USE OF CAMPAIGN FUNDS

The personal use of campaign funds by candidates, elected officials, and others who control the expenditure of campaign funds, is prohibited. To ensure that campaign funds are not used for personal benefit, the expenditure of campaign funds must be reasonably related to a political, legislative, or governmental purpose.

An expenditure must be directly related to a political, legislative, or governmental purpose if it confers a substantial personal benefit on any individual authorized to approve campaign expenditures, the controlling candidate, or the state ballot measure proponent, if applicable.

Examples of payments that are not allowed include personal concert tickets, golf apparel and subscriptions for personal purposes.

State Candidate/Officeholder Controlled Ballot Measure Committees:
Ballot measure committees controlled by candidates or officeholders for state elective office are subject to strict restrictions on the use of funds. Several of the permitted expenditures for other ballot measure committees, such as making a contribution are not allowed. Such committees should refer to the discussion at the end of this chapter and regulations 18521.5 and 18421.8.

Ballot measure committees should also consult the Elections Code Section 18680 for additional restrictions on the use of campaign funds.

The following are examples of specific expenditures and the rules regarding the use of campaign funds for such purposes. The FPPC may be contacted for assistance about whether or not a specific use of campaign funds is permissible by sending an email to advice@fppc.ca.gov.

Ex 5.1 – The Thousand Oaks Residents for Libraries, A Committee for Proposition K, offers sodas and snacks for precinct walkers. This is allowed, since there is a reasonably related political purpose for this expenditure.

The treasurer of the committee has decided to enter an accounting certificate program at her local community college. While the program may enhance her qualifications as a treasurer, she may not use campaign funds for this purpose; a certificate would confer a personal benefit to her that is not considered directly related to a political, legislative, or governmental purpose.
A. Campaign Expenditures

Election Night Celebrations

Costs associated with election night celebrations or similar campaign events are considered to be directly related to a political, legislative, or governmental purpose; therefore, campaign funds may be used.

Attorneys’ Fees

Generally, attorneys’ fees and other costs related to administrative, civil, or criminal litigation may not be paid with campaign funds. However, where the litigation is directly related to activities of the committee that are consistent with its primary objectives, campaign funds may be used to pay for expenses related to the following:

- Action to halt defamation;
- Defense of an action to halt defamation;
- Defense of an action for violation of state or local campaign, disclosure, or election laws;
- Litigation to secure a place on the ballot or challenge the wording of the ballot pamphlet;
- Contest an election;
- Election recount; and
- Compliance expenses (for example, completing campaign disclosure reports).

Reimbursements

A volunteer, campaign worker, or any other individual may make expenses from personal funds and be reimbursed, so long as the expenses are incurred for political, legislative, or governmental purposes.
Automobile Lease or Purchase

When making payments associated with leasing, purchasing, or operating a vehicle, such as insurance, maintenance, and repairs, the campaign committee must be the lessee or hold title to the vehicle. Additional titleholders may not be the controlling candidate, treasurer, or any other person who may approve campaign expenditures, or a member of any such person’s immediate family (spouse or registered domestic partner and dependent children). Additional lessees may not be the controlling candidate, treasurer, or a member of any of these persons’ immediate family.

Reimbursed Automobile Expenses

A controlling candidate, immediate family member, treasurer, and committee staff may be reimbursed by the committee for use of a personal vehicle if the use is directly related to a political, legislative, or governmental purpose. Documentation should be kept that includes the trip’s purpose and mileage in a manner approved by the Internal Revenue Service for deducting mileage expenses. The rate for reimbursement may not exceed that allowed under Internal Revenue Code Section 162. For more details, the Internal Revenue Service may be contacted at (800) 829-1040 (www.irs.gov).

Contributions to Candidates and Other Committees

Campaign funds of ballot measure committees that are not controlled by a candidate for state elective office may be used to make contributions to candidates and other committees, subject to applicable contribution limits. However, if a primarily formed ballot measure committee makes contributions to candidates or other committees, they may qualify as a different type of committee and be required to amend their Statement of Organization, Form 410.

Ballot measure committees controlled by candidates and officeholders for state elective office may not make contributions to other candidates and their election committees. See FPPC Regulation 18521.5.
Donations

Campaign funds may be used to make donations or loans to bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organizations. The donation or loan must be reasonably related to a political, legislative, or governmental purpose. In addition, the donation may not personally benefit the controlling candidate, committee treasurer, or any individual with authority to approve the expenditure of campaign funds, or any such person’s immediate family member (spouse or registered domestic partner and dependent children).

Equipment and Appliances

Campaign funds may be used to buy, lease, or refurbish equipment or appliances, but only if their use is directly related to a political, legislative, or governmental purpose. As with restrictions on vehicles, the committee must hold title, or be the lessee, on the equipment; no individual may be listed as owner or lessee.

Food

A committee may purchase a meal with a cost of $200 or less, so long as the expense is reasonably related to a political, legislative, or governmental purpose. However, if the aggregate cost of the meal is more than $200, the expense must be directly related to one of these purposes.

Ballot measure committees controlled by candidates and officeholders for state or local office must itemize meal expenditures.
Fines, Penalties, Judgments, and Settlements

Only the following types of fines, penalties, judgments, and settlements may be paid with campaign funds:

- Parking citations received while performing political, legislative, or governmental activities.

- Fines assessed in relation to situations in which the use of campaign funds to pay for an attorney is allowed (discussed above).

- Fines imposed for late filing of campaign statements.

Gifts

Unless directly related to a political, legislative, or governmental purpose, personal gifts may not be paid for from campaign funds. However, so long as no one individual receives a total of $250 or more in a calendar year, gifts to campaign employees or workers are permitted because they are considered directly related to a political, legislative, or governmental purpose. If the committee pays for a gift to a member of the immediate family (spouse or registered domestic partner and dependent children) of a campaign employee or worker, it should be considered a gift to the employee or worker when calculating whether the $250 per person limit has been met.

Ballot measure committees controlled by candidates and officeholders for state or local office must itemize gift expenditures.

Health-Related Expenses

A committee may use campaign funds to pay for health care benefits for its employees or independent contractors. However, campaign funds may not be used to pay for other health-related expenses, such as health club dues, special dietary foods, or medical check-ups.
Loans

Except for committees controlled by a candidate for state elective office, campaign funds may be used to make loans to other political committees. Loans to state candidate committees are subject to limits. However, if a primarily formed ballot measure committee makes contributions to candidates or other committees, it may qualify as a different type of committee and be required to amend its Statement of Organization, Form 410.

Campaign funds must always be related to the measure or potential measure so contact the FPPC before making a loan. Ballot measure committees controlled by a candidate/officeholder for state elective office, may not make a contribution to another committee if that committee is formed for an elective office.

Professional Services

When the committee reasonably requires the services of professionals, such as accountants or attorneys, their fees may be paid with campaign funds as these expenditures are considered to be directly related to a political, legislative, or governmental purpose. (See below for restrictions on salary and compensation paid to a controlling candidate.)

Real Property

The committee may not purchase real property. It may, however, lease property for up to one year, so long as its use is directly related to a political, legislative, or governmental purpose. Neither the controlling candidate, committee treasurer, any individual with authority to approve the committee's expenditures, or an immediate family member (spouse or registered domestic partner and dependent children) of any of these persons may be a lessee or sublessor, or hold legal title to the leased property.

Refunding Contributions

The return of contributions to contributors is permitted as it is considered to be reasonably related to a political, legislative, or governmental purpose.
Returning Contributions Lacking Contributor Information

When a contribution of $100 or more in a calendar year is received from a single contributor, the committee must report the contributor’s name and address, and, if the contributor is an individual, his or her occupation and employer. If the committee does not have this information in its records within 60 days of receipt, the contribution must be returned. (See Chapter 2.)

Salary and Compensation

The controlling candidate or any individual authorized to approve the committee’s expenditures, may not receive a salary or other compensation from the committee for the performance of political, legislative, or governmental activities. The committee may pay for professional services such as an accountant, however, even if the accountant has authority to sign committee checks.

Tickets for Entertainment and Sporting Events

Committees may not be used to purchase entertainment and sporting event tickets for use by the controlling candidate or officer, director, employee, or staff of the committee, unless attendance at the event is directly related to a political, legislative, or governmental purpose.

Tickets to Political Fundraisers

A committee may purchase tickets to political fundraisers (subject to any applicable contribution limits) for the controlling local candidate, or officer, director, employee, or staff of the committee. However, if a primarily formed ballot measure committee makes contributions to candidates or other committees, they may qualify as a different type of committee and be required to amend their Statement of Organization, Form 410.

Ballot measure committees controlled by state candidates for elective state office cannot make contributions to committees for other elective office.

Ex 5.3 – Paula Greene, a member of Senator Howard’s staff, is also the treasurer of the Senator’s state ballot measure committee. Ms. Greene does all recordkeeping for the committee and completes the committee’s campaign reports. She also has authority to approve committee expenditures. Campaign funds may be used to pay Ms. Greene for services she provides as committee treasurer; however, campaign funds may not be used to supplement or pay her government salary. Note: Other laws may require that the campaign activity be conducted on her personal time.
Travel

A committee may use campaign funds to pay for travel or accommodations for the controlling candidate, any individual with authority to approve the committee’s expenditures, or employees or staff of the committee so long as the standards set by Internal Revenue Code Sections 162 and 274 (deduction of travel expenses for tax purposes) are complied with. The Internal Revenue Service may be contacted at (800) 829-1040 or www.irs.gov for more information. Candidate controlled committees must itemize travel expenses.

Ballot measure committees controlled by candidates and officeholders for state or local office must itemize travel expenditures.

Airline Mileage Programs

Some airlines have mileage programs that allow individuals to earn free tickets or other awards. These mileage credits and awards belong to the individual traveler, not the committee. The committee is not required to report either the receipt of the mileage credit awards or the redemption of the credits.

Leftover Campaign Funds

Chapter XX discusses the permissible uses of funds for a ballot measure committee with funds remaining after the election. Different restrictions are imposed on local measure committees, state measure committees and measure committees controlled by state elected officers.
B. State Candidate/Officeholder Controlled Ballot Measure Committees

FPPC regulation 18521.5 provides guidance on the use of funds of ballot measure committees controlled by candidates and officeholders for state office. Funds can only be used to make expenditures related to the measure or potential measure such as payments for reasonable and ordinary operating costs, administrative overhead, fundraising activities, travel, compliance costs and attorney’s fees incurred as a result of the committee’s activities. At any time a contribution may be returned to a contributor.

As discussed in other chapters expenditures of a general purpose ballot measure committee must identify the amount of the expenditure attributed to the support or opposition of each measure unless the expenditure is for overhead costs and other administrative costs that cannot be attributed to a specific measure. See FPPC regulation 18421.8.

Contributions to a political party, candidate or a nonprofit are not permitted while the committee is actively involved in the ballot measure effort.

When the committee is preparing to terminate, within 60 days prior to the date of its termination, the funds may be used for the following:

- Donations to bona fide charities, educational, civic, religious or similar nonprofit organizations so long as there are no financial ties to the candidate and family members and treasurer.

- To a political party committee, including a local central committee, so long as funds are not used for a contribution to a candidate or for a communication which supports/opposes a candidate.

Committees may seek advice from the FPPC to determine if the final expenditures of a committee are permitted.
Answering Your Questions

A. I am the committee treasurer and make long distance campaign phone calls on my personal phone. How may I pay for them?

One method is to calculate the portion of the phone bill that is campaign related and have the committee write a check for that portion directly to the phone company. Or, you may pay the bill with personal funds and subsequently request reimbursement from the committee treasurer by providing a copy of the bill.

B. As the principal officer of a local ballot measure committee, I will be using my personal car to get around during the campaign. Is mileage considered a reportable contribution if I do not want to be reimbursed?

No. Incidental use of your personal car for campaign purposes is not considered a contribution and is not reportable.

C. May campaign funds be used to purchase a cell phone?

Yes, so long as the phone and service is used for campaign purposes only. If, after the campaign, an individual chooses to retain the phone for personal purposes, the individual must pay the committee the fair market value for the phone.

D. Is it permissible for a local ballot measure committee to have an agreement with an independent contractor (e.g., the campaign consultant) to pay additional money if the committee’s measure is successful?

Yes, under the Act you may make contingency agreements that the committee will not pay a contractor unless the election is won, or that the committee will pay an additional amount to the contractor if the committee is successful. The arrangement should be made part of the written contract.
E. May we give bonuses to our campaign workers and/or hold a victory party?

Yes, but in most cases, bonuses and the food/beverages/entertainment provided at an event are considered gifts and must be limited to less than $250 per calendar year/per individual.

Authority

The following Government Code sections and Title 2 regulations provide authority for the preceding information in this chapter:

Government Code Sections

82025 Expenditure.
82029 Immediate Family.
82044 Payment.
89511 Campaign Funds Held by Candidates and Committees.
89512.5 Expenditures by Committees not Controlled by Candidates.
89513 Use of Campaign Funds for Specific Activities.
89514 Use of Campaign Funds for Attorney’s Fees.
89515 Use of Campaign Funds for Donations and Loans.
89516 Use of Campaign Funds for Vehicle Expenses.
89517 Use of Campaign Funds for Real Property, Appliances or Equipment.
89517.5 Use of Campaign Funds for Security System.
89518 Use of Campaign Funds for Compensation.
89522. Campaign Funds; Prohibited Use under the Elections Code.

Title 2 Regulations

18229 Inclusion of Registered Domestic Partners.
18521.5 Ballot Measure Committees Controlled by Candidates for Elective State Office.
18570 Return of Contributions with Insufficient Donor Information.
18960 Direct Personal Benefit Defined.
18961 Incidental Use.