FAIR POLITICAL PRACTICES COMMISSION

ANNUAL REPORT 2016

Commissioner Eric Casher, Commissioner Maria Audero, Chair Jodi Remke, Commissioner Patricia Wynne, Commissioner Gavin Wasserman

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Message from FPPC Chair Jodi Remke

As Chair, I want to commend my fellow Commissioners and the exceptional FPPC staff for a very successful 2016. It was an exciting year with many changes and accomplishments to build on 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 the Political Reform Act to encourage participation, build public trust and improve accountability;
- Strengthening disclosure and regulation of lobbying activity;
- Offering invaluable expert advice, assistance and outreach;
- Focusing on strict enforcement of serious violations; and
- Increasing transparency through the use of technology.

At a time of uncertainty in civics, campaigns and governmental ethics in the country, it is important to highlight that California remains a national leader in regulating and enforcing conflicts of interest, campaigns and lobbying activity. We have some of the strongest disclosure laws and toughest enforcement mechanisms in the country. And the FPPC is committed to continuing to work tirelessly to uphold California's laws and reinvigorate the public's trust in our government.

YEAR IN REVIEW

2016 was an extremely busy and productive year for the Fair Political Practices Commission (FPPC or Commission). In addition to the familiar challenges that come with an election year, the FPPC partnered with educational institutions to simplify the Political Reform Act, launched an electronic filing system for the approximately 25,000 Statements of Economic Interests (Form 700) the FPPC receives, and approved rules to tighten lobbying disclosure.

The Commission provided advice to over ***22,000*** inquiries submitted via phone, email, or mail, and made ***48*** in-person presentations across the state, as well as ***22*** webinar presentations.

The Commission successfully resolved ***1,803*** cases and referrals, including ***311*** enforcement orders approved by the Commission that resulted in fines totaling almost ***$900,000***.

The Commission launched an electronic filing system for the approximately ***25,000*** Statements of Economic Interests (Form 700) it receives each year. The Commission also instituted an Electronic Complaint System.

The Commission enhanced ***23*** regulations on various aspects of the Act, including efforts to increase disclosure in lobbying reports and decrease “shadow” lobbying.

The Commission approved ***131*** conflict of interest codes for state and multi-county agencies.

The Commission implemented the ***4*** bills signed by the Governor that changed the Political Reform Act, including a Commission-supported bill that requires the Secretary of State, in consultation with the Commission, to develop a new online filing and disclosure system that provides public disclosure of campaign finance and lobbying information in a user-friendly, easily understandable format.

SIGNIFICANT DEVELOPMENTS

Chair Remke is leading an important project to update the Political Reform Act. The FPPC also strengthened disclosure and regulation of lobbying activity, continued strict enforcement of serious violations, and launched an electronic filing system for Statements of Economic Interests (Form 700). Through these efforts, and others, the FPPC continues to work tirelessly to uphold California's ethics laws and reinvigorate the public's trust in our government.

Streamlining and Simplifying the Political Reform Act

The FPPC, in partnership with the University of California and California Forward, is spearheading an innovative project to revise the Political Reform Act (the Act). The Act was passed in 1974 and has been amended and expanded many times since then. Although California has some of the toughest rules in the country for public and elected officials, the unintended consequence of those changes is a body of law than can be considered overly complex, cumbersome, and inconsistent.

The overarching goal of the project is to streamline and simplify the FPPC's foundational law without weakening disclosure or sacrificing accountability. A revised Act will:

- Improve compliance and reduce technical violations,
- Encourage participation in the political process by reducing the complexities and costs of seeking office,
- Increase public understanding of the law to promote trust in the system, and
- Strengthen accountability of public officials and advance enforcement efforts.

Further, the project is a vehicle to help restore public confidence in the political process by highlighting that California has some of the strongest ethics laws and toughest enforcement mechanisms in the country.

In August, the first draft was released for public comment. During this time, Professor Bryan Garner, a nationally-recognized legal writing expert, also reviewed the draft. Based on the public comments and Professor Garner's suggestions, a second draft was released for public comment in December. There was also a webinar and three in-person public meetings to encourage participation in the project and to solicit public comments.

With the support of the FPPC's partners and the valuable input received from many different stakeholders, the result is a final draft of the Act that:

- Uses the simplest, most straightforward language to express ideas and minimize legalese,
- Reorganizes the Act so that all related provisions are in the same chapter with explanatory heading for each chapter, and
- Incorporates limited, key provisions from regulations to provide further clarity to statutory obligations when it provides helpful guidance to the reader.

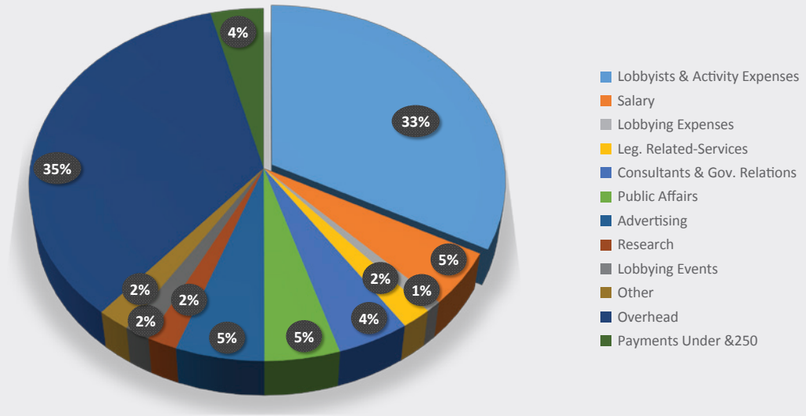
The bi-partisan Commission voted to sponsor legislation to implement the project and FPPC staff is currently working with the Legislature to ensure the project's ultimate success.

Strengthened Disclosure and Regulation of Lobbying Activity

One of the fundamental purposes of the Political Reform Act is to prevent improper influences over public officials by wealthy individuals and organizations that spend large amounts employing lobbyists to influence legislative and administrative actions. Requiring more detailed reporting and disclosure is one of the most effective tools to promote compliance and facilitate enforcement against improper activity.

In 2016, the Commission improved disclosure and strengthened regulation of lobbying activity. To better capture the wealthy individuals and organizations that seek to influence public officials once elected, the FPPC now requires additional information about the amounts spent and methods used to influence, and the Commission created a "lobbying presumption" to address those who attempt to evade lobbying registration and reporting.

Breakdown of Reported Expenses by 10 Top Lobbyist Employers



Specifically, the Commission amended its lobbying regulations to:

- **Require itemization of "other payments to influence legislative or administrative action."** Regulation 18616 was amended to require lobbyist employers to itemize "other payments to influence legislative or administrative action" of $2,500 or more, including the payee, the amount, and the primary purpose of the payment. These payments were previously reported as a lump sum. This was problematic because "other payments to influence" can include expenditures that are instrumental in influencing public officials through activities that are closely related to lobbying, but do not meet the narrow definition of lobbying. These undisclosed expenditures include hiring consultants, such as well-connected former politicians not registered as lobbyists but who directly or indirectly influence action.
- **Create a rebuttable presumption that certain payments received by a contract lobbyist are considered to be payments made for direct communication with a qualifying official.** Regulation 18239 was amended to specify situations that give rise to a rebuttable presumption that certain payments made to an individual are for direct communication with a qualifying official for the purpose of influencing legislative or administrative action. The presumption is triggered only after the following basic facts are proven:
  - » the individual receives or is entitled to receive compensation from a client for services that include direct communication with a qualifying public official to influence action,
  - » the compensation is $2,000 or more, and
  - » the compensation is for services in a calendar month.

  The individual can rebut the presumption by testimony, records, bills, and receipts that establish the allocation of the individual's compensation for all other goods and services provided. If the individual offers sufficient evidence to rebut, the presumption is disregarded and the competing evidence must be weighed to make a factual finding on the issue.
- **Narrow the "ride-along" exception.** Regulation 18239 was amended to clarify the ride-along exception, which allows a knowledgeable person to attend a meeting with a qualifying official with his or her employer's lobbyist and not become a lobbyist him or herself. The changes clarify that the accompanying person must be an employee of the lobbyist employer and require that the accompanying person participates only as a subject matter expert regarding a legislative or administrative action at issue.

Continued Strict Enforcement of Serious Violations

In 2016, the Enforcement Division resolved **1,803** cases and referrals including:

- 311 enforcement orders approved by the Commission, totaling almost $900,000 in fines,
- 489 warning letters citing to technical or minor violations with no fines imposed,
- 14 advisory letters serving as precautionary notice regarding future actions,
- 668 campaign committees administratively terminated due to noncompliance or inaction,
- 321 closure letters following investigation and determination not to prosecute.

The cases included serious violations for laundered campaign contributions, personal use of campaign funds, illegal campaign committee coordination, and advertisement disclosure omissions. Examples of some of the serious violations prosecuted in 2016 include the following cases.

In the Matter of AB&I Foundry, a division of McWane, Inc.

A proactive investigation by the Enforcement Division detected a pattern of activity that led to the opening of this case and working in coordination with the City of Oakland Public Ethics Commission. This joint investigation uncovered 37 laundered campaign contributions, totaling $23,900. The fine assessed was $100,000.

In the Matter of Antonio "Tony" Mendoza, Yes We Can, Educating Voters, Freddie Scott, Alfred Mendoza, Mendoza for Assembly 2010, and Central Basin Municipal Water District 2012

The Commission approved a settlement against these seven respondents for 12 counts, including making contributions over the limit, improperly controlling both a committee for election and two general purpose committees that made expenditures to support or oppose state candidates, failing to properly identify and name a controlled committee, filing inaccurate campaign statements, and failing to timely report contributions. The fine assessed was $57,000.

In the Matter of Rudolf "Rudy" Bermudez, Bermudez for Assembly 2012, Residents for Good Government and David Gould

The Commission approved a settlement against these four respondents for seven counts, including making contributions over the limit, improperly controlling both a committee for election and a general purpose committee that made expenditures to support or oppose state candidates, failing to properly identify and name a controlled committee, filing inaccurate campaign statements, and failing to timely report contributions. The fine assessed was $30,000.

For additional information about these cases and other major cases in 2016, see Appendix A.

Renewed Partnerships with Local Agencies

Oakland Public Ethics Commission

A joint investigation in the AB&I Foundry case (referenced above) between the Enforcement Division and the Oakland Public Ethics Commission involving illegal contributions in the 2012 and 2014 Oakland city council races, as well as the 2014 Oakland mayoral race, resulted in fines of $100,000 (one of the largest fines in FPPC's history). The two agencies working cooperatively together allowed the FPPC and the Ethics Commission to combine resources and expeditiously prosecute violations.

Orange County

A joint investigation with the Orange County District Attorney's Office Bureau of Investigations resulted in an individual, Son Truong Nguyen, being convicted and sentenced for illegally reimbursing contributors for Janet Nguyen's 2012 Orange County Board of Supervisors election campaign. Mr. Nguyen pleaded guilty to 10 misdemeanor counts of unlawful contributions. He was sentenced to three years of informal probation, must contribute $5,000 to the Victim Witness Emergency Fund, perform 40 hours of community service in lieu of jail, and is prohibited from being involved in any political campaigns during the duration of his probation. He was also required to pay a $20,000 fine to the General Fund of the State of California for violations of the Act.

San Bernardino County

In response to a request from the San Bernardino County Board of Supervisors, in 2013 the Legislature gave the FPPC the authority to advise and enforce the County of San Bernardino Campaign Finance Reform Ordinance. The original bill included a sunset date of January 1, 2018. However, AB 2558 (Steinorth) - Chapter 202, Statutes of 2016, repealed the sunset date, thereby extending the mutually-beneficial partnership of San Bernardino County and the FPPC indefinitely.

In 2016, the Enforcement Division had 58 cases in the County of San Bernardino.

2 of these resulted in fines totaling $1,512:

- Dan Munsey, Committee to Elect Dan Munsey, $1,012
- Casey Dailey, $500

17 resulted in warning letters.
1 resulted in an advisory letter.
5 committees were administratively terminated.
2 cases were closed with no action taken.
31 cases are currently under investigation.

Ethics Roundtables

The Commission hosts regular conference calls with partners from local ethics agencies. The invited participants include the ethics commissions from San Diego, Los Angeles, Oakland, and San Francisco. These Ethics Roundtables provide an opportunity for the agencies to share practices, ask questions, and provide updates on local and state regulations and legislation. The coordination and collective effort of local and state ethics agencies results in better service to Californians through improved inter-agency partnerships.

COMPELLING COMPLIANCE WITH PRE-ELECTION PROJECTS

Compelling Candidates to File Reports Before the Election

Prior to the June primary and November general elections, Enforcement Division staff contacted clerks in all cities with an election (for the June primary) and with an election and a population of 100,000 or more (for the November election) as well as all California counties (for both elections) to identify candidates who had not yet filed pre-election statements. This proactive pre-election program was successful in compelling all candidates to file pre-election reports before the applicable election. This is when the information matters most, so that voters then have the legally-required information available when they are making decisions on how to vote.

Identifying the Sources of Political Advertisements

Another pro-active measure by the Enforcement Division involved identifying those responsible for political advertisements containing insufficient disclosure of the sources of the advertisements, and then making the sources of the advertisements known to the public through local media and FPPC press releases prior to the election. The FPPC issued four such press releases prior to the June elections for advertisements from various parts of the state that did not adequately identify who paid for the advertisement.

Prior to the November elections, the Enforcement Division reviewed committee names, mass mailers and advertisements for all statewide ballot measures, and a substantial number of local ballot measures, to ensure compliance with the Act's naming and advertising requirements.

Increasing Transparency and Streamlining Processes Through Technology

Statement of Economic Interests (Form 700) Electronic Filing System

After much dedication by Commission staff and many, many hours of laying the proper groundwork, the FPPC is implementing an electronic system to streamline the submission of the approximately 25,000 Form 700 paper filings that are sent to the FPPC each year.

In the fall, the FPPC conducted a pilot for the project, coordinating with select filing officials and filers to ensure all aspects of the system were working well. And the pilot was a huge success.

After the pilot was completed successfully, the FPPC continued its work to ensure the system was ready for a full launch, which included educating filing officers of all state and local agencies about the new system and ensuring filers' information was correct in the system. The FPPC also notified all affected filers about the new system and how to use it.

The system allows filers to file assuming office, leaving office, and annual Form 700s. Filers can also easily amend their Form 700, quickly copy information from a prior year's electronically filed form and, in some situations, complete an expanded statement covering multiple positions. The system also automatically checks forms for errors and omissions, which will save a tremendous amount of time for staff who review the statements.

The next phase of the project will be an enhanced search function on the FPPC's website. This will support increased transparency of the information contained on the Form 700s that are posted on the Commission's website and encourage greater accountability.

Electronic Complaint System

Another effort to increase transparency and streamline processes is the deployment of an Electronic Complaint System (ECS). The ECS integrates with the FPPC's website and allows for the electronic filing of complaints alleging that someone has violated the Political Reform Act. The information from a complaint is sent automatically to the Enforcement Division and placed in its workflow, which improves the Enforcement Division's business practices and allows for more efficient handling of complaints and cases. Importantly, the ECS will also improve the public's experience with respect to complaints filed with the FPPC because it will allow the public the ability to search for information about the status of pending cases. The Commission expects to launch this search functionality in the near future.

Educating and Informing

The FPPC is 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 email advice for the regulated public to request advice regarding their responsibilities under the Act.

For requests that are more complex in nature, the FPPC offers members of the regulated 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.

The Commission hosts a variety of seminars and webinars for candidates, filing officials, campaign treasurers, and public officials to attend. Commission staff also speaks at and participates in many other types of events, including annual events such as the Council on Governmental Ethics Laws (COGEL) conference, California School Board Association (CSBA) educational conference, and the New Law and Elections seminar organized by the City Clerk's Association.

In 2016, the Commission expanded its educational efforts by increasing the amount of training videos on YouTube to provide even greater opportunities for the regulated community to educate themselves. The Commission also uses Twitter and Facebook to inform the public of these opportunities and other helpful information.

2016 COGEL Conference

In December, Chair Remke, the Executive Director, Erin Peth and the Chief of Enforcement, Galena West, attended the annual conference of the national organization Council on Governmental Ethics Laws. The conference provides an extremely important forum for the FPPC to exchange ideas and best practices with other state and local ethics agencies. Chair Remke presented California's experiences on a panel titled "Digging Up the Truth About Grassroots Lobbying: Best Approaches to Regulation and Disclosure." While Executive Director Peth and Chief West continued to demonstrate that California is a leader in governmental ethics by participating on panels titled "Dark Money and the Quest for the Perfect Coordination Rule" and "Preparing the Case II: Witness Testimony" respectively. The FPPC also had the opportunity to demonstrate its new enforcement case management system and web complaint capabilities at the "Shiny New Toys" event – a trade-show style session featuring new, cutting-edge technologies recently developed by the organization's members.

OUTREACH STATISTICS

9,622 Phone Calls

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

12,495 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.

70 Presentations

FPPC staff made 48 in-person presentations to audiences of the California County Counsels' Association, the State Treasurer's Office, the Department of Corrections and Rehabilitation, filing officers, a variety of public officials, and candidates and committee treasurers. In addition, staff conducted 22 webinar presentations, which covered a variety of topics.

176 Tweets

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

252 Advice Letters

Commission attorneys thoughtfully researched and authored 252 advice letters in 2016; 57 of these letters related to Government Code Section 1090.

COMMISSION OVERVIEW

Structure and Responsibilities

The Fair Political Practices Commission 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.

APPENDIX A

2016 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 that were prosecuted in 2016:

Laundered Campaign Contributions

AB&I Foundry, a division of McWane, Inc.

Proactive efforts by the Enforcement Division detected a pattern of activity that led to the opening of this case. The Enforcement Division then reached out to work in coordination with the City of Oakland Public Ethics Commission. McWane, Inc. is a large manufacturer of iron water works and plumbing products. One of its divisions, AB&I Foundry, is headquartered in Oakland, California. This joint investigation uncovered 37 laundered campaign contributions, totaling $23,900, by AB&I through 17 officers (employees and their spouses) to four Oakland mayoral candidates and two city council candidates from 2012 through 2014. For these violations of the Act, AB&I Foundry was fined $100,000 by FPPC and $14,000 by the Oakland Ethics Commission.

Anthony A. "Tony" Strickland, Strickland For Controller 2010, and Lysa Ray

Strickland was an unsuccessful candidate for California State Controller in the November 2, 2010 General Election. Strickland for Controller 2010 was his controlled committee. Lysa Ray was the treasurer for Strickland for Controller. Ventura County Republican Party ("VCRP") was a political party committee located in Camarillo, CA. Stanislaus Republican Central Committee, also known as Stanislaus County Republican Party ("SCRP"), was a political party committee located in Modesto, CA. In 2010, VCRP and SCRP made $65,000 in contributions to Strickland for Controller. However, VCRP and SCRP were not the true sources of the contributions, and the true sources of the contributions were concealed. Strickland, Strickland for Controller, and Ray: (1) purposefully or negligently caused, or aided and abetted, three persons to make four contributions to Strickland for Controller in the name of VCRP and SCRP; (2) purposefully or negligently caused, or aided and abetted, three persons to make four contributions to VCRP and SCRP on the condition or agreement that the contribution would be ultimately contributed to Strickland for Controller without disclosing the intermediary and original contributor for the earmarked contribution; (3) accepted four over-the-limit contributions from three persons totaling $65,000; and (4) filed four false campaign statements, concealing the violations by falsely reporting that Strickland for Controller received contributions from VCRP and SCRP, when the contributions were made by other persons. For these violations of the Act, the parties were fined $80,000.

Stanislaus Republican Central Committee (State Acct.), and Gary McKinsey, Treasurer

Stanislaus Republican Central Committee (State Acct.), also known as Stanislaus County Republican Party (SCRP), was a political party committee located in Modesto, CA. Gary McKinsey was the treasurer for SCRP. Anthony A. "Tony" Strickland served in the California Legislature for ten years. Strickland was an unsuccessful candidate for California State Controller in the November 2, 2010 General Election. Strickland for Controller 2010 was Strickland's candidate controlled committee. In 2010, SCRP made a $20,000 contribution to Strickland for Controller. However, SCRP was not the true source of the contribution, and the true sources of the contribution were concealed. The parties violated the Act as follows: SCRP and McKinsey, while acting as the intermediary for two persons, failed to disclose both the intermediary and the original contributor information for $20,000 in contributions from the persons; and filed an erroneous campaign statement for the reporting period of October 17, 2010 through November 20, 2010, which failed to disclose the true source by erroneously reporting that SCRP made $20,000 in contributions to Strickland for Controller, when it was not the true source of the contributions and was the intermediary for the transactions. For these violations of the Act, the parties were fined $10,000.

Laundered Campaign Contributions/Over-the-Limit Contributions/Controlled Committees/Campaign Reporting

In 2012, Senator Tony Mendoza moved $50,000 through his two controlled committees to Rudy Bermudez's controlled committee. The committees were not properly identified as controlled committees, contributions over the limit were made, and the public was denied adequate disclosure. Much of the money ended up supporting three state candidates running in the June 2012 primary election, one of them being Bermudez. The following three cases stem from this activity.

Antonio "Tony" Mendoza, Yes We Can, Educating Voters, Freddie Scott, Alfred Mendoza, Mendoza for Assembly 2010, and Central Basin Municipal Water District 2012

Senator Mendoza was an unsuccessful candidate for the Central Basin Municipal Water District in the June 5, 2012 election. In 2011/2012, Senator Mendoza was Chair of the California Latino Legislative Caucus. Yes We Can was a state general purpose committee established and controlled by Senator Mendoza. Educating Voters was a state general purpose committee established and controlled by Senator Mendoza. Freddie Scott was the treasurer and Alfred Mendoza was the principal officer for Educating Voters. Mendoza for Assembly 2010 was Senator Mendoza's controlled election committee. Mendoza for Central Basin Municipal Water District 2012 was Senator Mendoza's controlled election committee. The Commission approved a settlement for these respondents, which included the following violations: making contributions over the limit, improperly controlling both a committee for election or office and two general purpose committees that made expenditures to support or oppose state candidates, failing to properly identify and name a controlled committee, filing inaccurate campaign statements, and failing to timely report contributions. For these violations of the Act, the parties were fined $57,000.

Rudolf "Rudy" Bermudez, Bermudez for Assembly 2012, Residents for Good Government and David Gould, Treasurer

Rudolf "Rudy" Bermudez was an unsuccessful candidate for the State Assembly, 57th District in the June 5, 2012 Primary Election. Bermudez for Assembly 2012 was Bermudez's candidate controlled election committee. David Gould was the treasurer of Bermudez for Assembly 2012 and Residents for Good Government, a state general purpose committee which was established to provide "voter education and awareness." Residents for Good Government was Bermudez's controlled committee. The Commission approved a settlement for these four respondents, which included the following violations: making contributions over the limit, improperly controlling both a committee for election or office and a general purpose committee that made expenditures to support or oppose state candidates, failing to properly identify and name a controlled committee, filing inaccurate campaign statements, and failing to timely report contributions. For these violations of the Act, the parties were fined $30,000.

Antonio "Tony" Mendoza, Yes We Can, and John Valencia, Treasurer

Senator Tony Mendoza was a candidate who controlled Yes We Can, a state general purpose committee established by Senator Mendoza in his capacity as Chair of the California Latino Legislative Caucus to independently facilitate the election of Latino candidates in state elections. Yes We Can was Senator Mendoza's controlled committee. John Valencia was the treasurer for Yes We Can. The Commission approved a settlement for these three respondents, which included the following violations: failing to identify Senator Mendoza as the controlling candidate in Yes We Can's statement of organization and failing to add his name in the committee's name, and failing to timely file a preelection campaign statement for Yes We Can disclosing that it made a $50,000 contribution to Educating Voters, another state general purpose committee controlled by Senator Mendoza. For these violations of the Act, the parties were fined $6,000.

Personal Use of Campaign Funds

Scott Mann, Scott Mann for Menifee Mayor 2014, Scott Mann for Menifee Mayor 2012, and Scott A. Mann – Campaign for City Council

On approximately 147 occasions from December 2009 through June 2014, Mr. Mann used approximately $44,894 in campaign funds for personal purposes which were unrelated to any political, legislative, or governmental purpose. In addition, Mann, Scott Mann for Menifee Mayor 2014, Scott Mann for Menifee Mayor 2012, and Scott A. Mann – Campaign for City Council, failed to maintain required committee records. For these violations of the Act, Mr. Mann was fined $60,000.

Tina Baca Del Rio, Friends of Tina Baca Del Rio, and Tina Baca Del Rio for City Council 2013

Tina Baca Del Rio was a successful candidate for the City of Commerce City Council in the March 5, 2013 Election, initially elected as a member of the Commerce City Council in 2005. Tina Baca Del Rio for Commerce City Council 2013 is her controlled committee. Baca Del Rio was the treasurer of the Committee. Baca Del Rio and the Committee: (1) failed to timely file and properly disclose financial activity on three semiannual campaign statements;

(2) failed to timely file and properly disclose financial activity on one pre-election campaign statement; (3) failed to file fourteen 24-Hour Contribution Reports; and (4) failed to pay 2013 and 2014 Annual Fees to the Secretary of State's Office. Baca Del Rio, individually, used campaign funds which conferred a substantial personal benefit to her for purposes not directly related to a political, legislative or governmental purpose. For these violations of the Act, Baca Del Rio individually was fined $15,000 and the Committee and Baca Del Rio were fined $40,000.

Illegal Campaign Committee Coordination

Patrick J. Furey, Pat Furey for Mayor 2014, Torrance Voters PAC to Support Pat Furey for Mayor 2014, Richard Roesch, and Tina McKinnor

Patrick J. Furey was a successful candidate for Mayor of Torrance in the June 3, 2014 Primary Election. Pat Furey for Mayor 2014 was his candidate controlled committee. Torrance Voters PAC to Support Pat Furey for Mayor 2014 was a recipient committee, which was wholly funded by McCormick Ambulance and the Torrance Firefighters PAC. The principal officer and the treasurer of Torrance Voters PAC were Richard Roesch and Tina McKinnor. Also, Roesch was President of McCormick Ambulance. On or about May 13 and 17, 2014, Torrance Voters PAC made non-monetary contributions to the Furey campaign totaling approximately $35,000. These payments were improperly reported by the PAC as independent expenditures. Roesch, McKinnor, and the PAC were required to report the making of these contributions by filing a Form 497 within 24 hours of making each contribution, and they were required to report the contributions on a preelection campaign statement filed for the period ending May 17, 2014, but they failed to do so. Furey and his committee were required to report receipt of the contributions by filing a Form 497 within 48 hours of each contribution, and they were required to report the contributions on a preelection campaign statement filed for the period ending May 17, 2014, but they failed to do so. Also, on campaign statements filed for the periods ending May 17, 2014 and June 30, 2014, Roesch, McKinnor, and the PAC failed to report required information about payments to subvendors. Additionally, on campaign statements filed for the periods ending March 17, 2014 and May 17, 2014, Furey and his committee failed to report information regarding payments made to subvendors. For these violations of the Act, the parties were fined $35,000.

Advertisement Disclosure

Carlos Villapudua; Steve Bestolarides; and Central Valley PAC – California, Yes on Measure D

In 2012, Carlos Villapudua and Steve Bestolarides were San Joaquin County Supervisors. Central Valley PAC – California, Yes on Measure D was a primarily formed ballot measure committee that supported San Joaquin County Measure D in the November 2012 Election and would have increased term limits for members of the San Joaquin County Board of Supervisors. The PAC qualified as a controlled committee with Villapudua and Bestolarides having significant influence. In 2012, the PAC spent approximately $26,465 on advertisements for Measure D. The last names of Villapudua and Bestolarides, as controlling candidates, should have been included in the name of the PAC for purposes of the required disclosures for these advertisements, but were omitted. For these violations of the Act, the parties were fined $26,000.

Campaign Reporting

For the Children of West County and Kenneth Pon, Treasurer

For the Children of West County and Kenneth Pon failed to file 24-hour reports in 2011 and 2014. The Committee failed to change its status to a primarily formed ballot measure committee in 2012 and 2014, and failed to change its name to reflect the economic interest of a contributor in 2012. Additionally, the Committee and Pon failed to report payments to sub-vendors in 2012. For these violations of the Act, the parties were fined $25,000.

Gregory Kelly Meagher

At different times in 2011 and 2012, Meagher qualified as a major donor committee and an independent expenditure committee, and made contributions and expenditures totaling in excess of $80,000, most in connection with local ballot measure issues in Chico and Butte County. As a major donor, Meagher failed to timely file a preelection statement; failed to file late contribution reports; and failed to file a semiannual campaign statement. As an independent expenditure committee, failed to file a supplemental independent expenditure report, and a semiannual campaign statement. Meagher also caused an advertisement to be sent without proper advertising disclosures. For these violations of the Act, Mr. Meagher was fined $14,500.

Albert Robles, Friends of Albert Robles Officeholder Account, Committee to Re-Elect Albert Robles and Robles for Carson City Council 2013

Albert Robles was a successful candidate for the Water Replenishment District of Southern California, Division 5 in the November 6, 2012 General Election. Friends of Albert Robles Officeholder Account ("Friends Committee") and Committee to Re-Elect Albert Robles ("Re-Elect Committee") were Robles' candidate-controlled committees for the Water District Board. Further, Robles was a successful candidate for the Carson City Council in the March 5, 2013 election. Robles for Carson City Council 2013 ("City Council Committee") is his candidate-controlled committee for Carson City Council. Robles is the treasurer for both committees. Robles and the Re-Elect Committee failed to timely disclose contributions and expenditures on a semiannual campaign statement. Robles, the Friends Committee and the Re-Elect Committee failed to timely file two pre-election campaign statements. Robles, the City Council Committee and the Re-Elect Committee failed to timely file one semiannual campaign statement. Robles and the City Council Committee failed to disclose three late contributions received in two separate 24-Hour Contribution Reports. Additionally, Robles failed to timely file his 2014 Annual Statement of Economic Interest. For these violations of the Act, Mr. Robles was fined $12,000.

Patricia López, Patty López for Assembly 2014, and Carolina Perez, Treasurer

Patricia López was a successful candidate for Assembly District 39 in the June 3, 2014 Primary Election, and in the November 4, 2014 General Election. Patty López for Assembly 2014 was her controlled committee. Carolina Perez was the committee treasurer. López, Patty López for Assembly 2014, and Perez failed to timely file one semiannual campaign statement and two preelection campaign statements for reporting periods in 2014 by the applicable due dates; failed to deposit contributions into a single, designated campaign bank account prior to expenditure; received cash contributions of $100 or more totaling approximately $1,300, and made cash expenditures of $100 or more, totaling approximately $1,220; failed to maintain supporting records for contributions and loans received and expenditures made; López failed to disclose required economic interests of real property and income in her Candidate Statement of Economic Interests. For these violations of the Act, the parties were fined $7,500.

Luis Castro, Committee to Elect Luis Castro for Calexico City Council Member 2012, and Ana Castro, Treasurer

In 2012, Luis Castro was a successful candidate for re-election to the Calexico City Council. Committee to Elect Luis Castro for Calexico City Council Member 2012 was his controlled committee, and his wife, Ana Castro, was the committee treasurer. The committee failed to use a single, designated campaign bank account, and accepted unlawful cash contributions and expenditures. The committee also failed to timely file two pre-election campaign statements. For these violations of the Act, the parties were fined $7,000.

Kenneth Hughey, Hughey 4 Judge 2012, and Harbor Financial Services, Inc

This matter arose from an audit performed by the Franchise Tax Board. In 2012, Kenneth Hughey was an unsuccessful candidate for Los Angeles County Superior Court Judge. His controlled committee was Hughey 4 Judge 2012. Harbor Financial Services, Inc. qualified as a major donor committee in support of Hughey's candidacy. Harbor Financial Services made a loan to Hughey in the amount of $50,000 for political purposes. Hughey deposited the check into his business account and then wrote a check in the same amount to his controlled committee. Hughey disclosed the loan on a preelection statement filed on behalf of Hughey 4 Judge 2012, but instead of reporting that the true source of the loan was Harbor Financial Services, the loan was disclosed as a personal loan from Hughey to his own committee. Also, Harbor Financial Services failed to file a major donor semiannual campaign statement. For these violations of the Act, the parties were fined $6,500.

Conflicts of Interest

Kendra Okonkwo

Kendra Okonkwo was the Executive Director of Wisdom Academy of Young Scientists (WAYS), a public charter elementary school located in Los Angeles, CA. Okonkwo violated the Act by using her official position to influence governmental decisions of the WAYS Board of Directors when: 1) she negotiated and signed lease agreements between her and WAYS for real property in which she had an economic interest of $2,000 or more, and 2) she made governmental decisions by signing contracts as the Executive Director on behalf of WAYS for site improvements to real property in which she held an economic interest of $2,000 or more. For these violations of the Act, Ms. Okonkwo was fined $16,000.

Susan Peters

Susan Peters, a member of the Sacramento Board of Supervisors, made governmental decisions in which she had a financial interest in real property located within 500 feet from the boundary of the Mather Field Airport. Peters voted to approve: 1) Abatement and Demolition project and 2) conveyance of land from the U.S. Air Force. For these violations of the Act, Ms. Peters was fined $9,500.

Conflict of Interests/Campaign Reporting

Ivan Altamirano and Friends of Ivan Altamirano for Council 2013

Ivan Altamirano successfully ran for Commerce City Council in the March 5, 2013 election. Friends of Ivan Altamirano for Council 2013 ("Committee") is his controlled committee. Altamirano voted on three separate occasions to appoint and re-appoint his sister, who is a source of income to him as a tenant in his rental property, to the Commerce Planning Commission. Altamirano also voted to place an all way stop sign within 150 feet of his home and rental property. Altamirano and the Committee: (1) failed to timely file and properly disclose financial activity on one pre-election campaign statement, and (2) failed to file twelve 24-Hour Reports. For these violations of the Act, Mr. Altamirano was fined $15,500.

Mass Mailings

Californians for Good Schools and Good Jobs and Shawnda Deane, Treasurer

Californians for Good Schools and Good Jobs, a general purpose committee, identified itself as the sender on two sets of mass mailings sent to residents of the City of Rialto in 2012. The true sender of the mass mailings was Phillips 66, an energy company based in Houston, Texas. The Committee and its treasurer, Shawnda Deane, inaccurately reported a payment from Phillips 66 for the two sets of mass mailings on their semiannual campaign statement, and inaccurately reported the resulting expenditures on a late independent expenditure report. For these violations of the Act, the parties were fined $16,000.

Phillips 66

Phillips 66 is a corporation based in Houston, Texas. Phillips 66 owned and operated an oil and gas terminal in the City of Rialto. Prior to the 2012 General Election in Rialto, Phillips 66 paid for and caused to be sent a mass mailing opposing Measure V, a proposed tax increase on oil companies operating in Rialto, which failed to display required sender identification and instead identified a general purpose committee, Californians for Good Schools and Good Jobs, as the sender. In addition, Phillips 66 failed to timely disclose costs associated with those mass mailings on a semiannual campaign statement, and failed to timely disclose late independent expenditures. For these violations of the Act, Phillips 66 was fined $16,000.

Statement of Economic Interests Non-Filer

Aaron Medina

Aaron Medina, a member of the California Travel and Tourism Commission, failed to file an Assuming Office Statement of Economic Interests, and Annual Statements of Economic Interests for the years of 2013 and 2014. For these violations of the Act, Mr. Medina was fined $15,000.

Statement of Economic Interests Non-Reporter

James Larry Minor

James Larry Minor, a member of the Board of Directors for the Lake Hemet Municipal Water District and for the Valley-Wide Recreation and Park District, failed to disclose his interests in business entities, real property and sources of income on his 2012, 2013 and 2014 Annual Statements of Economic Interests. For these violations of the Act, Mr. Minor was fined $6,000.

Campaign Non-Filer

Vallejo Citizens Deserve Better and Richard Grant

Richard Grant and his primarily formed committee, Vallejo Citizens Deserve Better, opposed three Vallejo City Council candidates running in the November 5, 2013 General Election. Grant and Vallejo Citizens Deserve Better failed to: timely file a late independent expenditure report; and timely file two semiannual campaign statements. For these violations of the Act, Mr. Grant was fined $11,500.

Wendy Albright and Wendy Albright 38th County Central Committee 2012

Wendy Albright was a successful candidate for the 38th County Republican Central Committee in Los Angeles County. Albright and her controlled committee, Wendy Albright 38th County Central Committee 2012, failed to timely file two semiannual campaign statements. For these violations of the Act, Ms. Albright was fined $10,000.

Terri Valladolid, and Friends of Terri Valladolid for Southwestern College School Board 2010

Terri Valladolid was on the Southwestern Community College District Governing Board. Her controlled committee was Friends of Terri Valladolid for Southwestern College School Board 2010. Valladolid and her committee failed to timely file three semiannual campaign statements, and failed to pay the 2015 and 2016 $50 annual fees to the Secretary of State's Office. For these violations of the Act, Ms. Valladolid was fined $9,000.

Campaign Statement Non-Filer and Non-Reporter

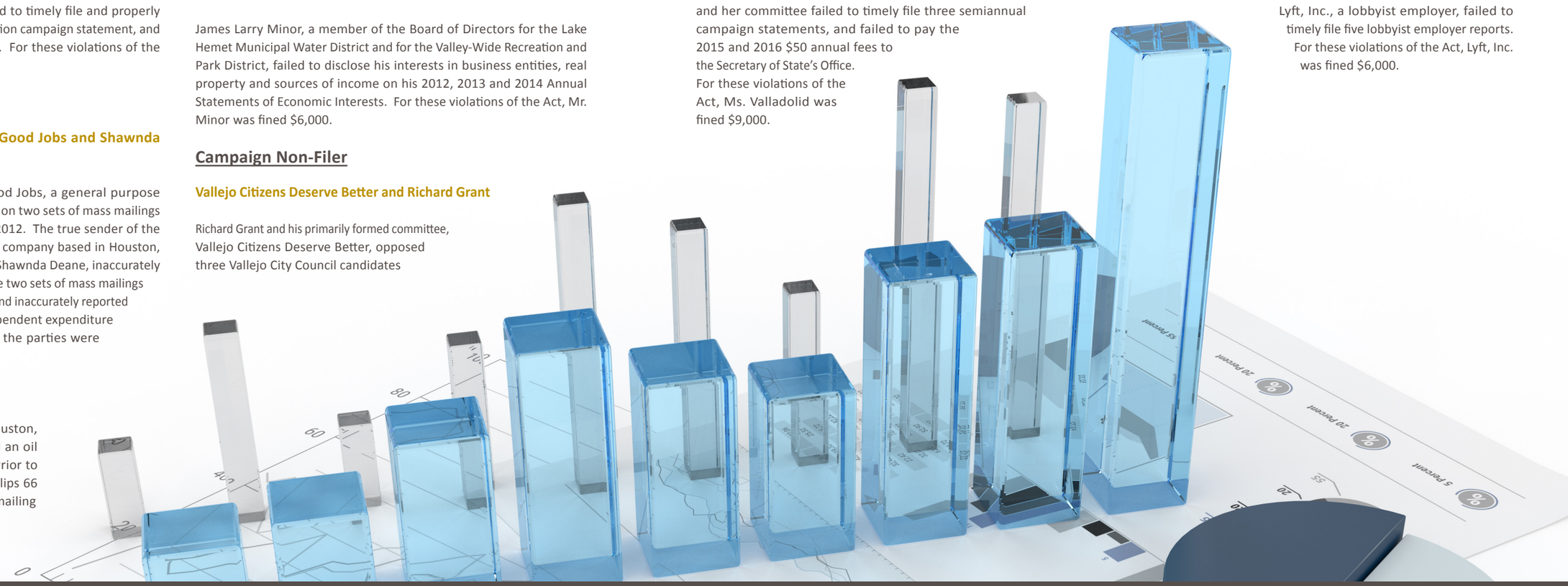
Fred Garcia, Fred Garcia for Sheriff 2014, and Jeff Davis, Treasurer

Fred Garcia was an unsuccessful candidate for Monterey County Sheriff in 2014. Fred Garcia for Sheriff 2014 was his controlled committee. Garcia, Fred Garcia for Sheriff 2014, and Treasurer Jeff Davis, failed to timely amend their statement of organization to re-designate Fred Garcia for Sheriff 2010 for the 2014 election; failed to timely file one semiannual and one pre-election campaign statement by their 2014 due dates; and failed to maintain supporting records for contributions and loans received and expenditures made. Garcia also failed to timely file a statement of intention prior to soliciting or receiving any contributions or loans for his 2014 campaign. For these violations of the Act, the parties were fined $8,500.

Lobbying Reporting

Lyft, Inc.

Lyft, Inc., a lobbyist employer, failed to timely file five lobbyist employer reports. For these violations of the Act, Lyft, Inc. was fined $6,000.



APPENDIX B

2016 Legislation

Below are summaries of the legislative changes made to the Political Reform Act (the "Act') in 2016. Each of the changes are effective January 1, 2017. To view the full text of the bills, visit: http://www.leginfo.ca.gov/bilinfo.html

Use of Campaign Funds

This bill permits a public officer or candidate to spend or accept public moneys for the purpose of seeking elective office if the state or local government entity has a dedicated fund for this purpose. Existing law prohibits an individual who has been convicted of certain felonies (e.g., bribery) from being considered a candidate for, or elected to, a state or local elective office. (Elections Code Section 20.) This bill prohibits an officeholder who is convicted of one of these felonies from using his or her remaining campaign funds for purposes other than the payment of outstanding debts or elected officer's expenses, or the repayment of contributions. Six months after a conviction becomes final, any remaining funds must be deposited in the General Fund. (SB 1107 (Allen) - Chapter 837, Statutes of 2016)

Publicly Funded Nonprofit Organizations

Existing law requires certain publicly funded nonprofit organizations to deposit into a separate bank account funds that will be used for campaign activity. In addition, these publicly funded nonprofit organizations must disclose information related to campaign activity to the Franchise Tax Board and post it on the organization's website. This bill moves the administration and enforcement of these provisions from the Franchise Tax Board to the Fair Political Practices Commission. (AB 2318 (Low) - Chapter 825, Statutes of 2016)

San Bernardino County Campaign Finance Ordinance

Existing law, through January 1, 2018, authorizes the Fair Political Practices Commission to have primary responsibility for the impartial, effective administration, implementation, and enforcement of the local campaign ordinance of the County of San Bernardino. This bill repeals the January 1, 2018, sunset date, thereby extending the operation of these provisions indefinitely. (AB 2558 (Steinorth) - Chapter 202, Statutes of 2016)

Online Filing and Disclosure System

Existing law requires elected officials, candidates for elective office, and specified committees to file periodic campaign statements. Certain lobbying entities are also required to file periodic reports. The Online Disclosure Act requires the Secretary of State (SOS), in consultation with the Fair Political Practices Commission (FPPC), to develop online and electronic filing processes for use by these persons and entities. This bill would require the SOS, in consultation with the FPPC, to develop and certify for public use a new online filing and disclosure system for campaign and lobbying information in a user-friendly format. The online filing and disclosure system must be available for use no later than February 1, 2019. The SOS may extend this date to no later than December 31, 2019, if specified requirements are met. (SB 1349 (Hertzberg) - Chapter 845, Statutes of 2016)

APPENDIX C

2016 Regulations

Below are summaries of the regulatory changes made to the Political Reform Act (the 'Act') in 2016. The full text of the FPPC regulations are available on the FPPC's website.

LOBBYING

Other Payments to Influence Legislative or Administrative Action

Regulation 18616 was amended to require more detailed disclosure for "other payments to influence." Employers were already required to track and maintain detailed records of this information, but it was not disclosed to the public. Effective July 1, 2016, employers are required to itemize these expenses of $2,500 or more, including the payee, the amount and the primary purpose of the payment. (Amendments effective March 5, 2016)

Lobbying Definition: Ride-Along Exception

Regulation 18239 was amended to clarify the ride-along exception, which allows a knowledgeable person to attend meetings with qualifying officials along with his or her employer's lobbyist and not become a lobbyist him or herself. The changes clarify that the accompanying person must be an employee of the lobbyist employer and require that the accompanying person participates only as a subject matter expert regarding a legislative or administrative action at issue. (Amendments effective May 12, 2016)

Rebuttable Presumption Applicable to Contract Lobbyists

Regulation 18239 was amended to create a rebuttable presumption that arises when determining whether an individual meets the statutory threshold of a contract lobbyist - i.e., receives $2,000 or more in a calendar month to communicate directly with a qualifying public official for the purpose of influencing legislative or administrative action. If certain basic facts are proven, it will be presumed that any payment an individual receives in a calendar month is for direct communication with qualifying officials unless and until the individual offers evidence to the contrary. The individual can rebut the presumption by testimony, records, bills, and receipts that establish the allocation of the individual's compensation for all other goods and services provided. (Amendments effective September 16, 2016)

CONFLICT OF INTEREST CODES

Conflict of Interest Code Exemption Requests

Regulation 18751 was amended to clarify existing conflict of interest code requirements, streamline the requirements for requesting an exemption or extension of an exemption, and speed up the approval of requests. The Act requires every agency to adopt a conflict of interest code designating those positions within the agency that "involve the making or participation in the making of decisions" that may have an effect on any financial interest. However, state and multi-county agencies (agencies whose conflict of interest codes are subject to the Commission's approval) may request an exemption from adopting a code under specified circumstances. The amendments clarify the agency criteria that must be met in order to receive an exemption. (Amendments effective October 19, 2016)

Streamlining Procedures for Conflict of Interest Code Adoption

Regulation 18750 was repealed and readopted to consolidate the procedures for state and multi-county agencies adopting or amending a conflict of interest code. Four existing regulations were consolidated into a single regulation applicable to all code adoptions or amendments subject to the Commission's approval. The revisions are intended to make it easier and faster for state and multi-county agencies to adopt or update their conflict of interest codes. (Amendments effective June 18, 2016)

CAMPAIGN FUNDS

Surplus Campaign Funds

Regulation 18951 was amended to conform with Section 89519, which was amended in 2014 (AB 800) to change the timing of when leftover campaign funds are considered "surplus." Surplus campaign funds may only be used for very specific purposes. Section 89519 provides that campaign funds of elected officials who leave office and candidates who have been defeated in an election become surplus campaign funds on the later of the 90th day after leaving office or the 90th day following the end of the postelection reporting period following defeat. The amendments conform the dates with the Act and similarly lengthen the time after a candidate's death to the 90th day after the end of the postelection reporting period before funds become surplus campaign funds. (Amendments effective November 17, 2016)

COST OF LIVING ADJUSTMENTS

State Contribution Limits and Annual Gift Limit

The Act charges the Commission with making cost of living adjustments (COLA) to reflect changes in the Consumer Price Index (CPI), in January of every odd-numbered year, to the following statutory limits:

- Contribution limits and voluntary expenditure ceilings applicable to candidates for elective state office
- State officeholder account contribution limits, and
- Gift limits

Regulation 18544 was amended to clarify the CPI source as the Department of Finance Consumer Price Index Forecast, May Revise.

Regulation 18545 was amended to reflect the updated campaign contribution limits and voluntary expenditure ceilings.

Regulations 18700, 18730, and 18940.2 were amended to reflect the new gift limit of $470.

(Amendments effective December 31, 2016)

TRAVEL PAYMENTS

Nonprofit Organizations Paying for Travel by Elected Officials

Regulation 18940 was amended to provide further direction on Senate Bill 21 (Statutes of 2015, Chapter 757), which amended the Act to require 501(c)(3) and 501(c)(4) nonprofit organizations that make certain types of payments, advances, or reimbursements for travel by an elected state officer or local elected officeholder to disclose the names of specified donors to the organization. The amendments provide that such an organization must disclose the names of donors that meet the criteria set forth in Section 89506 by April 30th of the following year on a new form created by the FPPC (Form 807). (Amendments effective December 22, 2016)

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