Activity Expense Reporting

Lobbyists, lobbying firms, lobbyist employers/lobbying coalitions, and $5,000 filers are required to disclose activity expenses, i.e., payments that benefit the individuals identified below. This chapter provides guidance on reporting activity expenses, the most common of which are gifts (e.g., meals, drinks and entertainment). Activity expenses can also include any form of compensation, such as consulting fees and salaries.

Complying with the Act’s provisions on activity expenses often depends on the nature of the particular event or activity. This section discusses detailed reporting, notice requirements, and gift limits as well as exceptions to both reporting requirements and gift limits. This section also provides guidance for the more commonly asked questions regarding activity expenses. Do not rely on the examples alone to ensure you comply with the Act.

A. Definition of Activity Expense

An “activity expense” is any payment that benefits, in whole or in part, a reportable person.

A reportable person is:

- An elected state officer;
- A legislative official;
- A state agency official;
- A state candidate; or
- A member of such official’s or candidate immediate family (i.e., spouse, registered domestic partner, and dependent children).

A payment that benefits a state agency official or member of an agency official’s immediate family is an activity expense only if the agency is, or should be, listed on the donor’s lobbying registration statement.
Report all activity expenses during the period in which they occurred, not when they are actually paid. Report all activity expenses whether or not lobbying occurs at the time of the event.

### B. Gifts

**Gift Definition**

Gifts are the most commonly reported activity expense. The Act defines a gift as any “payment,” which may be money or anything else of value, such as goods or services, that provides a personal benefit to the recipient for which consideration of equal or greater value is not received. The term “gift” includes payments made for entertainment, food, beverages, and travel. There are also several exceptions to the definition of gift. Individuals should consult FPPC Regulations 18940 – 18950.3 and the FPPC’s fact sheets related to gifts and travel.

**Gift Limits**

**$10:** Lobbyists and lobbying firms may not make or act as an agent or an intermediary in making a gift, or arranging a gift, in excess of $10 in a calendar month. This limit applies to any payment that a lobbyist or lobbying firm makes directly or indirectly to any state candidate, elected state officer, legislative official, or to any state agency official that is listed or should be listed on the lobbying firm’s or lobbyist employer/lobbying coalition’s registration statement.

Lobbyists and lobbying firms may not make any payment toward a gift to a state official if the gift’s value is more than $10, even if the gift has multiple donors. Therefore, a reportable person cannot receive a $20 gift from two lobbyists even though each lobbyist’s pro-rata share is only $10.

**$500:** Lobbyist employers and $5,000 filers may not make gifts aggregating more than $500 per calendar year to any state candidate, elected state officer, legislative official, and most state and local public officials may not receive a gift with a value over $500 (2019-2020 gift limit). The limit is subject to change on January 1 of each odd-numbered year.
Arranging a Gift

Lobbyists and lobbying firms may not make or “arrange” a gift of more than $10 in a calendar month to any state candidate, elected state officer, legislative official, or to an official of any state agency required to be listed on the registration statement of the lobbying firm or lobbyist employer/lobbying coalition. A lobbyist or lobbying firm need not actually pay for or incur an expense to meet the definition of “arranging” a gift.

A lobbyist or lobbying firm “arranges for the making of any gift” if the lobbyist or lobbying firm, either directly or through an agent, does any of the following:

- Delivers a gift to the recipient;
- Invites or sends an invitation to an intended recipient regarding the occasion of a gift;
- Solicits responses from an intended recipient concerning his or her attendance or non-attendance during the presentation of a gift;
- Acts as an intermediary in connection with the reimbursement of a recipient’s expenses; or
- Acts as the donor’s representative if the donor is not present to receive a gift. This does not include accompanying the recipient to an event where the donor will be present.
In each of the examples below, the activity expense may not exceed $10 per official in a calendar month.

**Ex 4.4** - Lobbyist Dan Martinez invites a legislator to join him for lunch. After Dan arranges the event, he invites lobbyist Shirley Than to attend. Dan pays the entire cost of the lunch. Shirley is not required to report the event because she did not pay for or “arrange” the gift. Dan must report the event on his Form 615 and provide the legislator’s name and the portion of the bill was attributable to the legislator on his Form 615.

**Ex 4.5** - Together, Dan and Shirley invite a legislator’s aide to lunch. The lobbyists share equally the cost of the aide’s $8 meal. They must both report the activity. In addition to reporting the amount they each paid, each lobbyist must report the total value of the aide’s meal, indicate that the amount paid was a portion of the total cost, and report the total cost of the activity.

**Ex 4.6** - A lobbying firm’s client hosts a reception for some legislators and their staff. The lobbying firm is the contact for the legislative officials, and the officials call the lobbying firm to RSVP. Although the lobbying firm does not make any of the payments in connection with the reception, the lobbying firm must report the event as an activity expense because the firm’s activities fall within the definition of “arranging a gift.” If the client is a lobbyist employer, it must also report the activity expense. The reception costs may not exceed $10 per person.

**Ex 4.7** - Adrianne Kent is an employee of a law firm. The law firm is also a lobbying firm and although Adrianne is not a lobbyist, she is going to take a legislative staff member to lunch and charge it to the law firm’s credit account. Even though Adrianne is not a lobbyist, the law firm must report the lunch as an activity expense.

**Ex 4.8** - Tomas & Winters is a law firm that is also a lobbying firm. Geneva Wood is a lobbyist registered with the firm to lobby the legislature. Recyclers United is a client of the law firm, but is not a lobbyist employer. On behalf of Recyclers United, Geneva sets up a luncheon meeting with legislative staff members. Even though Recyclers United is not a lobbyist employer, because Geneva is a lobbyist, she may not arrange the luncheon meeting if the legislative staff members will receive a gift of more than $10 (e.g., if the lunch will cost more than $10 each). If Geneva arranges for the meeting, she must report the amount of the gift each legislative staff member receives on her Form 615.
In each of the examples below, the activity expense may not exceed $500 per official in a calendar year during 2019/2020.

**Ex 4.9** - The California Insurance Coalition, a lobbyist employer, held its annual convention in South Lake Tahoe. Coalition staff invited legislative officials and directed and controlled the event’s preparations. The Coalition’s lobbyist did not solicit responses to the event or direct or control any payment in connection with the event. The lobbyist may attend the event as long as an officer, manager, or executive of the Coalition is also present. The lobbyist is not required to report activity expenses in connection with the event on his or her Form 615. The Coalition, however, must report the activity expenses on its Form 635. The annual gift limit applies to the legislative officials.

**Ex 4.10** - A trade association that is also a lobbyist employer delivered $15 paperweights to legislators. The trade association must report each recipient and gift on its quarterly report, Form 635.

### C. Gift Notifications

Lobbying filers must comply with two notification rules when an official receives a gift aggregating $50 or more in a calendar year. Failure to provide a gift notification may lead to an enforcement action.

**Invitations**

Lobbying entities must include the following notice in all written or printed invitations to events at which an elected state officer, a candidate for elective state office, a legislative official, or a state agency official will receive a reportable gift. The notice must be printed in no less than 8-point type and in a color or print that contrasts with the background of the invitation and must state:

**Attendance at this event by a public official will constitute acceptance of a reportable gift.**

Following the event, the lobbying filer must also send the official a written notice of the gift’s value. The notices aid the official who will likely need to report the gift.
Notification to Gift Beneficiary

A notice must be sent to an official who received a gift within 30 days following the end of the calendar quarter in which the gift was provided. The notice must include the following information:

- The date and amount of the gift the official received. If a lobbyist employer paid only a portion of the gift, list the amount the lobbyist employer paid and the full benefit the official received;

- A description of the goods or services.

Examples:

Dear Senator:

Thank you for attending our reception on April 10, 20XX. Please be advised that the value of the gift you received is $55.00.

Dear Senator:

Thank you for attending the gala on April 10, 20XX. Please be advised that the value of the gift you received is $100.00. Our company’s share of this gift was $45.00 as there were additional reception sponsors.

(If possible, it would be helpful to list the other sources of the gift and their respective share of the gift.)

**NOTE:** A copy of the activity expense reported on a lobbying form may also be provided in place of a personal written communication.
D. Source of the Gift

FPPC regulation 18945 defines how to determine who is the source of a gift. In general, a lobbying filer is the source of a gift to an official when the filer makes a payment to a third party, and:

- The lobbying filer identifies the official as the gift recipient; or
- The official (or official’s agent) solicits the gift from the lobbying filer.

Often organizations host events and provide food and beverages to officials. Even when a host organization solicits donations from others to offset the costs of an event (and the event is widely attended by individuals other than government officials), the host organization is the source of the gift. Due to the wide variety of events and funding sources, it is always best to seek advice from the FPPC before the event.

E. Gifts to Family Members

FPPC Regulation 18943 determines when a gift made to an official’s family member is considered a gift to the official. Persons should review the entire regulation to ensure compliance, but generally, if a lobbyist, lobbyist employer, or lobbying firm who is registered to lobby the official gives a gift to the official’s family member, it is presumed to be a gift to the official.

An official’s family members include:

- The official’s spouse or registered domestic partner.
- The official’s dependent child.
- The official’s child who is a student (full-time or part-time) between the ages of 18 and 23, who uses the official’s home as a principal residence, and who does not provide over one-half of his or her own financial support.

Ex 4.11 - A lobbyist employer hosts a reception and invitations are addressed to legislators and spouses. The cost is $45 per person. The reportable gift to each legislator is $90 if the spouse accompanies the legislator.
F. Baby and Wedding Gifts

A lobbyist who provides a baby gift to a reportable official is subject to the $10 gift limit because the gift is considered to be a gift to the official. For example, if a lobbyist buys a toy for an official’s baby, it must cost $10 or less.

An official must report one-half of the value of a wedding gift. A wedding gift to an official is not subject to the $500 calendar year gift limit from other sources, but a wedding gift from a lobbyist or a lobbying firm is subject to the $10 gift limit. For example, a lobbyist may not purchase a wedding gift for a legislator and his or her spouse that is valued at more than $20 because half of the value ($10) is attributed to the official.

A gift does not result when a lobbyist attends a reportable person’s wedding or a reportable person attends a lobbyist’s wedding. This is true as long as the benefits at the event are the same for all guests.

G. Home Hospitality

In general, a lobbyist may not entertain a reportable official in his or her home. An exception applies when an official and lobbyist have a relationship, connection, or association unrelated to the official’s position and the hospitality is provided as part of that relationship in the individual’s home.

“Home” includes a personal residence and vacation home that the individual owns, rents, or leases for use as his or her residence, including a timeshare with deeded ownership or a continual right-to-use ownership benefit, and a motor home or boat that the individual owns, rents, or leases for use as his or her residence. “Home” also includes any facility in which the individual has a right-to-use benefit by his or her home residency, such as a community clubhouse. Any benefit received, other than the use of the premises, by any guests of the official other than the official’s spouse and family members who are present at the request of the official or the official’s agent are gifts to the official.

Because these events are fact-specific, before holding a home event, consult FPPC regulations 18942 and 18942.2 or contact the FPPC to ensure compliance.

Ex 4.12 - A lobbyist regularly appears before an agency and over the years developed a friendship with an agency employee. The individuals do not have a relationship or common association outside the workplace. The lobbyist could not entertain the official in his/her home as it is likely the food/beverages would exceed the $10 gift limit.
H. Valuing Gifts

Fair Market Value: A gift is valued at the fair market value as of the date of receipt. The fair market value is the amount the recipient would pay for the item on the open market.

Tickets and Passes

A ticket is anything that provides access, entry, or admission to a specific event and for which similar tickets are sold to the public. The value of a ticket is the face value, which means the price as offered for sale to the general public indicated on the ticket or pass. If the price is not indicated, the value is the price at which the ticket or pass would otherwise be offered for sale to the general public by the venue’s operator.

A “pass” is a ticket that provides repeated access, entry, or admission to a facility or series of events and for which similar passes are sold to the public. The value of a pass is equal to the face value of an individual one-time admission multiplied by the official’s actual use of the pass and any other individuals who are admitted with the pass up to the face value of the pass.

Valuing Food and Beverages

Gifts of food and beverages are the most commonly reported activity expenses.

- **Restaurants**: When food and beverages are provided to an official at a restaurant, the gift is the actual cost of the items the official consumed plus a pro rata amount for tax and tip.

- **Events, other than fundraising events**: The value of attendance at a testimonial dinner or an invitation only event is the official’s (and guest’s) pro rata share of the cost of the event.

“Pro rata share” means the cost of all food, catering services, entertainment, and any specific item provided to all attendees as part of the event, divided by the number of acceptances or the number of attendees. It is not permissible to divide the total cost of the event by the number of individuals invited.
Any other specific benefit provided to the official and guest at the event, such as golf green fees, is valued at fair market value.

A lobbyist who does not make or arrange for a gift to an official may attend an event at which the official receives a gift of more than $10 if the person making the gift (or the person’s representative) also attends.

Use a sign-in sheet to identify the reportable persons who attend an event that is an activity expense.

**Drop-In Rule**

If an official notifies a donor/host in writing that he or she did not stay for any meal or entertainment and received only minimal appetizers and drinks, the value of the gift is the value of any specific item, other than food, that is presented to the official and guest accompanying the official. If the donor already disclosed the amount on a quarterly statement, he or she may adjust the amount benefiting the reportable person.

**Tickets/Admission to Nonprofit Fundraising Events**

To determine the value of a ticket to a nonprofit organization’s fundraising event, look first at the type of organization holding the event and whether the public official receives the ticket from the nonprofit or from another person as reviewed below.

**Tickets/Admission Provided by Lobbying Entities**

The value of a ticket to a nonprofit’s fundraising event provided to an official by a lobbyist, lobbying firm, or lobbyist employer (any source other than the nonprofit organization), is the nondeductible portion of the admission. This value applies as long as the ticket clearly states the portion that is a tax-deductible donation or the nonprofit provides this information.

If there is no ticket or information as to the value of the nondeductible portion of the admission, the value is the pro-rata share of the cost for catering services, entertainment, and any item provided to the official and guest divided by the number of acceptances or the number of
attendees. It is not permissible to divide the total cost of the event by the number of individuals invited.

**Tickets/Admission Provided by Nonprofit Organizations Exempt Under Section 501(c)(3) of the Internal Revenue Code:**

An organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code may provide an official with two tickets per fundraising event that are deemed to have no value. Neither the nonprofit organization nor the official reports the tickets. The ticket’s value does not change if the official sits at a table with a lobbyist so long as the nonprofit organization extends the invitation.

**Tickets/Admission to Political Fundraisers**

A political committee may provide an official with two tickets per fundraising event that are deemed to have no value. The campaign committee must provide the tickets. Use this valuation method for similar political committees formed at the federal level or in another state.

### I. Travel

**Travel Payments Made by Lobbying Filers**

- A lobbyist employer may pay the travel costs for a state official to present a speech related to a legislative or governmental purpose. The travel costs are not subject to the gift limit if the lobbyist employer only pays for the actual transportation costs, if the travel is within the United States, and if lodging and subsistence expenses apply only to the day immediately preceding, the day of, and the day immediately following the speech. The payment must be reported as an activity expense.

- A lobbying entity that is also a bona fide public or private educational institution, or a nonprofit organization that is exempt under Section 501(c)(3) of the Internal Revenue Code may pay the travel expenses of state officials. Travel payments must be reasonably related to a legislative or governmental purpose and payments are not subject to the Act’s gift limit. Travel is not limited to within the United States.

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**Ex 4.15** - A lobbyist employer purchases a table for $600 at a 501(c)(3) charitable fundraising event and receives 10 tickets. The lobbyist employer invites a legislator. The nonprofit notifies the lobbyist employer that each ticket is valued at $60 of which $30 is a tax-deductible donation to the nonprofit. The gift’s value is $30.
• A payment for an elected official’s air travel to attend the official’s campaign fundraiser is a contribution. Contributions of $100 or more must be reported on a lobbying disclosure quarterly report.

• A lobbyist employer that is also a federal, state or local government entity and pays a state officials’ travel expenses and related per diem for education, training or other inter-agency programs or purposes is not required to report the payments on a lobbying report.

• Lobbyist employers that donate to a charity or government entity for the sole purpose of an official’s travel payment may be considered the source of the travel payment (not the charity or government entity). In that situation, travel costs may be subject to reporting and gift limits.

J. Exceptions to Activity Expenses

Informational Tours

On-site demonstrations, tours, or inspections designed specifically for officials are not gifts and are not subject to either the $10 or $500 gift limits. Travel to the site and subsistence provided to an official during an informational tour are generally considered gifts and are reported as activity expenses. Transportation that is an integral part of the tour and is not commercially available, however, may be considered informational material and not a gift.

Informational Material

In general, informational material (e.g., books, reports, pamphlets, calendars) provided to an official for the purpose of assisting him or her in performing official duties is not considered a gift or an activity expense. If the official can also use the informational material for personal purposes, the informational material provided is a reportable activity expense. For example, providing an official with a Consumer Reports magazine subscription is an activity expense because the items also provide a personal benefit to the official.

Ex 4.16 - A chartered bus tour of the Sacramento-San Joaquin Delta that an association of water agencies (a lobbyist employer) provides to legislators constitutes informational material, not a gift to the legislators. The tour enabled legislators to examine levees, fishing facilities, and local and state water projects in the Delta. Speakers from the California Departments of Water Resources and Fish and Wildlife provided information throughout the tour. Thus, the tour served primarily to convey information and was provided to the legislators to assist them in performing their official duties of making decisions regarding California water policy. The lobbyist employer reports the expenses directly related to the bus tour under “Other Payments to Influence Legislative or Administrative Action.” If meals were provided, the cost would be a reportable activity expense.
Personalized Plaques and Trophies Valued at Less than $250

A personalized plaque or trophy valued at less than $250 is not a gift to a public official and the donor does not report it as an activity expense.

K. Payments for Legislative, Governmental, or Charitable Purposes (Behested Payments)

Elected state officeholders and members of the California Public Utilities Commission must report payments of $5,000 or more made in connection with requests for monetary donations or goods or services for a legislative, governmental or charitable purpose.

The payments are disclosed on the Form 803 (Behested Payment Report). The FPPC’s website posts a summary of the reports listing the names of donors and their payments.

When a lobbyist employer or $5,000 filer makes such a payment, it must also report the payment if a primary purpose of the payment was to support lobbying activities.

L. Donations to Agency Raffles

When public agencies hold employee raffles and receive donated items from sources (other than the agency or agency employees), the person who provided the item is the source of a gift to the employee who wins the raffle prize. The reportable value of the gift is the item’s fair market value less the employee’s cost to participate in the raffle.

A lobbyist employer that donates an item for a raffle must report an activity expense if a reportable agency employee wins the item.

M. Honoraria Ban

Legislative officials, most state and local officials and employees, and candidates for state and local office may not accept honoraria payments.
“Honorarium” is any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering. Payments or reimbursements for an official’s transportation, lodging, and subsistence are generally not considered honoraria.

**Answering Your Questions**

**A.** A lobbyist uses personal funds to take an official to lunch. The lobbyist’s employer later reimburses the lobbyist. Is the lobbyist subject to the $10 gift limit under these circumstances?

Yes. A lobbyist may not make a gift of more than $10 per calendar month that benefits an official, even if an employer reimburses the lobbyist.

**B.** Is a lobbyist prohibited from arranging an out-of-state speaking engagement for an official on behalf of one of the lobbying firm’s business clients?

Out-of-state travel is a gift that is subject to the $10 gift limit. Therefore, a lobbyist may not arrange the travel.

**C.** Must I provide the gift notification language on all invitations to events?

No. Invitations must contain the gift notification language if an official will receive a reportable gift. Officials must report gifts aggregating $50 or more in a calendar year from a single source.

**D.** May an official and spouse spend a weekend at the vacation home of a lobbyist?

No. Generally, the use of the vacation home is considered a gift and is subject to the $10 gift limit. See Regulation 18942.2 for limited exceptions.
E. A trade association provides each speaker at its conference a $25 gift basket. Is this a reportable activity expense?

Yes. Only nominal items such as pens, pencils, notepads, or similar items that all attendees receive are not gifts.

F. If a lobbyist pays for a reportable official’s meal and within 30 days the official reimburses the lobbyist, must the lobbyist disclose the meal as an activity expense?

No. The lobbyist does not disclose the activity if the official reimburses the lobbyist within 30 days.

G. May a lobbyist, who is acting in his or her capacity as an association’s executive director, make or arrange a gift of more than $10 that benefits an official?

No. No matter what other position a lobbyist holds, the gift limit and the prohibition against making or arranging gifts over $10 apply.

H. May a lobbyist take an official to lunch and pay more than $10 if the official buys the lobbyist’s lunch the next time they meet?

No. There is no provision in the law for reciprocal gifts with a lobbyist.

I. A lobbyist employer purchased a table at a nonprofit’s fundraiser. The nonprofit placed a reportable official at the same table. Is the lobbyist employer required to report an activity expense?

No. The nonprofit is the source of the gift if it provided the ticket to the public official. The seating arrangement would not change this fact.
J. A lobbyist employer purchased a table at a fundraising event for a 501(c)(3) nonprofit organization. May the lobbyist employer invite a legislator to attend?

Yes. The legislator received the invitation from the lobbyist employer, however, and not the 501(c)(3) organization, so the ticket is a reportable gift subject to the gift limit.

K. A lobbyist employer hosted an invitation-only dinner to announce a new California wine. A total of 300 people were invited, including all 120 members of the State Legislature, as well as a limited number of their staff, and several state agency officials. The event costs, including catering and entertainment, totaled $7,800. Although 250 invitees accepted the invitation, only 75 people actually attended. What is the amount of the gift each official received?

To determine the pro-rata share of the cost of the event, you may use either the number of individuals who accepted the invitation or the actual number of attendees. If you use the number who accepted, divide $7,800 by 250, for a total pro-rata share of $31.20 per person. If you choose to use the number of attendees, however, the gift’s value is $104.

L. May a lobbyist provide flowers in memorial to a deceased legislator’s spouse?

Yes. Bereavement offerings typically provided in memory of and concurrent with the passing of an official’s relative are not gifts.
M. I am a lobbyist and am considering dating a reportable official. Do I have to report meals and entertainment I pay for while we are dating?

No. Personal benefits commonly exchanged between a lobbyist and a reportable official on a date or in a dating relationship are gifts but are not reportable or subject to limits. But the Act’s conflict of interest rules apply. You would be considered a source of income to the official and the official should consult the disqualification rules.

N. May a lobbyist or lobbying firm make a charitable donation at the behest of a state elected officer?

Yes. Neither a lobbyist nor a lobbying firm may make campaign contributions, but they may make payments at the behest of a state elected officer for a charitable, legislative or governmental purpose. The official will report payments of $5,000 or more from a single source in a calendar year, and the FPPC will publish the reports. Contact the FPPC for lobbying reporting requirements.

Authority

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

Government Code Sections

82015 Contribution.
82028 Gift.
82038 Legislative Official.
86111 Activity Expense; Agency Official.
86112.3 Invitations.
86112.5 Notification to Beneficiary of a Gift.
86201 Gift.
86203 Unlawful Gifts.
87207 Disclosure of Income.
Title 2 Regulations

18624 Lobbyist Arranging Gifts.
18640 Activity Expenses.
18940 Guide to Gift Regulations.
18940.1 General Definitions.
18940.2 Gift Amount Limit.
18941 Receipt, Promise and Acceptance of Gifts.
18942 Exceptions to Gift and Exceptions to Gift Limits.
18942.1 Definition of "Informational Material."
18943 Gift to Officials Through Family Member.
18944.2 Agency Raffles and Exchanges of Presents.
18945 Source of Gifts.
18946 Valuation of Gifts.
18946.1 Exception--Valuation of Gifts: Passes and Tickets.
18946.2 Exception--Valuation of Gifts: Attendance at Invitation-Only Events.
18946.3 Exception--Valuation of Gifts: Wedding Gifts.
18946.4 Exception--Valuation of Gifts: Attendance at Nonprofit or Political Organization Fundraising Events.
18950 Travel Payments.
18950.3 Exception--Payments for Travel in Connection With Campaign Activities.