

Pay-to-Play Spotlight: City of Los Angeles Toughens Pay-to-Play Laws

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The City of Los Angeles significantly expanded its pay-to-play laws when city voters approved, on March 8, 2011, an amendment to the Los Angeles City Charter. The new rules apply to contract solicitations beginning on May 8, 2011. These new provisions contain strict contribution and solicitation prohibitions for some city contractors and certain of their subcontractors, owners, directors and officers. The law also strengthens restrictions on political contributions from some bond underwriting firms involved in the sale of revenue bonds by certain city departments. The highlights of these provisions are below.

The revised City Charter prohibits, during the bidding process, a person bidding on a contract of more than \$100,000 from making a contribution to certain elected city officials; candidates for elected city office; or a committee controlled by an elected city official or candidate, depending upon which city official must approve the contract. The prohibition extends to, among others, the contractor's chairman, president, CEO and COO; major subcontractors expecting to receive \$100,000 to perform a portion of the contractor's obligations; an individual holding an ownership interest of at least 20 percent in the contractor or a major subcontractor; and the major subcontractor's chairman, president, CEO and COO. For a contractor awarded such a contract, the restrictions also apply for the 12 months after the contract is signed. Additional restrictions prohibit fundraising for such city officials, candidates and their committees. Finally, contractors must certify compliance with this policy during the bidding process.

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In addition to the city contractor prohibitions, the Charter Amendment revises existing restrictions applicable to bond underwriters involved in a noncompetitive sale of revenue bonds by the City Department of Airports, the Department of Water and Power, and the Harbor Department. The Charter Amendment prohibits an underwriting firm selected as such an underwriter from making political contributions to a city official or candidate for office in the 12 months after the contract is signed. Formerly, such underwriting firms were permitted to give a contribution of \$100. This prohibition also applies to a parent, subsidiary or related business entity of the contractor; the contractor's Political Action Committee (PAC); the contractor's chair, president, CEO and COO; a vice president, assistant vice president or managing director of the contractor's public finance unit; major subcontractors expecting to receive \$100,000 to perform a portion of the contractor's obligations; and the major subcontractor's chairman, president, CEO and COO. Other existing contribution and gift restrictions (including a political contribution limit of \$100 in the 12 months before selection and a gift limit of \$50 in the 12 months before and after selection) continue.

Finally, the Los Angeles City Ethics Commission has advised that the Los Angeles City Council will consider, in the future, implementing an ordinance to these charter prohibitions. This ordinance may clarify some of these provisions.