law-practices

www.PoliticalLawBriefing.com

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