

STATE OF ARIZONA
CITIZENS CLEAN ELECTIONS COMMISSION

Nonparticipating Candidate Guide

2005-2006 ELECTION CYCLE



Mission Statement

*“To fairly, faithfully and fully implement and administer
the Arizona Citizens Clean Elections Act.”*





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Introduction

Introduction

Welcome to Arizona's Citizens Clean Elections Commission Nonparticipating Candidate Guide for the 2005-2006 election cycle. This Guide was created to provide information to candidates interested in running for legislative or statewide office.

The Citizens Clean Elections Act ("Act") is a campaign finance reform measure that was initiated by Arizona citizens and passed by voters in 1998. The Act created a new campaign financing system that provides full public funding to qualified candidates who agree to abide by the Act and Citizens Clean Elections Commission ("Commission") rules. Participating candidates for statewide offices (governor, secretary of state, state treasurer, attorney general, superintendent of public instruction, corporation commissioner and mine inspector) and legislative offices (house of representatives and senate) are eligible to participate in the public funding program. The system is voluntary; candidates may choose to participate in the system or they may choose to raise funds in the traditional manner. Candidates who choose to raise funds with private campaign contributions are referred to as "nonparticipating candidates."

If you have questions, please do not hesitate to contact us at 1-602-364-3477 or toll free at 1-877-631-8891. We look forward to working with you.

Authority

Use of this Guide is intended solely as a reference guide. Every effort has been made to present accurate and reliable information, however, information contained in this Guide changes periodically. As a result, this Guide may contain some inadvertent errors. The Commission would appreciate your kindness in notifying our office of any inaccuracies, by calling us or by e-mailing a staff member.

Readers of this Guide should take note that the information contained herein should not be considered as having the same weight and authority as the Arizona Revised Statutes and established court decisions or Attorney General Opinions. In the event any information conflicts, this Guide is not controlling and users must instead follow relevant legal authority.

Additionally, the information contained in this Guide is not a satisfactory substitute for legal counsel. If you believe that you or your committee could be adversely affected in any matter relating to the subject matter contained herein, you should seek the professional assistance of an attorney.

Alternate Formats

This Guide is available in alternate formats. Persons who need information about the Guide in alternate formats should call the Commission, or e-mail Paula Ortiz at paula.ortiz@azcleelections.gov

The Citizens Clean Elections Commission

In 1998, the people of Arizona created a clean elections system to improve the integrity of Arizona state government by diminishing the influence of special interest money, to encourage citizen participation in the political process, and to promote freedom of speech under the U.S. and Arizona Constitutions.

Commissioners

The Commission consists of five commissioners. The commissioners are committed to enforce the Act in an honest, independent, and impartial fashion. No more than two members of the Commission shall be members of the same political party. No more than two members of the Commission shall be residents of the same county. No one shall be appointed as a member who does not have a voter registration that has been continuously recorded for at least five years immediately preceding appointment with the same political party or as an independent.

(Chair) Marcia Busching (D), Phoenix (Term ending Jan. 31, 2008)

Kathleen S. Detrick (I), Tucson (Term ending Jan. 31, 2006)

Ermila Jolley (D), Yuma (Term ending Jan. 31, 2007)

Tracey A. Bardorf (R), Scottsdale (Term ending Jan. 31, 2009)

Gary Scaramazzo (I), Page (Term ending Jan. 31, 2010)

Sources of Funding

- \$5 Tax Check-Off on the Arizona State Income Tax Return
- Dollar-for-Dollar Tax Credit on the Arizona State Income Tax Return
- 10% Surcharge on Civil Penalties and Criminal Fines
- \$5 Qualifying Contributions
- Civil Penalties from Enforcement Actions

Contact Information

Citizens Clean Elections Commission

1616 W. Adams, Suite 110
Phoenix, AZ 85007
(602) 364-3477
(602) 364-3487, fax
1-877-631-8891, toll free
www.azcleelections.gov

Secretary of State's Office

Administration / Elections:
Capitol Executive Tower 7th Floor
1700 West Washington Street
Phoenix, AZ 85007-2888
(602)542-4285 or (800)458-5842
(602) 542-6172, fax
elections@sos.state.az.us
www.azsos.gov

Commission Staff

Executive Director

Vacant

Deputy Director

Vacant

Voter Education Manager

Autumn Southard

Campaign Finance Manager

Genevra Richardson

Fiscal Services Manager

Colleen McGee

Executive Assistant

Paula Ortiz

Administrative Assistant

Christina Jones

Administrative Assistant

Emily Garcia



Chapter 1: How to Become a Candidate

Chapter 1: takes prospective candidates through the preliminary steps on how to register as a candidate for the 2005-2006 election cycle.

Qualifications for Office

Every person elected to any elective office of the state shall be a qualified elector of the political division in which the person seeks election at the time of filing the nomination papers.

A qualified elector is a person who is properly registered to vote. The qualifications of a person who is properly registered to vote are all of the following:

- A citizen of the United States.
- 18 years of age or more on or before the date of the next regular general election following his registration.
- A resident of the state 29 days preceding the next election.
- Able to write name or make mark, unless prevented from doing so by physical disability.
- Has not been convicted of treason or a felony, unless restored to civil rights.
- Has not been adjudicated an incapacitated person.

Every candidate must meet basic qualifications for public office prescribed by the Arizona Constitution and Arizona Revised Statutes.

The residency requirement for candidacy means a continuous period of residency for the required number of years continuously and immediately preceding the election.

State Executive Offices

(Governor, Secretary of State, Attorney General, Treasurer, Superintendent of Public Instruction)

Qualifications

To be eligible for any state executive office, a person **MUST** be:

- Not less than 25 years of age.
- A citizen of the United States for at least 10 years preceding the election.
- A citizen of Arizona for at least 5 years preceding the election.

Governor –

Job Description

The Governor shall transact all executive business with the officers of the government, civil and military and may require information in writing from the officers in the executive department upon any subject relating to the duties of their respective offices. He shall take care that the laws be faithfully executed. He may convene the legislature in extraordinary session. He shall communicate, by message, to the legislature at every session the condition of the state, and recommend such matters as shall deem expedient.

Term

The term for Governor is four years. No Governor shall serve more than two consecutive terms in that office.

Secretary of State –

Job Description

The Secretary of State is the Chief Election Officer for the state whose duties include certifying candidates and election results. The Secretary of State serves as Acting Governor when the Governor is out of the state. The Secretary of State is the official keeper of records. Duties include filing the administrative rules of the state agencies and maintaining the official rules of the state agencies adopted under the Arizona Administrative Procedure Act. Additionally, the Secretary of State registers trade names and trademarks, and issues certificates of registration. The Secretary of State is first in the constitutional line of succession if the Governor leaves office in mid-term.

Term

The term for Secretary of State is four years. No Secretary of State shall serve more than two consecutive terms in that office.

Attorney General –

Job Description

The Attorney General is the chief legal officer in Arizona. The Attorney General's duties include serving as legal advisor for most state agencies, bringing and defending law suits on behalf of the State, enforcing criminal, election, environmental, civil rights and consumer protection laws, and serving as Director of the Department of Law. The Attorney General also issues formal legal opinions for State officers, legislators, and county attorneys upon request. The Attorney General is second in the constitutional line of succession if the Governor leaves office in mid-term.

Term

The term for Attorney General is four years. No Attorney General shall serve more than two consecutive terms in that office.

Treasurer –

Job Description

The Treasurer is the State's chief financial officer and is the keeper of the state's monies. The Treasurer manages the state general fund, a job that includes receiving, holding, investing and disbursing state money. The Treasurer is the third in the constitutional line of succession if the Governor leaves office in mid-term.

Term

The term for Treasurer is four years. No Treasurer shall serve more than two consecutive terms in that office.

Superintendent of Public Instruction –

Job Description

The state superintendent of public instruction shall be a member, and secretary, of the state board of education, and, ex-officio, a member of any other board having control of public instruction in any state institution. His powers and duties shall be prescribed by law.

Term

The term for Superintendent of Public Instruction is four years. No Superintendent of Public Instruction shall serve more than two consecutive terms in that office.

Corporation Commission

Qualifications

Arizona law does not set minimum age or length of residency requirements for a person who holds the office of corporation commissioner. The law, however, does give specific requirements for persons elected, appointed to, or holding the office of commissioner and appointees or employees of the Corporation Commission. They shall NOT be:

- A person in the employ of or holding an official relation to a corporation.
- A person subject to regulations by the Corporation Commission.
- A person owning stocks or bonds of a corporation subject to regulation.
- A person who is pecuniarily interested therein.

Job Description

The Corporation Commission regulates rates charged by gas, water, sewer, electric and telephone utilities; regulates issuance and enforcement securities; and regulates formation and filings by all corporations doing business in Arizona. There are five commissioners.

Term

The term for Corporation Commissioner is four years. No Corporation Commissioner shall serve more than two consecutive terms in that office (any person who serves one half or more of a term shall be considered to have served one term).

Mine Inspector

Qualifications

The State Mine Inspector SHALL be:

- A resident of the state at least 2 years prior to election.
- Not under 30 years of age.
- Shall have been practically engaged in, and acquainted with, mines and mining in this state.
- Shall have had at least 4 years' experience in underground mining and;
- 3 additional years in either underground mining, smelting, open pit mining, or experience in any industry under the jurisdiction of the state mine inspector.

Job Description

The Mine Inspector enforces the state mining code and provides training and conducts investigations to improve individual health and safety. The Mine Inspector's duties also include providing worksite evaluations, inspections, reviews and monitoring all mine reclamation activities.

Term

The term for Mine Inspector is four years. No Mine Inspector shall serve more than four consecutive terms in that office.

State Legislature

Qualifications

- A citizen of the United States at the time of the election.
- At least 25 years of age.
- A resident of Arizona at least three years.
- A resident of the county from which the person is elected at least one year before the election.

Job Description

The Legislature is a state lawmaking body that proposes and enacts laws, appropriates funds for the support of the State government, proposes amendments to the State Constitution and provides public forums for hearings and debates about bills.

Term

No State Senator or State Representative shall serve more than four consecutive terms in that office.

- **State Senate:** The term for Senators is two years.
- **State House of Representatives:** The term for Representatives is two years.

Statement of Organization



Once an individual determines that he or she meets the qualifications to seek elective office, the next step is for the individual to file a statement of organization in order to establish the campaign committee. All campaign committees must file a statement of organization with the Secretary of State's Office. The statement of organization may NOT be filed with the Commission.

When to File the Statement of Organization

Each candidate, or individual exploring whether to become a candidate, who intends to receive contributions or make expenditures of more than \$500 in connection with a campaign for office shall file a statement of organization in order to establish the candidate's campaign committee or exploratory committee. An individual must file a statement of organization before:

- Making any expenditures,
- Accepting any contributions,
- Distributing any campaign literature, or
- Circulating any petitions.

Contents of Statement of Organization

The statement of organization shall include all of the following:

1. The name, address and type of committee.
 - The candidate, or possible candidate, must designate the type of committee, either a **Candidate Committee** or **Exploratory Committee**.
 - A **Candidate Committee** is a political committee designated and authorized by the candidate. A candidate must establish a candidate committee to qualify for the ballot.
 - An **Exploratory Committee** gives an individual the opportunity to raise and spend monies in order to explore the possibility of running for office without officially declaring candidacy. Once the individual makes the decision to run for office, the individual must establish a candidate committee. A candidate is not required to establish an exploratory committee during the exploratory period.

2. The names, addresses, telephone numbers, occupations and employers of the chairman and treasurer of the committee. It is permissible for a candidate to be the chairman and treasurer of his or her own campaign committee.
3. The name, address, office sought and party affiliation of the candidate.
4. Name of the banking institution used by the committee.

Number of Committees

Exploratory Committee: An individual may have only one exploratory committee in existence at a time.

Candidate Committee: A candidate may have only one campaign committee designated for each election, however, a candidate may have more than one active campaign committee from different elections simultaneously in existence.

Nominating Petitions & Papers

Nominating papers and nominating petitions can be found at the Secretary of State's Office.



To qualify for the election ballot, a candidate must meet the following standards:

- For the primary election, a candidate must be an independent candidate, or must properly file nominating papers and nominating petitions with signatures for the primary election of a political party entitled to continued representation on the official ballot, or must file the proper paper work with the Secretary of State's Office to be a write-in candidate.
- For the general election, a candidate must be an independent candidate, or must be a party nominee of a political party recognized on the official ballot, or must file the proper paper work with the Secretary of State's Office to be a write-in candidate.

Timeline for Filing Nominating Papers and Petitions

The 30-day period in which candidates may file nominating papers and nominating petitions with signatures with the Secretary of State's Office is specified in the chart below:

FILING PERIOD FOR ALL CANDIDATES	
Legislature:	May 15, 2006 - June 14, 2006
Statewide:	May 15, 2006 – June 14, 2006

Campaign Finance Software

After the candidate files the Statement of Organization, the Secretary of State's Office will give the candidate the following:

1. Campaign Finance Software. All campaign finance reports must be filed electronically with the Secretary of State's Office using computer software that is provided by the Secretary of State.
2. A personal identification number (pin) to access the campaign finance software.
3. A packet of useful information pertaining to the 2005-2006 election cycle.

Establishing a Campaign Account



Before a candidate accepts contributions or makes expenditures, the candidate must designate a financial institution for the campaign account. The candidate shall notify the Secretary of State's Office of the designation of the financial institution either at the time of filing the statement of organization (ON the statement of organization) or within five business days after opening an account. All withdrawals or disbursements from the campaign account require the authorization of the treasurer or a designated agent of the campaign committee.

During an election cycle, each candidate shall conduct all campaign financial activities through a single, current election campaign account and any petty cash accounts, as are permitted by law.

Petty Cash Accounts



A candidate's campaign committee may establish one or more petty cash accounts.

When reporting the use of petty cash in a campaign finance report, the individual expenditures made with the cash do NOT need to be reported; only the actual cash withdrawal is required to be included in campaign finance reports. The campaign treasurer, however, is required to maintain a record of all expenditures made with petty cash. The record shall identify the name and address of every person to whom an expenditure is made, the date, and the amount and purpose or reason for the expenditure. The Commission recommends that the treasurer keep a running total of all petty cash withdrawals and expenditures.

USE OF PETTY CASH EXAMPLE

On July 16, 2006, a nonparticipating candidate withdraws \$200 in cash from the campaign account to use as petty cash. In the campaign finance software, the candidate shall enter an expenditure for \$200, dated July 16, 2006, payable to the person who withdrew the cash, and a memo stating “petty cash.” The candidate provides the receipts from the expenditures to the treasurer and the treasurer retains the following documentation for campaign records:

<u>Petty Cash Expenditures</u>			
July 20, 2006	\$50	Home Depot	lumber for signs
July 21, 2006	\$75	Sign Central	bumper stickers
July 27, 2006	\$75	Kinkos	copies of flyers

Prior Campaign Accounts

A candidate may not use a prior campaign account during the current election cycle.

Records and Bookkeeping of Campaign Treasurer

The treasurer of the campaign committee is the custodian of the committee's books and accounts and shall keep an account of all of the following:

1. All contributions or monies received by or on behalf of the committee.
2. The identification of any person that makes any contribution, the date and amount of each contribution, and the date of deposit into the campaign account.
3. Cumulative totals contributed by each individual.
4. The name and address of every person to whom any expenditure is made, the date, amount and purpose or reason for the expenditure.
5. All bank statements for the designated campaign account.

The treasurer shall record a contribution made by check or money order as a contribution by the person whose signature or name appears on the bottom of the instrument or who endorses the check or money order before delivery to the committee. If a contribution is made by more than one person in a single check, the treasurer shall record the amount to be attributed to each contributor.

The treasurer shall preserve all records specified above and copies of all campaign finance reports for three years after the election.

Access to Records

During the primary election period and the general election period, all candidates shall make available for public inspection all bank accounts, campaign finance reports, and financial records relating to the candidate's campaign, either by immediate disclosure through electronic means or at the candidate's campaign headquarters.

1. All candidates shall maintain at a single location within the state, the books and records of financial transactions. In all cases, all such information shall be made available for inspection by the Commission during regular business hours.
2. On request of the attorney general, the county, city or town attorney or the Secretary of State, the treasurer shall provide any of the records required to be kept by the campaign treasurer.

Resign to Run Law

The resign to run law applies to incumbent elective officers who seek election to any public office other than the office that the incumbent is currently holding. If an elected official wishes to declare his or her candidacy anytime before the final year of the term being held, the officeholder must first resign his or her office. An elected official is not deemed to have offered himself or herself for nomination or election to an office or to have made a formal, public declaration of candidacy solely by his or her designation of a candidate campaign committee.

Summary

- ❖ In order to run for state or legislative office, a candidate must first file the statement of organization with the Secretary of State's Office.
- ❖ A statement of organization must be filed before accepting any contributions, making any expenditures and collecting any ballot petition signatures.
- ❖ The Campaign Finance Software, provided by the Secretary of State's Office, must be used to file all campaign finance reports.
- ❖ A candidate must establish a single bank account through which all campaign transactions are processed.
- ❖ A candidate may establish petty cash accounts.
- ❖ The campaign treasurer is responsible for maintaining all committee records.
- ❖ An elected official must resign in order to declare his candidacy for a *different* elective office, except when the officer is in the final year of the current elective office.

References

- ❖ Qualifications for office
 - Qualified Elector - Arizona Constitution Article VII, §§ 15 & A.R.S. § 16-101(A)(1-6)
 - State Executive Offices – Arizona Constitution Article V, §§ 2, 3, 4 and 6
 - Corporation Commission – Arizona Constitution Article XV, §§ 1, 3 and 5 & A.R.S. § 40-101
 - Mine Inspector – Arizona Constitution Article XIX
 - Legislature – Arizona Constitution Article V, §§ 1, 2 and 21
- ❖ Petty cash accounts
 - A.R.S. § 16-904(B)
- ❖ Records and bookkeeping of the campaign treasurer
 - A.R.S. § 16-904
- ❖ Resign to run
 - A.R.S. § 38-296



Chapter 2: Changing Participation Status and Training Classes

Chapter 2 takes candidates through the steps on changing participation status, if they so choose, and learning more about the Act through Commission sponsored training classes. A candidate who is interested in changing their status from nonparticipating to participating may make this change during the exploratory and qualifying periods only.

Changing Participation Status

A nonparticipating candidate who has accepted contributions up to the limits permissible for nonparticipating candidates, but later chooses to run as a participating candidate, shall:

- Make the change to participating candidate status during the exploratory and qualifying periods only;

QUALIFYING PERIOD	
January 1, 2006 – August 24, 2006:	Legislative Candidates
August 1, 2005 – August 24, 2006:	Statewide Candidates

EXPLORATORY PERIOD	
November 3, 2004 – December 31, 2005:	Legislative Candidates
November 3, 2004 – July 31, 2005:	Statewide Candidates

- Return the amount of each contribution in excess of the individual contribution limit for participating candidates;
- Return all Political Action Committee (PAC) monies received;
- Not have spent contributions exceeding the aggregate early contribution limit, or any part of a contribution exceeding the individual early contribution limit of \$120;
- Comply with all contribution and spending limits required of a participating candidate for the election cycle.

Nonparticipating Candidate and Treasurer Training Workshops

The Commission staff conducts training workshops for nonparticipating candidates and campaign treasurers. Nonparticipating candidates and their campaign treasurers are not required to attend a workshop. However, it is highly recommended.

If a nonparticipating candidate or a treasurer cannot attend a training workshop but would like to review training materials, he or she may contact the Commission and the Commission will send training materials to the nonparticipating candidate or the treasurer.



For the 2005 – 2006 election cycle, the schedule for the training workshops for nonparticipating candidates and treasurers are as follows:

TREASURER TRAINING CLASSES			
<u>Date</u>	<u>Time</u>	<u>Address</u>	<u>City</u>
October 19, 2005	6:00pm-8:00pm	CCEC Conference Room	Phoenix
November 16, 2005	6:00pm-8:00pm	CCEC Conference Room	Phoenix
December 14, 2005	6:00pm-8:00pm	CCEC Conference Room	Phoenix
January 25, 2006	6:00pm-8:00pm	CCEC Conference Room	Phoenix

NONPARTICIPATING TRAINING CLASSES			
<u>Date</u>	<u>Time</u>	<u>Address</u>	<u>City</u>
TBD	TBD	CCEC Conference Room	Phoenix

The Commission may sponsor additional training workshops, as needed. Check the Commission website at www.azcleanelections.gov for the schedule of training workshop dates and updates to the schedule.

Summary

- ❖ A nonparticipating candidate may choose to become certified as a participating candidate during the exploratory and qualifying periods only.
- ❖ The Commission offers training workshops for nonparticipating candidates and for campaign treasurers.

References

- ❖ Requirements for a nonparticipating candidate to become eligible for participating candidate status
 - A.A.C. R2-20-104(A) & (B)
- ❖ Voluntary termination of participating candidate status
 - A.A.C. R2-20-108



Chapter 3: Campaign Finance Reports

Chapter 3: Nonparticipating candidates are required to file six period campaign finance reports during the election cycle. Nonparticipating candidates may also be required to file “trigger” reports when contributions and expenditures meet and exceed certain thresholds.

Reporting Requirements

Nonparticipating candidates are required to file six period campaign finance reports during the election cycle. Nonparticipating candidates may also be required to file “trigger” reports when contributions and expenditures meet and exceed certain thresholds.

The following chart lists the required period reports and the deadlines for filing the reports. The six period reports are required of all candidates, whether participating or nonparticipating. All reports must be filed electronically with the Secretary of State’s Office using the Secretary of State’s campaign finance software.

NONPARTICIPATING CANDIDATE REPORTING REQUIREMENTS		
Due Date	Name of Report	Covered Period
January 31, 2006	January 31 st Report	(Period 1) covering November 23, 2004 to December 31, 2005.
June 30, 2006	June 30 th Report	(Period 2) covering January 1, 2006 to May 31, 2006.
August 31, 2006	Pre-Primary Report	(Period 3) covering June 1, 2006 – August 23, 2006.
October 12, 2006	Post-Primary Report	(Period 4) covering August 24, 2006 to October 2, 2006.
October 26, 2006	Pre-General Report	(Period 5) covering October 3, 2006 to October 18, 2006.
December 7, 2006	Post-General Report	(Period 6) covering October 19, 2006 to November 27, 2006.

Trigger Reports

Nonparticipating candidates must file a series of original and supplemental campaign finance reports with the Secretary of State's Office, above and beyond the six period campaign finance reports, when certain dollar amount thresholds are met or are exceeded. These additional campaign finance reports are required of all nonparticipating legislative and statewide office candidates regardless of whether there is a participating candidate in the race. The reports are used by the Commission to trigger equalization of funding for participating candidates running campaigns under the Act.

1. Nonparticipating candidates must file an **original report** on the correct filing date, when in the:
 - **Primary Election Period:** Expenditures through the primary election exceed 70% of the primary election spending limit; or
 - **General Election Period:** Total contributions made to any date during the general election period, less expenditures made through the primary election, exceed 70% of the general election spending limit.
2. Nonparticipating candidates must file **supplemental reports**, (commonly referred to as “**trigger reports**”) which are triggered after the original report has been made, on the correct filing date each time in the:
 - **Primary Election Period:** Expenditures exceed 10% of the original primary election spending limit or \$25,000, whichever is lower, before the general election period; or
 - **General Election Period:** Contributions less expenditures through the primary election exceed 10% of the original general election spending limit or \$25,000, whichever is lower, during the general election period.

Trigger Reporting Dates

On the next page is a chart of original and supplemental trigger reporting dates. When a nonparticipating candidate reaches a trigger threshold, the nonparticipating candidate is required to file a campaign finance report by the next due date listed in the chart. It is important to note that a nonparticipating candidate is NOT required to file a campaign finance report on each one of these due dates; only the due date immediately following a trigger level being reached.

NONPARTICIPATING CANDIDATE 2006 TRIGGER REPORTING DATES	
January	1
February	1
March	1
April	1
May	1
June	1
July	1, 11, 18, 25
August	1, 8, 15, 22, 29, 30, 31
September	1, 5, 6, 7, 8, 11, 12, 19, 26
October	3, 10, 17, 24, 25, 26, 27, 30, 31
November	1, 2, 3, 6, 7
December	<i>none</i>

Trigger Levels

The following chart summarizes the amounts that trigger reports during the primary and general election periods:

Office	Primary Election Spending Limits	70% / 10%	General Election Spending Limits	70% / 10%
Governor	\$453,849	\$317,694/\$25,000	\$680,774	\$476,542/\$25,000
Secretary of State	\$95,550	\$66,885/\$9,555	\$143,325	\$100,328/\$14,333
Attorney General	\$95,550	\$66,885/\$9,555	\$143,325	\$100,328/\$14,333
Treasurer	\$47,770	\$33,439 / \$4,777	\$71,655	\$50,159 / \$7,166
Superintendent of Public Instruction	\$47,770	\$33,439 / \$4,777	\$71,655	\$50,159 / \$7,166
Corporation Commissioner	\$47,770	\$33,439 / \$4,777	\$71,655	\$50,159 / \$7,166
Mine Inspector	\$23,890	\$16,723/\$2,389	\$35,835	\$25,085/\$3,584
Legislature	\$11,945	\$8,362 / \$1,195	\$17,918	\$12,543/\$1,792

Important Note:



Trigger Reports

The campaign finance software provided by the Secretary of State's Office is programmed for the triggering events and will prompt the user to file a report whenever appropriate. The software must be opened and used every day during an election cycle in order for the triggering events to occur properly. If the campaign transactions are not entered into the software on a daily basis, a nonparticipating candidate may inadvertently miss a trigger-reporting deadline.

Matching Funds for Participating Candidates

Please refer to the *Chapter 4* for details regarding matching funds calculations and the process through which participating candidates receive matching funding.

Summary

- ❖ All candidates are required to file six period campaign finance reports during the 2006 election cycle.
- ❖ Nonparticipating candidates may be required to file “trigger” campaign finance reports when certain contribution and expenditure thresholds are met and/or exceeded.
- ❖ The campaign finance software must be used on a daily basis in order for the software to correctly prompt the user to file trigger reports.

References

- ❖ Period campaign finance reports
 - A.R.S. § 16-913
- ❖ Trigger campaign finance reports
 - A.R.S. § 16-941(B)(2)
 - A.R.S. § 16-958



Chapter 4: Matching Funds for Participating Candidates

Chapter 4 explains how matching funds are calculated and disbursed to participating candidates. When nonparticipating candidates exceed the primary and general election spending limits established by the Act, participating opponents are entitled to receive matching funds.

DATES OF PRIMARY ELECTION PERIOD	
Legislative Offices:	July 11, 2006 – September 12, 2006
Statewide Offices:	July 11, 2006 – September 12, 2006



Primary Election Period Matching Funding

Participating candidates may receive matching funding in the primary election period if their nonparticipating opponents make expenditures in excess of the primary election spending limit. Beginning July 11, 2006, the start of the primary election period, the Commission will immediately provide participating candidates with matching funds whenever expenditures made by a nonparticipating candidate in the same party exceed the primary election spending limit.

<u>PRIMARY ELECTION PERIOD MATCHING FUNDS EXAMPLE</u>	
Assumption: 1 legislative seat, 2 candidates 1 participating, 1 nonparticipating	
Nonparticipating candidate spends	\$15,000
Primary election spending limit	\$11,945
<i>Matching funds provided</i>	<i>\$3,055</i>

Primary Election Period Matching Funds Limits

The chart on the following page shows the initial primary funding, the maximum primary matching funding and the maximum primary total funding that is available to participating candidates in the primary election period. The total monies distributed to a candidate during the primary election period will not exceed three times the original primary election spending limit.

PRIMARY ELECTION PERIOD – Party Candidates			
OFFICE	INITIAL PRIMARY FUNDING +	MAXIMUM MATCHING FUNDS =	MAXIMUM TOTAL FUNDS
Governor	\$453,849	\$907,698	\$1,361,547
Secretary of State	\$95,550	\$191,100	\$286,650
Attorney General	\$95,550	\$191,100	\$286,650
Treasurer	\$47,770	\$95,540	\$143,310
Superintendent of Public Instruction	\$47,770	\$95,540	\$143,310
Corporation Commission	\$47,770	\$95,540	\$143,310
Mine Inspector	\$23,890	\$47,780	\$71,670
Legislature	\$11,945	\$23,890	\$35,835
One-Party-Dominant	\$17,918	\$35,836	\$53,754

Exceptions:

Candidates who have chosen the one-party-dominant reallocation option:

A candidate who is a member of the dominant party in a one-party-dominant district may choose to reallocate a portion of funds from the general election period to the primary election period. This allows the candidate to be more competitive in the primary election.

A one-party-dominant district is a legislative district in which the number of registered voters registered in the party with the highest number of registered voters exceeds the number of registered voters registered to each of the other parties by an amount at least as high as 10% of the total number of voters registered in the district. One-party-dominant legislative districts are determined by the Commission at the beginning of the qualifying period, which is January 1 of an election year.

A candidate who chooses the reallocation option must so designate in the appropriate section of the Participating Candidate’s Application to Receive Funds and Qualifying Contributions Report, which is submitted to the Secretary of State’s Office along with the \$5 qualifying contributions.

Primary matching funds will start for a participating candidate who has chosen the reallocation option whenever a nonparticipating opponent exceeds the *adjusted* primary election spending limit of \$17,918.

Unopposed candidates: Unopposed participating candidates are not eligible to receive matching funds in the primary election period.

Independent candidates: Independent participating candidates are not eligible to receive matching funds in the primary election period. Independent participating candidates receive 70% of the sum of the primary election spending limit and the general election spending limit. The funding is received as soon as the candidate is approved to receive funding and is available for the candidate to spend in both the primary and general elections. A.R.S. § 16-951(A)(2) & -953(A).

Independent Expenditures

Chapter 8 explains how a participating candidate may be eligible to receive matching funds when an independent expenditure advocates the election or defeat of a particular candidate.

Process of Providing Matching Funds

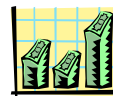
1. The Commission staff receives instant notification from the Secretary of State's Office whenever nonparticipating candidates file a campaign finance report.
2. The Commission staff calculates the amount of matching funds that are due to the participating candidate and notifies the candidate when funds will be available.
3. The matching fund checks are typically available on the next business day after Commission staff receives notification from the Secretary of State's Office. However, the Arizona Department of Administration (ADOA) processes the checks and the Commission has no control over ADOA timelines. The Commission staff will notify the participating candidate(s) that matching funds are available to them.

Trigger Reports & Reporting Dates

Please refer to Chapter 3 for information on filing trigger reports and reporting dates.

DATES OF GENERAL ELECTION PERIOD	
Legislative Offices:	September 13, 2006 – November 7, 2006
Statewide Offices:	September 13, 2006 – November 7, 2006

General Election Period Matching Funding



Participating candidates may receive matching funding in the general election period if their nonparticipating opponents receive contributions, minus expenditures made through the primary election, in excess of the general election spending limit.

<u>GENERAL ELECTION PERIOD MATCHING FUNDS EXAMPLE</u>	
Assumption: 1 legislative seat, 2 candidates 1 participating, 1 nonparticipating	
Nonparticipating candidate's total contributions	\$40,000
<u>Nonparticipating candidate's primary election expenditures</u>	<u>\$20,000</u>
Difference	\$20,000
<u>General Election Spending Limit</u>	<u>\$17,918</u>
<i>Matching funds provided</i>	<i>\$2,082</i>

General Election Period Matching Funds Limits

The chart below shows the initial general election funding, the maximum general matching funding and the maximum general total funding. The total monies distributed to a candidate, during the general election period, will not exceed three times the original general election spending limit.

GENERAL ELECTION PERIOD – Party Candidates			
Office	INITIAL GENERAL FUNDING +	MAXIMUM MATCHING FUNDS =	MAXIMUM TOTAL FUNDS
Governor	\$680,774	\$1,361,548	\$2,042,322
Secretary of State	\$143,325	\$286,650	\$429,975
Attorney General	\$143,325	\$286,650	\$429,975
Treasurer	\$71,655	\$143,310	\$214,965
Superintendent of Public Instruction	\$71,655	\$143,310	\$214,965
Corporation Commission	\$71,655	\$143,310	\$214,965
Mine Inspector	\$35,835	\$71,670	\$107,505
Legislature	\$17,918	\$35,836	\$53,754
One-Party-Dominant	\$11,945	\$23,890	\$35,835

Exceptions:

Candidates who have chosen the one-party-dominant reallocation option: General election matching funds will start for a participating candidate who has chosen the reallocation option whenever a nonparticipating opponent exceeds the *adjusted* general election spending limit of \$11,945.

Unopposed participating candidates: Unopposed participating candidates are not eligible to receive matching funds in the general election period.

Unopposed nonparticipating candidates in primary election: Expenditures made during the primary election period by or on behalf of an Independent candidate (see table on the following page) or a nonparticipating candidate who was unopposed in a party primary, shall be treated as though made during the general election period. Therefore, the matching funds calculations will not include any expenditures made by nonparticipating candidates during the primary election period.

GENERAL ELECTION PERIOD – Independent Candidates			
Office	INITIAL FUNDING (for Primary and General Election periods combined) +	MAXIMUM MATCHING FUNDS =	MAXIMUM TOTAL FUNDS
Independent Gubernatorial Candidates	\$794,236	\$1,361,548	\$2,155,784
Independent Secretary of State Candidates	\$167,213	\$286,650	\$453,863
Independent Attorney General Candidates	\$167,213	\$286,650	\$453,863
Independent Treasurer Candidates	\$83,598	\$143,310	\$226,908
Independent Superintendent of Public Instruction Candidates	\$83,598	\$143,310	\$226,908
Independent Corporation Commission Candidates	\$83,598	\$143,310	\$226,908
Independent Mine Inspector Candidates	\$41,808	\$71,670	\$113,478
Independent Legislative Candidate	\$20,904	\$35,836	\$56,740

Process of Providing Matching Funds

1. The Commission staff receives instant notification from the Secretary of State’s Office whenever nonparticipating candidates file a campaign finance report.
2. The Commission staff calculates the amount of matching funds that are due to the participating candidate and notifies the candidate when funds will be available.
3. The matching fund checks are typically available on the next business day after Commission staff receives notification from the Secretary of State’s Office. However, the Arizona Department of Administration (ADOA) processes the checks and the Commission has no control over ADOA timelines.

Transfer of Funds and Impact on Matching Funds

A nonparticipating candidate’s transfer of surplus funds from a previous election cycle to an account to be used in the present election will be considered a contribution, and will be included in the calculation of matching funds for the general election.

Independent Expenditures

Chapter 8 explains how a participating candidate may be eligible to receive matching funds when an independent expenditure advocates the election or defeat of a particular candidate.

Trigger Reports & Reporting Dates

Please refer to Chapter 3 for information on filing trigger reports and reporting dates.

Summary

- ❖ Participating candidates may receive matching funds in the primary election cycle if their nonparticipating opponent makes expenditures in excess of the primary election spending limit.
- ❖ Participating candidates may receive up to a total of three times the original primary election spending limit from the Commission during the primary election cycle.
- ❖ Participating candidates may receive matching funds in the general election cycle if their nonparticipating opponent receives contributions, minus expenditures made in the primary election period, in excess of the general election spending limit.
- ❖ Participating candidates may receive up to a total of three times the original primary election spending limit from the Commission during the primary election cycle, and up to a total of three times the original general election spending limit from the Commission during the general election cycle.

References

- ❖ Matching funds calculations
 - A.R.S. § 16-952(B) & (E)
 - A.A.C. R2-20-113



Chapter 5: Campaign Contributions

Chapter 5: The Clean Elections Act reduces the amount of contributions that nonparticipating legislative and statewide office candidates are permitted to accept. The contribution limits below reflect the adjusted contribution limits. "Contribution" means any gift, subscription, loan, advance or deposit of money or anything of value made for the purpose of influencing an election.



Definition of Contribution

"Contribution" means any gift, subscription, loan, advance or deposit of money or anything of value made for the purpose of influencing an election.

Contribution Includes the Following:

- A contribution made to retire campaign debt.
- Money or the fair market value of anything directly or indirectly given or loaned to an elected official for the purposes of defraying the expense of communications with constituents, regardless of whether the elected official has declared his or her candidacy.
- The entire amount paid to a political committee to attend a fundraising or other political event and the entire amount paid to a political committee as the purchase price for a fundraising meal or item. However, it is not considered to be a contribution if the actual cost of the meal or fundraising item is for the purchaser's personal use and not for resale, and the actual cost is the entire amount paid by the purchaser in connection with the event. The exception does not apply to auction items.
- Unless specifically exempted, the provision of goods or services without charge or at a charge that is less than the usual and normal charge for such goods and services.

Contribution Does NOT Include the Following:

1. Personal Services & Travel Expenses

- The value of services provided without compensation by any individual who volunteers on behalf of a candidate, a candidate's campaign committee or any other political committee.
- Any reimbursed payment for personal travel expenses made by an individual who, on his or her own behalf, volunteers his or her personal services to a candidate.
- Legal or accounting services provided to a candidate at no cost. This exemption only applies if the only person paying for the services is the regular employer of the person rendering the services and if services are solely for the purpose of compliance with A.R.S., Title 16.

2. Duties of Elected Officials

- Money or the value of anything directly or indirectly provided to defray the expense of an elected official meeting with constituents if the elected official is engaged in the performance of the duties of his or her office or provided by the state or a political subdivision to an elected official for communication with constituents if the elected official is engaged in the performance of the duties of his or her office.

3. Property, Food & Beverages

- An individual may use personal property, including their home, a church or community room used on a regular basis by members of a community for noncommercial purposes, in the course of volunteering for a candidate. For candidate-related activities, each adult in the household may spend up to \$100 for invitations, food and beverages only, which does not count as a contribution to the candidate. Any amount over \$100, or for any other purpose, will need to be reported as an in-kind contribution from the individual and is subject to individual contribution limits, or the campaign will have to pay as a campaign expenditure.

4. Political Party Activities

- **Slate cards and sample ballots:**
The payment by a political party for printing and postage expenses for slate cards, sample ballots, and other written materials that substantially promote three or more nominees of the party for public office. This exemption does not apply if costs are for a display of the listing of candidates made on telecommunications systems or in newspapers, magazines or similar types of general circulation advertising.
- **Campaign Materials:**
The political parties purchase of campaign materials including pins, bumper stickers, handbills, brochures, posters, party tabloids and yard signs, which will be used by the party in connection with volunteer activities on behalf of any nominee of the party. This exemption does not apply if payments are used for the costs of campaign materials or activities used in connection with any telecommunications system, newspaper, magazine, billboard, direct mail or similar type of general public communication or political advertising.

5. Independent Expenditures

- An expenditure by a person or political committee, other than a candidate's campaign committee, that expressly advocates the election or defeat of a clearly identified candidate, and that is made without cooperation or consultation with any candidate, candidate committee or candidate agent. *See Chapter 8 for more information on independent expenditures.*

6. Bank

- Monies loaned by a state bank, a federally chartered depository institution or a depository institution. In order for this exemption to apply, this loan shall be deemed a loan by each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors, the loan shall be made on a basis that assures repayment, evidenced by a

written instrument, shall be subject to a due date or amortization schedule and shall bear the usual and customary interest rate of the lending institution.

- Interest or dividends earned by a political committee on any bank accounts, deposits or other investments of the political committee. Participating candidates may **NOT** spend these monies. Participating candidates must send this money to the Commission at the end of the primary election period and at the end of the general election period.

7. Transfer for Joint Fundraiser

- A transfer between campaigns to distribute monies raised through a joint fundraising effort in which each candidate pays a proportionate share of the fundraising expenses and receives a proportionate share of the funds that are raised.

8. Vendor Extension of Credit

- An extension of credit for goods and services made in the ordinary course of the vendor's business. This applies only if the vendor provides similar terms of credit to other nonpolitical customers and makes a reasonable attempt to collect the debt. If the candidate does not pay the debt after 6 months, it shall be deemed receipt of a contribution by the candidate, but not a contribution by the creditor. If a candidate receives an extension of credit, it shall be considered to be outstanding debt and it shall be included in campaign finance reports filed by the candidate with the Secretary of State's Office.

9. Officeholder expenditures

- *See Chapter 9 for more information on the officeholder expenses rule.*

Important Note:



Contribution Prohibitions

A lobbyist may not give a contribution to a legislator or the Governor when the legislature is in regular session. In addition, lobbyists may not solicit contributions on behalf of a legislator or the Governor when the legislature is in regular session.

Nonparticipating Candidate Contribution Limits

The Clean Elections Act reduces the amount of contributions that nonparticipating legislative and statewide office candidates are permitted to accept. The contribution limits below reflect the adjusted contribution limits. There is also no limit on total contributions a nonparticipating candidate may accept.

<u>Contribution Limits</u>	<u>Legislative Offices</u>	<u>Statewide Offices</u>
Individual's contribution to a candidate	\$296	\$760
Political Committee's contribution to a candidate	\$296	\$760
Super PAC's contribution to a candidate	\$1,512	\$3,784
Nominee's total from political party and all political organizations combined	\$7,568	\$75,624
Total contributed by an individual to candidates and committees who give to candidates	\$3,530 in a calendar year	\$3,530 in a calendar year



Personal Monies

There is no limit on the amount a nonparticipating candidate or a nonparticipating candidate's family member may contribute to his campaign. Family member is defined as a parent, grandparent, spouse, child or sibling of the candidate or a parent or spouse of any of those aforementioned persons.

Initial Notification: When a nonparticipating candidate contributes more than \$14,800 (legislature)/\$29,580 (statewide) in personal monies to his or her own campaign, the candidate is held to certain notification requirements. The nonparticipating candidate must send a written notice indicating the amount contributed or promised, within 24 hours excluding weekends and holidays, by certified mail, to the Secretary of State’s Office and to all opposing candidates and their campaign committees. Opposing nonparticipating candidates then are no longer restricted to the contributions limit (shown in the table on the previous page) and may raise contributions without restriction until such time that they have raised up to the amount of personal monies contributed or promised to the candidate giving the notification. Once a candidate has raised monies up to the level of the candidate giving the notification, the candidate is again held to the contribution limits (shown in the table on the previous page).

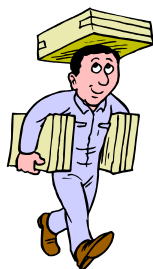
Additional Notification: After the initial notification, each time the candidate contributes or promises to contribute personal monies exceeding an additional \$7,410 (legislature)/\$14,800 (statewide), the candidate must again notify the Secretary of State’s Office as well as all opposing candidates by certified mail within 24 hours, and the contribution limits are again removed from all nonparticipating opponents.

Please refer to the table below for the personal monies notification levels.

<u>Office</u>	<u>Initial Personal Money notification level</u>	<u>Additional notification level</u>
Legislature	\$14,800	\$7,410
Statewide	\$29,580	\$14,800

PERSONAL MONIES CONTRIBUTION EXAMPLE

A nonparticipating legislative candidate gives \$12,000 to his own campaign. Because this amount is over the notification level of \$11,840, the candidate must notify the Secretary of State’s Office and his opposing candidates, by certified mail within 24 hours excluding weekends and holidays, that he has contributed personal monies totaling \$12,000 to his own campaign. His nonparticipating opposition may then go out and raise contributions from political committees, individuals, political parties and all political organizations totaling \$12,000. The contribution limits per political committee, individual, and political organization are off. An individual can contribute more than \$296, a political committee can contribute \$296 and political organizations can contribute more than \$7,568 to any of the opposing candidates until the opposing candidate reaches \$12,000 in contributions.



In-Kind Contributions

An in-kind contribution is a contribution of goods or services or anything of value that is not a monetary contribution. An individual may give candidates both in-kind contributions and monetary contributions, however the combined total contributed to the candidate may not exceed \$296/person (legislature) or \$760/person (statewide).

In-kind contributions must be assessed at a fair value and must be included in campaign finance reports filed by the candidate with the Secretary of State.

IN-KIND CONTRIBUTION EXAMPLE

A contributor has 4 boxes of printer paper lying around her home that she would like to donate to a nonparticipating candidate's campaign. This would be considered an in-kind contribution by the contributor to a candidate's campaign. The in-kind contribution is permissible as long as the contributor has not already reached her personal contribution limit of \$296 (legislative)/\$760 (statewide). The candidate needs to assess a fair market value for the paper and she decides on \$25 per box. The candidate, therefore, needs to include in the next campaign finance report that she has received an in-kind contribution of \$100 to her campaign and she needs to include a description of what the in-kind contribution was (example: 4 boxes of printer paper).

Loans

A loan is a contribution. The contribution limits apply to loans. A loan in excess of the contribution limits is illegal whether or not it is repaid.

Contributions Reported in a Campaign Finance Report

A campaign finance report must include all contributions accepted by the committee through the end of the reporting period. It is the candidate and the treasurer's responsibility to ensure that all contributions are entered in the campaign finance software. Entering campaign contributions into the software on a daily basis is a crucial component of complying with campaign finance laws.

It is the treasurer's responsibility to communicate to campaign staff the importance of turning in receipts so that the campaign can remain in compliance with the campaign finance law. The date the contribution is received is the date used in reporting the contribution. An expenditure made by a campaign staffer using personal funds is considered a contribution to the campaign, unless the staffer was given an advance for the expenditure, is reimbursed the same day the expenditure was made, or the expenditure was for travel and the staffer will not seek reimbursement.

Each contribution reported in a campaign finance report shall include the name, address and occupation of the contributor. Contributions of \$25 or less may be aggregated. The campaign finance software provides separate sections for the user to enter those contributions less than and those greater than \$25.

Remedying an Excessive Contribution

If a candidate receives a contribution that exceeds the contribution limits, the candidate must refund the excessive contribution to the contributor. The candidate must enter the original amount received and the refunded amount in the campaign finance software. The software contains a designated section to key in refunded contributions.

Summary

- ❖ “Contribution” means any gift, subscription, loan, advance or deposit of money or anything of value made for the purpose of influencing an election.
- ❖ Nonparticipating candidates are subject to limitations on contributions from individuals, PACs and political parties, however there is no aggregate contribution limit.
- ❖ An in-kind contribution is a contribution of goods or services or anything of value that is not a monetary contribution.
- ❖ A campaign finance report filed by a nonparticipating candidate shall include all contributions received through the end of the reporting period.

References

- ❖ Nonparticipating candidate contribution limits
 - A.R.S. § 16-905
 - A.R.S. § 16-941(B)(1)
- ❖ Definition of contribution
 - A.R.S. § 16-901(5)
- ❖ Personal monies notification
 - A.R.S. § 16-905(F)
- ❖ Definition of in-kind contribution
 - A.R.S. § 16-901(15)
- ❖ Campaign loans
 - A.R.S. § 16-901(5)(a)(ii)
- ❖ Contents of campaign finance reports
 - A.R.S. § 16-915



Chapter 6: Campaign Expenditures

Chapter 6: A campaign expenditure is incurred when a committee makes a direct payment to a vendor or incurs debt. A campaign finance report must include all expenditures made by the committee through the end of the reporting period.



Definition of Expenditure

An “expenditure” is any purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value made by a person for the purpose of influencing an election in this state. The definition of expenditure includes a contract, promise or agreement to make an expenditure resulting in an extension of credit and the value of any in-kind contribution received.

Expenditure Does NOT Include the Following:

- A news story, commentary or editorial distributed through any telecommunications system, newspaper, magazine or other periodical publication. This exemption does not apply if the publications’ facilities are owned or controlled by a political committee, political party or candidate.
- Nonpartisan activity designed to encourage individuals to vote or to register to vote.
- The payment by a political party of the costs of preparation, display, mailing or other distribution incurred by the party with respect to any printed slate card, sample ballot or other printed listing of three or more candidates for any elective office. This exemption does not apply if the display of candidates is made on any telecommunications system or in newspapers, magazines or similar types of general public political advertising.
- The political parties’ purchase of campaign materials including pins, bumper stickers, handbills, brochures, posters, party tabloids and yard signs, which will be used by the party in connection with volunteer activities on behalf of any nominee of the party. This exemption does not apply if payments are used for the costs of campaign materials or activities used in connection with any telecommunications system, newspaper, magazine, billboard, direct mail or similar type of general public communication or political advertising.
- Any deposit or other payment filed with the Secretary of State’s Office or any other similar officer to pay any portion of the cost of printing an argument in a publicity pamphlet advocating or opposing a ballot measure.

Important Note:



Making Expenditures

No expenditure may be made for or on behalf of a committee without the authorization of the candidate, treasurer or his designated agent. The candidate is ultimately responsible for compliance with the requirements.

Contents of All Campaign Finance Reports

All campaign finance reports shall include the following information regarding the campaign's receipts and disbursements:

1. The amount of cash on hand at the beginning of the reporting period.
2. For the reporting period and the election, the total amount of all receipts and an itemized list of all receipts in the following categories, together with the total of all receipts in each category:
 - a. Contributions from individuals.
 - b. Contributions from political committees.
 - c. For a candidate's campaign committee, the candidate's contribution or promise of personal monies, including loans guaranteed by the candidate.
 - d. All other loans.
 - e. Rebates, refunds and other offsets to operating expenditures.
 - f. Dividends, interest and other forms of receipts.
 - g. The value of in-kind contributions.
3. The identification of each:
 - a. Individual who makes any contribution during the period covered by the report whose total contribution or contributions for that election have an aggregate amount exceeding twenty-five dollars together with the date and amount of the contributions. Contributions of twenty-five dollars or less may be aggregated.
 - b. Political committee that makes a contribution during the period covered by the report together with the date and amount of the contribution.
 - c. Person who makes a loan during the period covered by the report, together with the identification of any endorser or guarantor of the loan and the amount endorsed or guaranteed by each, and the date and amount of the loan.
 - d. Person who provides any rebate, refund or other offset to operating expenditures during the period covered by the report together with the date and amount of the receipt.

- e. Person who provides a dividend, interest or other receipt during the period covered by the report, together with the date and amount of the receipt.
4. For the reporting period and the election, the total amount of all disbursements and an itemized list of all disbursements in the following categories together with the total of all disbursements in each category:
 - a. Expenditures, other than a contract, promise or agreement to make an expenditure resulting in an extension of credit, made to meet committee operating expenses.
 - b. Transfers to other political committees.
 - c. For a candidate's campaign committee, the repayment of loans made or guaranteed by the candidate.
 - d. Repayment of all other loans.
 - e. Refunds of contributions received and other offsets to contributions.
 - f. Loans made by the reporting political committee.
 - g. The value of in-kind contributions received.
 - h. Independent expenditures.
 - i. Any other disbursements.
5. The name and address of each recipient of an expenditure made during the period covered by the report and the date, amount of the expenditure and a clear description of the items or services purchased.
6. An itemized account of the campaign debts and extensions of credit that are owed by the candidate or political committee and that remain outstanding, including the name and address of the obligee or creditor, the amount owed, whether the amount is certain or estimated and on what basis, and the purpose of the obligation. An obligation that is itemized on a campaign finance report shall be listed on all subsequent finance reports until extinguished.
7. The total sum of all receipts, together with the total receipts less offsets, and the total sum of all disbursements, together with the total disbursements less offsets, for both the period covered by the report and the election.



Expenditures Reported in a Campaign Finance Report

A campaign finance report must include all expenditures made by the committee through the end of the reporting period. It is the candidate's responsibility to ensure that all expenditures are entered in the campaign finance software. Entering campaign expenditures into the software on a daily basis is a crucial component of complying with campaign finance law. It is the candidate's responsibility to communicate to staff the importance of turning in receipts so that the campaign can remain in

compliance with the campaign finance law. Each expenditure reported in a campaign finance report shall include a description of the goods and services that were purchased. The campaign finance software provides a space for the user to enter a description for each expenditure.

Reporting Debt

The definition of “expenditure” includes campaign debt and extensions of credit. Debt is incurred by a candidate when the promise, contract or agreement to make an expenditure occurs. For example, if a candidate places an order for campaign signs that is payable upon delivery, the moment the candidate places the order, the candidate has incurred a debt.

The campaign finance software contains a specific section for outstanding debt to be entered. If the exact level of debt is unknown, it shall be estimated. Each campaign finance report must include an itemized account of the campaign debts and extensions of credit that are owed by the candidate and that remain outstanding. The campaign finance report must include the name and address of the obligee or creditor, the amount owed, whether the amount is certain or estimated and on what basis, and the purpose of the obligation. An obligation that is itemized on a campaign finance report shall be listed on all subsequent finance reports until extinguished. Debt and extensions of credit must be reported continuously until paid.

***Exception:** Regularly recurring administrative expenses such as rent, utilities and salaries are NOT considered to be debts until the payments are past due.

Using a Personal Credit Card



The treasurer shall instruct campaign workers on the need to arrange for advances for travel expenses or to request a campaign check to purchase goods or services for the campaign.

If someone uses a personal credit card on behalf of a campaign, the expenditure is incurred immediately upon use, *not* when the bill is received. Until such time that the campaign reimburses the individual who used the credit card, the amount is considered to be an in-kind contribution.

When the person who used the credit card is reimbursed, the treasurer shall include on the campaign finance report the full name and street address of the person, and the nature of the goods and services for which payment has been made.

Petty Cash Accounts

A candidate’s campaign committee may establish one or more petty cash accounts. On a campaign finance report, the treasurer shall identify the name and address of the person who withdrew the cash, the date, the amount of cash withdrawn, and a memo stating “petty cash.”

Expenditures made with petty cash do *not* need to be itemized on a campaign finance report; however, the treasurer shall maintain a detailed record of all expenditures that are made with petty cash.

Refund & Repayment

If a candidate receives a refund from an expenditure (for example, the candidate returned merchandise to the store), the original expenditure and the refunded amount must be reported. The campaign software includes a specific section to report refunds.

A loan repayment is NOT an expenditure. The campaign finance software contains a specific section to enter in loan repayments.

A refund of a contribution is NOT an expenditure. The campaign finance software contains a specific section to enter in contribution refunds.

Important Notes:



Reporting Expenditures

- Any outlay of cash, the writing of a personal check or the use of a credit card by a staff member or consultant for which the staff member or consultant will be reimbursed is considered to be an expenditure on the day the cash, check, or credit card is used, NOT when the person is reimbursed.
- If the campaign orders any service or good, and either knows the cost of that good or service, or can make a reasonable estimate of that service or good, the expenditure must be reported in the reporting period that includes the date that the campaign orders the service (for example, if a campaign knows the per copy cost of printing, and orders 100,000 copies, it must report the expenditure in the reporting period that includes the date it orders the copies—even if an invoice is received later).
- Recurring services such as telephone service, cell phone service, utility service, and rent, become reportable expenditures the date that the campaign (or consultant or staff, if a staff member or consultant will pay the bill and be reimbursed) receives the bill as long as the bill is sent using the same billing procedures for its other customers.

Summary

- ❖ A campaign finance report filed by a candidate must include all expenditures made by the committee through the end of the reporting period. This includes any outstanding debt.
- ❖ Outstanding debt is incurred whenever a promise, contract or agreement to make an expenditure occurs.
- ❖ An expenditure made with a credit card is incurred immediately upon use, NOT when the bill is received.

References

- ❖ Definition of expenditure
 - A.R.S. § 16-901(8)
- ❖ Contents of campaign finance reports
 - A.R.S. § 16-915
- ❖ Petty cash accounts
 - A.R.S. § 16-948(C)



Chapter 7: Voter Education

Chapter 7: The Commission sponsors debates for candidates in both the primary and general election periods. Nonparticipating candidates are encouraged to participate in the debates. The Commission mails a candidate statement pamphlet to each household in Arizona with a registered voter. All candidates are given the opportunity to submit a statement and a photograph to be included in the pamphlets.

Debates



The Commission sponsors debates among candidates in both the primary election period and the general election period. Participating candidates are required to attend and participate in debates. The Commission also invites and encourages nonparticipating candidates to participate in debates.

The Commission chooses sponsors and ensures the debates are carried out in a strictly nonpartisan and professional manner. The Commission will be considered a “co-sponsor” of the debates for advertising purposes; however, the “sponsoring organization” will make all debate arrangements, including dates, times, locations, media coverage, format and ground rules.

Participation

Nonparticipating candidates are invited and encouraged to participate in debates. Candidates invited to participate in the debates will be limited to those candidates who will appear on the primary or general election ballots. All candidates must appear in person, not by proxy or electronically, unless to accommodate a disability. One debate will be held in the primary election period and one debate will be held in the general election period, circumstances permitting.

Candidate Statement Pamphlets



The Commission will produce primary and general election candidate statement pamphlets for the 2006 elections. The Commission will produce and mail candidate statement pamphlets to every household in Arizona that has a registered voter before the start of early voting for both the primary and general elections.

Nonparticipating candidates may supply the Commission with a statement and photograph for inclusion in the pamphlets. All candidates who will appear on either the primary or general election ballot may submit a statement by the deadline. The pamphlets will include the office in which the candidate is running, as well as the candidate’s name, party affiliation, funding source, web address and statement. Candidates will be allowed to submit separate statements for the primary and general election pamphlets.

Submission Deadlines

The Commission will not accept late submissions for inclusion in the pamphlets. Primary election statements and photographs shall be submitted no later than 5:00pm on June 14, 2006 for inclusion in the primary election pamphlet. General election statements and photographs shall be submitted no later than 5:00pm on August 3, 2006.

Statements

The 2006 pamphlets will include statements of 200 words in length. The Commission will allow candidates to submit separate statements for the primary and general election pamphlets. New statements will be accepted for the general election pamphlet. If a statement is not submitted for the primary election pamphlet, and a candidate wins the primary election, the candidate may submit a statement for the general election pamphlet. If a candidate submits a statement for the primary election pamphlet and does not submit a new statement for the general election pamphlet, the statement from the primary election pamphlet will be used for the general election pamphlet.

The Commission will only accept statements electronically through the Commission's website. Statements that exceed the allotted 200 words will be NOT be accepted.

Photographs

The 2006 pamphlets will include photographs of candidates. A statement can be submitted without having submitted a photograph, or vice versa. The Commission will accept digital photos only. Candidates can submit digital photos through the Commission website, by e-mail or candidates can make an appointment to have a digital photo taken at the Commission's graphic design firm. If a candidate submits a photo for inclusion in the primary election pamphlet, the same photo will be used for the general election pamphlet. Photos for inclusion in the general election pamphlet will only be accepted from candidates who did not submit a photo for inclusion in the primary election pamphlet.

Submission Process

- Submit the statement and photo online at www.azcleaselections.gov. After the statement and photo are submitted, a verification form will appear.
- Print out and review the verification form for submission to the Commission.
- Sign and date the verification form and make a copy of the verification form for candidate records.
- Fax the verification form or mail the verification form to the Commission immediately after the statement is submitted. The verification form **MUST BE RECEIVED** by the Commission on or before 5:00pm on the deadlines of June 14, 2006 (primary election pamphlet) and August 3, 2006 (general election pamphlet).
FAX: 602-364-3487 / 1616 W. Adams, Suite 110 Phoenix, AZ 85007
- The Commission will receive the verification form and enter the statement and photo into the pamphlets.

All statements will appear in the pamphlets exactly as they are submitted. The Commission will not permit changes to statements after the final verification form has been returned.

Upon request, the Commission will offer the use of an internal, public computer should candidates need to utilize these facilities in order to submit statements. This computer will be housed at the Commission's office.

Please visit the Commission's website at www.azcleanelections.gov for detailed instructions on how to submit a statement and photograph.

Format and Availability

The pamphlets will be available in English/Spanish and large-type print. The Commission will distribute additional copies of the pamphlets to the Secretary of State's Office, the 15 county election offices, political parties, and public libraries.

For the primary election, the pamphlets will be mailed to every household with a registered voter no later than August 10, 2006. For the general election, the pamphlets will be mailed every household with a registered voter no later than October 5, 2006.

Summary

- ❖ The Commission sponsors debates that are administered by sponsoring organizations that make all debate arrangements, including dates, times, locations, media coverage, format and ground rules.
- ❖ Nonparticipating candidates are invited and encouraged to participate in the debates.
- ❖ The Commission mails Candidate Statement Pamphlets to each household in Arizona with a registered voter.
- ❖ All candidates who are qualified for the ballot are invited to submit a statement and a photograph to be included in the Candidate Statement Pamphlets.
- ❖ Detailed instructions regarding how to submit a statement and photograph are available on the Commission's website at www.azcleanelections.gov

References

- ❖ Commission is responsible for sponsoring debates
 - A.R.S. § 16-956(A)(2)
 - A.A.C. R2-20-107(A)
- ❖ Commission is responsible for producing and mailing candidate statement pamphlets
 - A.R.S. § 16-956(A)(1)



Chapter 8: Independent Expenditures

Chapter 8: A person or group may make an independent expenditure to advocate the election or defeat of a candidate or candidates. Those who make independent expenditures must register with the Secretary of State and must file campaign finance reports whenever certain triggering thresholds are met and exceeded. Participating candidates may receive matching funds for independent expenditures that are made against them or in favor of their opponents.



Filing an Independent Expenditure Committee

A person or group who wants to make independent expenditures cumulatively exceeding \$500 is required to file a Statement of Organization with the Secretary of State before receiving contributions or making expenditures. Once registered with the Secretary of State's Office, the person is held to all campaign finance laws and reporting requirements. The Secretary of State's Office will provide the person with a copy of the campaign finance software, which shall be used to electronically file all campaign finance reports.

A person or group who wants to make independent expenditures that cumulatively do NOT exceed \$500 must file a \$500 threshold exemption statement with the Secretary of State's Office.

Definition of Independent Expenditure

An independent expenditure is an expenditure by a person or political committee, other than a candidate's campaign committee, that expressly advocates the election or defeat of a clearly identified candidate, that is made without cooperation or consultation with any candidate or committee or agent of the candidate and that is not made in concert with or at the request or suggestion of a candidate, or any committee or agent of the candidate.

Definition of Express Advocacy

1. Conveying a communication containing a phrase such as "vote for," "elect," "re-elect," "support," "endorse," "cast your ballot for," "(name of candidate) in (year)," "(name of candidate) for (office)," "vote against," "defeat," "reject," or a campaign slogan or words that in context can have no reasonable meaning other than to advocate the election or defeat of one or more clearly identified candidates; or

2. Making a general public communication, such as in a broadcast medium, newspaper, magazine, billboard, or direct mailer referring to one or more clearly identified candidates and targeted to the electorate of that candidate(s):
 - That in context can have no reasonable meaning other than to advocate the election or defeat of the candidate(s), as evidenced by factors such as the presentation of the candidate(s) in a favorable or unfavorable light, the targeting, placement, or timing of the communication, or the inclusion of statements of the candidate(s) or opponents; or
 - In the sixteen-week period immediately preceding a general election.
3. A general public communication shall not be considered as one that "expressly advocates" merely because it presents information about the voting record or position on a campaign issue of three or more candidates, so long as it is not made in coordination with a candidate, political party, agent of the candidate or party, or a person who is coordinating with a candidate or candidate's agent.

What is NOT Considered to be an Independent Expenditure



An expenditure by a political committee or a person that does not meet the definition of an independent expenditure is considered to be an in-kind contribution to the candidate, and a corresponding expenditure by the candidate, unless otherwise exempted. An expenditure is NOT an independent expenditure if any of the following applies:

- Any officer, member, employee or agent of the political committee making the expenditure is also an officer, member, employee or agent of the committee of the candidate whose election or whose opponent's defeat is being advocated by the expenditure or an agent of the candidate whose election or whose opponent's defeat is being advocated by the expenditure.
- There is any arrangement, coordination or direction with respect to the expenditure between the candidate or the candidate's agent and the person making the expenditure, including any officer, director, employee or agent of that person.
- In the same election the person making the expenditure, including any officer, director, employee or agent of that person, is or has been:
 - (i) Authorized to raise or expend monies on behalf of the candidate or the candidate's authorized committees.
 - (ii) Receiving any form of compensation or reimbursement from the candidate, the candidate's committees or the candidate's agent.
- The expenditure is based on information about the candidate's plans, projects or needs, or those of his campaign committee, provided to the expending person by the candidate or by the candidate's agents or any officer, member or employee of the candidate's campaign committee with a view toward having the expenditure made.

Exceptions for Certain Organizations

Certain organizations are permitted by law to make expenditures that will not be considered to be political contributions to a candidate or an independent expenditure:

1. Communications by a corporation to its stockholders and executive or administrative personnel and their families, or by a labor organization to its members and their families, on any subject.
2. Nonpartisan registration and get-out-the-vote campaigns by a corporation aimed at its stockholders and executive or administrative personnel and their families or by a labor organization aimed at its members and their families.
3. The establishment, administration and solicitation of voluntary contributions to a separate segregated fund to be utilized for political purposes by a corporation, labor organization, membership organization, trade association, cooperative or corporation without capital stock.
4. The establishment, administration and solicitation of voluntary contributions from employees of a corporation or limited liability company, including contributions made by payroll deduction, deposit or transfer or other similar method, and that are made directly to a separate segregated fund that is used for political purposes by a trade association of which the employing corporation or limited liability company is a member.
5. Contributions for use to support or oppose an initiative or referendum measure or amendment to the constitution.
6. A membership organization, trade association, cooperative or corporation without capital stock may engage in the activities permitted in paragraphs 1 and 2 of this section if such activities are directed toward its members, stockholders or members of its members, its and its members' executive or administrative personnel, and their families.



Independent Expenditure Trigger Reporting Dates

A person making an independent expenditure is required to file campaign finance reports whenever certain expenditure thresholds are reached. Any person that makes independent expenditures cumulatively exceeding \$500 in an election cycle is required to file an original campaign finance report by the next due date listed in the chart below. A supplemental campaign finance report must be filed by the next due date when previously unreported independent expenditures exceed \$1,000.

On the following page is a chart of original and supplemental trigger reporting dates. When a person making an independent expenditure reaches a trigger threshold, the person is required to file a campaign finance report by the next due date listed in the chart. Each independent expenditure reported must include a designation of the office and the candidate(s) whose election or defeat is being advocated, and whether the independent expenditure advocates the election or the defeat of the candidate(s). The campaign finance software provides designated areas to enter the required information.

INDEPENDENT EXPENDITURE 2006 TRIGGER REPORTING DATES	
January	1
February	1
March	1
April	1
May	1
June	1
July	1, 11, 18, 25
August	1, 8, 15, 22, 29, 30, 31
September	1, 5, 6, 7, 8, 11, 12, 19, 26
October	3, 10, 17, 24, 25, 26, 27, 30, 31
November	1, 2, 3, 6, 7
December	<i>none</i>

Matching Funds for Participating Candidates



The Commission will provide matching funding to participating candidates affected by independent expenditures. Participating candidates may receive matching funding for independent expenditures made against them or in favor of opposing candidates. However, the total monies distributed to a candidate during an election period will not exceed three times the original election spending limit.

The following expenditures shall be treated as follows when calculating matching funds:

- Independent expenditures against a participating candidate shall be treated as expenditures of each opposing candidate in the primary election period, or contributions to each opposing candidate in the general election period.
- Independent expenditures in favor of one or more nonparticipating opponents of a participating candidate shall be treated as expenditures of those nonparticipating candidates in the primary election period or contributions to those nonparticipating candidates in the general election period.
- Independent expenditures in favor of a participating candidate shall be treated, for every opposing participating candidate, as though the independent expenditures were an expenditure of a nonparticipating opponent in the primary election period, or a contribution to a nonparticipating opponent in the general election period.

For further details regarding matching funds calculations, refer to the primary and general elections matching funds explanations in Chapter 4.

Process of Providing Matching Funds

1. The Commission receives notification from the Secretary of State's Office whenever persons making independent expenditures file a campaign finance report. The Commission has the authority to provide matching funds based on information gathered from a campaign finance report or from other information that comes to the Commission's attention. Therefore, if a person fails to report activity but the Commission is aware that independent expenditures have been made, the Commission may estimate the value of a known expenditure and provide matching funds to participating candidates.
2. The Commission staff calculates the amount of matching funds that are due to the participating candidate and notifies the candidate when funds will be available.
3. The matching fund checks are typically available on the next business day after Commission staff receives notification from the Secretary of State's Office. However, the Arizona Department of Administration (ADOA) processes the checks and the Commission has no control over ADOA timelines.

Summary

- ❖ Persons or groups who want to make independent expenditures cumulatively exceeding \$500 must first file a statement of organization with the Secretary of State's Office. Persons or groups who want to make independent expenditures that cumulatively do not exceed \$500 must file a \$500 threshold exemption statement with the Secretary of State's Office.
- ❖ An independent expenditure is an expenditure that is made without cooperation or consultation with the candidate whose election or defeat is being expressly advocated.
- ❖ Persons making independent expenditures must file campaign finance reports when certain expenditure thresholds are met and exceeded.
- ❖ Participating candidates may receive matching funds for independent expenditures that are made against them or in favor of their opponents.

References

- ❖ Registration of independent expenditure committees
 - A.R.S. § 16-902.01
- ❖ Definition of independent expenditure
 - A.R.S. § 16-901(14)
- ❖ Definition of express advocacy
 - A.R.S. § 16-901.01
- ❖ Permitted expenditures by corporation and labor organizations
 - A.R.S. § 16-920
- ❖ Trigger reporting levels and dates
 - A.R.S. § 16-941(D)
 - A.R.S. § 16-958
- ❖ Matching funds calculations
 - A.R.S. § 16-952
 - A.A.C. R2-20-113



Chapter 9: Post-Election

Chapter 9: After an election, a candidate may terminate his committee by filing a termination statement with the Secretary of State. All office holders may establish a separate account to raise and spend monies for officeholder related expenses.



Terminating the Campaign Committee

A candidate may terminate his or her political committee by having the committee chairman and treasurer file a termination statement with the Secretary of State's Office. The chairman and treasurer certify that the committee will no longer receive any contributions or make any disbursements, that the committee has no outstanding debts or obligations, and that any surplus monies have been disposed of properly pursuant to A.R.S. § 16-915.01 together with a statement of the manner of disposition of the surplus, the name and address of each recipient of surplus monies and the date and amount of each disposition of surplus monies.

The Secretary of State's Office requires the committee to file a campaign finance report showing a zero account balance before the committee can officially be terminated.

An exploratory or candidate committee may transfer the committee's debts and obligations to a subsequent committee for that individual or candidate, as prescribed by A.R.S. § 16-915.01, and in that event may terminate without certifying that the committee has no outstanding debts or obligations.

Officeholder Expenses

Current officeholders, both participating and nonparticipating, are permitted to raise and spend money to pay for officeholder related expenses. The intent of the officeholder expenses rule is to allow participating candidates to raise money to spend on office related needs and to help prevent nonparticipating candidates from triggering matching funds for their opponents in future elections. Failure to register an officeholder expense committee may cause participating candidates to inadvertently exceed their next election cycle early contribution limits and nonparticipating candidates to inadvertently trigger matching funds for their opponents.

Spending Limits

Prior to April 30 of the election year for that office, an elected official may raise or spend money to defray the expense of performing officeholder duties.

- The candidate may exhaust all surplus monies from prior campaign accounts or may use personal monies for officeholder expenses.
- Money raised shall be only from individuals and the maximum raised from an individual during the election cycle shall not exceed \$60.
- The sum of the money raised or spent shall not exceed two times the early contribution limit applicable to the officeholder's current office. The chart below lists the limits for each office:

2006 OFFICEHOLDER EXPENSES LIMITS	
Governor	\$92,880
Secretary of State	\$47,640
Attorney General	\$47,640
Treasurer	\$23,820
Superintendent of Public Instruction	\$23,820
Corporation Commission	\$23,820
Mine Inspector	\$11,900
Legislature	\$5,960

Officeholder Expense Account

Before making any expenditures or raising any monies for the officeholder expense account, the officeholder must file a statement of organization with the Secretary of State's Office with the designation "Officeholder Expense Account." The account shall be separate from any candidate campaign account. All activity related to officeholder expenses are deemed reportable. The officeholder must file all period campaign finance reports, until such time that the account has been terminated with the Secretary of State. Any money remaining in the officeholder expense account after April 30 of an election year shall either not be spent for the remainder of the calendar year, or shall be remitted to the Fund.

Time Limit

Officeholder expenses money must be raised, spent, and the benefit from the expenditure received by April 30 of the election year. Any expenditure made after April 30 will be considered to be a regular campaign expenditure. For current legislative officeholders, the cutoff date is April 30, 2006. For current statewide officeholders, the cutoff date is April 30 of their respective re-election year.

Permissible Expenditures

Money in the officeholder expense account CANNOT not be used for direct campaign purposes or in connection with the officeholder's future campaign for elective office.

Permissible uses of the money in the officeholder expense account include:

- Expenditures for office equipment and supplies.
- Expenditures for work-related travel.
- Donations to tax-exempt charitable organizations.
- Expenditures to meet or communicate with constituents.

Summary

- ❖ In order to terminate the candidate committee, the candidate must file a termination statement with the Secretary of State's Office and must file a campaign finance report showing a zero account balance.
- ❖ Current officeholders may raise and spend monies for officeholder related expenses. A separate account must be established with the Secretary of State's Office.

References

- ❖ Terminating the campaign committee
 - A.R.S. § 16-914(A)
- ❖ Officeholder expenses
 - A.A.C. R2-20-104(F)



Chapter 10: Enforcement

Chapter 10: Enforcement - The Commission is charged with the responsibility of enforcing the Clean Elections Act and has the authority to impose civil penalties on participating AND nonparticipating candidates. The Commission may initiate an enforcement action based on staff analysis, or the Commission may receive a written complaint from a member of the public. The Commission also has the authority to conduct financial audits on all candidates' campaign accounts.

Enforcement Procedures



Externally Generated

Any person may file a complaint against a candidate if he or she believes a violation of the Commission Act or Rules has occurred or is about to occur. The complaint must be made in writing, and the signature of the complainant must be notarized. The Commission will **NOT** accept verbal or anonymous complaints. A compliant complaint must:

- Provide the full name and address of the person filing the complaint (“complainant”);
- Be signed, sworn to and notarized by a notary public;
- Clearly identify each person, committee or group that is alleged to have committed a violation (“respondent”);
- Clearly recite the facts showing specific violations under the Commission’s jurisdiction;
- Include any documentation supporting the allegations; and
- Differentiate between statements based on the complainant’s personal knowledge and those based on information from others.

If the complaint is in compliance with the above listed requirements, the Commission will assign it a Matter Under Review (MUR) number, send an acknowledgement to the complainant and send a copy of the complaint to the respondent. If the complaint does not comply with the above listed requirements, the Commission shall notify the complainant and the complainant may resubmit his or her complaint.

Internally Generated

The Commission staff, in its review of campaign finance reports, or otherwise, may initiate an internally generated complaint against a candidate. Complaints may be internally generated based on the findings of an audit. The complaint is handled in an identical manner to an externally generated complaint, with the Commission acting as the complainant.

Respondent's Opportunity to Respond to a Complaint

Within 5 days after receiving a complaint, the Commission will send a copy of the complaint to the respondent. Upon receipt, the respondent has 5 days to provide the Commission with a written response.

After the 5-day response period, the Executive Director will evaluate the matter to determine whether there is reason to believe that a violation has occurred. The Executive Director has the authority to dismiss frivolous and erroneous complaints without them being presented to the Commission.

Reason to Believe Recommendation

The Executive Director will review the written complaint, the respondent's written response, campaign finance reports and any supporting documentation provided by the complainant and respondent. A full-fledged investigation of the matter will not begin unless the Commission finds reason to believe a violation has occurred.

The Executive Director shall make a recommendation to the Commission at a public Commission meeting whether or not there is reason to believe a violation has occurred. If the Commission decides that there is no reason to believe a violation has occurred, the matter will be closed and both parties will be notified in writing. If at least 3 of the 5 commissioners find that there is reason to believe a violation has occurred, the Commission staff will open an investigation into the matter.

Investigation

If the Commission finds that there is reason to believe that a violation has occurred, the Commission shall serve on that person an order stating with reasonable particularity the nature of the violation and requiring compliance within 14 days. During that period, the respondent may provide an explanation to the Commission, comply with the order, or enter into a public administrative settlement with the Commission. Also, during the 14-day period, the Commission may perform additional investigative work and will consider any additional explanation provided by the respondent. The Commission investigation may include field investigations, audits and other methods of information gathering. The Commission may also issue subpoenas and orders requiring persons to answer written questions.

Probable Cause to Believe Recommendation

Upon expiration of the 14 days and the investigation, the Executive Director will prepare a probable cause to believe recommendation stating his or her recommendation on whether there is probable cause to believe that a violation has occurred. The Executive Director's recommendation will be sent to the respondent and the respondent will have 5 days to respond, in writing, to the recommendation. After reviewing the respondent's response (if any), the Executive Director will prepare a final recommendation to the Commission.

The Executive Director will present the probable cause to believe recommendation to the Commission at a public meeting. If the Commission finds that there is probable cause to believe a violation has occurred, the Commission shall make a public finding to that effect and issue an order assessing a civil penalty, unless the Commission publishes findings of fact and conclusions of law expressing good cause for reducing or excusing the penalty. If the Commission finds no probable cause, the complaint shall be terminated and both the respondent and complainant will be notified in writing.

Any candidate in a particular election contest who believes that any opposing candidate has violated the Act for that election may file a complaint with the Commission requesting that action be taken. If the Commission fails to make a “reason to believe” finding within 30 days after the filing of such a complaint, the candidate may bring a civil action in the superior court to impose the civil penalties prescribed by the Act.

Administrative Settlement

At any time during a complaint process, the respondent may choose to enter into a settlement agreement with the Commission. A settlement agreement is not binding until it is approved by the Commission and it is signed by the Executive Director and the respondent.



Administrative Hearing

If the Commission finds probable cause and issues an order and notice of penalties requiring compliance, the respondent may file a request for an administrative hearing with the Office of Administrative Hearings (OAH). The respondent must file the request for a hearing with the Commission within 30 days of receipt of the order and notice of penalties. OAH is a state agency that provides the opportunity for an impartial hearing administered by an Administrative Law Judge. After the hearing, the Administrative Law Judge will issue a recommendation to the Commission, which the Commission will consider at its next public meeting. The Commission may choose to adopt the Administrative Law Judge’s recommendation or may choose to retain the Commission’s original decision.

Penalties

The Commission has the authority to assess civil penalties on both participating and nonparticipating candidates. Certain penalties are prescribed in statute. For other violations, the Commission may impose a penalty as it deems fit. No civil penalty negotiated by the Commission or imposed by a court may exceed the greater of \$10,000 or an amount equal to any contribution or expenditure involved in the violation. In the case of a knowing and willful violation, the civil penalty may not exceed the greater of \$15,000 or an amount equal to 200% of any contribution or expenditure involved in the violation. All civil penalties collected by the Commission are deposited into the Clean Elections Fund.

Nonparticipating Candidates

1. The civil penalty for a violation by or on behalf of any candidate of any reporting requirement shall be:
 - \$120 per day for candidates for the legislature; and
 - \$350 per day for candidates for statewide office.

The penalty imposed shall be doubled if the amount not reported for a particular election cycle exceeds 10% of the adjusted primary or general election spending limit. No penalty imposed shall exceed twice the amount of expenditures or contributions not reported. The candidate and the candidate's campaign account shall be jointly and severally responsible for any penalty imposed.

2. Any campaign finance report filed indicating a violation of the contribution or spending limits involving an amount in excess of 10% of the sum of the adjusted primary election spending limit and the adjusted general election spending limit for a particular candidate shall result in disqualification of a candidate or forfeiture of office.

Audits



The Commission has the authority to conduct audits of all candidates. The Commission will typically initiate an audit to aid in the investigation of an enforcement action, however the Commission may initiate an audit at any time it deems necessary. The Commission also conducts random audits throughout the election cycle of both participating and nonparticipating candidates. For the 2005-2006 election cycle, the Commission will randomly select 10 candidates to be audited after the Pre-Primary and after the Post-Primary campaign finance reports are filed.

The Commission contracts with an independent accounting firm to conduct all auditing work.

Audit Procedure

If a candidate is selected for an audit, the Commission will notify the candidate and the accounting firm in writing. The accounting firm will contact the candidate to explain the auditing process and to set up an appointment for an entrance interview. The auditors will conduct all fieldwork at a site

provided by the candidate. The candidate must make all books and records available to the auditors and must have personnel familiar with the records available to answer questions.

Preliminary Audit Report

After completion of the fieldwork, the auditors may prepare a written preliminary audit report. If the auditors cannot complete a preliminary audit report, the candidate shall be notified in writing. The preliminary audit report will include:

- An evaluation of procedures and systems employed by the candidate to comply with the Act and Rules;
- The accuracy of statements and campaign finance reports filed with the Secretary of State; and
- Preliminary findings.

The preliminary audit report will be presented to the Commission at a public meeting, and if the Commission approves the preliminary audit report, it will be provided to the candidate. Upon receipt of the Commission approved preliminary audit report, the candidate has 10 days to submit written comments to the Commission.

Final Audit Report

Taking in consideration any written comments provided by the candidate, the auditors will provide the Commission with a final audit report at a public meeting. The final audit report may include the identification of issues that warrant referral for possible enforcement proceedings. At the public meeting, the Commission will vote to approve the final audit report. The candidate will be provided with the final audit report at least 24 hours before the public meeting. Following Commission approval of the final audit report, it will be sent to the candidate within 5 days after the public meeting.

Summary

- ❖ The Commission may initiate an enforcement procedure based on a written complaint filed by a member of the public or based on a Commission staff recommendation.
- ❖ The Commission has the authority to assess civil penalties on both participating and nonparticipating candidates. Penalties are set forth in statute and in Commission rule.
- ❖ The Commission has the authority to conduct audits of all candidates. The Commission uses an accounting firm to conduct all auditing work.

References

- ❖ Compliance and enforcement procedures
 - A.A.C. R2-20-201 through -228
- ❖ Delivery of subpoenas
 - A.A.C. R2-20-103(G) & (H)
- ❖ Administrative hearing
 - A.A.C. R2-20-224
- ❖ Maximum civil penalties
 - A.A.C. R2-20-222
- ❖ Civil penalties for participating candidates
 - A.R.S. § 16-942
- ❖ Civil penalties for nonparticipating candidates
 - A.R.S. § 16-942(B) & (C)
- ❖ Authority to audit all candidates
 - A.R.S § 16-956(B)
- ❖ Auditing procedures
 - A.A.C. R2-20-401 through -406



Glossary of Terms

Adjusted Spending Limit: The original spending limit as further adjusted to account for reported overages by nonparticipating candidates or independent expenditures.

Candidate's Campaign Committee: A political committee designated and authorized by a candidate. A candidate campaign committee may have only one member: the candidate.

CCEC: Citizens Clean Elections Commission acronym.

Citizens Clean Elections Fund: The account through which participating candidates receive public funds.

Contribution: Anything of value, including gifts, loans, in-kind contributions, advances or deposits of money, made for the purpose of influencing an election.

Includes any of the following:

- A contribution made to retire campaign debt.
- Money or the fair market value of anything directly or indirectly given or loaned to an elected official for the purposes of defraying the expense of communications with constituents, regardless of whether the elected official has declared his or her candidacy.
- The entire amount paid to a political committee to attend a fundraising or other political event and the entire amount paid to a political committee as the purchase price for a fundraising meal or item. However, it is not considered to be a contribution if the actual cost of the meal or fundraising item is for the purchaser's personal use and not for resale, and the actual cost is the entire amount paid by the purchaser in connection with the event. The exception does not apply to auction items.
- Unless specifically exempted, the provision of goods or services without charge or at a charge that is less than the usual and normal charge for such goods and services.

[A.R.S. § 16-901(5)(a)(i-iv)]

Does not include any of the following:

- The value of services provided without compensation by any individual who volunteers on behalf of a candidate, a candidate's campaign committee or any other political committee.
- Money or the value of anything directly or indirectly provided to defray the expense of an elected official meeting with constituents if the elected official is engaged in the performance of the duties of his or her office or provided by the state or a political subdivision to an elected official for communication with constituents if the elected official is engaged in the performance of the duties of his or her office.
- An individual may use personal property, including their home, a church or community room used on a regular basis by members of a community for noncommercial purposes, in the course of volunteering for a candidate. Each adult in the household may contribute up to \$100 in value for invitations, food and beverages only. This does not count as a contribution to the candidate. Any amount over \$100, or for any other purpose, will need to be reported as a contribution from the individual and is subject to individual contribution limits.

- Any reimbursed payment for personal travel expenses made by an individual who, on his or her own behalf, volunteers his or her personal services to a candidate.
- The payment by a political party for printing and postage expenses for slate cards, sample ballots, and other written materials that substantially promote three or more nominees of the party for public office. This exemption does not apply if costs are for a display of the listing of candidates made on telecommunications systems or in newspapers, magazines or similar types of general circulation advertising.
- Independent expenditures.
- Monies loaned by a state bank, a federally chartered depository institution or a depository institution. In order for this exemption to apply, this loan shall be deemed a loan by each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors, the loan shall be made on a basis that assures repayment, evidenced by a written instrument, shall be subject to a due date or amortization schedule and shall bear the usual and customary interest rate of the lending institution.
- Legal or accounting services provided to a candidate at no cost. This exemption only applies if the only person paying for the services is the regular employer of the person rendering the services and if services are solely for the purpose of compliance with this title.
- The political parties' purchase of campaign materials including pins, bumper stickers, handbills, brochures, posters, party tabloids and yard signs, which will be used by the party in connection with volunteer activities on behalf of any nominee of the party. This exemption does not apply if payments are used for the costs of campaign materials or activities used in connection with any telecommunications system, newspaper, magazine, billboard, direct mail or similar type of general public communication or political advertising.
- A transfer between campaigns to distribute monies raised through a joint fund-raising effort in which each candidate pays a proportionate share of the fundraising expenses and receives a proportionate share of the funds that are raised.
- An extension of credit for goods and services made in the ordinary course of the vendor's business. This applies only if the vendor provides similar terms of credit to other nonpolitical customers and makes a reasonable attempt to collect the debt. If the candidate does not pay the debt after 6 months, it shall be deemed receipt of a contribution by the candidate but not a contribution by the creditor.
- Interest or dividends earned by a political committee on any bank accounts, deposits or other investments of the political committee.
- Expenditures made in accordance with the Officeholder Expense Rule.
[A.R.S. § 16-901(5)(b)(i-xiii)]

Expenditure: An expenditure is defined as:

- Any purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value made by a person for the purpose of influencing an election in this state.
- A contract, promise or agreement to make an expenditure resulting in an extension of credit.
- The value of any in-kind contribution received.
[A.R.S. § 16-901(8)]

Does not include any of the following:

- A news story, commentary or editorial distributed through any telecommunications system, newspaper, magazine or other periodical publication. This exemption does not apply if the publications' facilities are owned or controlled by a political committee, political party or candidate.
- Nonpartisan activity designed to encourage individuals to vote or to register to vote.
- The payment by a political party of the costs of preparation, display, mailing or other distribution incurred by the party with respect to any printed slate card, sample ballot or other printed listing of three or more candidates for any elective office. This exemption does not apply if the display of candidates is made on any telecommunications system or in newspapers, magazines or similar types of general public political advertising.
- The political parties' purchase of campaign materials including pins, bumper stickers, handbills, brochures, posters, party tabloids and yard signs, which will be used by the party in connection with volunteer activities on behalf of any nominee of the party. This exemption does not apply if payments are used for the costs of campaign materials or activities used in connection with any telecommunications system, newspaper, magazine, billboard, direct mail or similar type of general public communication or political advertising.
- Any deposit or other payment filed with the Secretary of State or any other similar officer to pay any portion of the cost of printing an argument in a publicity pamphlet advocating or opposing a ballot measure.

[A.R.S. § 16-901(8)]

Election Cycle: The period between successive general elections for a particular office.

Exploratory Period: The period beginning on the day after a general election and ending the day before the start of the qualifying period. For the 2006 election cycle, the exploratory period starts November 3, 2004. The exploratory period ends December 31, 2005 for legislative candidates and July 31, 2005 for statewide candidates.

Fair Market Value: The amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

Family Contribution: Any contribution that is provided to a candidate's campaign committee by a parent, grandparent, spouse, child or sibling of the candidate or a parent or spouse of any of those persons.

Filing Officer: The official filing officer for the Commission is the Secretary of State's office.

Fund: Citizens Clean Elections Fund; the account through which participating candidates receive public funds.

General Election Period: The period beginning on the day after primary election day and ending on general election day. For the 2006 election cycle, the general election period starts September 13, 2006 and ends November 7, 2006.

General Election Spending Limits: The level of funding that participating candidates receive from the Commission for the General Election Period.

Independent Candidate: A candidate who is not affiliated with a party recognized on the ballot.

Independent Expenditure: An expenditure by a person or political committee, other than a candidate's campaign committee, that expressly advocates the election or defeat of a clearly identified candidate, and that is made without cooperation or consultation with any candidate, candidate committee or candidate agent.

In-Kind Contribution: A contribution of goods or services or anything of value that is not a monetary contribution.

Nonparticipating Candidate: A candidate who does not become certified as a participating candidate under the Clean Elections Act, and, consequently, does not receive public funding to run his or her campaign.

One-Party-Dominant Legislative District: A district in which the number of registered voters registered in the party with the highest number of registered voters exceeds the number of registered voters registered to each of the other parties by an amount at least as high as 10 percent of the total number of voters registered in the district. One-party-dominant legislative districts are determined at the beginning of the qualifying period, or January 1 of an election year.

Original Spending Limit: A limit specified by primary election spending limits and general election spending limits, or a special amount expressly set for a particular candidate (i.e., unopposed or independent candidates).

PAC: Political Action Committee acronym.

Participating Candidate: A candidate who becomes certified as participating pursuant to A.R.S. § 16-947, and receives public funding to run his or her campaign.

Personal Monies: Assets to which the candidate has legal right; salary and other earned income from candidate employment; dividends and proceeds from the sale of stocks or investments; income from trusts; proceeds of loans obtained that are not contributions; proceeds from legal games of chance; and *family contributions*.

Political Committee: A candidate, association or combination of persons organized for the purpose of influencing the result of any election. This includes political activity advocating the election or defeat of a candidate for election, an initiative, referendum, recall, measure or proposition.

Primary Election Period: The nine-week period ending on primary election day. For the 2006 election cycle, the primary election period starts July 11, 2006 and ends September 12, 2006.

Primary Election Spending Limits: The level of funding that participating candidates receive from the Commission for the Primary Election Period.

Qualifying Period: The period beginning on the first day of August in a year preceding an election for an election for a statewide office, or on the first day of January of an election year for an election for legislator, and ending 75 days before the day of the general election. For the 2006 election cycle, the qualifying period starts for legislative candidates on January 1, 2006 and ends August 24, 2006. For statewide candidates, the qualifying period starts August 1, 2005 and ends August 24, 2006.

Rule: An agency statement that implements, interprets or prescribes law or policy, or describes the procedure or practice requirements of an agency.

SOS: Secretary of State acronym.

Statewide Office: Those offices that hold control over the entire state, not a certain portion within the state. Statewide offices include Governor, Secretary of State, State Treasurer, Attorney General, Superintendent of Public Instruction, Corporation Commissioner and Mine Inspector.

Substantive Policy Statement (SPS): A written expression informing the general public of an agency's current approach to, or opinion of, the requirements of the federal or state constitution or statute, administrative rule or regulation, or final judgment of a court of competent jurisdiction, including, where appropriate, the agency's current practice, procedure or method of action based upon that approach or opinion. An SPS is advisory only. An SPS does not impose additional requirements or penalties on regulated parties, confidential information or rules.

Surplus Monies: The remainder of a political committee's money after all of its expenditures have been made and its debts have been extinguished.

Unopposed: In the primary election for the House of Representatives, a candidate is unopposed if there is no more than one other candidate from the same party, and if there is no opposition for the same office in the general election by an independent or a candidate from another party. In the primary election for statewide office and Senate, a candidate is unopposed if there are no other candidates from the same party, and if there is no opposition for the same office in the general election by an independent or a candidate from another party. In the general election for the House of Representatives, a candidate is unopposed if there is no more than one other candidate on the ballot competing for election in the same district. In the general election for statewide offices and Senate, a candidate is unopposed if there is no opponent on the ballot competing for the same office.



Nonparticipating Candidate Checklist



The following checklist is intended to help nonparticipating candidates keep track of the necessary paperwork that needs to be filed with the Secretary of State's Office.

❑ **Statement of Organization**

Establishes the candidate's campaign committee with the SOS's Office.

❑ **Nominating Petitions & Papers**

The triplicate form, nominating petitions and nomination papers must be submitted to the SOS's Office by June 14, 2006 in order to qualify for the ballot.

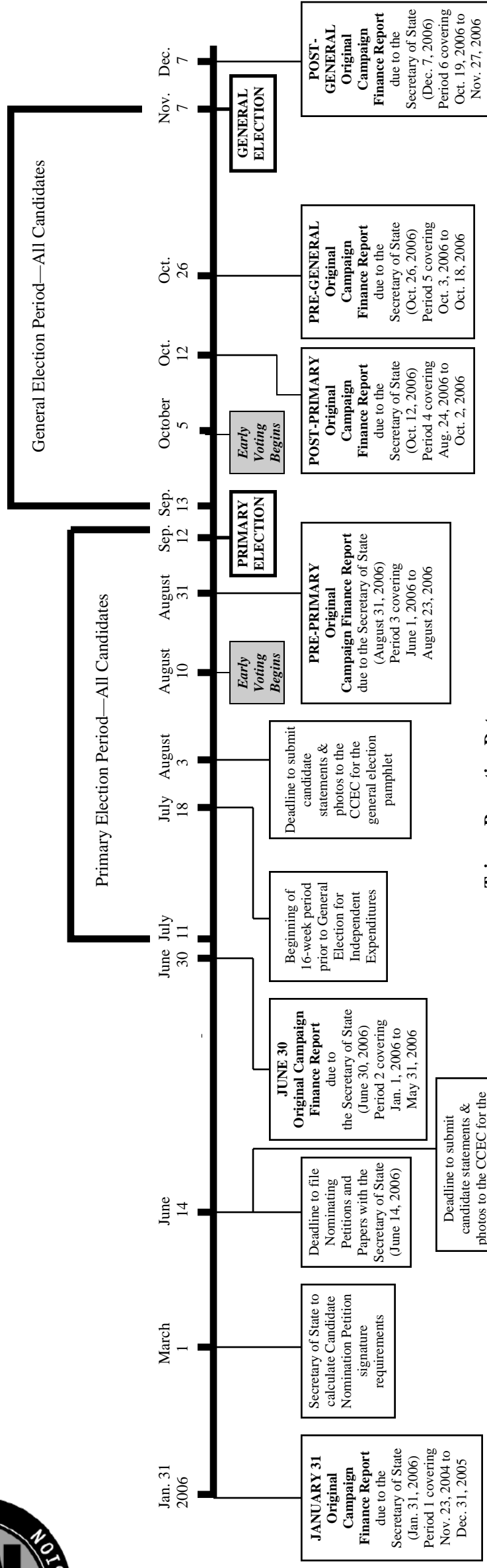


Nonparticipating Candidate Timelines

Participating Candidate Timelines



Citizens Clean Elections Commission Timeline—2005-2006 Election Cycle Nonparticipating Candidates (Statewide Offices)



Trigger Reporting Dates

January	1
February	1
March	1
April	1
May	1
June	1
July	1, 11, 18, 25
August	1, 8, 15, 22, 29, 30, 31
September	1, 5, 6, 7, 8, 11, 12, 19, 26
October	3, 10, 17, 24, 25, 26, 27, 30, 31
November	1, 2, 3, 6, 7

Trigger Reports

Reports that must be filed by nonparticipating candidates. The Original Report must be filed on the next due date after expenditures exceed 70% of the original primary election spending limit. In the primary election period, a Supplemental Report must be filed when expenditures exceed an additional 10% of the original primary election spending limit or \$25,000, whichever is lower. In the general election period, a Supplemental Report must be filed when contributions less expenditures through the primary election exceed 10% of the original general election spending limit or \$25,000, whichever is lower.

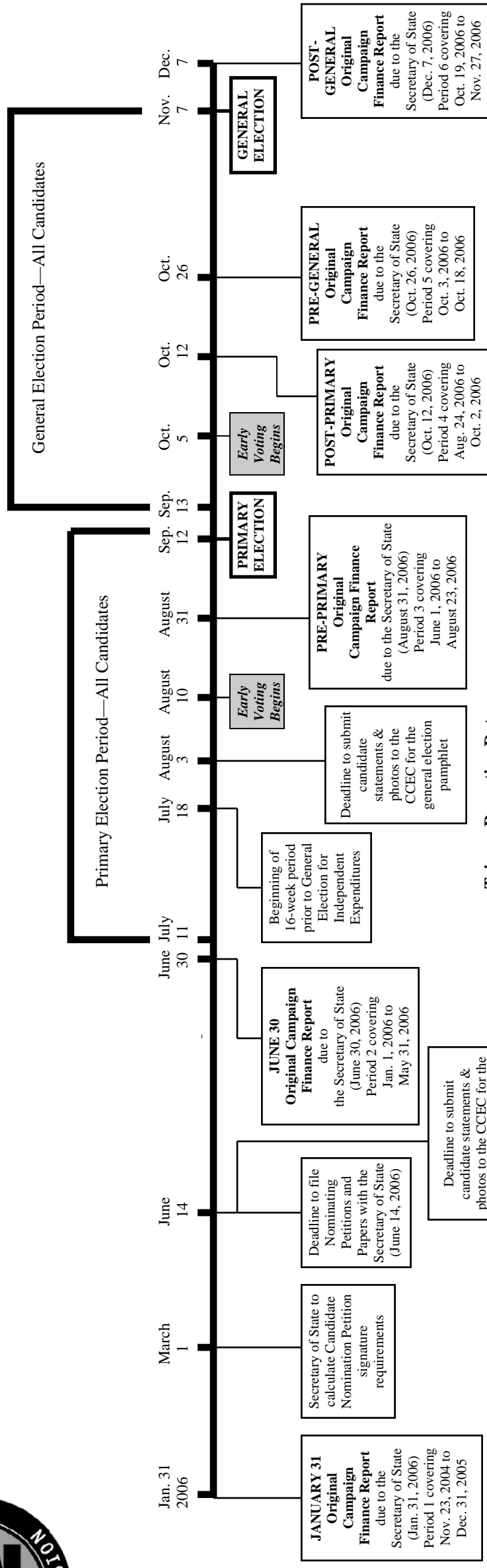
please refer to the tables

Office	70%/10% of Primary Election Spending Limits	70%/10% of General Election Spending Limits
Governor	\$317,694 / \$25,000	\$476,542 / \$25,000
Secretary of State	\$66,885 / \$9,555	\$100,328 / \$14,333
Attorney General	\$66,885 / \$9,555	\$100,328 / \$14,333
Treasurer	\$33,439 / \$4,777	\$50,159 / \$7,166
Superintendent of Public Instruction	\$33,439 / \$4,777	\$50,159 / \$7,166
Corporation Commission	\$33,439 / \$4,777	\$50,159 / \$7,166
Mine Inspector	\$16,723 / \$2,389	\$25,085 / \$3,584

****All reports need to be filed electronically with the Secretary of State's Office, using the Campaign Finance Software****



Citizens Clean Elections Commission Timeline—2005-2006 Election Cycle Nonparticipating Candidates (Legislative Offices)



Trigger Reporting Dates

January	1
February	1
March	1
April	1
May	1
June	1
July	1, 11, 18, 25
August	1, 8, 15, 22, 29, 30, 31
September	1, 5, 6, 7, 8, 11, 12, 19, 26
October	3, 10, 17, 24, 25, 26, 27, 30, 31
November	1, 2, 3, 6, 7

Trigger Reports

Reports that must be filed by nonparticipating candidates. The Original Report must be filed on the next due date after expenditures exceed 70% of the original primary election spending limit. In the primary election period, a Supplemental Report must be filed when expenditures exceed an additional 10% of the original primary election spending limit. In the general election period, a Supplemental Report must be filed when contributions less expenditures through the primary election exceed 10% of the original general election spending limit.

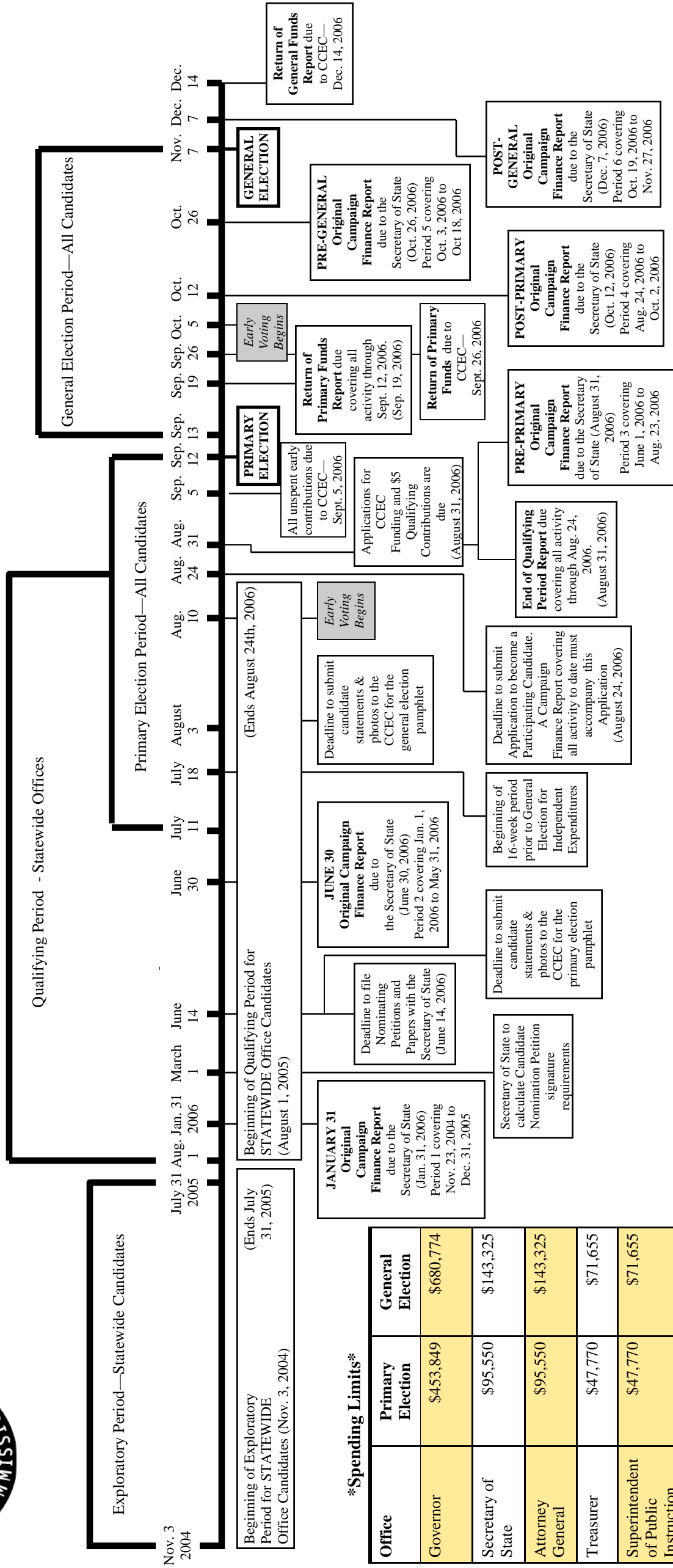
please refer to the tables

Office	70%/10% of Primary Election Spending Limits	70%/10% of General Election Spending Limits
Legislature	\$8,362 / \$1,195	\$12,543 / \$1,792

****All reports need to be filed electronically with the Secretary of State's Office, using the Campaign Finance Software****



Citizens Clean Elections Commission Timeline—2005-2006 Election Cycle Participating Candidates (Statewide Offices)



Nov. 3
2004

Beginning of Exploratory Period for STATEWIDE Office Candidates (Nov. 3, 2004)
(Ends July 31, 2005)

Beginning of Qualifying Period for STATEWIDE Office Candidates (August 1, 2005)
(Ends August 24th, 2006)

Exploratory Period—Statewide Candidates

Primary Election Period—All Candidates

General Election Period—All Candidates

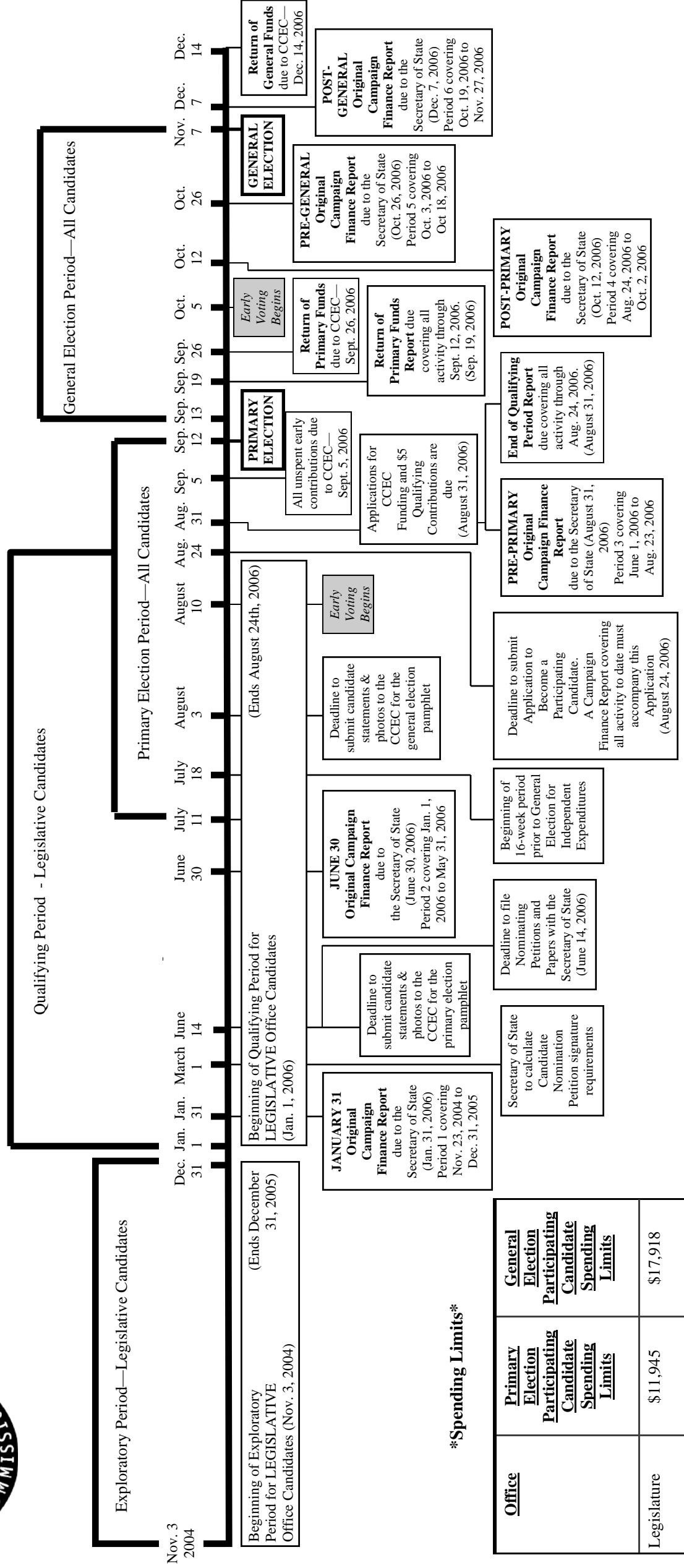
Spending Limits

Office	Primary Election	General Election
Governor	\$453,849	\$680,774
Secretary of State	\$95,550	\$143,325
Attorney General	\$95,550	\$143,325
Treasurer	\$47,770	\$71,655
Superintendent of Public Instruction	\$47,770	\$71,655
Corporation Commissioner	\$47,770	\$71,655
Mine Inspector	\$23,890	\$35,835

****All reports need to be filed electronically with the Secretary of State's Office, using the Campaign Finance Software****



Citizens Clean Elections Commission Timeline—2005-2006 Election Cycle Participating Candidates (Legislative Offices)



Spending Limits

Office	Primary Election Participating Candidate Spending Limits	General Election Participating Candidate Spending Limits
Legislature	\$11,945	\$17,918

All reports need to be filed electronically with the Secretary of State's Office, using the Campaign Finance Software