



**FAIR POLITICAL PRACTICES COMMISSION**  
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**To:** Chair Ravel and Commissioners Casher, Eskovitz, Wasserman and Wynne  
**From:** Zackery P. Morazzini, General Counsel  
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**Subject:** Legislative Update  
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In addition to the bills presented to the Commission at the April 10<sup>th</sup> meeting (set forth in the second portion of this memorandum), the following is a summary of additional bills pending before the Legislature that would impact the Political Reform Act (the "Act").

**Ongoing Legislation – Positions Not Yet Adopted by Commission**

**SB 2 (Lieu and Yee)**

Existing Law

The Act provides for the comprehensive regulation of campaign financing by requiring the reporting of campaign contributions and expenditures, and imposing other reporting and recordkeeping requirements on campaign committees. The Act requires elected officers, candidates, committees, and slate mailer organizations to file semiannual reports, preelection statements, and supplemental preelection statements.

The Act also regulates advertisements, which are defined as any general or public advertisement that is authorized and paid for by a person or committee for the purpose of supporting or opposing a candidate for elective office or a ballot measure. The Act places certain disclosure requirements on advertisements for or against any ballot measure, including that the advertisement disclose up to two persons who have made cumulative contributions of \$50,000 or more. The Act places more specific disclosure requirements on broadcast or mass mailing advertisements that are paid for by independent expenditures that support or oppose a candidate or ballot measure. In addition to other penalties imposed by the Act, a fine of up to triple the amount of the cost of an advertisement can be imposed on a person who violates the disclosure requirements for advertisements.

The Act regulates mass mailings, known as slate mailers, that support or oppose multiple candidates or ballot measures for an election. The Act requires that each slate mailer identify the slate mailer organization, or committee primarily formed to support or oppose one or more ballot measures, that is

sending the slate mailer. Slate mailers must contain other specified information in specified formatting. The Act requires that each candidate and each ballot measure proponent that has paid to appear in the slate mailer be designated by an asterisk.

The Act requires a ballot measure committee, within 30 days of the designating of the numerical order of propositions appearing on the ballot, to identify itself as committee for or against that numbered proposition in all required references.

The Act authorizes the Commission to perform discretionary investigations and audits with respect to campaign and lobbying reports, and statements that are filed with the Secretary of State. The Act also authorizes any person residing in the jurisdiction to sue for injunctive relief to prevent violations or compel compliance with the Act.

Under existing law, the Public Utilities Commission is responsible for regulating the use of automatic dialing-announcing devices.

### Proposed Law

This bill would repeal existing reporting requirements and replace them with quarterly statements or monthly statements depending on the type of committee, one pre-election statement, a postelection statement, and cumulative statements for filing. Currently, most committees file semi-annual statements twice a year in a non-election year, with more frequent filings in years in which elections are held, including 24-hour reports for activity occurring within 90 days of an election and two pre-election reports filed within three months of the election.

This bill would increase the fines for improperly reporting laundered or earmarked contributions and require a fine to be deposited into the Political Disclosure, Accountability, Transparency, and Access Fund, which was established to fund the maintenance, repair, and improvement of the online or electronic disclosure program implemented by the Secretary of State. The bill would also increase the fines and penalties when campaign statements and reports are filed late.

This bill would require that television, video, or audio broadcast advertisements that are authorized by a candidate include a specified disclosure statement made by the candidate.

The bill would increase the number of major donors of \$50,000 or more who must be disclosed in an advertisement by a committee for or against a ballot measure from two to four. The bill would require the name of a committee that supports or opposes a ballot measure to include the names of up to four major donors who have made cumulative contributions of \$50,000 or more. The bill would specify the amount of time in which a committee must update advertisement disclosures to reflect a change in the committee name that results from a change in the identity of the major donors who must be disclosed in an advertisement.

The bill would increase the maximum penalty for a violation of these provisions to six times the amount of the costs of the advertisement.

This bill would additionally require that a candidate or ballot measure appearing in the slate mailer as a result of a payment made by a third party be designated by an “@” and would require the notice to voters included on a slate mailer be revised to describe this new requirement.

The bill would require that a slate mailer that is produced in a language other than English provide the required notice to voters in that same language. The bill would require that a slate mailer provide the notice in both English and another language if a substantial portion of a slate mailer is produced in the other language.

This bill would reduce the amount of time within which a ballot measure committee must reference itself as a committee for or against a numbered proposition to within ten days of the designation the numerical order of propositions.

This bill would specify that the Commission may perform audits prior to the date of an election and prior to the date that a statement or report is required to be filed. The bill would authorize a person to challenge an audit by the Commission or any order resulting from an audit by seeking a writ of mandate, which would take priority over all other civil matters. The bill would specify that the Commission is authorized to seek an injunction to prevent a violation of or compel compliance with the Act.

This bill would also authorize the Commission to regulate the use of automatic dialing-announcing devices if the device is used to disseminate prerecorded messages that advocate support of, or opposition to, a candidate or ballot measure.

**Status: Senate Elections & Constitutional Amendments and Senate Energy, Utilities & Communications.**

### **SB 3 (Yee and Lieu)**

#### Existing Law

The Act requires each committee to file a statement of organization within ten days of becoming a committee. The Act also requires a committee to file an amended statement of organization whenever there is a change to the information contained in the statement of organization. The Act requires certain committees to file the original statement with the Secretary of State and a copy to be filed with the local filing officer within ten days of qualifying as a committee. The Act requires the Secretary of State to forward a copy of the statement of organization to county elections official, and require county elections official to forward a copy to appropriate city clerks. The Act requires the Secretary of State, in consultation with the Commission, to develop online and electronic filing processes for specified entities.

The Act requires each committee to have a designated treasurer who is identified in the statement of organization. A committee may not make an expenditure without the authorization of the treasurer.

The Act requires a committee to file certain special campaign statements, in addition to semi-annual and preelection campaign statements. The Act requires certain officers to file these statements by online or electronic means and a copy in paper format with the Secretary of State.

The Act requires certain reports, such as late contribution and late independent expenditure reports, to be filed within 24 hours by facsimile transmission, guaranteed overnight delivery, or personal delivery.

## Proposed Law

The bill revises the terms “late contribution” and “late independent expenditure” to “election-cycle contribution” and “election-cycle independent expenditure.” The bill would also replace the term “in-kind contribution” with “nonmonetary contribution.”

The bill increases fines from \$10 per day to \$30 per day for campaign statements and reports that are filed late, not to exceed 150 percent of the cumulative amount stated in the late statement or \$1,000 whichever is greater.

The bill would require statements of organization filed with the Secretary of State be filed electronically, within five days instead of the current ten days. Local filing requirements would also be satisfied if reports and statements are filed electronically. The bill would repeal the requirement to file paper copies of campaign statements when filing electronically.

The bill would require the Secretary of State to develop a single electronic filing system that consolidates all state and local statements and reports into one searchable database. The Secretary of State would be required to complete a feasibility study for the electronic filing system by December 31, 2014, to develop a funding plan, to engage in fundraising, and complete work on the system by December 31, 2018.

This bill would also require treasurers for committees that have made cumulative contributions or expenditures in excess of \$250,000, to complete an online certification course, designed and administered by the Commission. The Commission would be allowed to charge a fee of up to \$50 for this course.

The bill would establish a post-election campaign statement, which covers the day after the closing date of the last campaign statement required to be filed before an election through the end of the month when the election occurred, as well as a cumulative campaign statement that covers a two-year period.

## **Status: Senate Elections & Constitutional Amendments.**

### **SB 26 (Correa)**

#### Existing Law

The Act regulates mass mailings known as slate mailers that support or oppose multiple candidates or ballot measures for an election. The Act requires that each slate mailer identify the slate mailer organization, or committee primarily formed to support or oppose one or more ballot measures that is sending the slate mailer, and to contain other information in specified formatting. The Act also requires a notice to voters in a specified type and color or print consisting of a prescribed statement included on a side or surface of the slate mailer.

#### Proposed Law

The bill would change the font size for slate mailer name, street address, city, and disclaimer from 8pt. to 10 pt. These items would be required to be written in black ink against a solid white background. The disclaimer would be required to appear on each side or surface where any candidate

or ballot measure has paid to appear instead of the top or bottom of the front side or surface of a postcard mailer or insert.

**Status: Senate Floor.**

**SB 52 (Leno and Hill)**

Existing Law

The Act provides for the comprehensive regulation of campaign financing by requiring the reporting of campaign contributions and expenditures, and imposing other reporting and recordkeeping requirements on campaign committees. The Act imposes disclosure statement requirements with respect to advertisements supporting or opposing a candidate or ballot measure paid for by donors making contributions of specified amounts, or by independent expenditures. The Act requires a person who makes a payment or promise of payment totaling \$50,000 or more for a communication that identifies, but does not advocate the election or defeat of, a candidate for elective state office, and that is disseminated within 45 days of an election, to file a disclosure report with the Secretary of State.

Proposed Law

The bill would change and add several definitions to the Act. The definition of “Advertisement” would be changed to specifically include payments for an electioneering communication or for an issue advertisement. “Campaign” would be defined as the expenditures and other activities of a covered organization in support of, in opposition to, or in reference to a specific ballot measure, candidate, legislative action, administrative action, or any combination thereof. “Identifiable contributor” would be defined as those who make earmarked contributions that meet or exceed the campaign disclosure threshold. That threshold would be \$10,000 for statewide ballot measures, candidates, and issue ads, and \$2,000 for local ballot measures or candidates.

The bill would impose new disclosure statement requirements for:

- (1) Radio advertisements paid for by a candidate controlled committee. These advertisements would be required to have spoken disclosure statements using the candidate's voice reading the statement, unless the advertisement clearly identifies the candidate or the candidate's opponent.
- (2) Radio advertisements and prerecorded telephonic messages. These advertisements would be required to identify the top three contributors, unless the advertisement is paid for by a candidate controlled committee and clearly identifies the candidate or the candidate's opponent.
- (3) Television or video advertisements paid for by a candidate controlled committee that clearly identifies the candidate or an opponent. These advertisements must have the candidate identify himself or herself and state they have approved the message either with a video of the candidate speaking, or with a still photo of the candidate, as well as a voiceover of the candidate reading the required disclosure statement.

- (4) Television or video advertisements paid for by a non-candidate controlled committee that supports or opposes a ballot measure. These advertisements would be required to have a three second blackout screen dedicated to disclosure of the top three contributors, their logos, the name of the committee that paid for the advertisement, and website address for an “Internet Disclosure Website,” as described below.
- (5) Mass mailing or print advertisements other than slate mailers. Mass mailings and print advertisements would be required to identify contributors in an enclosed box with a solid background.

The bill will require non candidate controlled committees to maintain an Internet Disclosure Website for each of its campaigns. These web sites would have to contain a disclosure statement that identifies up to the top 10 contributors to the campaign, and would have to include a link to a list of all identifiable contributors. The bill would require covered organizations that make campaign related disbursements or expenditures exceeding a certain amount (\$10,000 for statewide ballot measures, candidates and issue ads, and \$2,000 for local ballot measure or candidate) to comply with disclosure and accounting requirements.

Covered organizations would be required to keep an accounting of all original contributors of political purpose funds and make this information available for audit by the Commission. Each time a covered organization makes a transfer of political purpose funds of \$1,000 or more, the organization would have to forward a “transfer of political purpose funds statement” to both the Commission and the recipient organization, which identifies the original contributors of the funds.

Those making a transfer in violation of the provisions in this bill would be liable for up to three times the amount of the transferred political purpose funds. If a plaintiff successfully brings an action enforcing these provisions and a judgment is entered against the defendant, the plaintiff shall receive fifty percent of the recovery.

The bill would change the definition of “electioneering communication.” Currently there is a requirement that a person who makes a payment of \$50,000 or more for a communication that identifies but does not advocate the election or defeat of a candidate for elective state office, and that is disseminated within 45 days of an election, to file a disclosure report with the Secretary of State. The \$50,000 threshold would be reduced to \$10,000 and the communication dissemination period would be changed to 120 days before the primary or special election and ending on the date of the general or run-off election.

**Status: Senate Elections & Constitutional Amendments.**

### **SB 268 (Gaines)**

#### Existing Law

The Act requires candidates and committees to file specified campaign finance reports, including semiannual statements, preelection statements, supplemental preelection statements, and late contribution reports.

#### Proposed Law

This bill would repeal the requirement that candidates and committees file semiannual, preelection, supplemental preelection, and late contribution campaign reports, and would instead require that a

candidate or committee who makes or receives a contribution of \$100 or more or makes an expenditure of \$100 or more to report that contribution or expenditure to specified filing officers within 24 hours. Candidates or committees that are required to report to the Secretary of State would be required to report contributions and expenditures online or by electronic transmission only.

**Status: Assembly Elections & Redistricting.**

**SB 425 (DeSaulnier)**

Existing Law

The Act prohibits a public official at any level of state or local government from making, participating in making, or in any way attempting to use his or her official position to influence a governmental decision in which he or she knows, or has reason to know, he or she has a financial interest.

Proposed Law

This bill would require any state, regional, or local agency principally tasked with administering the planning and development of a public works project to establish a specified peer review group to provide it with expert advice on the scientific and technical aspects of the project if the public works is a “megaproject,” defined as having a total development, construction, and reasonable projected maintenance costs exceeding one billion dollars (\$1,000,000,000). The bill would also require the Commission to create a form that identifies potential institutional conflicts for members of peer review groups, and requires a member of a peer review group to declare, under penalty of perjury, to be independent of all parties involved in the project, including project sponsors or contractors, and to have no conflicts of interest.

**Status: Senate Government & Finance.**

**SB 477 (Steinberg)**

This bill does not yet contain language amending the Act but states that the intent of the Legislature is to enact legislation that would prohibit a political campaign committee from accepting large contributions for the purpose of supporting the qualification of a statewide initiative ballot measure until the committee has first received a significant number of small individual contributions, thereby demonstrating a sufficient degree of public support for the proposed measure.

**Status: Senate Rules.**

**AB 510 (Ammiano)**

Existing Law

The Act currently requires a committee that makes an expenditure of \$5,000 or more to an individual for his or her appearance in an advertisement to support or oppose the qualification, passage, or defeat of a ballot measure to file a report within ten days, and to include a statement in the advertisement that notifies viewers that the individual was paid to appear in the advertisement.

### Proposed Law

This bill would require the same reporting and disclosure when a committee makes an expenditure of any amount to an individual that appears in the advertisement if the advertisements state that the individual is a practitioner or a member of a profession having expertise or specialized knowledge relating to the subject of the measure.

**Status: Assembly Elections & Redistricting.**

### **AB 1418 (Fong)**

#### Existing Law

Each campaign committee is required to file a statement of organization. For a campaign committee that does not support or oppose one or more candidates or ballot measures as its primary activity, the statement of organization must include, among other things, a brief description of the committee's political activities. This includes whether it supports or opposes candidates or measures, and whether such candidates or measures have common characteristics, such as a political party affiliation. The Act requires a committee that is controlled by a candidate for partisan office to provide a statement indicating the political party with which the candidate is affiliated. Campaign statements are required to be open for public inspection and reproduction on the Saturday preceding a statewide primary or general election at the Secretary of State, Registrar-Recorder of Los Angeles County, Registrar of Voters of San Diego County, and Registrar of Voters of the City and County of San Francisco.

#### Proposed Law

The bill would repeal the requirement that campaign statements be open for public inspection and reproduction on the Saturday preceding a statewide primary or general election at the Secretary of State, Registrar-Recorder of Los Angeles County, Registrar of Voters of San Diego County, and Registrar of Voters of the City and County of San Francisco.

The bill would require a committee that does not support or oppose one or more candidates as its primary activity to state on its statement of organization whether it supports or opposes candidates or measures and whether such candidates or measures have common characteristics, such as a political party "preference" instead of "affiliation."

The bill would require committees controlled by a candidate for partisan office to indicate the political party the candidate "has disclosed a preference" for instead of "is affiliated." The bill will also require committees that are controlled by a candidate for "voter nominated office" to indicate the political party for which the candidate has disclosed a preference.

**Status: Assembly Elections & Redistricting.**

## Ongoing Legislation – Positions Adopted by Commission

### SB 27 (Correa)

#### Existing Law

The Act provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures. Regulations previously adopted by the Commission require nonprofit organizations to disclose the sources of funds behind their campaign expenditures when donors have made donations to the organization in response to a solicitation that indicates the organization's intent to use such funds to make contributions or expenditures, or when such organizations have previously made contributions or independent expenditures from their general treasuries of \$1,000 or more during the calendar year, or the previous four years.

#### Proposed Law

This bill revises the definition of contribution in the Act to include payments by a donor who, at the time of making the payment, knows or has reason to know that the payment will be used to make contributions or expenditures in California. The bill would implement presumptions as to when a donor would have reason to know their donation will be used to make contributions or expenditures. The first presumption would require multipurpose organizations that receive donations and use them to make contributions or expenditures of \$1,000 or more in the calendar year or preceding four years. The second presumption would apply when a multipurpose organization has made contributions or expenditures of \$500,000 or more in the calendar year in California. The third presumption would apply when a multipurpose organization has disclosed contributions or expenditures to support or oppose candidates or ballot measures, or for issue advocacy activities, in this state on any publicly available annual or periodic report of its activities, and the last presumption would apply when a multipurpose organization has a sponsored committee registered with the Secretary of State. Once the presumption attaches, disclosure of the donor information is required unless the organization can affirmatively rebut the presumption. For example, the presumption could be rebutted by evidence that the donor gave money to the organization in response to a solicitation that affirmatively stated that no money from the donation would be used for political purposes.

This bill would also require ballot measure committees and candidate committees that raise \$1,000,000 or more for an election to maintain an accurate list of the committee's top 10 contributors, which would be posted on the FPPC's Internet website and the Committee's Internet website.

Staff believes the amendments proposed by this bill will result in more timely and accurate disclosure of the identity of the actual source of funds being spent on California elections, rather than just the name of a multipurpose organization which often provides little, and sometimes misleading, information about the interest behind the expenditure. Staff believes this bill is important because it would increase accountability for those who attempt to avoid disclosure of their identities by channeling funds used to influence California elections through other committees or nonprofits. By establishing specific rebuttable presumptions that donors have reason to know their donations may be used for contributions or expenditures in California elections, this bill would increase disclosure of important information regarding the true source of the money and the true interest behind it.

The Supreme Court has repeatedly held that the identity of the source of funds spent on elections provides valuable information to voters, and staff believes that timely pre-election disclosure of such information increases its value to voters when it matters most.

**Status: Senate Elections and Constitutional Amendments.  
Commission Adopted Position: Sponsor.**

### **AB 45 (Dickinson)**

The authors of AB 800 and AB 45 are working together on amendments to harmonize the provisions of each bill in order to avoid any duplication or inconsistencies and intend to move forward with separate bills that each cover important concepts.

Additionally, the donor disclosure provisions in Section 3 of AB 45 (amendments to Section 82015 of the Act), present a similar approach to donor disclosure as that presented in SB 27. Staff is informed that amendments are pending to remove any inconsistencies between these similar provisions. Staff believes the concepts presented in AB 45 would bring much needed improvements to, and further the purposes of, the Act.

The Commission has delegated authority to the Chair to formally support or sponsor AB 45 in the future should amendments to AB 45 harmonize with AB 800 and not go beyond the concepts currently expressed in the bill's existing language.

### **Existing Law**

The Act currently defines a "committee" as any person or combination of persons who receive contributions or make independent expenditures of \$1,000 or more in a calendar year. The Act also defines a "controlled committee" as a committee that is controlled directly or indirectly by a candidate. The Act requires committees to file campaign statements and requires that those statements disclose certain information about contributors who have made aggregate contributions of \$100 or more.

The Act also defines "surplus campaign funds" as campaign funds that are under the control of a former candidate or former elected official as of the date of leaving office or the end of the postelection reporting period following the defeat of the candidate for elective office, whichever occurs last. Additionally, the Act restricts the purposes for which surplus campaign funds can be used.

The Act also imposes specified duties on a filing officer with respect to reports and statements filed with that filing officer. The Act requires that certain campaign statements be filed with the Secretary of State online or electronically. Statements that are filed electronically must also be filed in paper format.

The Act authorizes the Commission and the Franchise Tax Board (the "FTB") to perform discretionary investigations and audits with respect to campaign and lobbying reports and statements filed with the Secretary of State.

## Proposed Law

This bill would increase the monetary threshold of contributions or independent expenditures that qualify a person or combination of persons as a committee from \$1,000 to \$2,000. The bill would revise the definition of “controlled committee” to specify that a committee controlled by a candidate who is elected to office is a controlled committee for the duration of the candidate’s entire term of office.

The bill would increase the \$100 contribution disclosure threshold from \$100 to \$250.

The bill would revise the definition of “contribution” to include payments made to multipurpose organizations by a person who “knows or has reason to know” that a payment will be used to make a contribution or independent expenditure. The bill would impose a presumption that a donor has “reason to know” (a) if the recipient organization has made aggregate contributions or expenditures of \$2,000 or more within the calendar year, or the preceding four years, or (b) if the donor’s payment is \$50,000 or more, is made in the six months preceding the election, and the multipurpose organization makes a contribution or an independent expenditure of \$50,000 or more within the six months prior to the election. Such donors would have to be identified and reported by the organization in accordance with existing reporting regulations.

The bill would increase the time at which campaign funds become surplus by 90 days.

Additionally, the bill would require filing officers to immediately affix a date stamp to each statement of economic interest. The bill would also require the Secretary of State to make campaign and lobbying statements and reports that are filed with the Secretary of State available to the Commission upon request.

The bill would specify that the Commission may perform an audit of a committee before a report or statement is required to be filed and would authorize a person to challenge an audit by seeking a writ of mandate.

The bill would specify that the Commission is authorized to seek an injunction to prevent a violation of the Act or compel compliance with the Act.

**Status: Assembly Elections & Redistricting.**

**Commission Adopted Position: Support.**

## **AB 552 (Fong)**

### Existing Law

The Act currently requires the Commission to commence a civil action and obtain a judgment in a superior court to collect any unpaid fines imposed under the Act.

### Proposed Law

This bill would authorize the Commission to apply to the clerk of the superior court for a judgment enforcing a monetary penalty or fee, and would require the clerk of the court to enter a judgment

immediately in conformity with the application under specified circumstances, rather than requiring the Commission to institute a formal civil action.

Staff believes the amendments proposed by this bill would increase efficiencies in the Commission's Enforcement Division by simplifying the procedure for collecting unpaid penalties. Rather than having to proceed with a full civil action to judgment in order to collect, this bill would allow the Commission to take advantage of a streamlined procedure for obtaining a judgment. The procedure established by this bill for the collection of unpaid penalties is similar to procedures that currently exist for a number of other government agencies, including the Department of Conservation (pursuant to Section 14591.5 of the Public Resources Code) and the Department of Forestry and Fire Protection (pursuant to Section 4601.3 of the Public Resources Code).

**Status: Assembly Elections & Redistricting.**

**Commission Adopted Position: Sponsor.**

### **AB 800 (Gordon)**

#### Existing Law

The Act currently defines the term "candidate" as including an officeholder who is the subject of a recall election. A candidate retains that status until the status is terminated. Candidate status requires individuals to continue to file campaign reports and provide disclosure to the public on campaign activities for both their main committee and other committees with which they may be involved. Candidates are prohibited from controlling committees that make independent expenditures and are prohibited from making contributions to committees that make independent expenditures to support or oppose other candidates. By regulation, the Commission has said that a candidate retains his or her status as a candidate until he or she leaves office.

A "Committee" is currently defined in the Act as any person or combination of persons who receives contributions or makes independent expenditures totaling \$1,000 or more in a calendar year. The Act defines a "controlled committee" as a committee that is controlled directly or indirectly by a candidate or state measure proponent, or that acts jointly with a candidate, controlled committee, or state measure proponent in connection with the making of expenditures. A candidate or state measure proponent controls a committee if he or she, or his or her agent or any other committee he or she controls, has a significant influence on the actions or decisions of the committee. The Act requires an agent or independent contractor to make known to the candidate or committee all information that is subject to campaign reporting requirements.

"Surplus campaign funds" are defined in the Act as funds that are under the control of a former candidate or former elected officer as of the date of leaving office, or the end of the postelection reporting period following the defeat of the candidate for elective office, whichever occurs last. The purposes for which surplus campaign funds may be used are restricted.

The Act requires the FTB to periodically prepare reports regarding its audit and investigations under the Act and send them to the Commission, the Secretary of State and the Attorney General. These audit reports must be completed within one year.

The Act generally prohibits the commencement of an audit or investigation of a candidate, controlled committee, or committee primarily supporting or opposing a candidate or a measure in connection with a report or statement required by specified provisions of the Act until after the last date for filing

the first report or statement following the general, the runoff, or a special election for the office for which the candidate ran, or following the election at which the measure was adopted or defeated.

### Proposed Law

This bill would revise the definition of “candidate” to include any officeholder, regardless of whether he or she is the subject of a recall election, and provides that a candidate retains that status until the time that he or she leaves office and the status is terminated. This change will make clear that officeholders who terminate their campaign committees will continue to retain their status as a candidate until they actually leave office, so that while they remain in office they are prohibited from controlling committees that make independent expenditures and prohibited from making contributions to committees that make independent expenditures to support or oppose other candidates.

This bill would revise the monetary threshold of contributions or independent expenditures that qualify a person or combination of persons as a committee, subject to reporting and disclosure requirements, from \$1,000 to \$2,000.

This bill would establish a presumption that a committee is significantly influenced by a candidate, and thus a “controlled committee”, if the candidate is a voting member of the committee’s governing body, the candidate or his or her agent is involved in the decision-making of the committee or the development or implementation of the committee’s campaign strategy the candidate or his or her agent is involved in directing, planning, or implementing the committee’s fundraising activities in a greater capacity than making endorsements or appearing at fundraisers, or the candidate, or his or her agent, is substantially involved in directing the day to day operations of the committee.

This bill would require a subcontractor who provides goods or services to or for the benefit of a candidate or committee to make known to the agent or independent contractor all of the information subject to the reporting requirements of the Act and would require this information be disclosed by a subagent or independent contractor to the agent, independent contractor, candidate, or committee no later than three working days prior to the time the campaign statement reporting the expenditure is required to be filed. Late contributions or late independent expenditures must be reported to the candidate or committee within 24 hours of the time it is made.

This bill would increase the time at which campaign funds become surplus by 90 days following either the officer leaving elective office or the end of the postelection reporting period following the defeat of the candidate, whichever occurs last.

This bill would remove the one-year deadline for the FTB to complete audit reports for audits conducted on a random basis, and would allow the Commission and the FTB at the direction of the Commission) to audit any record required to be maintained under the Act in order to ensure compliance with the Act prior to an election, even if the record or report is one that has not yet been filed. The one year deadline has proven counter-productive as it forces the FTB to work on minor audits and not have the discretion to adjust their workload to more rapidly work on major issues.

Finally, the bill would authorize the Commission to seek injunctive relief in a superior court to compel disclosure consistent with the Act and require a court grant expedited review of an action filed pursuant to this provision.

Staff believes this bill is important because it would facilitate the Commission's ability to identify if and when a candidate is influencing a committee. Due to contribution limits, more and more campaign activity is being done through independent expenditure committees. This becomes a problem when candidates coordinate with these committees to effectively circumvent contribution limits and create an uneven campaign playing field. This bill puts into place common sense presumptions of coordination that will assist with enforcement, while allowing for facts to be presented in rebuttal to the presumption that show lack of coordination.

This bill also updates outdated provisions in the Act with respect to the committee qualification monetary threshold in a manner that balances the rights of smaller groups of grassroots advocates with the burdens imposed once an organization qualifies as a committee under the Act. It also increases accountability on the part of committee subcontractors by requiring them to provide the committee that hired them with the information that is required to be reported on campaign statements. The bill would help committees obtain necessary information from their subcontractors in a timely manner which, in turn, will result in more accurate and timely disclosure to the public.

The bill would also allow candidates more time to decide what to do with campaign funds after they leave office or lose an election, as the current deadlines do not allow sufficient time (in most cases just a few weeks) for a candidate to decide if they want to run for another office before their funds become surplus, thus leading to candidates scrambling to create committees as place holders until they can decide. Staff believes this bill would reduce workload by eliminating or reducing the number of requests for advice regarding the proper use of surplus funds, as well as reduce the hardship on officeholders and candidates under the prior truncated timeframe.

Additionally, provisions addressing injunctive relief and auditing will help the FPPC identify those who attempt to violate the Act and provide disclosure to the public identifying who is funding campaign activity before an election, when that information is most relevant.

**Status: Assembly Elections & Redistricting.**  
**Commission Adopted Position: Support.**

### **AB 914 (Gordon)**

#### Existing Law

Existing law outside of the Act authorizes the California Attorney General to regulate charities with assets in California. Each year charities that are active in California must file a periodic written report with the Attorney General along with other Internal Revenue Service forms disclosing how they have spent their funds.

The Act provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures by nonprofit organizations, and imposes other reporting and recordkeeping requirements on campaign committees. Regulations previously adopted by the Commission require nonprofit organizations such as charities (501 (c)(3)) and social welfare organizations (501 (c)(4)) to disclose the sources of funds behind their campaign expenditures when donors have made donations to the organization in response to a solicitation that indicates the organization's intent to use such funds to make campaign contributions or expenditures or when such organizations have previously made contributions or independent expenditures from their general treasuries of \$1,000 or more during the calendar year, or the previous four years, in California.

## Proposed Law

This bill would require nonprofit organizations that make campaign contributions, expenditures or independent expenditures in California to file an annual report with the Commission and/or the Attorney General, as specified, disclosing the total percentage of their funds that were used to make contributions, expenditures and independent expenditures during each fiscal year the entity spends at least \$50,000 on such activities. If the total amount spent on such activities exceeds 10 percent of the entity's total expenses during the fiscal year, the entity would be required to disclose information related to each contribution, expenditure and independent expenditure, including the amount, date, name and address of the recipient, and a description of the purpose for the contribution, expenditure or independent expenditure. The names of each donor to the nonprofit organization of \$10,000 or more would also have to be disclosed, unless the organization makes all of its campaign expenditures from a separate account used for political expenditures. If all campaign contributions, expenditures and independent expenditures are made from a separate account, only donors whose funds were deposited into the separate account would be required to be disclosed. The bill would allow exemptions from disclosing the identities of donors in limited circumstances.

Staff believes this bill would provide the public with much needed disclosure that in some cases can be nonexistent. Since the Supreme Court decided *Citizens United* in 2010, there has been an unprecedented amount of campaign activity conducted by nonprofit organizations. Many of these organizations receive large sums of money from individuals and corporations and, under Federal law, are not required to disclose their donors. In the last election, a nonprofit organization contributed a large sum of money, which it apparently obtained from a number of other nonprofit organizations, to a committee in California prior to the election for use on ballot measure campaigns. Only the nonprofit in California was disclosed as the source of the funds. The FPPC brought legal action against them seeking to obtain the true source of the funds. This occurred just a few days before the election. This legislation would simply require nonprofits to know who their donors are and to disclose who is actually funding their campaign activities. This basic disclosure also would provide the public and other government agencies with valuable information regarding the amount of campaign activity conducted by the nonprofit in relation to its activities as whole.

**Status: Assembly Elections & Redistricting and Assembly Judiciary.  
Commission Adopted Position: Sponsor.**

## **AB 1090 (Fong)**

### Existing Law

Existing law (Government Code Section 1090) prohibits Members of the Legislature, state, county, district, judicial district, and city officers or employees from being financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Existing law makes a willful violation of this prohibition a crime. Currently enforcement of this law is under the authority of the Attorney General and district attorneys. These prohibitions are outside of the Act and are not enforced by the Commission. Nor can the Commission advise public officials on Section 1090 issues, as only the Attorney General has the authority to formally advise on such matters.

## Proposed Law

This bill would authorize the Commission to bring a civil or administrative action to enforce these prohibitions in a manner similar to that provided for under the Act. Criminal enforcement would remain with the Attorney General and district attorneys. This bill would prohibit the Commission from bringing an action against an individual if a criminal action is proceeding. Recent amendments to the bill authorize the Commission to provide advice to those subject to the prohibitions of Section 1090, in a manner concurrent with the authority of the Attorney General's Office.

The Commission has a unique expertise in advising upon, investigating, and prosecuting civil ethics violations, such as conflicts of interest, under the Act. In fact, the prohibitions set forth in Section 1090 are quite similar to the conflict-of-interest prohibitions contained in the Act. Indeed, as the California Supreme Court has recognized, "Section 1090 is the principal California statute governing conflicts of interest in the making of government contracts. In turn, the Political Reform Act is the principal California law governing conflicts of interest in the making of all government decisions. It is well established that these two acts are in pari materia ...." (*Lexin v. Superior Court* (2010) 47 Cal.4<sup>th</sup> 1050, 1091). Under the Act, conflicts of interest are subject to criminal, civil or administrative prosecution. This results in accounting for the full range of conduct that can be a violation of the Act, even if the conduct does not meet the intent requirements for criminal prosecution. Section 1090 does not currently have a similar range of penalties, even though it is very similar to the Act's conflicts-of-interest provisions. This bill would bring conformity to both prohibitions. Moreover, the Commission is well-suited to assist the Attorney General and district attorneys by having civil and administrative enforcement authority over Section 1090 conflicts.

Additionally, often times, when staff is advising or investigating public officials, a potential 1090 issue is spotted in the fact pattern. However, because Section 1090 falls outside the Act, staff is forced to simply refer the individual or the matter to either the Attorney General or district attorney. Staff is informed that individuals are often unable to obtain timely advice regarding Section 1090 issues. Staff believes that authorizing the Commission to formally and informally advise officials on Section 1090 matters would bring much needed clarity to this area of the law and enable public officials to more effectively carry out their public duties. Staff further believes that authorizing the Commission to bring civil or administrative actions under Section 1090 would result in more enforcement and, ultimately, more compliance with Section 1090, thus ensuring public officials conduct the public's business free from improper personal financial interests.

**Status: Referred to Assembly Elections & Redistricting.**

**Commission Adopted Position: Sponsor.**