



Title 19 NYCRR Part 938

Source of Funding Regulations

Title 19 NYCRR Part 938 is amended to read as follows:

OFFICIAL COMPILATION OF CODES, RULES AND REGULATIONS OF THE STATE OF NEW YORK

TITLE 19. DEPARTMENT OF STATE

CHAPTER XX. JOINT COMMISSION ON PUBLIC ETHICS

938.1 Intent and Purpose.

- (a) The Public Integrity Reform Act of 2011 (“PIRA”) (Chapter 399, Laws of 2011) established the Joint Commission on Public Ethics (“Commission”). The Commission regulates lobbyists and their clients in New York State through the disclosure and enforcement provisions set in Legislative Law article one-A. PIRA amended Legislative Law article one-A by enacting unprecedented disclosure requirements to better inform the public about efforts to influence governmental decision-making through increased transparency, including the source of funding disclosure requirement set forth in Legislative Law §1-h(c)(4) and §1-j(c)(4). Effective June 1, 2012, the source of funding amendments required lobbyists who lobby on their own behalf and clients, who devote substantial resources to lobbying activity in New York State, to make publicly available each source of funding over \$5,000 for such lobbying. The legislation intended for these new disclosures to provide the public with more information regarding the actual entities and individuals that support lobbying campaigns in New York State.
- (b) PIRA also required that the Commission issue regulations implementing the new law’s source of funding provisions. These regulations will clarify the source of funding reporting requirements, the procedure by which individuals and organizations may apply to the Commission for an exemption from disclosure, and the procedure by which they may appeal the Commission’s denial from exemption through a review by an independent judicial hearing officer. To fulfill the legislative intent, the Commission has sought the broadest determination possible of what must be disclosed pursuant to statute and as allowed by law.
- (c) Part D of Chapter 286 of the Laws of 2016 decreases the filing threshold for total lobbying expenditures to \$15,000, from \$50,000, and the minimum contribution amount for disclosing a source to \$2,500, from \$5,000. Further, it excluded funds received for membership dues, fees, and assessments from the contributions that must be disclosed, while continuing to require the donor to be identified as a source.

- (d) The provisions of section 938.11 of this Part apply only to the Client Semi-Annual Report due January 17, 2017. For purposes of the January 17, 2017 Client Semi-Annual Report, all definitions and provisions of section 938.11 of this Part supersede any parallel definitions or provisions contained in this Part.
- (e) The amended terms of this regulation shall become effective upon the effective date of Part D of Chapter 286 of the Laws of 2016. (September 23, 2016).

938.2 Definitions. For purposes of this Part:

(a) *Affiliate Relationship* shall mean

- (1) Two or more persons whom the Client Filer has actual knowledge live in the same household.
- (2) Two or more corporations, partnerships, organizations, or other entities that the Client Filer has actual knowledge or reason to know have any of the following relationships: parent/subsidiary; subsidiaries with the same corporate parent; national or regional organization and their local chapter(s); local chapters of the same national or regional organization.
- (3) A sole proprietorship and its sole proprietor if the Client Filer knows or has reason to know of the relationship.
- (4) Whether a Client Filer has “reason to know” of the relationships listed in paragraphs (2) and (3) of this subdivision is based on an examination of the totality of the facts and circumstances. If a reasonable person, looking at the all the facts and circumstances, would conclude that a Client Filer should know of the existence of one or more these relationships, then the “reason to know” standard has been satisfied.

(b) *Client Filer* shall mean:

- (1) Any client retaining or designating a lobbyist that is required to file a semi-annual report pursuant to Legislative Law §1-j; or
- (2) Any lobbyist registered pursuant to Legislative Law §1-e whose lobbying activity is performed on its own behalf and not pursuant to retention by a client. (Such a lobbyist is considered its own client for reporting purposes.)

(c) *Client Semi-Annual Report* shall mean the semi-annual reports filed with the Commission pursuant to Legislative Law §1-j.

(d) *Contribution* shall mean any payment to, or for the benefit of, the Client Filer and which is intended to fund, in whole or in part, the Client Filer’s activities or operations. Contribution shall not mean: a

payment in exchange for goods or services rendered or delivered directly to the individual or entity making the payment.

(e) *Expenditure Threshold* consists of the following two requirements:

- (1) The Client Filer has spent in excess of \$15,000 in Reportable Compensation and/or Expenses for lobbying in New York State during the Expenditure Threshold Period; and
- (2) The Client Filer’s Reportable Compensation and Expenses constitute at least 3% of the Client Filer’s Total Expenditures during the Expenditure Threshold Period.

(f) *Expenditure Threshold Period* is determined according to the following:

- (1) Twelve-Month Calculation: the 12-month period preceding and including the last day of the applicable client semi-annual reporting period.
- (2) Calendar-Year Calculation: January 1st to the last day of the applicable client semi-annual reporting period.

Any Client Filer that does not meet the Expenditure Threshold using the Twelve-Month Calculation must then determine whether it has met the Expenditure Threshold using the Calendar-Year Calculation, and if it has, then the Client Filer is deemed to have met the statutory Expenditure Threshold. To illustrate for the 2016 Client Semi-Annual Reports:

Client Semi-Annual Filing Date	Twelve-Month Calculation Dates	Calendar Year Calculation Dates
January 15, 2016 (covering July 1, 2015 – December 31, 2015)	January 1, 2015– December 31, 2015	January 1, 2015 – December 31, 2015
July 15, 2016 (covering January 1, 2016 – June 30, 2016)	July 1, 2015 – June 30, 2016	January 1, 2016 – June 30, 2016

(g) *Reportable Amount of Contribution(s)* shall mean, for each Contribution not specifically designated for lobbying in New York, the product of:

- (1) the dollar amount of the Contribution; and
- (2) Reportable Compensation and Expenses divided by Total Expenditures.

The Reportable Amount of Contribution shall also include, in addition to the amount yielded by this formula, any Contribution specifically designated for lobbying in New York. The Reportable Amount of Contribution shall not include any amounts contributed for membership dues, fees, or assessments.

- (h) *Reportable Compensation and Expenses*: the phrase “reportable compensation and expenses” shall mean “compensation” and “expenses,” devoted to lobbying in New York, as those terms are defined below:
- (1) Compensation: shall have the same meaning as is in Legislative Law §1-c(h), *i.e.* any salary, fee, gift, payment, benefit, loan, advance or any other thing of value paid, owed, given or promised to the lobbyist (retained or employed) by the Client Filer for lobbying but shall not include contributions reportable pursuant to article fourteen of the Election Law.
 - (2) Expenses:
 - (i) For any Client Filer who lobbies on its own behalf, the term “expenses” shall have the same meaning as in Legislative Law §1-c(g), *i.e.*, any expenditures incurred by or reimbursed to the employed or designated lobbyist for lobbying but shall not include contributions reportable pursuant to article fourteen of the election law.
 - (ii) For all other Client Filers, the term “expenses” shall mean any expenditure reimbursed to the lobbyist for lobbying, but shall not include contributions reportable pursuant to article fourteen of the Election Law.
- (i) *Responsible Party* shall mean the Client Filer’s Chief Administrative Officer or designee who is responsible for filing the Client Semi-Annual Reports with the Commission.
- (j) *Source* shall mean any person, corporation, partnership, organization, or entity that makes a Contribution. A Source includes any persons, corporations, partnerships, organizations, or entities with an Affiliate Relationship. To determine if reporting is required pursuant to section 938.3 of this Part, a Client Filer shall aggregate the Contributions from the each person, corporation, partnership, organization, or entity with an Affiliate Relationship. If such reporting is required, the Client Filer shall report, consistent with section 938.3 of this Part, Contributions from each person, corporation, partnership, organization, or entity with the Affiliate Relationship.
- (k) *Total Expenditures* shall mean the sum of any and all payments of cash or cash equivalents made in the ordinary course of business, or a charge against available funds in settlement of an obligation made in the ordinary course of business. Total expenditures also includes a promise to pay, or a promise of a payment or a transfer of anything of value made in the ordinary course of business for goods and services that have been provided or performed.

938.3 Contribution Reporting Requirements.

- (a) Commencing with the Client Semi-Annual Report due on January 15, 2013, and for each Client Semi-Annual Report thereafter, a Client Filer is required to disclose Contributions received in accordance with the provisions of subdivisions (b), (c) (d), and (e) of this section.
- (b) For the purpose of satisfying Legislative Law §1-h(c)(4), a Client Filer whose lobbying activity is performed on its own behalf and not pursuant to retention by a client need only report Contribution(s) received from each Source in a Client Semi-Annual Report and is not additionally required to report such Contribution(s) on a Lobbyist Bimonthly Report.
- (c) When a Client Filer has met the Expenditure Threshold during the first client semi-annual reporting period of the calendar year (January 1st - June 30th), the Client Filer shall aggregate all such Contributions, regardless of the amount, received from each Source. If the sum of such Contributions is more than \$2,500, then a Client Filer is required to disclose the information in subdivision (e) of this section for each Contribution. If the sum of the Contributions received from each Source is \$2,500 or less, then a Client Filer is not required to disclose any Contribution(s) from the Source in the Client Semi-Annual Report that covers the first reporting period of the calendar year.
- (d) When a Client Filer has met the Expenditure Threshold during the second client semi-annual reporting period of a calendar year (July 1st - December 31st), the Client Filer uses the following to determine whether any Contribution(s) received from a Source shall be disclosed in the Client Semi-Annual Report covering the second reporting period of the calendar year:
 - (1) if during the previous reporting period (January 1st - June 30th), the Client Filer did not meet the Expenditure Threshold, then no Contribution(s) received from any Source during that first reporting period are to be added to Contribution(s) received from any Source during the second reporting period.
 - (2) if during the previous reporting period (January 1st - June 30th), the Client Filer did not receive any Contribution(s) from the Source, a Client Filer shall add all Contributions, regardless of the amount, received from the Source during the second reporting period of the calendar year. If the sum of such Contributions is more than \$2,500, then a Client Filer is required to disclose the information in subdivision (e) of this section for each Contribution. If the sum of the Contributions received from a Source is \$2,500 or less, then a Client Filer is not required to disclose any Contribution(s) from the Source in the Client Semi-Annual Report that covers the second reporting period of the calendar year;
 - (3) if during the previous reporting period (January 1st - June 30th), the Client Filer met the Expenditure Threshold and received Contributions(s) from a Source in excess of \$2,500, then the

Client Filer shall disclose all Contributions, regardless of the amount, received from the Source during the second client semi-annual reporting period of the calendar year;

- (4) if during the previous reporting period (January 1st - June 30th), the Client Filer met the Expenditure Threshold and received Contribution(s) from a Source in an amount totaling \$2,500 or less, then the Client Filer shall add all Contributions, regardless of the amount, received from a Source over the calendar year. If the sum of such Contributions is more than \$2,500, then a Client Filer is required to disclose the information in subdivision (e) of this section for each Contribution received during the calendar year. If the sum of the Contributions received from each Source is \$2,500 or less, then a Client Filer is not required to disclose any Contribution(s) from the Source.

Example 1: Jane Doe contributes \$1,000 on May 4, 2017 to Client Filer. Source Jim Smith, contributes \$2,000 on October 30, 2017. Client Filer knows that Jane and Jim live in the same household.

For the purpose of filing the Client Semi-Annual Report due on July 16, 2017 (covering the period January 1, 2017 through June 30, 2017), Client Filer is not required to report the Contribution from Jane Doe.

For the purpose of filing the Client Semi-Annual Report due on January 16, 2018 (covering the period July 1, 2017 through December 31, 2017), if the Client Filer met the Expenditure Threshold during *both* reporting periods, the Client Filer must aggregate the Contributions from Jane Doe and Jim Smith as one Source because they have an Affiliate Relationship. The two Contributions exceed \$2,500 when aggregated, therefore the Client Filer must disclose each Contribution in the Client Semi-Annual Report due on January 16, 2018.

Example 2: XYZ Corp. contributes \$1,500 on March 3, 2017. ABC Corp is XYZ Corp's parent and contributes \$1,500 on May 6, 2017. On November 12, 2017, ABC Corp contributes an additional \$500. On December 2, 2017, XYZ Corp. contributes an additional \$1,500. The Client Filer is aware of the corporate relationship between ABC Corp and XYZ Corp.

For the purpose of filing the Client Semi-Annual Report due on July 15, 2017 (covering the period January 1, 2017 through June 30, 2017), XYZ Corp and ABC Corp have an Affiliate Relationship and therefore are deemed a Source. The Contributions from XYZ Corp and ABC Corp must be aggregated. The sum of the Contributions received from the one Source consisting of ABC Corp and XYZ Corp between January 1, 2017 and June 30, 2017 exceeds \$2,500. Therefore, if the Client Filer met the Expenditure Threshold for this period, it must disclose both the Contributions received on March 3 and May 6 in Client Semi-Annual Report due on July 15, 2017.

For the purpose of filing the Client Semi-Annual Report due on January 16, 2018 (covering the period July 1, 2017 through December 31, 2017), if the Client Filer met the Expenditure Threshold for this second period, the Client Filer must disclose the

November 12 and December 2 Contributions even though these two Contributions are less than \$2,500 individually and in total.

The requirement to disclose the November 12 and December 2 Contributions arises from the facts that (i) the Source (comprised of XYZ Corp and ABC Corp, because they have an Affiliate Relationship) made aggregate Contributions in excess of \$2,500 during the prior reporting period in the same calendar year and (ii) the Client Filer met the Expenditure Threshold during both reporting periods in the calendar year. Therefore, the Client Filer must list as one Source each of those two Contributions made by XYZ Corp and ABC Corp in the second reporting period of the calendar year on the Client Semi-Annual Report, together with the information required in 938.3(e).

If the Client Filer did not meet the Expenditure Threshold during the second reporting period of the calendar year, then the Client Filer is not required to disclose the November 12 and December 2 Contributions.

(e) Each Contribution required to be disclosed in any Client Semi-Annual Report on the form provided by the Commission shall contain the information identified below:

(1) Information Required to be Disclosed:

- (i) Name of person, corporation, partnership, organization, or entity making the Contribution(s)
- (ii) Name and address of principal place of business, if any;
- (iii) Date the Client Filer received the Contribution(s);
- (iv) Reportable Amount of the Contribution(s).

Note: If a contribution includes only membership dues, fees, or assessments, the Client Filer should disclose the contribution as \$0. If membership dues, fees, or assessments make up a portion of a contribution, the Reportable Amount of the Contribution is calculated as described in section 938.2 of this Part.

(2) When a Source is comprised of more than one person, corporation, partnership, organization, or entity with an Affiliate Relationship, the required information must be supplied for each such person, corporation, partnership, organization, or entity.

(3) When a corporation, partnership, organization, or entity is a Source whose Contribution is required to be disclosed, and meets any one of the requirements in paragraph (4) of this subdivision, the Client Filer must disclose, in addition to the information in paragraph (1) of this subdivision, the following:

- (i) name address and principal place of business of at least one natural person (such as an officer, director, partner or proprietors) who shares or exercises discretion or control over the activities of the corporation, partnership, organization, or entity; or

- (ii) the sources of the funds contributed by the corporation, partnership, organization, or entity to the Client Filer.

(4) Conditions for Additional Required Disclosure

- (i) The Client Filer makes decisions or establishes policy for the corporation, partnership, organization, or entity;
- (ii) The corporation, partnership, organization, or entity makes decisions or establishes policy for the Client Filer;
- (iii) The Client Filer has the authority to hire, appoint, discipline, discharge, demote, remove, or otherwise influence other persons who make decisions or establish policies for the corporation, partnership, organization, or entity;
- (iv) The corporation, partnership, organization, or entity has the authority to hire, appoint, discipline, discharge, demote, remove, or otherwise influence other persons who make decisions or establish policies for the Client Filer; or
- (v) The Client Filer and the corporation, partnership, organization, or entity, share a majority of directors on their governing boards, or share a majority of executive management, or maintain banks accounts with shared signatories.

938.4 Standard for Reviewing an Application for Exemption.

- (a) The Commission shall grant an exemption to disclose a Source of a Contribution, if the Client Filer shows by clear and convincing evidence that disclosure of the Source will cause a substantial likelihood of harm, threats, harassment or reprisals to the Source or individuals or property affiliated with the Source. Factors the Commission will consider when determining whether this showing has been made include, but are not limited to, the following:
 - (1) Specific evidence of past or present harm, threats, harassment or reprisals to the Source(s) or Client Filer or individuals or property affiliated with the Source(s) or Client Filer.
 - (2) The severity, number of incidents, and duration of past or present harm, threats, harassment or reprisals of the Source(s) or Client Filer or individuals or property affiliated with the Source(s) or Client Filer.
 - (3) A pattern of threats or manifestations of public hostility against the Source(s) or Client Filer or individuals or property affiliated with the Source(s) or Client Filer.
 - (4) Evidence of harm, threats, harassment or reprisals directed against organizations or individuals holding views similar to those of the Source(s) or Client Filer.

(5) The impact of disclosure on the ability of the Source(s) or Client Filer to maintain ordinary business operations and the extent of resulting economic harm.

(b) The Commission shall grant an exemption to disclose all Sources of Contributions to a Client Filer, if:

(1) the Client Filer has exempt status under I.R.C. §501(c)(4); and

(2) the Client Filer shows that its primary activities involve areas of public concern that create a substantial likelihood that disclosure of its Source(s) will cause harm, threats, harassment or reprisals to the Source(s) or individuals or property affiliated with the Source(s). Factors the Commission will consider when determining whether this showing has been made include, but are not limited to, the factors identified in paragraphs (a)(1)-(5) of this section.

938.5 Procedure for applying for an exemption.

(a) The Client Filer seeking to exempt from disclosure a Contribution from a Source shall make an application to the Commission on the form supplied by the Commission together with any supporting materials signed by the Client Filer's Responsible Party.

(b) A request for exemption shall be submitted no later than two days prior to the due date for the applicable Client Semi-Annual Report.

(c) An application for an exemption from disclosure for one or more Sources of Contributions does not relieve the Client Filer from its obligation to timely file the Client Semi-Annual Report including disclosure of Sources of Contributions for which the Client Filer has not sought an exemption.

(d) The Commission shall inform the Client Filer, in writing, whether the application for exemption has been granted or denied. Any denial issued by the Commission shall include a statement of findings and conclusions, and the reasons or basis for the denial.

(e) If a request for an exemption is denied, and the Client Filer does not appeal, the Client Filer shall, within 15 business days of the date of denial, amend the Client Semi-Annual Report to include required information relating to the subject of the application for exemption.

938.6 Appeals.

An appeal of a denial of an application for exemption to a judicial hearing officer, pursuant to section 941.18 of this Title, is available only to a Client Filer who submitted an application under section 938.4(a) of this Part. A Client Filer who submitted an application under section 938.4(b) of this Part is not entitled to such an appeal.

938.7 Public Disclosure of Exemption-Related Information

The Commission shall publicly disclose the fact that a Client Filer has submitted one or more applications for an exemption or that one or more of a Client Filer's requests for an exemption has been granted or denied. Information submitted in connection with an application for exemption or in support of an appeal from a denial of an exemption shall be publicly disclosed. Notwithstanding the foregoing, Executive Law §94(19)(a)(5), Legislative Law §1-s, and any corresponding regulations, the Commission may, in its discretion, grant a request from a Client Filer to keep confidential certain exemption-related information when particular circumstances merit confidential treatment of such information, including, but not limited to, an ongoing investigation by a governmental body or an unwarranted invasion of personal privacy. The Commission may, nevertheless, disclose such information (i) to the judicial hearing officer assigned to the appeal, (ii) to a court in a judicial review, or (iii) in response to any subpoena or court order.

938.8 Enforcement

A late filing of a Client Semi-Annual Report, or failure to file a Client Semi-Annual Report in accordance with these regulations, or the filing of a Client Semi-Annual Report that contains false, misleading or knowingly inaccurate statements are violations of either Legislative Law §1-j or §1-o and subject a Client Filer to the fines and penalties prescribed therein.

938.9 Duty to Correct

As with any filing required to be submitted to the Commission, Client Filers have a duty to file accurate and complete reports. Client Filers therefore have a duty to correct any oversights or inaccuracies within 10 days of discovery.

938.10 Miscellaneous Provisions

This disclosure shall not apply to:

- (a) any corporation registered pursuant to article seven-A of the executive law has exempt status under §501(c)(3), provided, however, that this disclosure shall apply to any in-kind donations of staff, staff time, personnel, offices, office supplies, financial support of any kind or any other resources to any corporation or entity that is qualified as an exempt organization by the United States Department of the Treasury under I.R.C. § 501(c)(4) when such in-kind donations are over two thousand five hundred dollars and from any corporation or entity that is qualified as an exempt organization by the United States Department of the Treasury under I.R.C. § 501(c)(3). In such case the entity receiving such in-kind donations shall disclose the fair market value and identify the I.R.C. § 501(c)(3) entity providing such in-kind donations and give notice within a reasonable time to the § 501(c)(3) entity that it shall be required to file a report with the department of law pursuant to section one hundred seventy-two-e of the executive law; and
- (b) any governmental entity.

938.11 Special Filing Rules for the Client Semi-Annual Report Due January 17, 2017.

The provisions of this section apply only for purposes of the Client Semi-Annual Filing due January 17, 2017 (covering the period July 1, 2016 – December 31, 2016), and supersede any parallel provisions found in this Part. Notwithstanding the definition of “Reportable Amount of Contribution” in section 938.2(g), contribution amounts attributable to membership dues, fees or assessments shall be disclosed for all contributions received prior to September 23, 2016.

(a) Definitions.

(1) *Expenditure Threshold* consists of the following two requirements:

(i) For the Expenditure Threshold Period of January 1, 2016 – December 31, 2016:

(a) the Client Filer has spent in excess of \$50,000 in Reportable Compensation and/or Expenses for lobbying in New York State during the Expenditure Threshold Period; and

(b) The Client Filer’s Reportable Compensation and Expenses constitute at least 3% of the Client Filer’s Total Expenditures during the Expenditure Threshold Period.

(ii) For the Expenditure Threshold Period of September 23, 2016 – December 31, 2016:

(a) the Client Filer has spent in excess of \$15,000 in Reportable Compensation and/or Expenses for lobbying in New York State during the Expenditure Threshold Period; and

(b) The Client Filer’s Reportable Compensation and Expenses constitute at least 3% of the Client Filer’s Total Expenditures during the Expenditure Threshold Period.

(2) *Expenditure Threshold Period* is determined according to the following:

(i) *Full Year Calculation*: January 1, 2016 – December 31, 2016.

(ii) *Special Period Calculation*: September 23, 2016 – December 31, 2016.

Any Client Filer that does not meet the Expenditure Threshold using the Full Year Calculation must then determine whether it has met the Expenditure Threshold using the Special Period Calculation, and if it has, then the Client Filer is deemed to have met the statutory Expenditure Threshold.

(b) Contribution Reporting Requirements for Entities Exceeding the Expenditure Threshold in this section.

(1) If a Client Filer met the Expenditure Threshold during the first client semi-annual reporting period (January 1 - June 30) based on the provisions of section 938.3 of this Part in effect at the time, and thus was required to disclose Sources of Funding in the July 15, 2016 Client Semi-Annual Report, the Client Filer shall disclose the information in section 938.3(e) of this Part for:

- (i) all contributions received during the second client semi-annual reporting period from a source who was previously disclosed in the first client semi-annual report;
 - (ii) all contributions received during the year from a source who was not previously disclosed in the first client semi-annual reporting period, if the total of such contributions is in excess of \$5,000; and
 - (iii) all contributions received from September 23, 2016 – December 31, 2016 from a source who was not previously disclosed in the first client semi-annual reporting period, if the total of contributions received from September 23, 2016 – December 31, 2016 is in excess of \$2,500.
- (2) If a Client Filer did not meet the Expenditure Threshold during the first client semi-annual reporting period (January 1 - June 30) based on the provisions of section 938.3 of this Part in effect at the time, and thus was not required to disclose Sources of Funding in the July 15, 2016 Client Semi-Annual Report, the Client Filer shall disclose the information in section 938.3(e) of this Part for:
- (i) all contributions received from July 1, 2016 – December 31, 2016 from a source, if the total of contributions given by a source from July 1, 2016 – December 31, 2016 is in excess of \$5,000; and
 - (ii) all contributions received from September 23, 2016 – December 31, 2016 from a source, if the total of such contributions is in excess of \$2,500.