ANNUAL REPORT

FAIR POLITICAL PRACTICES COMMISSION

2015

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Message from FPPC Chair Remke

As Chair, I want to commend the staff and my fellow Commissioners for a very successful 2015. It was an exciting year with many changes and accomplishments to build upon as we move forward.

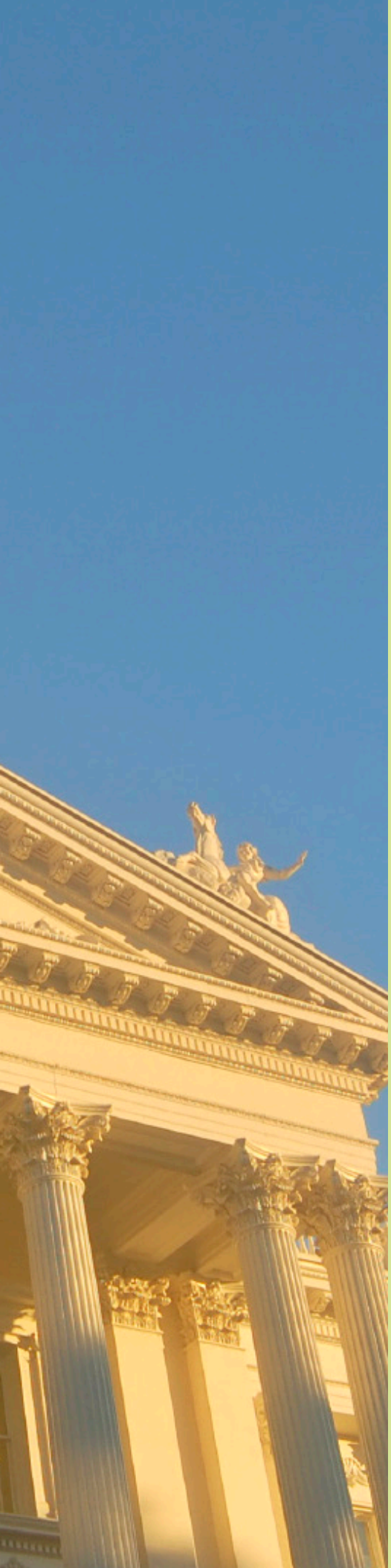
This report highlights some of the specific policies, regulations and enforcement actions of the past year. These accomplishments include streamlining and simplifying regulations and procedures to improve accountability; increasing transparency through the use of technology; and of course, continuing our concentration on strict enforcement of serious violations.

In 2016, one of our main focuses will be on assisting candidates, committees and filing officers during the elections, while continuing to proactively enforce the Political Reform Act. The proactive efforts are designed to increase compliance and disclosure when it matters - *before the elections*.

But beyond the elections, we need to continue the important work we started in 2015. In particular, we plan to:

- Successfully implement electronic filing for Statements of Economic Interests (Form700);
- Deploy a new enforcement case management system to better track cases and complete investigations;
- Enhance the website, including increased webinars and other online educational tools;
- Strengthen disclosure and regulation of lobbying activity; and
- Streamline the approval process for conflict of interest codes.

Together, we will continue to fulfill our mission to promote the integrity of state and local government in California through the impartial interpretation and enforcement of political campaign, lobbying and conflict of interest laws.



Year in Review

2015 was a busy and productive year for the Fair Political Practices Commission (FPPC or Commission). The Governor reappointed Chair Remke to a full term and the Commission furthered its important mission by launching a new website to increase transparency through technology and approved several new regulations to strengthen the law for the public's benefit. The FPPC continued to offer expert advice, assistance and outreach, streamlined and simplified procedures and requirements to improve efficiency and accountability, and continued its focus on strict enforcement of serious violations.

The Commission provided advice to over 15,000 inquiries submitted via phone, email or mail, and made over 50 in-person presentations across the state.

The Commission successfully closed 775 enforcement cases with proven violations, including 333 cases that resulted in fines totaling over $700,000.

The Commission obtained funding and started the procurement process for the electronic filing project for the approximately 25,000 Statements of Economic Interests (Form 700) it receives each year, and redesigned its website to enhance user experience and improve search capabilities.

The Commission enhanced 29 regulations on various aspects of the Act, including efforts to strengthen California's independent expenditure and "dark money" rules.

The Commission implemented the 6 bills signed by the Governor that changed the Political Reform Act, including a Commission-supported bill that eliminated unnecessary campaign reports and simplified certain campaign reporting requirements.

The Commission approved 146 conflict of interest codes for state and multi-county agencies.

Significant Achievements

Modernizing Campaign Rules and Preparing for the 2016 Elections

To prepare for the 2016 election cycle, Chair Remke successfully led the effort to enact tougher rules for independent expenditure committees and candidates, creating some of the toughest rules in the country on coordination. The FPPC also improved disclosure of large campaign contributors and closed potential loopholes on reporting requirements for multipurpose organizations, making California one of the leaders in the fight to stop what's been called "dark money" in campaigns. Also under the Chair's direction, the Commission supported legislation to encourage participation in the political process.

Tightening Rules on Independent Expenditures

The Commission took significant action and strengthened the rules on independent expenditures to address emerging trends and the rise of spending by outside groups. Californians may contribute to state candidates' campaigns subject to contribution limits to prevent candidates from appearing or becoming beholden to large donors. But outside groups, not affiliated with the candidate, may raise and spend unlimited amounts for independent expenditures. Independent political spending totaled more than $80.6 million in California's 2014 election cycle, an eight-fold increase from the 2002 cycle. Once reserved for hit pieces and attack ads, independent expenditures are playing an increasingly central role in campaigns.

California's rules on independent expenditures are some of the strongest in the nation. The law contains guidelines to ensure that political expenditures made by outside groups and entities are truly independent of the candidate they are supporting. California's regulations on independent expenditures seek to require the highest degree of separation that is constitutionally permissible between the outside spender and the candidate.

In order to maintain the highest standards, the Commission updated its rules to keep pace with new strategies being used by outside groups. Under the amendments, an outside group's spending may be considered coordinated with the candidate and not independent if:

- the outside group and the candidate use the same political consultants (time period extended from one election to the primary and general election combined);
- the candidate participates in fundraising for the outside group, by soliciting funds or appearing as a speaker at a fundraiser for the outside group;
- the outside group is established or run by former staffers of the candidate; or
- the outside group is established or principally funded by family members of the candidate.

These stronger rules help to ensure that outside spending is truly independent of the candidate, which is critical to enforcing campaign contribution limits. These changes created some of the strongest rules in the country and confirm California's continued leadership in regulating campaigns.

Increasing Transparency of Top Contributors and Combatting So-Called "Dark Money"

The Commission approved changes that will provide even more information for voters on the Commission's popular "Top 10 Contributors" list, as well as ensuring out-of-state political committees and major donors can't hide "dark money."

The new Commission rules opened up another layer of exposure to show voters who is really funding campaigns. It expanded a disclosure requirement on its Top 10 Contributors list to require certain committees on that list to also reveal their top two contributors. This change will provide information to the public on committees that may have generic names that are often confusing and opaque. For example, if a state general purpose committee with a bland and uninformative name such as "Good Government California" is listed as a top contributor to a ballot measure or independent expenditure committee, the two top donors to "Good Government California" will now also have to be listed. This change is another step toward the types of smart disclosure that the Commission has made a priority.

The Commission also approved a regulation that will help clarify that so-called "dark money" is not permitted in California elections. This change strengthens the regulation to assure no multipurpose organization contributes to a federal PAC for expenditures on a California ballot measure or state candidate without full disclosure of the true source of money to the organization.

These efforts highlight that the Commission is vigilant in defending the public's right to know the true source of funding in any campaign.

Between continued diligent enforcement of the laws and full, proper disclosure, the Commission remains committed to assisting the public in making informed decisions and restoring their faith in government.

Encouraging Participation in the Political Process

One of Chair Remke's primary goals is to streamline and simplify rules and processes to increase efficiency, improve accountability and encourage participation in the political process. This year, the Commission was pleased to support legislation that focused on meaningful reforms to the law, while maintaining the highest ethical standards. The Commission supported Assembly Bill 594 (Gordon) which streamlined campaign reporting rules to reduce redundancy and improve accountability with more timely, relevant and accurate disclosure. One of the primary aspects of the legislation raised the threshold by which an individual or group becomes a political committee and incurs registration and reporting requirements. The legislation raised the threshold from $1,000 to $2,000, thus fostering grassroots participation in the political process and modernizing the threshold to keep up with inflation.

Commission staff continued to encourage participation by launching an online toolkit that provides step-by-step instructions to prospective candidates on how to comply with the various rules and laws involved in running for office. The toolkit condenses several instructional manuals already available from the FPPC into a comprehensive, easy-to-use format and is available on the Commission's website.

Continued Strict Enforcement of Serious Violations

In 2015, the FPPC closed 775 cases with proven violations, with 333 cases resulting in stipulated resolutions approved by the Commission and over $700,000 in fines. The cases included serious violations for laundered campaign contributions, illegal campaign committee coordination, and conflicts of interest. And just as significant as any individual case is the process of enforcing the law and providing equal treatment of those facing enforcement actions. Under the Chair's guidance, the Commission implemented streamlined procedures to ensure consistency to potential violators and to provide investigators the time and tools to focus on more serious and egregious violations.

Case of First Impression – Contributions Received from a Foreign Business Entity

The law prohibits foreign governments and principals from making contributions to support or oppose state or local ballot measures. For the first time in its history the Commission approved a case of first impression concerning contributions made by a foreign source against a local initiative, which resulted in one of the most significant fines in recent years. This case was successfully prosecuted by the FPPC after federal regulators were unable to act. This not only resulted in a $61,500 fine, but more importantly sent a strong message that the FPPC will be on the lookout for and aggressively prosecute such activity. These types of violations are serious – with great potential for public harm. California's ballot measure process is a powerful means of shaping California law, and it is designed to serve the interests of the people of California – not the interests of foreign principals.

For additional information about this case and other major cases in 2015, see Appendix A.

Establishing Clear Guidelines and Due Process Protections

Clarifying and Expanding Streamlined Enforcement Programs

In 2015, the Enforcement Division opened over 2,200 cases. Given that volume of cases, Commission staff has grappled with the correct level of prosecution for people and groups who have violated the law, but have a lesser degree of public harm associated with their violation for a variety of reasons. As a result, as early as 1999, the Enforcement Division has handled some types of cases through a streamlined procedure where the fines are reduced and case resolution is more abbreviated and standardized. These streamlined procedures enable Commission staff to appropriately deal with clear violations of the law in an efficient and timely manner, while also reserving resources for the more complicated and difficult cases.

This year, the Enforcement Division conducted a comprehensive review of the streamlined program and proposed additional types of violations for new streamlined programs. At its May meeting, the Commission approved guidelines, penalty amounts, and a stipulation template for each of these streamlined programs:

- SEI Non-Filers
- SEI Non-Reporters
- Campaign Statement/Report Non-Filers
- Campaign Statement/Report Non-Reporters
- Lobbyist/Lobbying Firm/Lobbyist Employer/Lobbying Coalition/$5,000-Filer Non-Filers
- $50 Annual Fee Violations

These streamlined programs are an important resource to prosecute violations of the law, provide notice and fair treatment to respondents, encourage legal compliance, and appropriately allocate the Commission's enforcement resources.

Ensuring Due Process and Uniformity

This year the Commission also undertook efforts to solidify clear guidelines and increase due process protections. In order to achieve the appropriate balance between efficiency, fairness and access to information about complaints, the Commission adopted a detailed policy for media and public records inquiries related to enforcement cases. These policies dictate when the Commission may confirm receipt of a sworn complaint and acknowledge the existence of a Commission-initiated investigation, among other things.

The Commission also amended its rules to codify the scope of audits and investigations, and to allow the Commission to exclude from the audit selection process any jurisdiction that is already subject to audit by a local agency or the Commission in order to avoid duplicative audits.

Compelling Compliance with Committee Registration Fee Requirement

In 2012, the Legislature mandated that every recipient committee in California pay a $50 annual fee to the Secretary of State's office. The revenue is deposited into the Political Disclosure, Accountability, Transparency, and Access Fund. That money is reserved for the important task of maintaining, repairing and improving California's campaign finance technology.

The Commission is charged with ensuring that committees pay the fee and committees that fail to pay the fee on time are subject to a $150 penalty, in addition to the fee. This year, the Secretary of State's office referred to the Commission more than 2,400 committees that did not pay the required 2013 annual fee.

Commission staff diligently developed a procedure to process this extensive number of committees, with the ultimate goal of prosecuting those committees who failed to pay the fee and are still active committees.

Of the 2,460 committees referred: 625 were rejected, 87 received warning letters, 46 received no action letters, 109 were administratively terminated, 959 are slated for administrative termination, 296 terminated, 81 are pending prosecution, and 157 were prosecuted with fines approved by the Commission.

While ensuring that the committees pay the required fee is important in itself, this effort has long-term additional benefits for the Commission, the Secretary of State, local elections officials and the public. This process helped the Commission identify more than 1,000 committees which were defunct. Those committees should have been closed previously, but were mostly just lacking the proper paperwork to terminate. Purging those committees from the system allows elections officials, the FPPC and the public to have a clearer picture of only the active committees, which consolidates resources, saves time, and increases disclosure of current political activity.

San Bernardino County

In response to a request from the San Bernardino County Board of Supervisors, in 2013 the Legislature gave the FPPC authority to advise and enforce the County of San Bernardino Campaign Finance Reform Ordinance. The subsequent contract between San Bernardino County and the FPPC called for audits of every competitive campaign committee for elected county office in order to ensure disclosure to the public and compliance with the applicable rules. Since the initiation of the contract, the Enforcement Division proactively audited 22 campaign committees active in the 2014 San Bernardino County elections. These audits resulted in multiple violations being corrected before the relevant elections. And seven cases resulted in fines issued for instances of failure to use the campaign bank account, cash contributions exceeding $100, late campaign filings and non-disclosure expenditure information. Additionally, three warning letters were sent and two cases resulted in streamlined fines. After working with the candidates to achieve compliance before the election, the remaining audits had no material findings which resulted in 10 closures with no actions taken. The Commission is continuing to work with San Bernardino County on this mutually-beneficial effort.

Audits

The Enforcement Division opens a number of discretionary audits every year, as prescribed by the Act. The Enforcement Division also performs mandatory audits of the Board of Equalization and CalPERS candidates. Additionally, the Division received **39** Franchise Tax Board audit referrals containing material findings, which were each reviewed for prosecution.

Collections Program Activity

The Commission actively and aggressively pursues all cases that go into collections. Currently, there are **92** cases actively being pursued through tax state intercepts, civil judgments, demand letters and property tax liens.

Improving Transparency through Technology

Implementing Chair Remke's goal of improving transparency through technology, the Commission realized significant upgrades and improvements to its technology in 2015. The most visible of these efforts is a new FPPC website. This year also saw the beginning of work on an electronic filing system for Statements of Economic Interest (Form 700s). And Commission staff is in the process of undertaking many other technology efforts to improve internal processes of the Commission and to increase disclosure of crucial campaign finance and lobbying data.

Launching a New FPPC Website

In late 2015, the FPPC launched its new and improved website. Commission staff worked diligently to not only improve the look and feel of the site, but also to increase the site's functionality, searchability, and intuitiveness. One of the most exciting aspects of the new website is the "Transparency Portal," which includes:

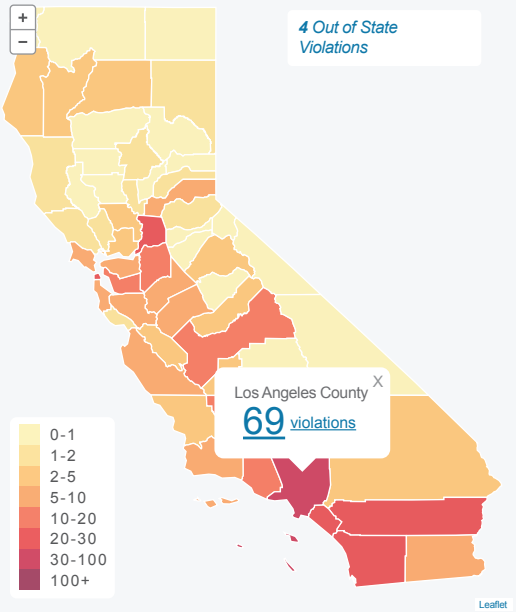
- Comprehensive Search Function. This feature allows users to search for certain public officials' Form 700s, agency reports, FPPC advice letters, Commission opinions, and enforcement case closure letters.
- Top Ten Contributor Lists. These lists detail the top 10 contributors to ballot measures and independent expenditure committees that have spent $1,000,000 or more to support or oppose a state measure or state candidate.
- Enforcement Actions Heat Map. This map provides a compelling visualization that illustrates where FPPC enforcement actions have taken place.

The Commission is continuing to add features and content to its website, which is a vital tool in realizing the Commission's mission of educating and informing the public, public officials and the media on the law and providing valuable data on campaign finance, lobbying and other activities conducted by public officials.

Approved Enforcement Actions in 2014

The FPPC prosecutes hundreds of cases every year and the public deserves to know where these violations occur. This map details the location of every case the FPPC prosecuted in 2014.

Click on a county to view summary information about the cases prosecuted in that region. You can also click through to view information about each case that was prosecuted in that county, including the approved stipulation.



Heatmap

Streamlining the Process for Statements of Economic Interests (Form 700)

In 2015, the FPPC received approval and funding to institute electronic filing for Form 700s filed with its office. When finished, the project will allow the thousands of people who file Form 700s with the FPPC to do so easier and faster, while also providing greater visibility and ease of access to the public.

This will not only free up countless FPPC staff hours spent opening mail, reviewing and processing more than 25,000 forms, it means no more printing, scanning and mailing the Form 700. For members of the public, the press and good government groups, the system will provide easier access to critically important information through a searchable data portal. Work continues on this important project and the goal is to have it fully implemented in 2016.

Modernizing Enforcement Case Management

This year the Commission began implementing a brand-new case management system for the Enforcement Division. This project has been many years in the making and will be completed in the first half of 2016. This crucial effort will increase internal efficiency and accountability, and improve the public's experience with respect to complaints filed with the FPPC. The system will integrate with the Commission's website and allow for the electronic filing of complaints, with the information automatically being sent to the internal database and into the workflow. It will also give the public the ability to search for information about the status of pending cases. And it will assist the internal processing of complaints by streamlining the workflow of a case, improving the Enforcement Division's business practices and automating calendaring of events and reminders. This project is a key milestone in using technology to improve transparency about the Commission's enforcement efforts and will provide many valuable tools to the Commission staff and the public.

Educating and Informing

Throughout its history, the FPPC has been dedicated to ensuring that candidates, public officials, and campaigns have resources available to help them comply with the Act. The FPPC offers dozens of fact sheets, guides, and other informational material as well as telephone and online advice lines for members of the public to request basic advice regarding their responsibilities under the Act.

For requests that are more complex in nature, the FPPC offers members of the public the opportunity to request formal advice from the Commission's staff attorneys. These letters often require thorough and thoughtful research and carry more legal significance than other types of advice because they may also protect requesters from enforcement actions.

In 2015, the Commission updated its Lobbying Disclosure Information Manual and each of the campaign disclosure manuals, which contain detailed information about campaign rules and restrictions. Manuals are available for each of the following types of campaign committees:

- Manual 1 - Information for State Candidates, Their Controlled Committees, and Primarily Formed Committees for State Candidates
- Manual 2 - Information for Local Candidates, Their Controlled Committees, and Primarily Formed Committees for Local Candidates
- Manual 3 - Information for Ballot Measure Committees
- Manual 4 - Information for General Purpose Committees
- Manual 5 - Information for Major Donor Committees
- Manual 6 - Information for Independent Expenditure Committees
- Manual 7 - Information for Slate Mailer Organizations

The Commission also hosts a variety of seminars and webinars for candidates, filing officials, campaign treasurers, and public officials to attend. In recent years, the Commission has expanded these educational efforts utilizing social media sites such as Facebook, Twitter, and YouTube to provide even greater opportunities for the regulated community to educate themselves.

Commission staff also speaks at and participates in many other types of events, such as the annual Council on Governmental Ethics Laws (COGEL) conference, League of California Cities conference, California Forward Open Data Summit, and ethics roundtables hosted by legislators.

Chair Remke Testifies at Senate Informational Hearing

In December, the Senate Committee on Elections and Constitutional Amendments held an oversight and informational hearing to examine current state and local practices on campaign finance, as well as the outlook for advances in campaign finance regulation and disclosure. Along with the Secretary of State Alex Padilla, Chair Remke testified before the committee. The Chair's testimony outlined three key objectives:

1. Transparency;
2. Fair and understandable political process; and
3. Accountability.

Chair Remke highlighted that technology should be used to maximize access to the campaign finance information that is collected, so that the information is accessible in a faster, easier, and more user-friendly format. She pointed to the Commission's "Top 10 Contributor" lists as an example of using existing technology to achieve smart disclosure.

Chair Remke also noted that the laws should encourage participation and ensure accountability; they should not hinder participation in the political process nor dilute accountability of public officials. She discussed the Commission's efforts to streamline and simplify the law, while maintaining the highest ethical standards. And she noted that the Commission supported Assembly Bill 594, which made common sense changes to simplify some of the campaign finance rules.

FPPC Hosts International Delegation

Commission staff made a presentation focused on the FPPC's role and authority to ensure accountability in government to an international delegation visiting various state government agencies in the United States. The delegation included more than ten countries.

Outreach Statistics

7,612 phone calls

1-866-ASK-FPPC (1-866-275-3772) is open Monday through Thursday 9AM – 11:30AM. The FPPC also offers extended hours of operation in the days leading up to June and November elections.

8,300 emails

Members of the public may submit emails to advice@fppc.ca.gov 24/7. Staff quickly responds to basic questions regarding compliance with the Act.

52 Presentations

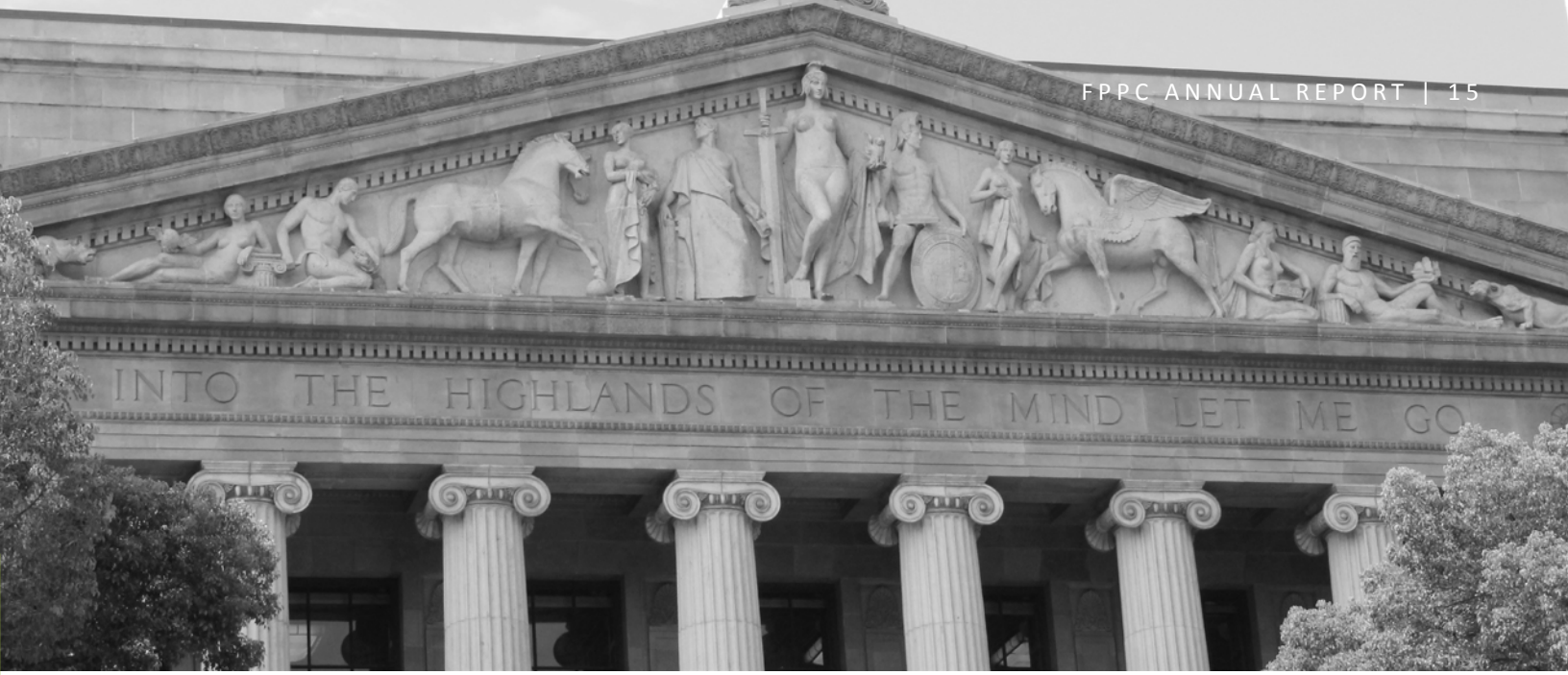
FPPC staff gave presentations to audiences of the California Judges' Association, state and county auditors, filing officers, and a variety of public officials ranging from 40 – 600 attendees.

88 Tweets

The FPPC highlights upcoming events, updates, filing deadlines and other important dates to help ensure the public stays connected with the Commission.

229 Advice Letters

Commission attorneys thoughtfully researched and authored 229 advice letters code in 2015; 53 of these letters relate to Government Code Section 1090.



Commission Overview

Brief History

The Fair Political Practices Commission was created in 1974 when California voters approved Proposition 9, the Political Reform Act (the Act). In the wake of the Watergate Scandal, Californians voted to reign in the potential corruptive influence of special interests by creating an agency to enforce the most rigorous restrictions on fundraising and lobbying in the country.

Charged with regulating campaign finance, lobbying activity, and conflicts of interest, the Commission and the Act have cemented California as a national leader in the regulation of governmental ethics. The FPPC is responsible for making disclosure of campaign contributors and the interests of public officials commonplace, and for shining light on some of the most egregious violations of campaign and governmental ethics in California.

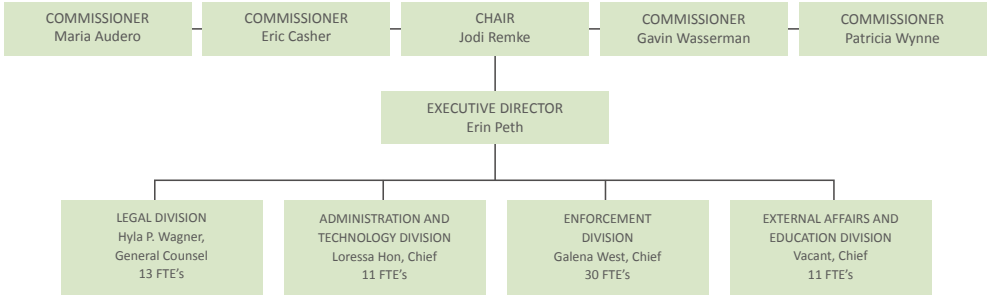
Commission Structure & Responsibilities

The FPPC is a five-member bipartisan commission which meets monthly to make decisions on a wide spectrum of matters including enforcement cases, adopting and rescinding regulations, and taking positions on legislation related to the Act.

Commissioners are appointed by various constitutional officers and serve staggered four-year terms. The Governor is responsible for appointing the Chair of the Commission and one other Commissioner from a different political party. The other Commissioners are appointed by California's Attorney General, Secretary of State, and State Controller. The Commission's Chair is the only full-time Commissioner and is responsible for setting the overall policy direction for the FPPC. Together with the Chair, the Executive Director provides day-to-day leadership to the Commission's staff, who are organized into four divisions: Legal, Administration and Technology, Enforcement, and External Affairs and Education.

Mission

The mission of the Fair Political Practices Commission is to promote the integrity of state and local government in California through fair, impartial interpretation and enforcement of political campaign, lobbying and conflict of interest laws.



*FTE = full-time equivalency

New Commissioner

In October 2015, Governor Brown appointed Maria Audero to the fill the position vacated by Sean Eskovitz, who had completed his four-year term. Commissioner Audero is a partner in the Employment Law practice at Paul Hastings and is co-chair of the Employment Law Department in the Los Angeles Office. Her practice emphasizes state and federal wage-and-hour nationwide class and collective actions, leave laws, discrimination, harassment, and retaliation claims. She has represented clients in a wide variety of industries, including financial services, entertainment, insurance, medical, restaurant and hospitality, education, automotive, aerospace, sports and consumer.

New Leaders for Legal and Enforcement Divisions

In March, Hyla Wagner became the FPPC's General Counsel. Hyla has been an invaluable member of the FPPC's legal team for more than 20 years. During her time at the Commission, she has handled large regulatory projects, provided legal advice on the most complex legal questions, participated in the FPPC's legislative proposals, assisted in litigation, and served as a frequent resource for the Executive Division staff. She is also an expert on the campaign rules in the Act. Prior to her work at the FPPC, Hyla was the Director of the Policy Analysis Unit and a Staff Attorney at the New York City Campaign Finance Board.

In June, Galena West became the FPPC's Chief of Enforcement. Galena has worked in the Enforcement Division for over 10 years, and previously worked in the Legal Division for 3 years. Her expertise has been invaluable in many high profile cases, including prosecuting all committees related to Proposition 8, the lobbying and consulting firm California Strategies LLC, a cluster of cases involving virtually the entire city of Oxnard in coordination with the Ventura County District Attorney's office, and the arbitration and settlement of a civil case for campaign violations by the Democratic National Committee.

Appendix A

2015 Major Enforcement Cases

The Enforcement Division continues to focus on prosecuting serious violations of the Act. These types of cases require advanced investigative techniques and are more legally complex to prosecute. The following are examples of cases that involve major violations and were prosecuted in 2015:

Unlawful Contributions from Foreign Principals

No on Government Waste, No on Measure B, Major Funding by Manwin USA; Diane Duke; Froytal Services Limited; and Mindgeek USA Incorporated F.K.A. Manwin USA, Inc.

In November 2012, Measure B was approved by the voters of Los Angeles County. No on Government Waste, No on Measure B, Major Funding by Manwin USA was a primarily formed ballot measure committee. Froytal Services Limited was a foreign business entity. Manwin USA, Inc. was incorporated under Delaware law and registered in California as an out-of-state corporation. Froytal and Manwin USA both were subsidiaries of Manwin Licensing International S.A.R.L., a Luxembourg-based internet video and online advertising conglomerate. With the foreign business entity contribution prohibition violation and several other campaign violations of the Act, the case resulted in a fine of $61,500.

Laundered Campaign Contributions

Moo Han Bae

The Enforcement Division of the Los Angeles City Ethics Commission and the Enforcement Division of the Fair Political Practices Commission initiated a joint investigation into potential money laundering and campaign contribution limits violations by Moo Han Bae in support of Wendy Greuel, a candidate for Los Angeles Mayor in 2013. Bae violated the Act by making nine contributions totaling $10,550 in the names of other persons in support of Wendy Greuel. In addition, Bae violated the Los Angeles City Charter contribution limit. For these violations, Bae was fined a total amount of $76,650, $22,500 to the State of California and $54,150 to the City of Los Angeles.

George S. Briggeman, Jr.

George S. Briggeman, Jr., a businessman who lives in Southern California, fully funded Green and Clean LLC, located in Cheyenne, Wyoming. Briggeman then made three campaign contributions to Taxpayers for Safer Neighborhoods, a general purpose committee who largely supported and opposed local candidates in Anaheim, Lake Forest and Cypress, California in 2012, in the name of Green and Clean LLC instead of his own legal name. For these violations of the Act, Mr. Briggeman was fined $15,000.

James "Jim" Nielsen, Taxpayers for Jim Nielsen – Assembly 2012, Charles H. Bell, Jr., Tehama County Republican Central Committee, Roger Marsh, Linda Alston, Robert A. "Bob" Williams, Friends of Bob Williams for Assembly 2012, and David Bauer

James "Jim" Nielsen, Taxpayers for Nielsen and Charles H. Bell, Jr. (treasurer), made an earmarked, over-the-limit contribution totaling $4,320 in the name of Tehama Republican Central Committee and erroneously reported information regarding that contribution. Nielsen knowingly received a gift of tickets to an NBA basketball game arranged by a lobbying firm. Robert A. "Bob" Williams, Friends of Bob Williams for Assembly 2012 and David Bauer (treasurer) accepted an over-the-limit contribution totaling $4,320 and erroneously reported information regarding that contribution. Tehama County Republican Central Committee and Roger Marsh (treasurer) failed to disclose both the intermediary and the original contributor information for a $4,320 contribution. Tehama County Republican Central Committee, Marsh, and Linda Alston (treasurer) erroneously reported that Tehama County Republican Central Committee made a contribution to Friends of Williams, instead of disclosing that they were the intermediary for the contribution and not the source. For these violations of the Act, the parties were fined $23,000.

Dakshin Indian Restaurant, LLC, dba Anjappar Chittinad Indian Restaurant

Dakshin Indian Restaurant, a business in Milpitas, California, made contributions totaling $3,000 in the names of others to Esteves for Mayor 2012 and Deb Giordano City Council 2012, candidates for Milpitas Mayor and Milpitas City Council, in the November 6, 2012 election instead of its own legal name. The true sources of the contributions were not disclosed to the committees. For these violations of the Act, the parties were fined $30,000.

Citizens in Charge and Howard Rich

Howard Rich, an individual who resides in Pennsylvania, made a $200,000 contribution to California Term Limits PAC Sponsored by California Term Limits and Citizens in Charge ("PAC") that was disclosed as a contribution from Citizens in Charge ("CIC"), a 501(c)(4) non-profit organization based in Virginia. CIC acted as an intermediary for the $200,000 contribution but did not disclose itself to the PAC as an intermediary. Further, Mr. Rich failed to file two major donor campaign statements disclosing contributions he made in 2012. For these violations of the Act, the parties were fined $14,000.

Howard Misle

Howard Misle, the owner and CEO of American Metal Group, Inc., made two campaign contributions to city council candidates in the name of an employee of American Metal Group, Inc., rather than his own name, by reimbursing the employee for making the contributions to the candidates' campaigns. For these violations of the Act, Mr. Misle was fined $10,000

Conflicts of Interest

Margaret Salazar

Margaret Salazar was the Regional Director of a migrant education program administered by the San Joaquin County Office of Education and overseen by the California Department of Education. On numerous occasions, she used her official position to direct substantial program funds for catering and janitorial services to two different vendors in which she had an economic interest. For these violations of the Act, Ms. Salazar was fined $40,000.

Edward C. Vasquez

Edward C. Vasquez, a member of the Central Basin Municipal Water District's Board of Directors until January 6, 2013, failed to report 28 gifts he received between January 1, 2009, and January 6, 2013, accepted gifts in excess of the annual gift-limit in 2009, 2010, and 2011, and made seven governmental decisions in which he knew or had reason to know he had a financial interest. For these violations of the Act, Mr. Vasquez was fined $31,500.

Arthur J. Aguilar

Arthur J. Aguilar, General Manager of the Central Basin Municipal Water District until October 31, 2012, failed to report 31 gifts he received between January 1, 2009, and October 31, 2012; accepted gifts in excess of the annual gift limit in 2009, 2010, 2011, and made, participated in making, or attempted to use his official position to influence eight governmental decisions in which he knew or had reason to know he had a financial interest. For these violations of the Act, Mr. Aguilar was fined $30,000.

Miguel Pulido

The Enforcement Division of the Fair Political Practices Commission and the Orange County District Attorney's Office performed a joint investigation into potential conflict of interest and disclosure violations by Miguel Pulido, the Mayor of Santa Ana. In January 2011, Mayor Pulido voted to renew a contract with Orange County Auto Parts, a source of income to him, causing him a conflict of interests. Also, Mayor Pulido failed to disclose information regarding his economic interest that was involved in the decision on annual Statements of Economic Interests. For these violations of the Act, Mayor Pulido was fined $13,000.

Over-the-Limit Contributions

Coto for Senate 2012, Joe Coto, and Vote Matters

Joe Coto was an unsuccessful candidate for State Senate, District 15, in the November 6, 2012 General Election. Coto for Senate 2012 was his controlled committee and Vote Matters is a state general purpose committee. Vote Matters, in coordination with Mr. Coto's committee, made a number of expenditures on behalf of Mr. Coto that exceeded the campaign contribution limit for the 2012 election. The parties also failed to properly disclose the coordinated expenditures made by Vote Matters on behalf of Mr. Coto as contributions to Mr. Coto's committee. For these violations of the Act, the parties were fined $16,000.

Campaign Reporting

Angel Santiago, Friends of Angel Santiago for Inland Empire Utilities Agency Director Division 4, and Valerie Santiago

Angel Santiago was a successful candidate for re-election to the Inland Empire Utilities Agency Board of Directors in 2010. Friends of Angel Santiago for Inland Empire Utilities Agency Director Division 4 was his candidate controlled committee and Valerie Santiago was the committee treasurer. In 2010, 2011, and early 2012, the Santiago's and Friends of Angel Santiago for Inland Empire Utilities Agency Director Division 4 failed to timely file semiannual campaign statements, two preelection campaign statements, and four 24-hour contribution reports and used cash to make campaign expenditures of $100 or more. For these violations of the Act, the parties were fined $32,000.

Appendix B

2015 Legislation

Below are summaries of the legislative changes made to the Political Reform Act in 2015. The effective dates for the changes are included in each of the summaries. To view the full text of the bills, visit: http://www.leginfo.ca.gov/bilinfo.html

Campaign

Ad Disclaimers. Campaign advertisement disclaimer statements must be printed in no less than 14-point, bold, sans serif type font. An advertisement supporting or opposing a candidate that is paid for by an independent expenditure must include a disclosure statement with specific content. If the advertisement is mailed, the disclosure statement must be located within a quarter of an inch of the recipient's name and address and be contained in a box that meets prescribed criteria for line width and has a contrasting background color to the rest of the mailer. (AB 990 (Bonilla) – Chapter 747, Statutes 2015, effective October 10, 2015)

90-Day, 24-Hour Reporting Period. The 90-day, 24-hour reporting period was amended to include the election date itself, in addition to the 90 days before the election. This makes the 90-day, 24-hour reporting period for state and local committees consistent. (AB 594 (Gordon) –Chapter 364, Statutes 2015, effective January 1, 2016)

Committee Qualification Threshold. The recipient committee qualification threshold was raised from $1,000 to $2,000. (AB 594 (Gordon) – Chapter 364, Statutes 2015, effective January 1, 2016)

Preelection Filing Requirements. The requirements for candidates and committees to file two preelection campaign statements were clarified. For example, city major donors are no longer required to file preelection statements and only file semiannual statements like county and state major donors. Uniform timelines for the date of preelection filings were also enacted. (AB 594 (Gordon) – Chapter 364, Statutes 2015, effective January 1, 2016)

Supplemental Preelection Statements (Form 495) and Supplemental Independent Expenditure Reports (Form 465). Forms 495 and 465 were eliminated because new reporting requirements made them redundant. The extension of the 24-hour reporting for contributions and independent expenditures from 16 to 90 days before an election enacted in 2012 made these statements unnecessary. (AB 594 (Gordon) – Chapter 364, Statutes 2015, effective January 1, 2016)

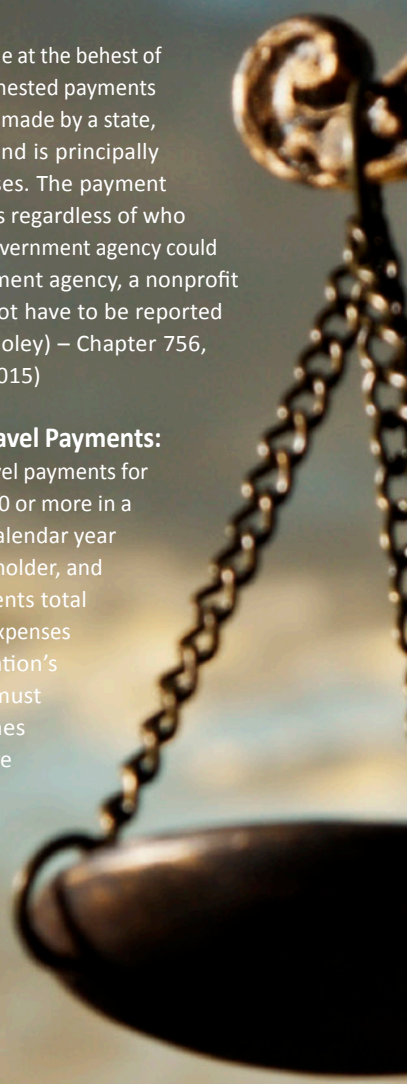
Statements of Economic Interests

Travel Payments. If an individual receives a travel payment that is a reportable gift on or after January 1, 2016, he or she must disclose the travel destination on Schedule E of Form 700. (SB 21 (Hill) - Chapter 757, Statutes 2015, effective January 1, 2016)

Other

Behested Payments. A payment made at the behest of an elected officer is exempt from the behested payments reporting requirement if the payment is made by a state, local, or federal government agency and is principally for legislative or governmental purposes. The payment is exempt from reporting requirements regardless of who received the payment. For example, a government agency could make the payment to another government agency, a nonprofit or a private third party and it would not have to be reported as a behested payment. (AB 1544 (Cooley) – Chapter 756, Statutes 2015, effective October 10, 2015)

Nonprofit Organization Making Travel Payments: A nonprofit organization that makes travel payments for elected state or local officials of $10,000 or more in a calendar year, or $5,000 or more in a calendar year for a single elected state or local officeholder, and whose expenses for such travel payments total 1/3 or more of the organization's total expenses in a year as reflected on the organization's Internal Revenue Service Form 990, must disclose to the Commission the names of donors who donated $1,000 or more and also went on the trips. (SB 21 (Hill) - Chapter 757, Statutes 2015, effective January 1, 2016)



Appendix C

2015 Regulations

Below are summaries of the regulatory changes made in 2015. The Commission's regulations are in Division 6, Title 2 of The California Code of Regulations, and the full text of the regulations are available on the FPPC's website.

January Commission Meeting

18450.11 Paid Spokesperson Disclosure (amended)

A committee that pays a spokesperson $5,000 or more to appear in an ad supporting or opposing a ballot measure must file a report on Form 511 within ten days, and must also include a statement in the advertisement that notifies viewers that the individual was paid to appear in the advertisement. Section 84511 was amended by AB 510 (Ammiano) effective January 1, 2015, to include additional disclosure on ballot measure ads that state or suggest that an individual in the ad is a member of an occupation that requires license, certification or specialized training, when the individual is *not actually* a member of the occupation portrayed. Regulation 18450.11 was amended to conform to the statute.

18740 Legally Prohibited Disclosure: Statement of Economic Interests (amended)

When reporting a business entity as a source of income on the Form 700 statement of economic interests, an official must disclose the name of every person from whom the business entity received payments if the official's pro rata share of gross receipts from that person was $10,000 or more during the calendar year. (Section 87207(b).) Former Regulation 18740 had a narrow exception to this statutory disclosure requirement if the disclosure of the source of income would violate a legally recognized privilege under California Law. As amended, Regulation 18740 applies to situations where disclosure may be withheld under other California and Federal laws, including evidentiary privileges.

Conflict of Interest - Materiality Standards

18705, 18705.3, 18705.4 and 18705.5 (amended) and 18704, 18704.1, and 18704.5 (repealed)

A public official is prohibited from making, participating in making, or attempting to influence a governmental decision if it is reasonably foreseeable that the decision will have a *material* financial effect on the official, an immediate family member, a source of income, a source of gifts to the official, a business entity in which the official has a financial investment or holds a specified position, or on any real property in which the official has a direct or indirect interest. Amendments to these regulations modified the materiality standards for decisions affecting an official's real property, business interests, source of income, source

of gift, or his or her personal finances.

February Commission Meeting

18215 Contribution - Payments for Fundraising Events from Lobbyists and Lobbying Firms (amended)

The Act's definition of contribution was amended to clarify that lobbyists may not hold fundraisers in their homes or offices for candidates whom they are registered to lobby. These changes were made to conform to legislative changes made by ethics bills SB 1441 (Lara) and AB 1673 (Garcia), both effective January 1, 2015.

18530.4 and 18530.45 Legal Defense Funds (amended)

These amendments conformed the definition of "attorney's fees and other related legal costs" contained in the state and local legal defense fund regulations to the statutory changes made by AB 1692 (Garcia) to Sections 85304 and 85304.5 governing legal defense funds.

April Commission Meeting

Conflicts of Interest - Public Generally Exception

18703 (amended to include the public generally exception); 18707 - 18707.10 and 18703.2, 18703.4, and 18703.5 (repealed)

The public generally exception which may be applicable in a conflicts of interest analysis was simplified and incorporated into Regulation 18703. The new regulation replaced the narrowly interpreted "substantially the same manner" standard with a "unique effect" test. Under the amended regulation, once an official determines that a significant segment of the jurisdiction will be affected by the decision, the official is permitted to take part in the decision so long as the decision does not have a unique effect on the official's interest in comparison to the significant segment. Regulation 18703 simplified and condensed the special rules formerly provided in Regulations 18707.2 - 18707.10 into one subdivision.

May Commission Meeting

Conflicts of Interest - Making, Participating or Influencing a Governmental Decision

18700.3 and 18707 (adopted), 18704.1-18704.6 (repealed)

Under the Act, a public official "shall not make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest." (Section 87100.) This set of items revised the Commission's regulations defining when an official is making, participating in making, or attempting to use his or her position to influence a decision. Additionally, the existing disqualification and recusal requirements for an official who is disqualified from a decision were merged into a single regulation.

June Commission Meeting

18404.2 Administrative Termination of Committees (amended)

Section 84214 of the Act requires committees and candidates to terminate their filing obligation pursuant to FPPC regulations. Regulation 18404.1 sets forth the procedure for termination. Nonetheless, many committees that are no longer engaged in campaign activity fail to terminate pursuant to the regulation and mistakenly stop filing required campaign statements. Amendments to Regulation 18404.2 expanded the grounds for the FPPC to administratively terminate inactive committees.

August Commission Meeting

18351 FPPC's Conflict of Interest Code (amended)

The FPPC's conflict of interest code was amended to include new positions and make other minor changes.

September Commission Meeting

18422 Multipurpose Organization Political Activity Transparency (amended)

18413 Reporting Independent Expenditures by Eligible 501(c)(3)/501(c)(4) Organizations (repealed)

The Commission continued its efforts to ensure that so-called "dark money," originating from nonprofits or other multipurpose organizations whose donors are not disclosed, does not play a role in California elections. The Act requires that nonprofits and other multipurpose

organizations that spend in California elections disclose their donors under Section 84222 (SB 27) and Regulation 18422. The amendment to Regulation 18422 clarified that if a nonprofit 501(c)(4) group contributes to a federal PAC for expenditures on a California ballot measure or state candidate, the sources of funds to the organization must be disclosed in California as required under the Act. Because new rules on disclosure of contributors to multipurpose organizations in Section 84222 supersede the Act's prior rules, old Regulation 18413 was repealed.

18422.5 Top Contributor Disclosure by Committees Primarily formed for State Ballot Measures or Candidates (amended)

The Act requires primarily formed committees that raise $1,000,000 or more to support or oppose state ballot measures or make independent expenditures on state candidates to provide lists of their top 10 contributors to the FPPC for online posting. To shed more light on who is funding state ballot measures and independent expenditures, the regulation was amended to require that if a state general purpose committee is listed as one of the top 10 contributors, the top two donors to that committee will also be listed to inform the public of the nature of that committee. (84223(b).) Piercing through to underlying donors shows voters the interests behind measures, because general purpose committees may have opaque names like "Good Government California."

October Commission Meeting

18225.7 Made at the Behest; Independent versus Coordinated Expenditures (amended)

18550.1 Independent and Coordinated Expenditures (repealed)

The Commission amended Regulation 18225.7 to strengthen the Act's rules governing independent expenditures and include several additional situations where an expenditure is presumed to be coordinated with a candidate or committee. Under the amendments, an outside group's spending may be considered coordinated with the candidate and not independent if the outside group and the candidate use the same political consultants; the candidate participates in fundraising for the outside group; the outside group is established or run by former staffers of the candidate; or the outside group is established or principally funded by family members of the candidate. Regulation 18550.1 was repealed to consolidate the two overlapping regulations addressing independent expenditures into one.

November Commission Meeting

18360 Enforcement Complaints (amended)

18362 Access to Enforcement Records (amended)

These regulations were amended to improve the procedure for notifying those who have filed complaints with the Enforcement Division and those who are the subject of a complaint. The amendments also set forth a detailed policy for media and public records inquiries related to Enforcement Division records.

December Commission Meeting

18996 Scope of Audits and Investigations (amended)

Regulation 18996 was amended to state the scope of mandatory audits and investigations of local candidates and their controlled committees conducted under Section 90001. The amendments also codify the FPPC's authority to avoid redundant audits or investigations by excluding those jurisdictions already subject to audit by the FPPC or a local agency from the random selection of jurisdictions for audit.

18944.1 Gifts: Agency Provided Tickets or Passes (amended)

Regulation 18944.1 was amended to set a deadline by which agencies must post information about tickets or passes they distribute to their employees and to require agencies to post this information on their website, which they previously sent to the Commission. The Commission's website will provide a link to the agency's post. The changes will promote timely disclosure and benefit members of the public by placing the reports on the website they are most likely to search.

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2015 ANNUAL REPORT

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