A-84-260

State of California
Fair Political Practices Commission
P.O. BOX 807 • SACRAMENTO, 95804 • 1100 K STREET BUILDING, SACRAMENTO, 95814
107 SOUTH BROADWAY • • • SUITE 7007 • • • LOS ANGELES, 90012

October 12, 1984

Mr. Alan Skobin
Galpin Ford
15505 Roscoe Boulevard
Sepulveda, California 91343

Dear Mr. Skobin:

Pursuant to your request, this letter will confirm my advice to you on October 1, 1984.

The facts presented are as follows:

1. A company which sells potholders to political campaigns also knows a campaign consultant in Sacramento who periodically refers orders for potholders to this company.

2. A campaign committee has hired this campaign consultant and orders political potholders from the company recommended by the consultant.

3. The campaign committee pays the potholder company directly for their order.

4. A commission, or "finders fee" is paid by the potholder company to the consultant unbeknownst to the campaign committee.

5. This commission is paid to the campaign consultant each time he refers a political order to their company and is based on the amount received and a prenegotiated volume price.

The question you asked was, whether or not the paid commission had to be reported as an "expenditure" by the potholder company or by the consultant; and if it was to be reported, how is it to be reported and by whom?

After discussing the facts with Jeanne Pritchard of our Sacramento office I stated that the commission, or finders fee paid by the potholder company to the campaign consultant is not a reportable expenditure as defined by the Political Reform Act. Government Code Section 82025, in part, defines an expenditure as a payment that is made for "political purposes". "Political purposes" is further defined in 2 Cal. Admin. 18225 as being for "the purpose of influencing or attempting to influence the action of the voters for or against the nomination or election of a candidate or candidates, or the qualification or passage of any measure."

Since the campaign consultant and the potholder company have an agreement that a commission, based on a prenegotiated volume price, will be paid for each order placed, the commission staff views this to be a normal working business agreement between the consultant and the potholder company and is not an expenditure for political purposes.

Therefore, the potholder company is not required to file any campaign statement reporting the payment of the commission to the consultant and the consultant is not required to disclose the receipt of the commission.

I have enclosed copies of 2 Cal. Admin. 18225 and 18431 for your information. Please do not hesitate to contact me if I can be of any further assistance.

Sincerely,

HELEN P. ARRIOLA
Political Reform Consultant

HPA:cv
Enclosure