



ILLINOIS CHAMBER OF COMMERCE

Summary of New State Ethics Requirements

P.A 95-0971, which became effective January 1, establishes new restrictions on campaign contributions and solicitations by State contractors and bidders. The new law prohibits businesses that currently have a state contract(s) in excess of \$50,000, as well as those businesses that are seeking a state contract(s) in excess of \$50,000 from providing any campaign contribution to an executive officer responsible for awarding that state contract.

The new “Pay to Play” law also requires these businesses to register with the State Board of Elections that includes extensive disclosure of information regarding affiliated entities and persons. Applicable businesses must register with the Board in order to obtain a certification that allows them to continue an existing state contract or submit a bid on a new state contract. Once a business is registered and certified, they and their affiliated entities and persons are automatically subject to the new political contribution restrictions.

Governor Blagojevich also issued Executive Order No. 3 reiterating many of the same requirements of P.A. 95-0971. The Executive Order, however, also extends the campaign contribution restrictions to *any* declared candidate for state office, as well as any political committee representing that candidate.

Who is required to register?

- Businesses whose total annual bids and proposals on state contracts for 2009 exceed \$50,000.
- Businesses whose total annual bids and proposals on state contracts, combined with the annual total value of state contracts already awarded for 2009 exceed \$50,000.
- Businesses whose annual total of state contracts already awarded for 2009 exceed \$50,000.

What information must be disclosed?

Businesses required to register with the State Board of Elections must disclose all affiliated entities, which include: 1) any subsidiary of the company; 2) any member of the same unitary business group; 3) any entity recognized as a non-profit organization by the Internal Revenue Service established by the company or an affiliated entity or affiliated person of the company; or 4) any political committee sponsored by the company (or by a non-profit organization described in item 3 related to the company).

These businesses are also required to disclose affiliated persons, which include: 1) any person with an ownership interest or distributive share of the company or an affiliated entity in excess of 7.5%, 2) an executive employee of the company or an affiliated entity, which includes the President, Chairman, Chief Executive Officer, or other employee with executive decision making authority over the long-term and day-to-day affairs of the entity employing the employee, or an employee whose compensation is determined directly, in whole or in part, by the award or payment of contracts by a State agency to the entity employing the employee or 3) the spouse or minor child of anyone covered by items 1 or 2.

What are the various penalties outlined under the new law?

- Each business entity required to register with the State Board of Elections must provide a copy of their registration certificate within 10 days of registration to each affiliated entity and affiliated person. Failure to provide this notification will result in a fine not to exceed \$1,001.
- Each business entity is responsible for keeping their registration information up to date. The law requires that any change in registration information must be reported to the Board within 2 business days and failure to do so will result in civil penalty of \$1,000 per business day.
- If a business entity violates the prohibition on political contributions in any way three or more times in a 36-month period, then the applicable state contract will be terminated and the business entity is prohibited from bidding on any state contract for at least 3 years.

What state contracts are exempt from the requirements?

The new law specifically exempts cost-reimbursement contracts and purchase of care contracts (e.g. Medicaid providers); contracts that are subject to Federal Highway Authority funds; grants, including but not limited to grants for job training or transportation; and grants, loans or tax credit agreements for economic development purposes.