FACT SHEET ON EXTENDING VENDOR CREDIT TO PRIMARILY FORMED RECIPIENT COMMITTEES

The City's Election Campaign Control Ordinance [ECCO] includes provisions regulating the ability of primarily formed recipient committees to purchase campaign advertisements on credit. In some circumstances, these committees must pay for advertisements from existing funds at the time the order is placed. This fact sheet is designed to offer guidance to primarily formed recipient committees that are considering paying for campaign advertisements on credit. It should not, however, be considered a substitute for the actual language contained in San Diego Municipal Code section 27.2959.

❖ The City's campaign laws prohibit committees from purchasing advertising on credit if doing so would conceal from the public the identity of its sponsors or large donors. Primarily formed recipient committees (i.e., committees formed for the purpose of supporting or opposing City candidates or measures) may not accept credit from a vendor, but must instead pay the vendor in full from existing funds if all three of the following conditions are met:

  ✓ the vendor is providing goods or services relating to the design, production, printing, mailing, posting, broadcasting, or dissemination of a campaign advertisement; and

  ✓ the balance in the committee's bank account, including funds received but not yet available, is less than the amount the committee would owe for this and any other advertisements obtained on credit; and

  ✓ the identity of the committee's sponsors or top two donors of $10,000 or more would change if any person made a contribution to the committee in an amount equal to what the committee owes for all of its advertisements.

❖ The following examples illustrate the application of the City's vendor credit rules to primarily formed recipient committees:

  ✓ Committee A does not have a sponsor and its largest donor is Ted Jones, who donated $5,000 to the committee. It has received over $20,000 in contributions, but currently has only $2,500 in its bank account. It has no outstanding debts. The committee wants to distribute yard signs to support a ballot measure; the effort will cost $3,000. Committee A may purchase the mailers on credit because a prospective $3,000 contribution, including one from Ted Jones, would not cause any single donor to reach $10,000, the threshold for identifying major donors on campaign advertisements. Such a contribution from an entity would also not cause that entity to become the committee's sponsor.

  ✓ Committee B does not have a sponsor and its largest donor is Mary Smith, who contributed $5,000 to the committee. It currently has $2,500 left in its bank account and has no outstanding debts. The committee wants to send out mailers to support a candidate; the effort will cost $6,000. Committee B may <u>not</u> purchase the mailers on credit because (1) it doesn't have $6,000 in its bank account; and (2) a prospective $6,000 contribution from

Mary Smith would make Ms. Smith identifiable as a major donor of $10,000 or more on the committee's advertisements.

- ✓ Committee C does not have a sponsor. It has received $10,000 in contributions, $7,500 of which came from Acme Builders. The committee currently has $2,000 left in its bank account and no outstanding debts. The committee wants to put up a billboard to support a ballot measure; the effort will cost $4,000. Committee C may not purchase the mailers on credit because (1) it doesn't have $4,000 in its bank account; and (2) a prospective $4,000 contribution from Acme Builders would make Acme Builders the committee's sponsor (by reaching the 80% funding threshold) and identifiable as such on the committee's advertisements.

- ✓ Committee D does not have a sponsor and its largest donor is Tom Hill, who contributed $5,000 to the committee. It currently has $2,500 left in its bank account and owes $4,500 to a vendor for a previous advertising effort. The committee wants to distribute door hangers to support a candidate; the effort will cost $3,000. Committee D may not purchase the door hangers on credit because (1) it doesn't have $7,500 in its bank account ($4,500 + $3,000); and (2) a prospective $7,500 contribution from Tom Hill would make Mr. Hill identifiable as a major donor of $10,000 or more on the committee's advertisements.

- ✓ Committee E does not have a sponsor and its only two contributors are Ed Johnson and Susan Williams; each contributed $15,000 to the committee. It currently has $2,500 left in its bank account and has no outstanding debts. The committee wants to pay for a full-page newspaper advertisement to support a ballot measure; the effort will cost $10,000. Committee E may purchase the advertisement on credit because a prospective $10,000 contribution from any donor would not cause the contributor to become the committee's sponsor or change the committee's top two donors. (Because Ed Johnson and Susan Williams have each contributed $15,000, they are already required to be identified as major donors on the newspaper advertisement).

❖ These rules only apply to goods or services provided by vendors for designing, producing, printing, mailing, posting, broadcasting, or otherwise distributing campaign advertisements; they do <u>not</u> apply to other campaign expenses, such as professional treasurer services, cell phone charges, or office rent.

❖ In addition, these rules do <u>not</u> apply to consultants who regularly provide services to the committee beyond those related to campaign advertisements.

For additional information, please contact the Ethics Commission at (619) 533-3476.

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