



FAIR POLITICAL PRACTICES COMMISSION
428 J Street • Suite 620 • Sacramento, CA 95814-2329
(916) 322-5660 • Fax (916) 322-0886

To: Chair Remke and Commissioners Casher, Eskovitz, Wasserman and Wynne

From: Erin V. Peth, Executive Director
Sukhi K. Brar, Senior Commission Counsel and Legislative Coordinator

Subject: Legislative Update

Date: March 6, 2015

The Legislature began the 2015-2016 Legislative session on December 1, 2014. This report includes a summary of the bills currently pending before the Legislature that would impact the Political Reform Act (the "Act"). Traditionally, each session staff proposes that the Commission officially support legislation we believe makes important improvements to, and furthers the purposes of the Act. Therefore, staff is requesting the Commission officially support AB 549. Staff has been working closely with the author of AB 549 and feels this bill is already in a form that is supportable. Many of the other bills listed in this report are spot bills or have significant amendments in the works, as it is still very early in the session. Staff may recommend positions on other bills as the session progresses.

Bills Staff Recommends for Commission Position

AB 594 (Gordon)

Introduced: February 24, 2015

Existing Law

The Act provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures and imposing other reporting and recordkeeping requirements on campaign committees.

Currently, committees generally file two semi-annual statements every year covering all campaign activity for a period of six months. In election years, committees also file two pre-election reports as it gets closer to the election that provide an overall picture of that activity for each committee that is involved in the upcoming election. In addition to these reports, committees that make or receive contributions of \$1,000 or more or make independent

expenditures of \$1,000 or more in the last 90 days before the election must file an additional report within 24 hours of such activity. Before 2013, this 24-hour reporting period covered only the last 16 days before an election but was expanded to the last 90 days in 2013. Supplemental preelection reports are also required to be filed at specific times when a candidate or committee makes contributions of \$10,000 or more in connection with an election. In reality, such activity has already been disclosed on the 24-hour reports making the filing of these supplemental preelection reports unnecessary and over-burdensome. Additionally, supplemental independent expenditure reports are also required to be filed when a candidate or committee has made independent expenditures of \$1,000 or more in a calendar year, again this activity for the most part will have already been captured on a 24-hour report, making this report unnecessary and over-burdensome.

Current law defines a committee as a person or combination of persons that receive contributions of \$1,000 or more, make independent expenditures of \$1,000 or more, or that make contributions of \$10,000 or more. Once a person or combination of persons reaches these thresholds they are subject to the Act's campaign reporting requirements. Persons who conduct campaign related activity but do not reach these thresholds are not required to file campaign reports.

Proposed Law

Overall, this bill focuses on meaningful reforms to the Political Reform Act, while maintaining the highest ethical standards. The bill proposes streamlining some of the campaign finance rules in the Act to reduce redundancy and improve accountability with modernized, relevant, and accurate disclosures. The bill proposes four main changes to the Act:

1. Eliminates duplicative reports.

Specifically, the bill eliminates some duplicative reports. As explained above, the need for supplemental preelection statements and supplemental independent expenditure reports have been eliminated because extending the 24-hour reporting period from 16 days to 90 days a few years ago has made these statements duplicative, burdensome and unnecessary.

2. Provides updated monetary thresholds for triggering as a committee.

The bill increases the monetary thresholds for triggering as a "committee" that is subject to the Act's campaign reporting requirements. Specifically, the bill increases recipient committee and independent expenditure committee qualification thresholds from \$1,000 to \$2,000 and increases the major donor committee qualification threshold from \$10,000 to \$20,000.

The Act's committee qualification thresholds were put in place so that those who do not have large amounts of money or seek to raise or spend large amounts of money may participate in the political process without having to hire expensive campaign lawyers or campaign treasurers to help them navigate the complex world of campaign finance reporting. For these people, lower campaign qualification thresholds facilitate participation in the political process. The drafters of the Act reasoned that this benefit of unburdened participation outweighed the need for reporting of very low amounts of campaign related activity.

The Act's committee qualification thresholds have not been updated since at least 1987 and the proposed increases in the bill are intended to adjust the thresholds with the rate of inflation. Based on an inflation calculator from the Federal Bureau of Labor Statistics' website, one can see that the thresholds need to be increased because the value of a dollar has decreased by over 50% since 1987. For example, \$1,000 in 1987 is the equivalent of \$2,057.58 today. Such low qualification thresholds can be a barrier for those individuals who wish to participate, but who will not be raising or spending large amounts of money in connection with an election. Therefore, the original intent behind these thresholds is now diluted in practice.

3. Clarifies and simplifies requirements for 24-reports filed 90 days before elections.

The bill proposes raising the late contribution and late independent expenditure reporting threshold from \$1,000 to \$2,000. These thresholds have been unchanged since 1974 and 1981 and would be valued at amounts of more than double today. The bill also clarifies that the 90-day 24-hour reporting period includes the election date itself, in addition to the 90 days before the election, making those provisions consistent throughout the Act.

4. Clarifies and simplifies requirements for preelection statements.

Currently, the Act's preelection reporting requirements are very complicated and difficult to understand. This bill will clarify and simplify requirements for reports filed before the election, while still maintaining relevant and timely disclosure. Some thresholds have been raised to make the rules more uniform, but otherwise reporting would be the same as under the old scheme, just easier to understand. Most of the \$500 preelection reporting thresholds have been in place since 1986 and would be valued at over \$1,000 today. Specifically the bill:

- Keeps \$0 reporting threshold for candidates their controlled committees or for committees primarily formed to support or oppose an elected state officer or state candidate or measure on the ballot. This is unchanged from current law.
- Includes a \$1,000 reporting threshold for candidates not listed on the statewide primary or general election ballot making contributions. This raises the reporting threshold from \$0 to \$1,000.
- State or county general purpose committee reporting threshold is raised from \$500 to \$1,000.
- Political party committee reporting threshold remains unchanged at \$1,000 for contributions received but is raised from \$500 to \$1000 for contributions and independent expenditures made.
- City general purpose committee reporting threshold is raised from \$500 to \$1,000.
- Slate mailer preelection reporting threshold is raised from \$500 to \$1,000 but reporting requirements otherwise remain the same and language has been simplified.

Staff recommends that the Commission vote to support this bill because this bill will bring meaningful reform to the Act for the many reasons discussed above.

Status: In Assembly Pending Referral to Policy Committee

Staff Recommended Position: Support

Political Reform Act Bills Pending in the Legislature

SB 21 (Hill)

Introduced: December 1, 2014

Existing Law

The Act prohibits public officials from receiving gifts in excess of \$440 in value from a single source in a calendar year, with exceptions. One exception to this gift limit is for payments made to public officials for specified types of travel that are reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy.

Proposed Law

This bill would require a nonprofit organization that makes travel payments for an elected state officer or local elected officeholder to disclose the names of donors responsible for funding the payments. The bill would also require a person who receives a gift of a travel payment from any source to report the travel destination on his or her Statement of Economic Interests.

Status: In Senate Elections Committee

SB 283 (Nielsen)

Introduced: February 19, 2015

Existing Law

The Act requires the Attorney General to prepare a ballot label, title and summary for each statewide ballot measure and to include this summary in the ballot pamphlet.

Proposed Law

This bill would require the Legislative Analyst, instead of the Attorney General prepare the ballot label, title and summary for all measurers submitted to voters.

Status: In Senate Elections Committee

SB 310 (Anderson)

Introduced: February 23, 2015

This bill currently proposes nonsubstantive changes to the Act.

Status: In Senate Rules Committee

AB 10 (Gatto)

Introduced: December 1, 2014

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 the public official knows or has reason to know that he or she has a financial interest. A public official has a financial interest in a governmental decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on a business entity in which the public official has a direct or indirect investment worth \$2,000 or more, real property in which the public official has a direct or indirect interest worth \$2,000 or more, and sources of income aggregating \$500 or more in value within 12 months prior to the time when the decision is made. The Act requires certain public officials to file a Statement of Economic Interests disclosing investments, real property interests, and income within specified periods of assuming or leaving office, and annually while holding the office. The Act requires the disclosures to include information indicating, within a specified value range, the fair market value of investments or interests in real property and the aggregate value of income received from a source.

Proposed Law

This bill would increase the thresholds at which a public official has a disqualifying financial interest in sources of income from \$500 to \$1,000, investments in business entities from \$2,000 to \$5,000, and in interests in real property from \$2,000 to \$10,000. The bill would also make conforming adjustments to the thresholds at which income, investments, and interests in real property must be disclosed on a public official's Statement of Economic Interests. The bill would revise the dollar amounts associated with the value ranges for reporting the value of economic interests. Additionally, this bill would require certain public officials to disclose information on the official's Statement of Economic Interests relating to governmental decisions for which the public official had a disqualifying financial interest.

Status: In Assembly Elections Committee

AB 609 (Garcia)

Introduced: February 24, 2015

Existing Law

The California Constitution requires that a person reside within the legislative district for which he or she seeks election as a Member of the Legislature for one year immediately preceding the election. The Act allows candidates who accept the voluntary expenditure limits set forth in

Section 85400 to purchase space to place a statement in the voter information portion of the sample ballot.

Proposed Law

This bill would permit a candidate for Member of the Legislature to file a statement with the Secretary of State in which the candidate voluntarily agrees that, if elected, he or she will continue to reside within the district from which he or she was elected during his or her term of office. This bill will permit candidates running for State Senate or Assembly who accept the Act's voluntary expenditure limits *and* sign the voluntary statement described above to purchase the space to place a statement in the ballot pamphlet.

Status: In Assembly Pending Referral to Policy Committee

AB 700 (Gomez)

Introduced: February 25, 2015

This bill is currently a substantive spot bill containing some provisions from last session's Disclose Act.

Status: In Assembly Pending Referral to Policy Committee

AB 834 (Salas)

Introduced: February 26, 2015

This bill currently proposes nonsubstantive changes to the Act.

Status: In Assembly Pending Referral to Policy Committee

AB 910 (Harper)

Introduced: February 26, 2015

Existing Law

Existing law allows the Commission to contract with the County of San Bernardino to provide advice and enforcement of its local campaign rules.

Proposed Law

This bill would apply the same provisions in the Act that now relate to San Bernardino County to Orange County.

Status: In Assembly Pending Referral to Policy Committee

AB 1083 (Eggman)

Introduced February 27, 2015

This bill currently proposes nonsubstantive changes to the Act.

Status: In Assembly Pending Referral to Policy Committee

AB 1200 (Gordon)

Introduced: February 27, 2015

Existing Law

Existing provisions of the Act regulate the activities of lobbyists, lobbying firms, and lobbyist employers in connection with attempts to influence legislative and administrative action and require reporting of such activity. “Administrative action” is defined in the Act to include the proposal, drafting, development, consideration, amendment, enactment or defeat by any state agency of any rule, regulation, or other action in any ratemaking proceeding or any quasi legislative proceeding.

Proposed Law

This bill would define “administrative action” to include the awarding of specified statewide contracts by the Office of Procurement in the Department of General Services making the Act’s lobbyist reporting requirements applicable to actions that attempt to influence statewide contracts.

Status: In Assembly Pending Referral to Policy Committee

AB 1413 (Grove)

Introduced: February 27, 2015

This bill currently proposes nonsubstantive changes to the Act.

Status: In Assembly Pending Referral to Policy Committee

AB 1494 (Levine)

Introduced: February 27, 2015

Existing Law

The Act requires a committee that makes an independent expenditure of \$1,000 or more during the 90-day election cycle in connection with a candidate for elective state office or a state ballot measure to disclose that expenditure by filing a report online or electronically with the Secretary of State.

Proposed Law

This bill would require a committee subject to the Act's independent expenditure disclosure requirements to pay a tax at the rate of an undetermined percentage of the amount of each independent expenditure reported to the Secretary of State within 5 days of filing the report. The bill would require the Secretary of State to establish a fund with the tax revenues and allocate those funds to the Fair Political Practices Commission and local elections offices for the purpose of increasing transparency in political campaigns, civic engagement, and voter registration and turnout.

Status: In Assembly Pending Referral to Policy Committee

Government Code Section 1090 Bills Pending in the Legislature

SB 330 (Mendoza)

Introduced: February 23, 2015

Existing Law

Existing law prohibits Members of the Legislature, and state, county, district, judicial district, and city officers or employees from being financially interested in a contract, as specified, made by them in their official capacity or by any body or board of which they are members, subject to specified exceptions.

Proposed Law

This bill would, on and after January 1, 2017, expand these prohibitions to deem that a public officer who is an elected member of any state or local body, board, or commission has a prohibited financial interest in a contract pursuant to these provisions, if that public officer's spouse, child, parent, sibling, or the spouse of the child, parent, or sibling has a financial interest in any contract made by that public officer in his or her official capacity, or by any body, board, or commission of which that public officer is a member.

Status: In Senate Committee on Governance and Finance

SB 704 (Bates)

Introduced on February 27, 2015

Existing Law

Existing law 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 identifies certain remote interests that are not subject to this prohibition and other situations in which an official is not deemed to be financially interested in a contract.

Proposed Law

This bill would establish an additional situation in which an official is not financially interested in a contract as applied to an owner or partner of a firm serving on an advisory board or commission to the contracting agency if the owner or partner recuses himself or herself from all participation in reviewing a project that results from a contract between the firm and the contracting agency.

Status: In Senate Pending Referral to Policy Committee