

## Political Law Quarterly – Q2 2026

### WRITTEN BY

Warren F. Myers | Sydney Goldberg | Timothy Shyu

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Political activities sit at the intersection of law, policy, and reputation. Companies operating in highly regulated industries cannot avoid political law issues, and it is frequently more complex than expected.

This quarterly newsletter highlights a few practical issues we are seeing with clients and a handful of developments worth keeping on the radar.

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### SCOTUS REMOVES FEC RESTRICTIONS ON POLITICAL PARTY AND CANDIDATE COORDINATION

#### The Decision

We've been waiting for this decision all session, and now we have it. On June 30, 2026, the Supreme Court struck down the Federal Election Campaign Act's (FECA) limits on coordinated spending between political parties and their candidates, holding that those restrictions violate the First Amendment. In a 6-3 decision along ideological lines, *National Republican Senatorial Committee v. Federal Election Commission* overturns the Court's 2001 decision in *Colorado II*, which had upheld the same law. Writing for the majority, Justice Kavanaugh applied "closely drawn" scrutiny and concluded that coordinated-expenditure caps are not "proportionate," "necessary," or "narrowly tailored" to the government's anti-circumvention interest. The Court reasoned that earmarking rules, disclosure requirements, and base contribution limits are sufficient tools to facilitate the FEC's stated rationale for the law: preventing *quid pro quo* corruption. Justice Kagan dissented, warning that without the restrictions, donors can route contributions far exceeding the \$7,000 base limit to candidates through joint fundraising committees and party transfers, effectively turning political parties into "alternative checking accounts" for campaigns.

#### What's Next

This decision opens significant new avenues for political donors to support candidates by channeling money through party committees. We anticipate movement at the state level, with some states relaxing their own coordinated-expenditure rules to match and others looking for creative new ways to restrict the flow of large contributions through political parties. As states respond to the ruling, we can expect new developments in earmarking rules, disclosure requirements, and base contribution limits, the three methods for regulating political contributions cited by the Court as permissible under the First Amendment.

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### WHAT IS PAY-TO-PLAY, ANYWAY?

A single \$200 political contribution, left unreported, could bar a company from hundreds of millions of dollars in government business. That is the reality of “pay-to-play” laws, which are designed to prevent the exchange of political contributions for government contracts. They exist at the federal, state, and local levels and vary significantly by:

- Prohibited activity, including bans or contribution maximums;
- Periodic reporting requirements;
- Covered recipients, which range from specific government officials to broad, branch-wide bars; and
- Covered contributors, which can include companies, their owners, and their employees.

While violations can concern seemingly minor issues, the consequences of a violation are steep. Beyond the monetary penalties, violations can result in a company being disqualified from government business for several years, disgorgement of fees, and fines, not to mention reputational harm.

New Jersey offers a case in point as one of the most extensive pay-to-play regimes in the U.S. Under the various statutes and executive orders, a single contribution over \$200 can disqualify a company from receiving state or local government contracts. New Jersey’s reporting threshold for political contributions is \$200. When a company’s owners make reportable contributions, the ripple effects can block the company from state, county, or municipal contract awards. A reactive approach to pay-to-play compliance is a losing strategy. Companies should take the following proactive steps to reduce exposure:

1. **Identify your full landscape.** Map every jurisdiction and regulatory framework that applies to your business, including any pending or prospective government proposals, subcontracts, or relationships, not just current contracts;
2. **Implement a preclearance process.** Require employees and key personnel to obtain approval before making political contributions or engaging in fundraising activity;
3. **Maintain rigorous tracking.** Record every covered contribution, including the amount, the recipient, and the contributor’s relationship to the company (officer, director, or key employee, etc.); and
4. **Train consistently.** Conduct periodic training for all employees and include it in new hire onboarding. Everyone should understand the rules and the potentially severe consequences of noncompliance.

Pay-to-play regimes vary significantly across jurisdictions and can be triggered by relatively modest contributions or government contract amounts. Even well-intentioned political participation can create serious compliance exposure. Companies with government contracts or other governmental relationships should assess the applicable laws and potential obligations to develop or update their internal compliance program.

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## COMPLIANCE REMINDERS THIS QUARTER

July is typically a busy month for political activity reporting. Jurisdictions commonly require quarterly or semiannual reports for lobbying and PAC activity — and those deadlines all fall in July. We recommend that companies and businesses take the following steps now to prepare their filings and avoid a last-minute scramble:

1. Prepare a checklist of lobbying and PAC reports due in July.
2. Begin collecting relevant information from various departments in your company (lobbyists, government affairs, political contributions, finance, accounting).

3. Confirm that all forms are complete and ready to submit with all the required information.

A little preparation now saves a lot of scrambling later.

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## **DEVELOPMENTS TO WATCH: PAC LEADERSHIP SCRUTINY**

Under FECA, candidates and officeholders are prohibited from using campaign committee funds for personal use. This covers expenses like clothing, entertainment, and family travel.

In recent years, PAC leadership has been scrutinized for how PAC funds are being used and whether a similar personal use prohibition applies to PAC leadership, not just candidates and officeholders.

Companies that contribute to leadership PACs should monitor this space closely. Increased scrutiny of PAC spending practices, and any resulting regulatory or legislative developments, could affect the compliance considerations surrounding those contributions.

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