



Political Law Alert

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Political Contribution Disclosure Rules in Illinois, Maryland, New Jersey, Pennsylvania and Rhode Island

The following describes the periodic reporting requirements under five state laws for certain corporate entities to file reports regarding their business relationships with these states, as well as their political contributions and those of their affiliates, PACs, directors and employees. The states are Illinois, Maryland, New Jersey, Pennsylvania and Rhode Island. There are also state and local pay-to-play disclosure and certification requirements in numerous other jurisdictions, but these disclosures are generally on a rolling, ongoing or contract-specific basis as opposed to having a hard due date.¹ Please contact us if you would like additional information on or assistance with any of these jurisdictions.

The next Illinois update is due February 14 and the next Pennsylvania report is due February 15.

Illinois²

A company with any combination of state work bids, proposals or contracts worth more than \$50,000 for goods or services with a state agency must register electronically with the Illinois State Board of Elections prior to submitting the bid or proposal causing the \$50,000 threshold to be exceeded. The registration must list all covered donors, including (1) the company's parent and any U.S. operating subsidiary of the company or its parent; any 501(c) entity of the company, its affiliated persons or its affiliated entities; any PAC for which the company or an affiliated 501(c) entity is a sponsoring entity (affiliated entities); and (2) company owners of more than 7.5 percent; executive employees (*i.e.*, president, CEO, chairman of the board; any others who fulfill the same duties as the president, CEO or chairman; and any employee whose compensation over and above regular salary is determined directly, in whole or in part, by the award or payment of contracts) and spouses of such persons (affiliated persons). Covered contracts are contracts with state agencies for goods and services, with certain exceptions, including for (1) cost reimbursement contracts; (2) purchase of care agreements

¹ California, CalSTRS, Los Angeles Fire and Police Pensions, New Hampshire Retirement System and Texas Education Agency Permanent School Fund have hard due dates as well. Please contact us if you would like additional information.

² There are additional disclosure requirements under several Illinois locality laws, as well as for Illinois State Board of Investment vendors.

Political Law Alert

for care (medical, educational, psychiatric, vocational, rehabilitative, social or human services) furnished directly to a recipient of a state aid program; (3) contracts for projects eligible for full or partial federal-aid funding authorized by the Federal Highway Administration; (4) grants, such as those for job training or transportation; and (5) grants, loans or tax agreements for economic development purposes.

The company must report any changes in the information on the registration, including changes in the list of covered donors: (1) within 14 calendar days of the last day of January, April, July and October, if the company has existing contracts and no pending bids; or (2) within five business days or seven calendar days of the change or the day before the date the contract is awarded, whichever is first, if the company has pending bids. If the company currently has aggregate annual contracts in excess of \$50,000, it has a continuing duty to update the registration for the longer of the term of office of the incumbent official that awarded the contract or two years after the contract ends. If the company has aggregate annual bids, proposals and contracts in excess of \$50,000, its continuing duty to update the registration ends the day after the contract is awarded.

The company must certify on every bid and contract as to whether the company is required to register and must acknowledge that the contract is voidable for the failure to comply with the registration requirement. The company must notify any Illinois state or local political committee to which it makes a contribution that it is registered with the board. Any affiliated person or affiliated entity of the company that makes a contribution to any Illinois state or local political committee must notify the recipient of its affiliation with the company. Notification must be in writing and at the time of the contribution. The donor must document in writing the date of doing so. The certificate of registration with the board may serve as the required written notice.

Maryland

Entities that enter into certain contracts with the state or a local government entity are required to file information with the Maryland State Board of Elections. Specifically, an entity must file a public disclosure form if the entity, or its subsidiary (*i.e.*, 30 percent or more of the equity of the subsidiary is owned or controlled by the business entity), makes a single contract with the state, a county, a municipal corporation or other political subdivision of the state that equals or exceeds \$200,000.³ Such disclosure includes the name of each candidate, if any, to whom one or more applicable contributions in a cumulative amount

³ Lobbyist employers have a filing obligation as well.

of \$500 or more were made during the reporting period by all covered donors combined. For this \$500 contribution reporting threshold, covered donors include not only the entity and its subsidiaries, but also company PACs, officers, directors and partners of the business entity and its subsidiaries. Furthermore, political contributions made by employees, agents or other persons at the suggestion or direction of a business entity or subsidiary also must be reported.

An entity with reportable contributions also must itemize its Maryland state and local government contracts of \$200,000 or more, disclosing the amount and nature of the business done with the state and its political subdivisions, the agency that awarded each contract, the company awarded the contract (including a contracting company in which the filer owns a 30 percent interest), and the award, start and end dates of the contract. Companies having no reportable contributions are relieved of the full burden of contract disclosure but still must list the government agencies with which they do business.

Initial disclosures covering the prior two years must be made within 15 business days of contract award, regardless of whether there are contributions to report. Also, there is an ongoing requirement to disclose new contracts within 30 business days of contract award. Semiannual reports are due May 31 for the period of November 1 to April 30, and November 30 for the period of May 1 to October 31.

New Jersey⁴

Once entering into a contract with an agency, annual disclosure statements are required from a business entity that in any calendar year has received \$50,000 or more in the aggregate through agreements or contracts with state and local public entities. The annual disclosure statement must state all reportable contributions made by covered donors (defined below) during the year prior to the reporting deadline, as well as details regarding the contracts, and must be filed with the New Jersey Election Law Enforcement Commission (ELEC) by March 30. A statement must be filed regardless of whether there are any contributions to report. However, if there are no contributions to report, details regarding the contracts need not be reported. Reportable contributions include any currency contribution, contributions by other means or pledges of contributions exceeding \$300 (per election or per year, depending on the recipient), from the business entity; the business entity's principals, partners, officers, directors and their spouses; the business entity's state PACs and subsidiaries; or any

⁴ There are additional disclosure requirements under numerous New Jersey locality laws, as well as for investment managers doing business with the New Jersey State Investment Council.

Political Law Alert

owner of more than 10 percent of the business entity (collectively defined as covered donors), to an incumbent of or candidate for any public office having ultimate responsibility for the awarding of public contracts, or to a political party committee, legislative leadership committee, political committee or continuing political committee. The following are officers: president, vice president with senior management responsibility, secretary, treasurer, chief executive officer, chief financial officer of a corporation (including a nonprofit corporation) or any person routinely performing such functions for a corporation.

Pennsylvania⁵

Under Pennsylvania law, a business entity is required to file a report disclosing individuals' contributions made to Pennsylvania candidates, political parties, and PACs if the business entity has been awarded a non-bid contract (*e.g.*, a contract let by virtue of some selection process or exercise of governmental discretion) from the Commonwealth of Pennsylvania or its political subdivisions during the preceding calendar year. The report requires such an entity to ascertain whether contributions have been made in excess of \$1,000 during the preceding year in Pennsylvania by corporate officers, directors, associates, partners, limited partners, employees and members of their immediate families whose contributions are known by any of the above, and the immediate families of the above. The specific information required on this report includes the name of the contributor, the contributor's relationship to the corporation, to whom the funds were contributed and when, and the amount. A business entity is not required to report the activity of the officers, directors or employees of its subsidiaries. A statement must be filed regardless of whether there are any contributions to report. This report is due by February 15.

Rhode Island⁶

Any business entity contracting with a Rhode Island state agency to sell goods or services at a cost of \$5,000 or more annually must file an affidavit with the Rhode Island Board of Elections if it has, within the 24 months preceding the date of the contract, made contributions in excess of \$250 in the aggregate within a calendar year to any state candidate or political party.

That affidavit requires the business entity to supply contractual information (including a copy of the contract, if one exists) and information about political contributions made to Rhode Island

candidates or committees by the contracting entity and any related parties. Such parties include:

1. any person having a 10 percent or greater ownership interest in or being a subsidiary of the contracting party;
2. any person who is an "executive officer," meaning any employee of the contracting party who (1) is appointed or elected as an officer of the business entity by either the incorporators, stockholders or directors of the business entity, (2) is in charge of a principal business unit, division or function of the business entity, (3) participates or has authority to participate other than in the capacity of a director in major policymaking functions of the business entity, or (4) is actively engaged in soliciting business from the state or conducting, other than in a ministerial capacity, business with the state. An officer who is located outside of the state, is not a resident of the state and does not participate in the business of the business entity within the state is exempt from these reporting requirements; and
3. the spouses or minor children of the persons named in 1 and 2 above.

In determining who falls within (2) above, employees who are involved in soliciting or conducting Rhode Island business are covered regardless of employment level. Senior employees who fall within any of the three categories are only covered if they are located in Rhode Island, are a resident of the state or participate in the business of a business entity in the state.

The specific information required includes the name of the contributor, a description of the contributor's relationship to the corporation, the identity of the recipient of the contributor, and the date and amount of the contribution.

This report is due within 60 days of entering into a contract to sell goods or services at a cost of \$5,000 or more with any Rhode Island state agency, or, where no written contract exists, within 60 days of crossing the \$5,000 threshold. If a company has more than one such contract, it may make the filing on a semiannual basis (January 31 and July 31) rather than on a rolling 60-day basis. The political contribution information required covers the 24 months prior to entering into such a contract. All contributions made by the related parties must be reported every time a contract is entered into, regardless of whether those contributions have been reported previously.

⁵ There are additional disclosure requirements under several Pennsylvania locality laws, as well as under state law for contracts with municipal pension systems.

⁶ There are additional disclosure requirements under Providence city law.

Political Law Alert

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