



STATE OF CONNECTICUT

STATE ETHICS COMMISSION

ADVISORY OPINION NO. 89-34

Reporting of Jointly-Held Receptions by Lobbyists

United Technologies Corp. (UTC) has asked whether the reporting requirements of Conn. Gen. Stat. §1-96 apply in the following situation:

A Delaware corporation (Subsidiary) is the wholly owned subsidiary of another Delaware corporation (Parent). Parent's principal executive offices are located in Connecticut. Subsidiary's principal executive offices are located outside of Connecticut. The corporations do not share any directors, officers, or employees. Parent is registered as a lobbyist pursuant to Conn. Gen. Stat. §1-94. Subsidiary, a non-registrant, in the ordinary course of its business, may make contributions to unaffiliated nonprofit organizations which sponsor events for the entertainment of public officials.

Conn. Gen. Stat. §1-96 states: "[A] financial report shall include an itemized statement of each expenditure of fifteen dollars or more per person for each occasion made by the reporting registrant or a group of registrants which includes the reporting registrant for the benefit of a public official in the legislative or executive branch, a member of his staff or immediate family, itemized by date, beneficiary, amount and circumstances of the transaction."

A registrant "is a person who is required to register pursuant to section 1-94." Conn. Gen. Stat. §1-91(q). Conn. Gen. Stat. §1-91(n) defines person to mean "an individual, or business, corporation, union, association, firm, partnership, committee, club or other organization or group of persons." Both Parent and Subsidiary are corporations and, therefore, are separate entities or "persons" for purposes of the Code of Ethics for Lobbyists.

The requirements of §1-96 must apply to the Subsidiary and the Parent separately. This means that the lobbying activities of one corporation may not be attributed to the other, unless the two corporations choose to register as one entity. Furthermore, Subsidiary would not have to report any

expenditures until such time it was required to register pursuant to Conn. Gen. Stat. §1-94, since the Code of Ethics for Lobbyists does not require a non-registered person to report expenditures for the benefit of a public official. Conn. Gen. Stat. §1-96(b). However, a non-registrant may not act on behalf of a registrant to give any state employee, public official, candidate for public office or a member of his staff or immediate family any gift or gifts that amount to fifty dollars or more in value in the aggregate in any calendar year. Conn. Gen. Stat. §1-97(a). Therefore, the Parent corporation, a registrant, may not use its Subsidiary, a non-registrant, to make an otherwise prohibited gift.

Finally, a related question raised by UTC's request is whether a registrant must report contributions to an unaffiliated non-registered organization which may use the contribution to sponsor an event for the entertainment of public officials. Making expenditures for the benefit of public officials via a pass-through entity could be used as a way to avoid the Code's reporting requirements. Expenditure is defined as "any advance, conveyance, deposit, distribution, transfer of funds, loan, payment, unless expressly excluded". Conn. Gen. Stat. §1-91(f). Therefore, if a registrant makes a contribution which is earmarked for a specific event and the registrant knows that public officials will be in attendance at the event, the registrant has made a payment or expenditure for the benefit of a public official which does become reportable pursuant to §1-96.

If, however, a registrant makes an unrestricted contribution to an unaffiliated organization, for example, a payment of annual dues, and does not know how its contribution will be used, the contribution is not a reportable expenditure for purposes of §1-96. See, Ethics Commission Advisory Opinion No. 78-17, 40 Conn. L. J. 8, p. 14 (August 4, 1978). In Advisory Opinion No. 78-17, the Commission was asked whether members of a trade association must register as lobbyists if they provide the association with information with the intention of convincing the association to adopt a particular position. The Commission stated: "Connecticut's statute regulating lobbyists, unlike some other such statutes, does not establish a system for looking behind a lobbying organization to identify the members who belong and contribute to the organization." Id.

The same basic reasoning would apply if the unaffiliated sponsoring organization was a registrant. If the contributing registrant makes an unrestricted contribution to the

unaffiliated registrant, which in turn uses some or all of the contribution for an event benefitting one or more public officials, the contributing registrant has not made a reportable expenditure. Id. However, the organization who sponsors the event must report this expenditure on its lobbyist financial report. If, however, the contributing registrant makes a donation earmarked for a particular event at which it knows a public official or other reportable individual will be in attendance, the contributing registrant has made a reportable expenditure for the benefit of a public official. Both the contributing registrant and the unaffiliated registrant must report the event pursuant to Conn. Gen. Stat. §§1-91(f) and 1-96(b). Regulations of Connecticut State Agencies §1-92-48(b) provides guidance on the mechanics of how to report the expenditures when more than one registrant contributes to the cost of the event. This regulation states: "the statement shall include the percentage of the expenditure paid by each reporting registrant and the names of the other registrant payors." Therefore, if the unaffiliated registrant accepts an earmarked contribution for the event, both registrants' must file a financial report which includes a statement of the expenditure itemized by date, beneficiary, amount and circumstances of the transaction. Even if the sponsoring organization pays for the event entirely from contributions, it still has made an expenditure since it is the organization which ultimately paid the bills. The organization should report the expenditure on its lobbyist financial report but should, pursuant to the regulation, indicate, in describing the circumstances of the transaction, the names of all the registrants who contributed and that its actual contribution to the payment of the bill was zero.

Lastly, it must be remembered that, pursuant to P. A. 89-369, effective October 1, 1989, neither the contributing nor sponsoring registrant can utilize the Code's food and drink gift exemption unless the registrant or a representative of the registrant is in attendance at the event.

By order of the Commission,



William A. Elrick
Chairperson

Dated 12-13-89

