

Political Law Update

If you have any questions regarding the matters discussed in this memorandum, please contact the following attorney or call your regular Skadden contact.

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

The following summarizes the periodic reporting requirements under Illinois, Maryland, New Jersey, Pennsylvania, Philadelphia and Rhode Island laws for certain companies to file reports regarding their business relationships with these jurisdictions, as well as their political contributions and those of their affiliates, PACs, directors and employees. Additionally, there are state and local pay-to-play disclosure and certification requirements in numerous other jurisdictions, but these disclosures are generally required 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 regulations in any of these jurisdictions.

The next Illinois update is due February 14, 2023, and the next Pennsylvania report is due February 15, 2023.

Illinois²

A company with any combination of covered 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%; executive employees (*i.e.*, president, CEO, chairman of the board; any persons 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).

The company must report any changes in the information on the registration, including changes to 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

¹ California, CalSTRS, Los Angeles Fire and Police Pensions, the New Hampshire Retirement System and the 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.

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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. Within 10 days of adding a new covered donor, the contractor must provide a copy of the registration certificate to the covered donor.

The company must certify on every bid and contract as to whether it is required to register and must acknowledge that the contract is voidable for a 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 of Elections. 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.

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% 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 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 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% interest), and the award, start and end dates of the contract. Companies with 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 disclosure covering the prior two years must be made within 15 business days of a contract award, regardless of

whether there are contributions to report. And there is an ongoing requirement to disclose new contracts within 30 business days of a 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 has received \$50,000 or more in the aggregate in any calendar year through agreements or contracts with state and local public entities. The annual disclosure statement must state all reportable contributions made by covered donors 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 by March 30, 2023. 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, and 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 owner of more than 10% of the business entity (collectively, 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 defined as officers: president, vice president with senior management responsibility, secretary, treasurer, chief executive officer or chief financial officer of a corporation, or any person routinely performing such functions of these positions 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 from the Commonwealth of Pennsylvania or its political subdivisions during the preceding calendar year. The report requires such an entity to disclose contributions made in excess of \$1,000 during the preceding year in Pennsylvania by company officers, directors, associates, partners, limited partners and/or employees (and members of their

³ Lobbyist employers also have a filing obligation.

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.

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

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immediate families) whose contributions are known by any of the above, and the immediate families of the above. A statement must be filed regardless of whether there are any contributions to report. This report is due February 15, 2023.

Philadelphia

Companies with non-bid Philadelphia contracts valued in excess of \$25,000 are required to disclose contributions made, solicited, fundraised or bundled to city candidates and elective officeholders, and political parties, political committees and other political organizations active in Philadelphia by covered donors (defined as the company and any parent, subsidiary, or otherwise affiliated entity; officers, directors, controlling shareholders, and partners of the company and its affiliates; PACs controlled by such persons; and such persons' immediate family) and their consultants' covered donors. There is a continuing obligation to update these disclosures within 15 days after the end of each bimonthly period in which there is a contribution to report (January 15, March 15, May 15, July 15, September 15 and November 15). Things of value, other than political contributions, solicited by city officials must be disclosed on the same schedule.

Separately, please note that the \$12,600 pay-to-play limits for the mayoral and controller races have doubled to \$25,200.

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, within the 24 months preceding the date of the contract, contributions in excess of \$250 in the aggregate have been made 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% 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 first 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.

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.⁷ 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.

⁶ There are additional disclosure requirements under Providence law.

⁷ If the company so chooses, it must file a notice indicating it wishes to report on the alternate filing schedule.

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