

SOURCE OF FUNDING OVERVIEW



The Public Integrity Reform Act of 2011 (“PIRA”) (Chapter 399, Laws of 2011) amended Legislative Law article one-A by enacting requirements, effective June 1, 2012, that lobbyists who lobby on their own behalf, and clients who devote substantial resources to lobbying activity in NYS, to make publicly available each “Source of Funding” over \$5,000 for such lobbying. The requirements to disclose Sources of Funding are found in Legislative Law §§1-h(c)(4) and 1-j(c)(4). These instructions clarify the Source of Funding reporting requirements.



What is "Source of Funding" ("SoF")?

Lobbyists who lobby on their own behalf, and clients, who devote substantial resources to lobbying activity in NYS, are required to make publicly available each Source of Funding (“SoF”) over \$5,000 for such lobbying.

Who is required to disclose SoF?

Client Filers.

What is a "Client Filer"?

For purposes of these instructions, a Client Filer is either:

- A lobbyist who lobbies on its own behalf and who meets the Expenditure Threshold; or
- Clients who retain lobbyists and who meet the Expenditure Threshold.

What is the Expenditure Threshold?

The Client Filer has spent in excess of \$50,000 in reportable compensation and/or expenses for lobbying during the Expenditure Threshold Period.

AND

The Client Filer’s expenditures for lobbying in New York constitute at least 3% of the Client Filer's total expenditures during the Expenditure Threshold Period.

What is the Expenditure Threshold Period?

The Expenditure Threshold is the period over which the client filer's total *lobbying* compensation and expenses is measured against the client filer's total expenditures, for purposes of determining whether Source of Funding reporting is required.

For the Client Semi-Annual ("CSA") due in January, the Expenditure Threshold period is the preceding 12 months.

- Example: For the CSA filed January 15, 2014, the Expenditure Threshold period is January 1 through December 31, 2013. The total *lobbying* compensation and expenses for the January 1 through December 31 period is measured against the client filer's total expenditures for the same period.

For the CSA due in July, the Expenditure Threshold period is either the preceding 6 months (January 1 through June 30) or the preceding 12 months (July 1 through June 30).

- Example: For the CSA filed July 15, 2014, the client filer would first test whether the Expenditure Threshold was met for the period of January 1, 2014 – June 30, 2014, by measuring total lobbying compensation and expenses against total expenditures for that period. If the Expenditure Threshold is not met for that period, the Client Filer is then required to perform the same test for the period July 1, 2013 through June 30, 2014.* If the Expenditure Threshold is not met in this second calculation, the Client Filer is not required to report Source of Funding.

*NOTE: When looking back for purposes of determining the Expenditure Threshold period, if the Expenditure Threshold is met in the preceding six (6) months, then you do not have to continue looking back.

What is Reportable Compensation and Expenses?

Reportable Compensation is defined as any salary, fee, gift, payment, loan, advance or any other thing of value paid, owed, given, or promised to a retained or employed lobbyist for the purposes of lobbying. Contributions reportable under Article Fourteen of the Election Law are **not** Reportable Compensation.

Reportable Expenses are defined as any expenditures incurred by or reimbursed to the lobbyist (employed or designated) for lobbying. For clients of lobbyists, it means any expenditure reimbursed to the lobbyist for lobbying. Expenses reportable under Article Fourteen of the Election Law are **not** Reportable Expenses.

What is included in the Client Filer's Expenditures?

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.

What is Reported?

All Contributions from a Source which has contributed in excess of \$5,000 in the aggregate.

What is included in a Contribution?

Any payment to or for the benefit of the Client Filer and which is intended to fund the Client Filer's operations.

What is a Source?

A Source is a person or persons, or an entity or group of entities, that makes aggregate contributions to a Client Filer in excess of \$5,000 during the relevant period (for the filing covering the first half of the year – due July 15 – the period is the preceding January 1 – June 30; for the filing covering the second half of the year – due January 15 – the period is the preceding January 1 - December 30).

There are three types of Sources – single, multiple, and affiliated.

A *single Source* is a Source where a person, corporation, partnership, organization, or entity makes at least one Contribution during the reporting period.

A *multiple Source* is a Source where more than one person, corporation, partnership, organization, or entity comprises the Source and each person, corporation, partnership, organization, or entity makes at least one Contribution during the reporting period.

For example, a multiple Source could be:

1. Two or more persons whom the Client Filer knows live in the same household and each makes a Contribution during the reporting period;
2. Two or more corporations, partnerships, organizations, or entities that the Client Filer knows or has reason to know are related and each makes a Contribution during the reporting period; and
3. A sole proprietorship and its sole proprietor if the Client Filer knows or has reason to know of the relationship and each makes a Contribution during the reporting period.

An *affiliated Source* is a Source which meets the following criteria:

1. The Client Filer makes decisions or establishes policy for the corporation, partnership, organization, or entity;
2. The corporation, partnership, organization, or entity makes decisions or establishes policy for the Client Filer;
3. 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;
4. 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
5. 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.

For example:

An affiliated Source is a Source which meets the above criteria and gives a Contribution to the Client Filer. The Client Filer must report this Contribution as well as any Contributions received by the affiliated Source.

How do I report multiple contributions from a Source?

When a Source makes more than one Contribution, whether or not each Contribution is required to be reported may turn on the reporting period covered in the filing.

(1) When reporting for the **January 1 – June 30 period (filing due July 15)**, a Client Filer who meets the Expenditure Threshold must report each Contribution from a Source, provided the sum of the Contributions from that Source is in excess of \$5,000 during the January 1- June 30 reporting period.

(2) When reporting for the **July 1 – December 30 period (filing due January 15)**:

- if a Client Filer *did not* meet the Expenditure Threshold during the prior (*i.e.*, January 1 – June 30) period, a Client Filer need only disclose any Contributions received from the Source **during the July 1 – December 30 period**, if such Contributions exceed \$5,000 in the aggregate;
- if a Client Filer *did* meet the Expenditure Threshold during the January 1 – June 30 reporting period and received Contributions from the Source during that previous filing period, the Client Filer should either:
 - disclose only *new* Contributions received from the Source during the July 1 – December 30 filing period, regardless of amount, if prior Contributions from the Source were already reported (*i.e.*, exceeded \$5,000 in the aggregate during the January 1 – June 30 filing period);

- disclose *all* Contributions received during the year if such Contributions exceeded \$5,000 in the aggregate.

For a Contribution specifically designated for lobbying – how much is reportable?

100%

For a Contribution *not* specifically designated for lobbying – how much is reportable?

The Amount of Contribution reported is the product of: (i) the dollar amount of each Source's Contribution and (ii) Reportable Compensation divided by Total Expenditures. Any Contribution specifically designated for lobbying in New York is added to the product of (i) and (ii).

Example: A Source contributes \$10,000 to a Client Filer in a reporting period. During that same reporting period, the Client Filer has \$100,000 in Reportable Compensation and \$500,000 in Total Expenditures. The Client Filer would report \$2,000 on the CSA [$\$10,000 \times (\$100,000 / \$500,000) = \$2,000$]. If the Source also contributes \$500 in addition to the \$10,000 and the \$500 is specifically designated for lobbying, the amount of the Contribution to be reported would be \$2,500.

Do I need to complete this Section of the CSA if my organization does not meet the \$50,000 – 3% Expenditure Threshold or did not receive Contributions over \$5,000 from a Source?

If you file online, you must select one of the following options:

- Reporting is required and will be uploaded
- Reporting is required and filed on paper
- Exemption pending or previously approved
- Reporting is not required – under spending threshold
- Reporting is not required – no applicable contributions
- Reporting is not required – 501(c)(3) or gov't organization

If you choose to file a Client Semi-Annual Report paper form, you are required to complete the Source of Funding Disclosure section, selecting the applicable option

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