

USE OF CAMPAIGN FUNDS

The Political Reform Act (“Act”) strictly regulates how campaign funds may be spent. The general rule is that the expenditure of campaign funds must be reasonably related to a political, legislative, or governmental purpose.

An expenditure that confers a substantial personal benefit on any individual who is authorized to approve the committee’s expenditures must be directly related to a political, legislative, or governmental purpose. A substantial personal benefit means an expenditure of campaign funds which results in a direct personal benefit with a value of more than \$200.

The following are examples of specific expenditures and the rules regarding the use of campaign funds for such purposes. If the examples are not helpful for your specific situation, contact the FPPC for assistance by sending an email with specific facts to advice@fppc.ca.gov.

Ex 7.1 – A committee’s treasurer has decided to enter an accounting certificate program at the local community college. While the program may enhance their qualifications as a treasurer, campaign funds may not be used for this purpose. A certificate would confer a personal benefit to the individual that is not considered to be directly related to a political, legislative, or governmental purpose.

QUICK TIP: The FPPC has fined committees for payments made from a campaign account that were used for the following personal purposes: auto care services, doctor visits, clothing, and personal life insurance premiums.

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 the committee's activities 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 a ballot or challenge the wording of a 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.

Ex 7.2 – A committee volunteer buys food and beverages for volunteer workers. The treasurer may reimburse the volunteer for expenses; a receipt is required for expenses of \$25 or more.

Automobile Lease or Purchase

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

Reimbursed Automobile Expenses

Campaign funds may be used to reimburse the treasurer or any person who may approve committee expenditures, or committee staff, 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, contact the Internal Revenue Service at (800) 829-1040 (www.irs.gov).

Donations

Campaign funds may be used to make donations or loans to bona fide charitable, educational, civic, religious, or similar tax-exempt, nonprofit organizations. The donation or loan must be reasonably related to a political, legislative, or governmental purpose. For example, a sponsored general purpose committee may not use campaign funds to pay for the sponsor's general operating expenses that have no connection to its political, legislative, or governmental programs.

In addition, the donation to a nonprofit organization may not personally benefit the committee treasurer or any individual with the authority to approve the expenditure of campaign funds, or any such person's immediate family member (i.e., 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 and if use for any other purpose will be minimal. 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.

Fines, Penalties, Judgments, and Settlements

Only the following types of fines, penalties, judgments, and settlements may be paid with committee 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.

Ex 7.3 – The treasurer filed the committee’s semi-annual campaign statement 5 days late and the Secretary of State assessed a fine of \$50. The fine may be paid with the committee’s funds.

Gifts

Unless **directly** related to a political, legislative, or governmental purpose, personal gifts may not be paid for with campaign funds. However, gifts of less than \$250 in a calendar year to campaign employees or workers are permitted because they are considered to be directly related to a political, legislative, or governmental purpose.

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

Campaign funds may be used to make loans to other political committees. Loans to state candidate committees are subject to limits. In addition, committee funds may be used to make loans to bona fide charitable, educational, civic, religious, or similar tax-exempt, nonprofit organizations.

However, a loan may not personally benefit the committee treasurer, or any individual with authority to approve the expenditure of committee funds, or any such person's immediate family member (i.e., spouse or registered domestic partner and dependent children). The loan must be reasonably related to a political, legislative, or governmental purpose. Committee funds may not be loaned to an individual or to an entity other than those described above.

A sponsored committee may not loan campaign funds to its sponsoring organization for general expenses of the sponsor.

Out of State Contributions

The Act does not prohibit a general purpose recipient committee from making donations to support out of state candidates so long as the expenditure is related to a political, legislative, or governmental purpose.

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.

Real Property

A committee, other than a state political party, 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. The treasurer or any other individual with authority to approve the committee's expenditures, or an immediate family member (i.e., spouse or registered domestic partner and dependent children) of any of these persons may not be a lessee or sublessor, or hold legal title to the leased property.

Refunding Contributions

The return of a contribution to a contributor is permitted.

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, their 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 3.) Additionally, contributions of \$100 or more from a limited liability company (LLC) must be returned if, within 60 days, the committee's records do not contain the following: the name of the LLC and the full legal name of the LLC's responsible officer (for an LLC that has qualified as an independent expenditure committee or major donor); the name of the LLC's committee and the LLC's principal officer (for an LLC that has qualified as a recipient committee); or, for an LLC that has not qualified as a committee, the name of the LLC and the full legal name of the individual primarily responsible for approving the contribution.

Salary and Compensation

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

Campaign funds may not be used to purchase entertainment and sporting event tickets for use for an 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

Campaign funds may be used to purchase tickets to another committee's political fundraiser (subject to any applicable contribution limits) for an officer, director, employee, or staff of the committee.

Travel

A committee may use campaign funds to pay for travel or accommodations for any individual with authority to approve the committee's expenditures, 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.

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 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.

Lobbying

Campaign funds may be used to attempt to influence legislative or administrative action. Expenditures for lobbying may include salaries for lobbyists and their support staff, bill tracking services, overhead expenses in support of a lobbyist, and other payments associated with lobbying.

Answering Your Questions

A. I am a volunteer of a state general purpose committee. I make campaign phone calls on my personal cell phone. How may I pay for them?

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

B. As a volunteer for our general purpose committee, I will occasionally use my personal car to assist the committee. Is mileage considered a reportable contribution to the committee 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. Is it permissible to have an agreement with a committee fundraiser or consultant to pay additional money if we surpass our fundraising goals?

Yes, under the Act you may make contingency agreements that the committee will not pay a contractor unless a particular outcome is achieved in fundraising or campaign results, or that a bonus will be paid depending upon an outcome. The arrangement should be made part of the written contract. However, no contingency fee or arrangement is permissible when paying a lobbyist.

D. May we give bonuses to our committee workers?

Yes, but in most cases, the bonuses would be considered gifts and must be limited to less than \$250 per calendar year.

E. May we give campaign funds to our committee's sponsor to help pay the sponsor's general operating expenses?

No. Committee funds may only be used for political, legislative, or governmental purposes.

F. May campaign funds be used to pay lobbying expenses?

Yes. Committee funds may be used for political, legislative, or governmental purposes.

G. May campaign funds be used to pay the \$95 membership dues of an honorary member of the committee? The individual has served as president for many years and is retiring.

Yes. Committee funds may be used to provide a gift to a former board member of the committee as long as the gift does not exceed \$250 in a year.

H. May campaign funds of an education related political committee be used to establish a recall committee to remove a school board member from office?

Yes. This would be used considered a political purpose.

I. May a county central committee allow its offices to be used by candidates? Candidates would use the office equipment and share help from volunteers.

Yes. This would be considered a political purpose. However, the office space would also be a nonmonetary contribution to the candidates and must be reported.

Authority

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

Government Code Sections

82025	Expenditure.
82029	Immediate Family.
82044	Payment.
82048.8	Spouse.
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.
89518	Use of Campaign Funds for Compensation.

Title 2 Regulations

18402.2	Limited Liability Companies, Responsible Officer.
18421.10	Reporting Contributions from Limited Liability Companies.
18570	Return of Contributions with Insufficient Donor Information.
18960	Direct Personal Benefit Defined.
18961	Incidental Use.