

# Pay-to-Play Examples

Note: The following examples are intended for educational purposes only to illustrate major pay-to-play concepts. Please contact the Special Programs Section at the Commission with any specific questions.



Attorney and sole proprietor, Joe, has non-fair and open contracts with municipalities A, B, and C. Each contract is worth \$20,000. In 2006, Joe is paid \$18,000 by A, \$19,000 by B, and \$20,000 by C. Joe has not made any political contributions. His wife, Joanne, made a \$2,000 contribution in 2006 to the candidate committee of a longtime friend who is running for mayor in their hometown, municipality D. Joanne and Joe's two adult sons decide to contribute to the same candidate committee. The first son, Jay, lives on his own two towns away and gives \$500 to the candidate. Their youngest son, John, a high school student who lives with his parents, contributes \$350 of his savings to the candidate.

### **Prohibition Law**

- Contributions by wife Joanne and son John, though residing with Joe, are not prohibited during the contract term because the candidate is not currently serving in elective office of any of the municipalities with which Joe has a contract
- Son Jay's contribution is not prohibited during the contract term since he does not reside with his parents

### **Disclosure Law**

- Joe receives a total of \$57,000 through public contracts for the calendar year and must file the Business Entity Annual Disclosure Statement
- Contributions by wife Joanne and son John, residing with Joe, must be disclosed on the annual statement
- Son Jay's contribution is not required to be reported since he does not reside with parent Joe



Construction firm Bob and Builders, LLP has a \$100,000 contract with River City in Delaware County to design a new building. The firm received \$55,000 during calendar year 2006 for its services. The firm has two partners, Alex and Maria. Alex has contributed the maximum allowable amounts to various county political party committees, a State political committee and some legislative leadership committees. Alex's wife, Abby, has given contributions of \$1,000 each to the same county political party committees as Alex. Maria has not made any contributions. However, Maria's husband Ian made a contribution in the amount of \$1,500 to the Arts Council, a continuing political committee seeking to gain greater public funding for local theaters.

### **Prohibition Law**

- None of the contributions are prohibited during the contract term since there were no reportable contributions to any person serving in elective municipal office when the contract was awarded or to the Municipal Political Party Committee of which they are a member

### **Disclosure Law**

- All reportable contributions by partner Alex and spouse Abby must be disclosed on ELEC's annual statement, as well as Ian's (partner Maria's spouse) contribution to the CPC



ABC Inc. has contracts with Red and Blue Counties as well as the Cities of Yellow and Green. The company received over \$50,000 for these contracts this calendar year. ABC controls a continuing political committee (CPC) organized under section 527 of the Internal Revenue Code that has given \$2,600 each to several members of the General Assembly and State Senate campaigns. In addition to these contributions, Jack, an ABC board member, has given \$500 to the candidate committee of a mayoral candidate in NJ and \$1,500 to ABC's CPC. Sadie, another board member, has not made any political contributions. However, Sadie's husband, Ryan, made a contribution in the amount of \$200 to a candidate for Freeholder in Red County. Neither board member has an interest in the company.

### **Prohibition Law**

- Under c.19, only contributions by persons or entities with an interest are deemed to be contributions by the business entity
- Interest means ownership or control of more than 10% of the profits or assets of a business entity or more than 10% of the stock of a corporation for profit
- None of the contributions would be prohibited during the contract term since no person has an interest in the company

### **Disclosure Law**

- All contributions by the CPC must be disclosed since ABC controls the CPC and it is organized under section 527 of the Internal Revenue Code
- Jack's contributions must be disclosed because both are over the \$300 threshold and contributions from board members are deemed to be contributions by the business entity
- Ryan's contribution is not required to be disclosed since it is under the threshold for reportable contributions

