

# TEXAS ETHICS COMMISSION

P.O. Box 12070, Capitol Station  
Austin, Texas 78711-2070

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June 18, 2015

Mr. Michael C. Li  
Former Campaign Treasurer  
Progress Texas PAC

**RE: Notice of Reporting Error  
SC-31309154**

Dear Mr. Li:

The Texas Ethics Commission (Commission) met on June 11, 2015, to consider SC-31309154. A quorum of the Commission was present. **The Commission determined that there is credible evidence of reporting errors that do not materially defeat the purpose of disclosure.** To resolve and settle this case without further proceedings, the Commission proposed this Notice of Reporting Error Agreement (agreement).

The Commission **found credible evidence** that the respondent, as former campaign treasurer for Progress Texas PAC:

1. did not properly disclose political expenditures as required by section 254.031(a)(3) of the Election Code;
2. did not properly disclose total political expenditures as required by sections 254.031(a)(5) and 254.031(a)(6) of the Election Code;
3. did not include a properly executed affidavit on a campaign finance report, as required by section 254.036(h) of the Election Code; and
4. did not include in a campaign finance report the principal occupation or job title for an individual who contributed more than \$50 during a reporting period, as required by section 254.151 of the Election Code.

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The Texas Ethics Commission does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

The Commission **did not find credible evidence** that the respondent:

1. improperly disclose the purpose of political expenditures as required by section 254.031(a)(3) of the Election Code and section 20.61 of the Ethics Commission Rules; and
2. improperly disclose total political contributions maintained as required by section 254.031(a)(8) of the Election Code.

Credible evidence available to the Commission supports the following findings of fact and conclusions of law:

### **Purpose of a Political Expenditure**

1. It was contended that the respondent did not fully disclose the purpose of a political expenditure on the committee's 30-day pre-election report for the November 6, 2012, general election.
2. The expenditure at issue totaling approximately \$3,750 was made to Progress Texas. The respondent disclosed the category of the expenditure as "Office Overhead/Rental Expense" and a description of "Cost for office and technology."
3. In response to the complaint, the respondent swore that the expenditure was made for the committee's share of office space and equipment.
4. The expenditure at issue totaling approximately \$3,750 sufficiently described its purpose. **Therefore, there is credible evidence of compliance with section 254.031(a)(3) of the Election Code and section 20.61 of the Ethics Commission Rules.**

### **Disclosure of Political Expenditures**

5. It was contended that the respondent reported an incorrect balance for total political expenditures in the committee's 30-day pre-election report for the November 6, 2012, general election. It was contended that five expenditures at issue totaling approximately \$8,860 were actually political expenditures that should have been included in the total political expenditures balance.
6. The report at issue disclosed \$35,000 in total political expenditures. Based on Schedule I (used to disclose non-political expenditures) of the report at issue, the respondent improperly categorized accounting/banking, loan repayment/reimbursement, and office overhead/rental expenses as non-political expenditures. The respondent did not include those expenditures when calculating the amount of total political expenditures.
7. In response to the complaint, the respondent swore that the expenditures were non-political expenditures. The respondent did not file a corrected report in response to this allegation.
8. Administrative expenses are considered to be political expenditures. Therefore, the respondent was required to include campaign and administrative expenditures when calculating the total amount of political expenditures. The respondent disclosed on Schedule I five expenditures totaling approximately \$8,860, all of which appear to be political expenditures. Accordingly, the amount of total political expenditures was under-reported in

the report at issue because the expenditures disclosed on Schedule I were not included in the calculation.

9. The respondent did not properly disclose administrative expenses as political expenditures. Although the respondent disclosed the expenditures on Schedule I of the report schedule, someone viewing the totals section of the report would not have been able to ascertain the true amount of total political expenditures. **Therefore, there is credible evidence of noncompliance with sections 254.031(a)(3), 254.031(a)(5), and 254.031(a)(6) of the Election Code.**

#### **Total Political Contributions Maintained**

10. It was contended that the respondent did not properly disclose total political contributions maintained on three campaign finance reports. In response to the complaint, the respondent provided copies of bank statements establishing the balance of political contributions maintained as of the last day of the reporting period for the 30-day and 8-day pre-election reports for the November 6, 2012, general election, and the July 2013 semiannual report. The amounts disclosed in the reports are the same as the amounts disclosed on the bank statements.
11. Regarding the reports at issue, the amounts of total political contributions maintained were properly disclosed. **Therefore, there is credible evidence of compliance with section 254.031(a)(8) of the Election Code.**

#### **Properly Executed Affidavit**

12. It was contended that the respondent did not include a properly executed affidavit on the committee's July 2012 semiannual campaign finance report. The respondent was the campaign treasurer for the Progress Texas PAC at the time the July 2012 semiannual report was electronically filed with the Commission. The sworn report at issue was electronically signed by someone other than the respondent. In response to the complaint, the respondent filed a corrected report on October 25, 2013, and signed the report.
13. The respondent was the person required to file and sign the July 2012 semiannual report for the committee. The original report did not include the respondent's electronic signature. **Therefore, there is credible evidence of noncompliance with section 254.036(h) of the Election Code.**

#### **Principal Occupation Information**

14. It was contended that the respondent did not disclose on Schedule A (used to disclose political contributions) of the committee's January 2013 semiannual report principal occupation information for one individual who made two political contributions totaling \$20,000.
15. For each of the contributions at issue, the respondent left the contributor's principal occupation blank and disclosed the employer as "self." The respondent filed a corrected report on October 25, 2013, disclosing the principal occupation of the contributor as "Community Activist."

16. The two contributions at issue exceeded \$50 in the aggregate during the reporting period. Thus, the respondent was required to disclose the principal occupation of the contributor, and he did not do so. **Therefore, there is credible evidence of noncompliance with section 254.151(6) of the Election Code with respect to those two contributions.**

By signing this agreement and returning it to the Commission:

1. You consent to this agreement.
2. You accept the determinations made by the Commission in this agreement.
3. You waive any right to further proceedings in this matter.
4. You understand and agree that the Commission will consider this agreement in any future proceedings against you regarding similar allegations.
5. You acknowledge that:

A campaign finance report must include the amount of political expenditures that in the aggregate exceed \$100 and that are made during the reporting period, the full name and address of the persons to whom the expenditures are made, and the dates and purposes of the expenditures.

A campaign finance report must include the total amount or a specific listing of the political contributions of \$50 or less accepted and the total amount or a specific listing of the political expenditures of \$100 or less made during the reporting period.

Each campaign finance report must include the total amount of all political contributions accepted and the total amount of all political expenditures made during the reporting period.

Title 15 of the Election Code treats administrative expenses as political expenditures.

Each report filed under this chapter by electronic transfer must be under oath by the person required to file the report and must contain, in compliance with Commission specifications, the digitized signature of the person required to file the report. A report filed under this chapter is considered to be under oath by the person required to file the report, and the person is subject to prosecution under Chapter 37, Penal Code, regardless of the absence of or a defect in the affidavit.

Each report by a campaign treasurer of a general-purpose committee must include the principal occupation of each person from whom political contributions that in the aggregate exceed \$50 are accepted during the reporting period.

You agree to comply with these requirements of the law.

This agreement describes reporting errors that the Commission has determined are neither technical nor *de minimis*. Accordingly, this agreement is not confidential under section 571.140 of the Government Code.

The respondent agrees to tender a \$200 assessment fee to the Commission.

This agreement is a final and complete resolution of SC-31309154.

\_\_\_\_\_  
Michael C. Li, Respondent

\_\_\_\_\_  
Date signed by Respondent

Executed original agreement received by the Commission on: \_\_\_\_\_.

Texas Ethics Commission

By: \_\_\_\_\_  
Natalia Luna Ashley, Executive Director