## **Introduced by Assembly Member Gordon**

February 21, 2013

An act to amend Sections 82007, 82013, 82016, 84101, 84303, 85201, 89519, 90002, 90003, 90004, and 90005 of, and to add Sections 90008 and 90009 to, the Government Code, relating to the Political Reform Act of 1974.

## LEGISLATIVE COUNSEL'S DIGEST

AB 800, as introduced, Gordon. Political Reform Act of 1974

(1) The Political Reform Act of 1974 defines various terms for purposes of the reporting and disclosure requirements under the act.

The act defines the term "candidate" as including, in addition to other individuals, an officeholder who is the subject of a recall election. This definition also provides that an individual who becomes a candidate retains his or her status as a candidate until the time that this status is terminated.

This bill would revise this definition to provide that the term "candidate" includes any officeholder, regardless of whether he or she is the subject of a recall election, and would provide that a candidate retains that status until the time that he or she leaves office and the status is terminated.

The act defines a "committee" as any person or combination of persons who receives contributions or makes independent expenditures totaling \$1,000 or more in a calendar year.

This bill would increase the monetary threshold of contributions or independent expenditures that qualify a person or combination of

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persons as a committee to \$2,000. The bill also would make conforming changes.

The act defines a "controlled committee" as a committee that is controlled directly or indirectly by a candidate or state measure proponent or that acts jointly with a candidate, controlled committee, or state measure proponent in connection with the making of expenditures. The act provides that a candidate or state measure proponent controls a committee if he or she, his or her agent, or any other committee he or she controls has a significant influence on the actions or decisions of the committee.

This bill would establish a presumption that a committee is significantly influenced by a candidate for purposes of these provisions if any of several specified factors is satisfied.

(2) The act prohibits an agent or independent contractor from making an expenditure of \$500 or more, other than overhead or normal operating expenses, on behalf of or for the benefit of any candidate or committee unless it is reported by the candidate or committee as if the expenditure were made directly by the candidate or committee. The act requires an agent or independent contractor to make known to the candidate or committee all information subject to this reporting requirement.

This bill, in addition, would require a subagent or subcontractor who provides goods or services to or for the benefit of a candidate or committee to make known to the agent or independent contractor all of the information subject to the reporting requirement described above, and would require that disclosure of this information by a subagent or subcontractor to the agent or independent contractor or by the agent or independent contractor to the candidate or committee occur no later than three working days prior to the time the campaign statement reporting the expenditure is required to be filed, except that an expenditure that is required to be reported as a late contribution or late independent expenditure must be reported to the candidate or committee within 24 hours of the time that it is made.

(3) The act defines as "surplus campaign funds" campaign funds that are under the control of a former candidate or former elected officer as of the date of leaving elective office or the end of the postelection reporting period following the defeat of the candidate for elective office, whichever occurs last. The act restricts the purposes for which surplus campaign funds may be expended.

This bill would increase the time at which campaign funds become surplus campaign funds by 90 days following either the officer leaving \_3\_ AB 800

elective office or the end of the postelection reporting period following the defeat of a candidate, whichever occurs last.

(4) The act requires the Franchise Tax Board to conduct audits and field investigations of various financial statements required to be submitted by lobbying firms, lobbyist employers, candidates, and specified committees.

The act prohibits the commencement of an audit or investigation of a candidate, controlled committee, or committee primarily supporting or opposing a candidate or a measure in connection with a report or statement required by specified provisions of the act until after the last date for filing the first report or statement following the general, runoff, or special election for the office for which the candidate ran, or following the election at which the measure was adopted or defeated, except as provided. The act prescribes the scope of campaign statements and reports to be included in audits and investigations of candidates, controlled committees, or committees primarily supporting or opposing a candidate or a measure.

This bill would delete these provisions that delay the commencement of an audit or investigation and prescribe the scope of audits and investigations.

In addition to the general auditing requirements imposed on the Franchise Tax Board as described above, the act authorizes the Franchise Tax Board and the Fair Political Practices Commission to make investigations and audits with respect to any reports or statements required by specified provisions of the act regarding campaign disclosure, limitations on contributions, and lobbyists.

This bill would expand this authority to allow the Franchise Tax Board and the Fair Political Practices Commission to make investigations and audits with respect to any reports or statements required under the act.

The act requires the Franchise Tax Board periodically to prepare reports regarding its audit and investigations under the act and send them to the Commission, the Secretary of State, and the Attorney General. The act requires the board to complete its report of any audit conducted on a random basis pursuant to a specified statute within one year after the person or entity subject to the audit is selected by the Commission to be audited.

This bill would delete this deadline for completing reports regarding audits conducted on a random basis.

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The act prohibits a member, employee, or agent of the Franchise Tax Board from divulging or making known in any manner any particulars of any record, documents, or information which he or she receives by virtue of conducting audits and investigations, except as provided.

This bill, in addition, would make this prohibition applicable to a member, employee, or agent of the Fair Political Practices Commission.

This bill would authorize the Fair Political Practices Commission, and the Franchise Tax Board at the direction of the Commission, to audit any record required to be maintained under the act in order to ensure compliance with the act prior to an election, even if the record is a report or statement that has not yet been filed. The bill would authorize the Commission to seek injunctive relief in a superior court to compel disclosure consistent with the act, and would require a court to grant expedited review of an action filed pursuant to this provision, as specified.

(5) Existing law makes a knowing or willful violation of the Political Reform Act of 1974 a misdemeanor and subjects offenders to criminal penalties.

This bill would impose a state-mandated local program by creating additional crimes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(6) The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes upon a  $\frac{2}{3}$  vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the 2 following:
- (a) The people of this state have a compelling interest in ensuring that the political contributions and expenditures of
- 5 nonprofit entities, multipurpose organizations, and other

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committees are subject to prompt public disclosure prior to elections in order to provide as much information to the public as possible in a timely manner.

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- (b) If the Fair Political Practices Commission determines that an audit or investigation is in the best interests of the public in order to detect violations of the Political Reform Act of 1974, judicial review of an action in this regard should receive expedited review.
- (c) It is therefore the intent of the Legislature to ensure that the Fair Political Practices Commission be given the authority to carry out the provisions of the Political Reform Act of 1974 in a manner that ensures information regarding political contributions and expenditures is provided to the public in an expedited manner prior to elections.
- SEC. 2. Section 82007 of the Government Code is amended to read:
- 82007. "Candidate" means an individual who is listed on the ballot, or who has qualified to have write-in votes on his or her behalf counted by election officials, for nomination for or election to any an elective office, or who receives a contribution or makes an expenditure or gives his or her consent for any other person to receive a contribution or make an expenditure with a view to bringing about his or her nomination or election to any an elective office, whether or not the specific elective office for which he or she will seek nomination or election is known at the time the contribution is received or the expenditure is made and whether or not he or she has announced his or her candidacy or filed a declaration of candidacy at—such that time. "Candidate" also includes any an officeholder who is the subject of a recall election. An individual who becomes a candidate shall retain his or her status as a candidate until-such the time-as that he or she leaves office and his or her status as a candidate is terminated pursuant to Section 84214. "Candidate" does not include any a person within the meaning of Section 301(b) of the Federal Election Campaign Act of 1971.
- SEC. 3. Section 82013 of the Government Code is amended to read:
- 82013. "Committee" means-any *a* person or combination of persons who directly or indirectly does any of the following:

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1 (a) Receives contributions totaling one thousand dollars (\$1,000) 2 *two thousand dollars* (\$2,000) or more in a calendar year.

- (b) Makes independent expenditures totaling—one thousand dollars (\$1,000) two thousand dollars (\$2,000) or more in a calendar year; or.
- (c) Makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year to or at the behest of candidates or committees.

A person or combination of persons that becomes a committee shall retain its status as a committee until such time as that status is terminated pursuant to Section 84214.

- SEC. 4. Section 82016 of the Government Code is amended to read:
  - 82016. (a) "Controlled committee" means a committee that is controlled directly or indirectly by a candidate or state measure proponent or that acts jointly with a candidate, controlled committee, or state measure proponent in connection with the making of expenditures. A candidate or state measure proponent controls a committee if he or she, his or her agent, or any other committee he or she controls has a significant influence on the actions or decisions of the committee.
  - (b) Notwithstanding subdivision (a), a political party committee, as defined in Section 85205, is not a controlled committee.
  - (c) For purposes of subdivision (a), a committee is presumed to be significantly influenced by a candidate, his or her agent, or another committee he or she controls if any of the following is satisfied:
  - (1) The candidate, or his or her agent, is a voting member of the committee's governing body.
  - (2) The candidate, or his or her agent, is involved in the decisionmaking of the committee, or the development or implementation of the committee's campaign strategy.
  - (3) The candidate, or his or her agent, is involved in directing, planning, or implementing the committee's fundraising activities in a greater capacity than making endorsements or appearing at fundraisers.
- 37 (4) The candidate, or his or her agent, is substantially involved 38 in directing the day-to-day operations of the committee.
- 39 SEC. 5. Section 84101 of the Government Code is amended 40 to read:

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84101. (a) A committee that is a committee by virtue of subdivision (a) of Section 82013 shall file a statement of organization. The committee shall file the original of the statement of organization with the Secretary of State and shall-also file a copy of the statement of organization with the local filing officer, if any, with whom the committee is required to file the originals of its campaign reports pursuant to Section 84215. The original and copy of the statement of organization shall be filed within 10 days after the committee has qualified as a committee. The Secretary of State shall assign a number to each committee that files a statement of organization and shall notify the committee of the number. The Secretary of State shall send a copy of statements filed pursuant to this section to the county elections official of each county that he or she deems appropriate. A county elections official who receives a copy of a statement of organization from the Secretary of State pursuant to this section shall send a copy of the statement to the clerk of each city in the county that he or she deems appropriate.

- (b) In addition to filing the statement of organization as required by subdivision (a), if a committee qualifies as a committee under subdivision (a) of Section 82013 before the date of an election in connection with which the committee is required to file preelection statements, but after the closing date of the last campaign statement required to be filed before the election pursuant to Section 84200.7, 84200.8, or 84200.9, the committee shall file, by facsimile transmission, guaranteed overnight delivery, or personal delivery within 24 hours of qualifying as a committee, the information required to be reported in the statement of organization. The information required by this subdivision shall be filed with the filing officer with whom the committee is required to file the originals of its campaign reports pursuant to Section 84215.
- (c) If an independent expenditure committee qualifies as a committee pursuant to subdivision (a) of Section 82013 during the time period described in Section 82036.5 and makes independent expenditures of one thousand dollars (\$1,000) or more to support or oppose a candidate or candidates for office, the committee shall file, by facsimile transmission, online transmission, guaranteed overnight delivery, or personal delivery within 24 hours of qualifying as a committee, the information required to be reported in the statement of organization. The information required by this

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section shall be filed with the filing officer with whom the committee is required to file the original of its campaign reports pursuant to Section 84215, and shall be filed at all locations required for the candidate or candidates supported or opposed by the independent expenditures. The filings required by this section are in addition to filings that may be required by Sections 84203.5 and 84204.

- (d) For purposes of this section, in calculating whether—one thousand dollars (\$1,000) two thousand dollars (\$2,000) in contributions has been received, payments for a filing fee or for a statement of qualifications to appear in a sample ballot shall not be included if these payments have been made from the candidate's personal funds.
- SEC. 6. Section 84303 of the Government Code is amended to read:
- 84303. No-(a) An expenditure of five hundred dollars (\$500) or more shall *not* be made, other than *for* overhead or normal operating expenses, by an agent or independent contractor, including, but not limited to, an advertising agency, on behalf of or for the benefit of—any a candidate or committee unless it is reported by the candidate or committee as if the expenditure were made directly by the candidate or committee. The
- (b) A subagent or subcontractor who provides goods or services to or for the benefit of a candidate or committee shall make known to the agent or independent contractor all of the information required to be reported by this section, and the agent or independent contractor shall then make known to the candidate or committee all of the information required to be reported by this section no later than three working days prior to the time the campaign statement reporting the expenditure is required to be filed, except that an expenditure that is required to be reported by Section 84203 or 84204 shall be reported to the candidate or committee within 24 hours of the time that it is made.
- 34 SEC. 7. Section 85201 of the Government Code is amended 35 to read:
- 36 85201. (a) Upon the filing of the statement of intention 37 pursuant to Section 85200, the individual shall establish one 38 campaign contribution account at an office of a financial institution 39 located in the state.

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(b) As required by subdivision (f) of Section 84102, a candidate who raises contributions of one thousand dollars (\$1,000) two thousand dollars (\$2,000) or more in a calendar year shall set forth the name and address of the financial institution where the candidate has established a campaign contribution account and the account number on the committee statement of organization filed pursuant to Sections 84101 and 84103.

- (c) All contributions or loans made to the candidate, to a person on behalf of the candidate, or to the candidate's controlled committee shall be deposited in the account.
- (d) Any personal funds—which that will be utilized to promote the election of the candidate shall be deposited in the account prior to expenditure.
  - (e) All campaign expenditures shall be made from the account.
- (f) Subdivisions (d) and (e) do not apply to a candidate's payment for a filing fee and statement of qualifications from his or her personal funds.
- (g) This section does not apply to a candidate who will not receive contributions and who makes expenditures from personal funds of less than one thousand dollars (\$1,000) two thousand dollars (\$2,000) in a calendar year to support his or her candidacy. For purposes of this section, a candidate's payment for a filing fee and statement of qualifications shall not be included in calculating the total expenditures made.
- (h) An individual who raises contributions from others for his or her campaign, but who raises or spends less than one thousand dollars (\$1,000) two thousand dollars (\$2,000) in a calendar year, and does not qualify as a committee under Section 82013, shall establish a campaign contribution account pursuant to subdivision (a), but is not required to file a committee statement of organization pursuant to Section 84101 or other statement of bank account information.
- SEC. 8. Section 89519 of the Government Code is amended to read:
- 89519. (a) Upon the 90th day after leaving any elected an elective office, or—at the 90th day following the end of the postelection reporting period following the defeat of a candidate for elective office, whichever occurs last, campaign funds—raised after January 1, 1989, under the control of the former candidate or elected officer shall be considered surplus campaign funds and

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shall be disclosed pursuant to Chapter 4 (commencing with Section84100).

- (b) Surplus campaign funds shall be used only for the following purposes:
- (1) The payment of outstanding campaign debts or elected officer's expenses.
  - (2) The repayment of contributions.
- (3) Donations to-any *a* bona fide charitable, educational, civic, religious, or similar tax-exempt, nonprofit organization, where no substantial part of the proceeds will have a material financial effect on the former candidate or elected officer, any member of his or her immediate family, or his or her campaign treasurer.
- (4) Contributions to a political party committee, provided the campaign funds are not used to support or oppose candidates for elective office. However, the campaign funds may be used by a political party committee to conduct partisan voter registration, partisan get-out-the-vote activities, and slate mailers as that term is defined in Section 82048.3.
- (5) Contributions to support or oppose—any a candidate for federal office, any a candidate for elective office in a state other than California, or any a ballot measure.
- (6) The payment for professional services reasonably required by the committee to assist in the performance of its administrative functions, including payment for attorney's fees for litigation which that arises directly out of a candidate's or elected officer's activities, duties, or status as a candidate or elected officer, including, but not limited to, an action to enjoin defamation, defense of an action brought—of for a violation of state or local campaign, disclosure, or election laws, and an action from an election contest or recount.
- (c) For purposes of this section, the payment for, or the reimbursement to the state of, the costs of installing and monitoring an electronic security system in the home or office, or both, of a candidate or elected officer who has received threats to his or her physical safety shall be deemed an outstanding campaign debt or elected officer's expense, provided that the threats arise from his or her activities, duties, or status as a candidate or elected officer and that the threats have been reported to and verified by an appropriate law enforcement agency. Verification shall be determined solely by the law enforcement agency to which the

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threat was reported. The candidate or elected officer shall report any an expenditure of campaign funds made pursuant to this section to the commission. The report to the commission Commission shall include the date that the candidate or elected officer informed the law enforcement agency of the threat, the name and the telephone number of the law enforcement agency, and a brief description of the threat. No more than five thousand dollars (\$5,000) in surplus campaign funds may be used, cumulatively, by a candidate or elected officer pursuant to this subdivision. Payments made pursuant to this subdivision shall be made during the two years immediately following the date upon which the campaign funds become surplus campaign funds. The candidate or elected officer shall reimburse the surplus fund account for the fair market value of the security system no later than two years immediately following the date upon which the campaign funds became surplus campaign funds. The campaign funds become surplus campaign funds upon sale of the property on which the system is installed, or prior to the closing of the surplus campaign fund account, whichever comes first. The electronic security system shall be the property of the campaign committee of the candidate or elected officer. 

SEC. 9. Section 90002 of the Government Code is amended to read:

- 90002. (a) Audits and investigations of lobbying firms and lobbyist employers shall be performed on a biennial basis and shall cover reports filed during a period of two years.
- (b) If a lobbying firm or lobbyist employer keeps a separate account for all receipts and payments for which reporting is required by this chapter, the requirement of an audit under subdivision (a) of Section 90001 shall be satisfied by an audit of that account and the supporting documentation required to be maintained by Section 86110.
- (c) No audit or investigation of any candidate, controlled committee, or committee primarily supporting or opposing a candidate or a measure in connection with a report or statement required by Chapter 4 of this title, shall begin until after the last date for filing the first report or statement following the general, runoff or special election for the office for which the candidate ran, or following the election at which the measure was adopted or defeated, except that audits and investigations of statewide

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candidates, their controlled committees, and committees primarily supporting or opposing those statewide candidates who were defeated in the primary election and who are not required to file statements for the general election may begin after the last date for filing the first report or statement following the primary election. When the campaign statements or reports of a candidate, controlled committee, or a committee primarily supporting or opposing a candidate are audited and investigated pursuant to Section 90001, the audit and investigation shall cover all campaign statements and reports filed for the primary and general or special or runoff elections and any previous campaign statement or report filed pursuant to Section 84200 or 84200.5 since the last election for that office, but shall exclude any statements or reports which have previously been audited pursuant to Section 90001 or 90003. When the campaign statements or reports of a committee primarily supporting or opposing a measure are audited and investigated, the audit and investigation shall cover all campaign statements and reports from the beginning date of the first campaign statement filed by the committee in connection with the measure. For all other committees, the audit and investigation shall cover all campaign statements filed during the previous two calendar years. SEC. 10. Section 90003 of the Government Code is amended to read:

90003. In addition to the audits and investigations required by Section 90001, the Franchise Tax Board and the commission Commission may make investigations and audits with respect to any reports or statements required by Chapter 4 (commencing with Section 84100), Chapter 5 (commencing with Section 85100), or Chapter 6 (commencing with Section 86100) this title.

SEC. 11. Section 90004 of the Government Code is amended to read:

90004. (a) The Franchise Tax Board shall periodically prepare reports, which, except as otherwise provided in this section, shall be sent to the commission Commission, the Secretary of State, and the Attorney General. If the reports relate to candidates for or committees supporting or opposing candidates for the office of Attorney General, the reports shall be sent to the commission Commission, the Secretary of State, and the District Attorneys of the Counties of Los Angeles, Sacramento, and San Francisco Counties. If the reports relate to local candidates and their

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controlled committees, the reports shall be sent to the commission *Commission*, the local filing officer with whom the candidate or committee is required to file the originals of campaign reports pursuant to Section 84215, and the district attorney for the candidate's county of domicile.

(b) The Franchise Tax Board shall complete its report of any audit conducted on a random basis pursuant to Section 90001 within one year after the person or entity subject to the audit is selected by the commission to be audited.

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- (b) The reports of the Franchise Tax Board shall be public documents and shall contain in detail the Franchise Tax Board's findings with respect to the accuracy and completeness of each report and statement reviewed and its findings with respect to any report or statement that should have been but was not filed. The Secretary of State and the local filing officer shall place the audit reports in the appropriate campaign statement or lobbying files.
- SEC. 12. Section 90005 of the Government Code is amended to read:
- 90005. No-A member, employee, or agent of the Franchise Tax Board *or the Commission* shall *not* divulge or make known in any manner—any *the* particulars of any record, documents, or information which that he *or she* receives by virtue of this chapter, except in furtherance of the work of the Franchise Tax Board *or the Commission* or in connection with—any *a* court proceeding or any *the* lawful investigation of any agency.
- SEC. 13. Section 90008 is added to the Government Code, to read:
- 90008. (a) It is the intent of the Legislature that the people of California have timely access to information concerning the campaign contributions and expenditures of all committees, corporations, and individuals, and that this information be provided before the election, when it is relevant, in accordance with the requirements of this title. It is the further intent of the Legislature that the Commission ensure that these disclosures are being made, and that this title be liberally construed and any judicial process be expedited to achieve this purpose.
- (b) The Commission, and the Franchise Tax Board at the direction of the Commission, may audit any record required to be maintained under this title to ensure compliance with this title prior

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1 to an election, even if the record is a report or statement that has 2 not yet been filed.

- SEC. 14. Section 90009 is added to the Government Code, to read:
  - 90009. (a) To further the purposes identified in Section 90008, the Commission may seek injunctive relief in a superior court to compel disclosure consistent with this title.
  - (b) A court shall grant expedited review to an action filed pursuant to subdivision (a) as follows:
  - (1) The court shall conduct an expedited hearing with an opportunity for the defendant to respond.
  - (2) Briefs of the parties shall be required pursuant to an expedited schedule.
  - (c) A superior or appellate court may, at its discretion, grant a stay of an order granting relief pursuant to subdivision (a).
  - SEC. 15. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIIIB of the California Constitution.
- SEC. 16. The Legislature finds and declares that this bill furthers the purposes of the Political Reform Act of 1974 within the meaning of subdivision (a) of Section 81012 of the Government Code.