



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3000 • Sacramento, CA 95811
(916) 322-5660 • Fax (916) 322-0886

TITLE 2. FAIR POLITICAL PRACTICES COMMISSION

NOTICE IS HEREBY GIVEN that the Fair Political Practices Commission (the Commission), under the authority vested in it under the Political Reform Act (the Act)¹ by Section 83112 of the Government Code, proposes to adopt, amend, or repeal regulations in Title 2, Division 6 of the California Code of Regulations. The Commission will consider the proposed regulation at a public hearing on or after **September 19, 2019**, at the offices of the Fair Political Practices Commission, 1102 Q Street, Suite 3000, Sacramento, California, commencing at approximately **10:00 a.m.** Written comments must be received at the Commission offices no later than **5:00 p.m.** on **September 17, 2019**.

BACKGROUND/OVERVIEW:

Governing Statutes. Section 84222 of the Act establishes campaign registration and reporting requirements for multipurpose organizations (MPOs) that conduct certain levels of campaign activity in California. Section 84222 defines an MPO as an organization that solicits funds, at least in part, for purposes other than making political expenditures, but nevertheless makes political expenditures in California. Section 84222(c)(1-5) details the ways in which an MPO can qualify as a recipient committee and when it must file campaign reports disclosing political activity. Section 84222.5 also requires publicly funded nonprofit organizations to comply with the registration and reporting requirements of Section 84222.

Specifically, Section 84222(e)(1)(A) requires an MPO that qualifies as a committee to file a statement of organization and describe the MPO's mission, most significant activities and political activities, on that statement. Section 84222(c)(5)(A) requires MPOs that make expenditures or contributions with nondonor funds—such as investment income or income earned from providing goods or services—to “briefly describe” the source of nondonor funds used on their campaign statements and reports. Section 84222(c)(5)(B), in turn, defines the types and sources of “nondonor funds.”

Section 81002 of the Act, provides that the Commission shall accomplish certain purposes, including that receipts and expenditures in election campaigns “be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited.” Section 84104 requires that committees maintain detailed accounts, records, bills, and receipts necessary to prepare campaign statements.

Existing Regulation. Regulation 18422 sets forth the registration, reporting, and recordkeeping requirements for MPOs that qualify as committees under Section 84222 of the Act. Subdivision (b) of Regulation 18422 describes information that must be included on an MPO's

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

statement of organization but lacks direction on how an MPO should describe its mission and activities on the statement. Subdivision (c) details reporting requirements for MPOs that have qualified as recipient committees in any of the five ways under Section 84222(c)(1-5). However, Regulation 18422 does not specify what information an MPO must include to “briefly describe” its nondonor funds used for expenditures or contributions, as required by Section 84222(c)(5)(A).

Subdivision (f) of Regulation 18422, meanwhile, sets forth recordkeeping requirements for MPOs, while Regulation 18401 sets forth general recordkeeping requirements for campaign committees under the Act. As currently written, it is unclear exactly what records and source documentation MPOs must maintain under Regulation 18422(f), and how these recordkeeping requirements differ from the requirements for all committees, as set forth in Regulation 18401.

REGULATORY ACTION:

Amend 2 Cal. Code Regs. Section 18422 – Multipurpose Organization Political Transparency.

Amendments to Regulation 18422. The Commission may consider amendments to provisions of current Regulation 18422, including, but not limited to, the reporting and recordkeeping requirements for MPOs. At a minimum, Commission staff anticipates proposing the following:

- Adding paragraph (b)(2) to clarify what information must be included on an MPO’s statement of organization regarding the description of the MPOs mission, most significant activities and political activities.
- Adding paragraph (c)(4), to clarify what information MPOs must provide on their campaign statements and reports when making contributions and expenditures using nondonor funds.
- Deleting subdivision (f), regarding recordkeeping requirements for MPOs, so that a new Regulation 18422.1 can take its place with a more detailed explanation of recordkeeping requirements for MPOs.

Adopt 2 Cal. Code Regs. Section 18422.1 – Required Recordkeeping for Multipurpose Organizations.

Adoption of Regulation 18422.1. The Commission may consider adopting new Regulation 18422.1. At a minimum, Commission staff anticipates proposing the following:

- Expanding upon existing Regulation 18422(f) to clarify that basic recordkeeping requirements that apply to all committees under Regulation 18401, the existing regulation covering general recordkeeping requirements for committees, similarly apply to MPOs that qualify as committees under Section 84222 and Section 84222.5.

- Detailing specific forms of required recordkeeping documentation unique to MPOs, such as grant agreements and solicitations to donors.
- Specifying recordkeeping requirements for MPOs that use non-donor funds for political activity in California.

SCOPE: The Commission may adopt the language noticed herein, or it may choose new language to implement its decisions concerning the issues identified above or any related issues.

FISCAL IMPACT STATEMENT:

Fiscal Impact on Local Government. This regulation will have no fiscal impact on any local entity or program.

Fiscal Impact on State Government. This regulation will have no fiscal impact on any state entity or program.

Fiscal Impact on Federal Funding of State Programs. This regulation will have no fiscal impact on the federal funding of any state entity or program.

AUTHORITY: Section 83112 provides that the Fair Political Practices Commission may adopt, amend, and rescind rules and regulations to carry out the purposes and provisions of the Act.

REFERENCE: The purpose of these regulations is to implement, interpret, and make specific Government Code Sections 81002, 84104, 84222 and 84222.5.

CONTACT: Any inquiries should be made to Toren Lewis, Fair Political Practices Commission, 1102 Q St., Suite 3000, Sacramento, CA 95811; telephone (916) 322-5660 or 1-866-ASK-FPPC. Proposed regulatory language can be accessed at <http://www.fppc.ca.gov/the-law/fppc-regulations/proposed-regulations-and-notices.html>.