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Philadelphia: The City of Brotherly Love and Pay-To Play Limits and Reporting

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The city of Philadelphia recently increased the contribution limit for companies that hold, are currently seeking, or will be seeking in the future certain no-bid contracts with the city. After this increase, those contractors and potential contractors, along with certain related entities, directors, and officers, are limited to $10,600 in aggregate contributions in a calendar year to any one city official or candidate for city office. If this contribution limit is exceeded, then the offending company is barred from no-bid contracts with the city for the entire term of office of that candidate or official who received the excessive contribution.

In addition, a company seeking certain noncompetitively bid contracts with Philadelphia must report certain of its state and local campaign contributions, as well as those contributions made by several types of related entities and certain directors and officers, in the two years before the potential contractor submitted an application for the no-bid contract with the city. Once a company receives a no-bid contract, it must update this disclosure for the length of the contract and for one year after contract termination.

Philadelphia is not the only local governmental entity that imposes contribution limits and reporting requirements on entities and persons related to the current or potential contractors. Often, an improper contribution from one of these other entities, officers, or employees will cause the business holding or seeking the contract to become ineligible for future contracts for a certain period of time or to lose current contracts. Companies that seek government contracts with states and localities, therefore, should, at a minimum, familiarize themselves with such contribution restrictions and, if necessary, advise their directors, officers, and employees about the fact that their political activities could affect the company's government contracting business.