

Vendor Rule Adopted

The Texas Ethics Commission recently adopted new rules for vendors that work with those who must file with the commission. Taking effect January 1, 2018, the vendor rule will require candidates, officeholders, and political committees to report on the actions its vendors take on behalf of them. Below is a quick breakdown of what the rules will mean for filers in the near future:

What/who is a vendor?

Any person who provides goods or services to a candidate, officeholder, political committee, or other person required to file with the Texas Ethics Commission.

A person is NOT considered a vendor if they are an employee of the filer.

The rules also define "consulting" to differentiate it from the definition of a vendor. Consulting is now defined solely as providing advice and strategy, and does not include providing other goods or services, specifically media production, voter contact, or political advertising.

New Reporting Requirements

Now, a filer will have to report political expenditures made by a vendor if they are made for the filer and with the intent to seek reimbursement from the filer. The filer will now have to report the expenditures as though the filer made the expenditure directly.

Expenditures other than reimbursements for more than one type of good or service must be reported as separate expenditures.

Restrictions

A vendor may not make an expenditure, and a filer may not reimburse or pay a vendor, that would be considered a violation of the following prohibitions if the filer themselves were to have made the expenditure:

- The prohibition on personal use of contributions
- The prohibition on the use of political contributions to purchase real property or pay the interest on or principal of a note for purchase of real property
- The prohibition on the use of political contributions to pay for personal services rendered by the filer or a spouse/dependent of the filer to
 - a business in which the filer owns more than 10%, holds a position on the governing body or serves as an officer, or
 - the filer or spouse/dependent of the filer.

The new rules are an attempt by the commission to rein in "campaigns in a box" where vendors are paid a lump sum for multiple services and then subcontract the work out to multiple other vendors who never show up on a filer report.

The initiative is valid and well intentioned, but we will have to see after the rules go into effect in January how they will be enforced and what the unintended consequences may be.