

State & Local Government Contractors Beware: Political Contributions Can Put Your Business At Risk

“Pay-to-play” laws represent a serious and growing risk for companies that do business with state and local agencies. These complex laws bar or severely restrict campaign contributions by bidders and contractors, as well as by company owners, officers, executives – even their spouses and dependent children.

The stakes for noncompliance are high. Just one personal campaign contribution to a covered officeholder, candidate, or party committee can lead to the severing of contracts, disqualification of bids, fines, and criminal penalties. In fact, the New Jersey Supreme Court upheld the disqualification of the low bidder on a multi-million dollar project because a few months earlier the company’s owner paid \$1500 for tickets to a party fundraising event.

Some pay-to-play laws also require contractors to register and identify all affiliates, employees, and family members who are subject to contribution restrictions. Similarly, some laws require bidders and contractors to file reports listing campaign contributions by company employees. A false statement in a disclosure document can result in perjury charges. Late filings or reporting errors may lead to fines or disqualification from future work.

The number of pay-to-plays has skyrocketed over the last few years. About 20 states now have pay-to-play laws at the state or local levels. States that have adopted pay-to-play laws include Connecticut, Hawaii, Illinois, Kentucky, New Jersey, New Mexico, Ohio, Pennsylvania and Virginia. Major municipalities include Houston, Los Angeles, New York City, Philadelphia, San Antonio, and numerous cities and counties in California and New Jersey.

As a related matter, many states now restrict contributions by regulated businesses, such as insurance companies and state licensees.

Bidders and contractors also face special lobbying and gift restrictions. A growing number of states and municipalities treat a contractor’s sales agents as “procurement lobbyists,” requiring them to register and file periodic reports. Under some laws, contract bidders can be disqualified if their sales representatives communicate with a government official or employee outside of approved channels. Some jurisdictions also impose special gift restrictions on public contractors and bidders.

We help companies stay on top of these fast-changing laws and avoid potential problems. Our team of experienced political law attorneys can assist you in developing and implementing an effective compliance program to address these risks to your business.

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campaign finance, gift, and lobbying laws. Jim is a frequent speaker on corporate political activities and related compliance issues. He also publishes a weekly newsletter and blog on political law issues called [Political GPS](#).

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