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Chicago's Campaign Finance Rules: An Explainer on the Law and Its Gaps

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The City of Chicago has several laws in place to prevent “pay-to-play” schemes with City officials or candidates in the form of campaign finance restrictions. These laws limit the amount of money that a person with an interest in City business can contribute to a City official’s political campaign or to a candidate for a City office.

The Office of Inspector General (OIG) has the authority to investigate misconduct by City actors and violations of the City’s Governmental Ethics Ordinance (GEO), including violations of the aforementioned campaign finance restrictions.¹ Although campaign finance laws are designed to protect against corruption or the appearance of corruption, gaps in City law permit certain entities who have an interest in City business to contribute unlimited amounts of funds to elected City officials and candidates.²

With this explainer, OIG aims to provide Chicagoans with basic information about the current state of the City’s campaign finance laws, and what they do—and, pointedly, do not—prohibit.

I | Understanding Chicago Campaign Finance Law

Chicago’s GEO states that certain “persons” cannot give over \$1,500 in political contributions in a calendar year to an elected City official, candidate for City office, or City official or employee who is seeking election to any other office.³ The limit applies per elected official or candidate, per calendar year. The persons subject to the \$1,500 campaign contribution limitation are specifically defined by the City’s GEO, as delineated below.

A | Who is subject to the \$1,500 limitation?

The GEO states that the “persons” who are subject to the \$1,500 annual limitation per elected City official or candidate are:

- lobbyists;⁴
- any person in which a lobbyist has an ownership interest of more than 7.5% and whom the lobbyist has lobbied on behalf of in the 12 months prior to the date of the contribution;

¹ See Municipal Code of Chicago, § 2-56-050.

² Separate Illinois campaign finance restrictions may still apply. See 10 ILCS 5/9-8.5.

³ See Municipal Code of Chicago, § 2-156-445(a).

⁴ See Municipal Code of Chicago, § 2-156-010(p) (defining “lobbyist”).

- entities who have “done business” with the City or other named City-related agencies in the past four years;⁵
- entities who are “seeking to do business” with the City or other named City-related agencies;
- subsidiaries, parent companies, or otherwise affiliated companies of the above entities;⁶
- employees, officers, directors, and partners who make a contribution for which they are reimbursed by an entity above, or their affiliates.⁷

The phrases “doing business” with the City and “seeking to do business” with the City have specific definitions under the GEO. The terms are defined and distinguished in the table below:

Doing business	Seeking to do business
Any one or any combination of sales, purchases, leases, or contracts to, from, or with the City or any City agency in an amount in excess of \$10,000 in any 12 consecutive months. ⁸	<p>Taking any action within the past six months to obtain a contract or business from the City when, if such action were successful, it would result in (1) the person “doing business” with the City and (2) the contract or business sought has not been awarded to any person.⁹</p> <p>OR</p> <p>Any matter that was pending before the City Council or any City Council Committee in the six months prior to the date of the contribution or any matter that will be pending before the City Council or any City Council Committee in the six months after the date of the contribution, if that matter involved the award of loan funds, grant funds or bond proceeds, bond inducement ordinances, leases, land sales, zoning matters, the creation of tax increment financing districts, concession agreements, or the establishment of a Class 6(b) Cook County property tax classification.¹⁰</p>

To help identify entities that have done business with the City, the GEO requires the City’s Department of Fleet and Facility Management (2FM) to create an automatically updating, public

⁵ The other named City-related agencies include the Chicago Transit Authority, Chicago Board of Education, Chicago Park District, Chicago City Colleges, Chicago Housing Authority, Chicago Public Building Commission, and Metropolitan Pier and Exposition Authority.

⁶ Municipal Code of Chicago, § 2-156-445(b)(“an entity and its subsidiaries, parent company or otherwise affiliated companies [...] shall be considered a single person”).

⁷ Municipal Code of Chicago, § 2-156-445(b).

⁸ Municipal Code of Chicago, § 2-156-010(h).

⁹ Municipal Code of Chicago, § 2-156-010(x).

¹⁰ Municipal Code of Chicago, § 2-156-445(a).

website with a list of contractors that were “doing business” with the City and the other named City-related agencies during the preceding four years.¹¹ The list is referred to as the “520 list” as 2FM’s requirement stems from provision 2-156-520 of the Municipal Code of Chicago (MCC). The current 520 list can be accessed at: https://www.chicago.gov/city/en/depts/ethics/supp_info/list-of-contractors.html.

Contributors and recipients do not violate the GEO if a recipient returns or a contributor requests in writing the return of an excess financial contribution within 10 calendar days of the recipient’s or contributor’s knowledge of the violation. If an excess contribution is not returned, contributors and recipients who knowingly make, solicit, or accept an excess contribution are subject to fines provided for in the GEO, which may be a fine of not less than \$1,000 and up to the higher of \$5,000 or three times the amount of the excess contribution that was accepted for each violation.¹² Lobbyists and covered entities owned by lobbyists who repeatedly make excess contributions to the Mayor or a Mayoral candidate are subject to suspension of their lobbyist registration for 90 calendar days.

II | Additional Restrictions

A | Contributions to the Mayor and the 2011 Executive Orders

In 2011, former Mayor Rahm Emanuel signed three separate executive orders that imposed further limitations on contributions made to a sitting Mayor. They state the following:

1. Executive Order 2011-2: It is a violation for any lobbyist to make a contribution of **any amount** to the Mayor or their PAC.¹³
2. Executive Order 2011-3: It is a violation for any City employee or appointee to make a political contribution of **any amount** to the Mayor or their PAC.¹⁴
3. Executive Order 2011-4: It is a violation for any City contractor or subcontractor of a City contractor (including owners and spouses or domestic partners of owners) to make a contribution of **any amount** to the Mayor or their political fundraising committee during the bid or other contract solicitation process, including any time after a contract is awarded but before the start of the contract, and/or the term of any contract between the City and the City contractor or any period during which an extension of the City contractor’s contract is being sought or negotiated.¹⁵

These three executive orders place additional restrictions on contributions to the Mayor. Specifically, lobbyists, City employees, and City contractors cannot contribute any amount of money to the Mayor. For example, a City contractor who contributed \$1 to the Mayor in a year would violate Executive Order 2011-4 (which states that contractors cannot contribute any amount to the Mayor), but not the GEO (which permits entities doing business with the City to contribute up to \$1,500 to elected officials, such as the Mayor).

¹¹ Municipal Code of Chicago, § 2-156-520(a).

¹² Municipal Code of Chicago, § 2-156-445(d); 2-156-465(b).

¹³ City of Chicago, Office of the Mayor, Executive Order 2011-2 (emphasis added).

¹⁴ City of Chicago, Office of the Mayor, Executive Order 2011-3 (emphasis added).

¹⁵ City of Chicago, Office of the Mayor, Executive Order 2011-4 (emphasis added).

If violated, the executive orders impose penalties beyond the fines codified in the GEO. If a lobbyist contributes to the Mayor, then Executive Order 2011-2 states that the Board of Ethics (BOE) shall not accept a lobbyist registration statement from that person.¹⁶ If a City employee contributes to the Mayor, Executive Order 2011-3 states that such a violation shall be grounds for discipline, up to and including termination of employment. If a City contractor or subcontractor (or an owner, and spouses or domestic partners of owners) contributes to the Mayor, Executive Order 2011-4 states that any contract with the City shall be terminable, and any bid shall be subject to rejection.

In 2024, City Council passed an amendment to the GEO which codified the substance of Executive Order 2011-2 and prohibits lobbyists from making a contribution of any amount to the Mayor or candidate for Mayor.¹⁷ This contribution prohibition also extends to entities in which a lobbyist has an ownership interest of more than 7.5% and on behalf of whom the lobbyist has lobbied in the 12 months prior to the date of the contribution.¹⁸

III | Gaps in Current Campaign Finance Law

A | Executive Orders 2011-3 and 2011-4 Are Not Codified Into Law

On April 15, 2024, BOE dismissed four potential violations of Executive Order 2011-2 after it received a legal opinion from the City's Department of Law through outside counsel which stated that BOE did not have the authority to enforce the order because Executive Order 2011-2 had not been codified into the GEO. At the same time, BOE voted unanimously to "formally recommend to Mayor Johnson and the City Council that the substantive prohibitions of this Executive Order be codified into law so that the Board can enforce it."¹⁹

1. Efforts to Amend Relevant Provisions of the GEO

On May 14, 2024, BOE issued a letter to Mayor Brandon Johnson and the Chair and Vice Chair of the City Council Committee on Ethics and Government Oversight, recommending amendments to the GEO to codify Executive Order 2011-2 and place additional restrictions on contributions made by lobbyists to the Mayor.²⁰ On June 12, 2024, the Committee on Ethics and Government

¹⁶ BOE administers Chicago's GEO, which includes campaign financing laws. BOE does this through enforcing the GEO, providing advice, education, and guidance, and regulating disclosures such as lobbyist filings and annual Statements of Financial Interests by City employees and officials. See Municipal Code of Chicago, § 2-156-380.

¹⁷ Amendment of Municipal Code Sections 2-156-142, 2-156-445 and 2-156-160 restricting lobbyists from making direct or in-kind contributions to mayor or mayoral political committee, candidate for City office, or elected City official, and modifying required contents of statements of financial interests, SO2024-0009664 (introduced May 22, 2024).

¹⁸ Id.

¹⁹ Board of Ethics Memorandum dated April 16, 2024,

<https://www.chicago.gov/content/dam/city/depts/ethics/documents/Board%20Resolves%20Four%20Executive%20Order%20Cases%20Involving%20Political%20Contributions%20to%20the%20Mayor.pdf> (last accessed June 25, 2024).

²⁰ See Letter to Mayor Brandon Johnson from Board of Ethics Executive Director Steven Berlin, May 14, 2024, <https://www.chicago.gov/content/dam/city/depts/ethics/documents/Executive%20Order%20banning%20lobbyists'%20contribution%20into%20law.pdf> (last accessed June 13, 2024).

Oversight recommended passage of those amendments to City Council.²¹ However, City Council “deferred and published” the amendments, a parliamentary maneuver that delayed consideration of the pending legislation. City Council ultimately codified the substance of Executive Order 2011-2 on September 18, 2024, prohibiting lobbyists from making political contributions to the Mayor.

Enforcement mechanisms remain unclear, however, for Executive Orders 2011-3 and 2011-4.

B | Owners and Other Employees of Entities Doing Business or Seeking to Do Business with the City Can Make Unlimited Contributions under City Law

The MCC states that entities doing business with the City are prohibited from donating more than \$1,500 per year to a City elected official or candidate for City office. Owners and employees of those same entities, however, can make unrestricted contributions to City officials and candidates for City office, so long as those contributions are not reimbursed by the entity. Therefore, for example, a company negotiating a contract with the City to receive over \$10,000 in business a year would be prohibited from donating more than \$1,500 to the campaign of a City official involved in that negotiation; the owner of that company, however, could make unrestricted contributions so long as they were not reimbursed with company funds.

This remains true even if the underlying company that has business with the City has already contributed up to its \$1,500 limit to an elected official or candidate in a year. The GEO states that “nothing [...] shall be construed to prohibit such an employee, officer, director or partner from making a political contribution for which he is not reimbursed by a person with whom he or she is affiliated, even if that person has made the maximum contribution allowed.”²²

1. Efforts to Amend Relevant Provisions of the GEO

BOE has stated that the ability of company ownership to make unlimited campaign contributions even when their company is subject to a \$1,500 per candidate/per year contribution limit is a “gap” and a “loophole” in the GEO which could permit improper influence on elected City officials.²³ In 2019, BOE issued a letter to then-Mayor Lori Lightfoot and City Council, recommending several amendments to the GEO including an amendment to the campaign finance law.²⁴ The amendments would have, among other things, updated the GEO to make officers, directors, partners, and owners subject to the \$1,500 contribution limit if they owned 1% or more of an entity doing business with the City or seeking to do business with the City. BOE stated that closing the gap “would put Chicago in line with other major jurisdictions, such as Illinois, New York City, Los

²¹ *Amendment of Municipal Code Sections 2-156-142, 2-156-445 and 2-156-160 restricting lobbyists from making direct or in-kind contributions to mayor or mayoral political committee, candidate for City office, or elected City official, and modifying required contents of statements of financial interests*, SO2024-0009664 (introduced May 22, 2024).

²² Municipal Code of Chicago, § 2-156-445(b).

²³ See City of Chicago Board of Ethics Advisory Opinion 18033.A; Board of Ethics Memorandum dated May 30, 2019, <https://www.chicago.gov/content/dam/city/depts/ethics/general/memos/PressRelMay2019.pdf> (last accessed June 25, 2024).

²⁴ See Board of Ethics Memorandum dated May 30, 2019, <https://www.chicago.gov/content/dam/city/depts/ethics/general/memos/PressRelMay2019.pdf> (last accessed May 20, 2024).

Angeles, and San Francisco.” Although City Council implemented several other changes to the GEO, that proposed change was not adopted.²⁵

On November 14, 2023, BOE issued a letter to Mayor Brandon Johnson and the Chair of the City Council Committee on Ethics and Government Oversight, again proposing relevant amendments to the GEO, stating that they intended to “close a gap or ‘loophole’ in current law that enables officers, directors, partners, or members/owners of LLCs or other business entities that are subject to the \$1,500 per candidate/per calendar year political contribution limit (because they have done or sought to do business with the City or its named sister agencies) to contribute additional amounts up to the state law limit for individuals (currently \$6,900 per election cycle).”²⁶ The amendments were similar to those proposed in 2019, but would also have rendered spouses and domestic partners of officers, directors, partners, and owners subject to the \$1,500 limit. BOE’s 2023 proposed amendments to address this gap in the City’s campaign finance law were not implemented by City Council.²⁷

C | Unions Can Make Unlimited Contributions under City Law

City law does not subject labor unions to the \$1,500 contribution limit to elected officials or candidates. Therefore, labor unions may contribute unlimited amounts of money to elected officials and candidates under City law.

Although labor unions may have collective bargaining agreements with the City, BOE has stated that labor unions are not doing business with the City by virtue of their collective bargaining agreements and are thus not subject to the GEO’s campaign contribution limitations on that basis.²⁸ Rather, collective bargaining agreements negotiated by labor unions are not the type of procurement contracts that are meant to be covered in the definition of “doing business” with the City or other City agency.²⁹

D | Political Action Committees (PACs) Can Make Unlimited Contributions Under City Law

City law also does not subject political action committees (PACs) to limits on their contributions to elected officials or candidates. Therefore, PACs may contribute unlimited amounts of money to elected officials and candidates under City law.

An entity doing business with the City and a PAC can be considered a “single person” —and thus be subject to the same \$1,500 limit—if there is a “high degree of control” exercised by the entity over the PAC. When determining whether an entity doing business with the City exercises a high degree of control over a PAC, BOE has considered whether (i) the PAC has its own bylaws; (ii) the PAC was established by the corporate authority; (iii) the corporation could reorganize or dissolve

²⁵ See *Amendment of Municipal Code Chapter 2-156 by adding new Section 2-156-301 and modifying various provisions regarding governmental ethics*, O2022-2064 (introduced July 15, 2022).

²⁶ See <https://www.chicago.gov/city/en/depts/ethics/provdrs/reg/news/2024/november/propAmends.html> (last accessed June 26, 2024).

²⁷ See *Substitute to be proffered at next Committee Meeting, May 7, 2024, Amendment of Municipal Code Chapter 2-156 regarding ethical code of conduct for City Council contractors, lobbyists and candidates for City office*, SO2024-0007359 (introduced Jan. 1, 2024).

²⁸ See City of Chicago Board of Ethics Advisory Opinion 15041.A.

²⁹ See City of Chicago Board of Ethics Advisory Opinion 18022.A.

the PAC at will; (iv) the PAC has governing boards comprised of high-level officers of the corporations; and (v) the PAC made decisions reflecting the will of the corporation.³⁰

IV | Conclusion

Political campaign contributions have been regulated to protect against corruption or the appearance of corruption. Accordingly, several City laws restrict the amount of money certain persons or entities who have an interest with the City can give in campaign contributions to elected City officials or candidates in a year.

Despite these measures, critical gaps persist in the City's current campaign finance laws which may allow functional equivalents of prohibited contributions, and which preclude enforcement of penalties. Legislative changes to bridge these gaps have been proposed and some have been implemented, including codifying Executive Order 2011-2 to limit political contributions by lobbyists to the Mayor. There is more work to do, however; contributions from the owners of restricted entities remain unrestricted, and Executive Orders 2011-3 and 2011-4 remain uncoded.

³⁰ See City of Chicago Board of Ethics Advisory Opinion 95058.A.



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