



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
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To: Chair Germond, Commissioners Cardenas, Hatch, and Hayward

From: Phillip Ung, Director, Legislative and External Affairs

Subject: Attachment 4: Bank Accounts for All Recipient Committees RN 19 00822

Date: December 14, 2018

Background

The Political Reform Act requires a candidate committee to establish one campaign contribution account at an office of a financial institution located in the state and requires all candidates' contributions to be made to the account and all candidate expenditures to be made from the account. ([§85201](#)) From the Commission's manual:

The Act's one committee/one bank account rule for candidates and elected officeholders gives clear disclosure of the candidate or elected officeholder's campaign finances and ensures compliance with applicable local contribution limits, if any. A committee set up by the candidate or officeholder for his or her election is the candidate's controlled committee.

A candidate controls a committee if he or she has a significant influence on the actions or decisions of the committee or acts jointly with the committee in connection with its expenditures. Under the one committee/one bank account provisions of the Act, a candidate or officeholder who controls a committee for his or her election may not at the same time control a general purpose committee, such as an "Improve River City" committee. In limited circumstances, exceptions to the one committee/one bank account rule exist to permit a local candidate or officeholder to control a ballot measure committee, legal defense fund, or officeholder expense committee (if provided by local ordinance).

There are exceptions to the candidates "one bank account" rule:

- 1) Candidates may use their personal funds to pay a filing fee, a ballot statement fee, or the \$50 Secretary of State fee, without first depositing the funds into the campaign bank account;
- 2) An officeholder may use personal funds to pay officeholder expenses.
- 3) A candidate may contract with a vendor or collecting agent to collect contributions prior to promptly transferring the funds to the candidate's campaign bank account without violating the requirement that the candidate have no more than one bank account. Fees deducted by the vendor are considered expenditures from the campaign bank account at the time they are deducted.
- 4) If a candidate does not receive contributions from others and the candidate does not spend more than \$2,000 or more of their personal funds then no separate bank account is required.

This bill would expand the bank account requirement to include all recipient committees, as defined in [subdivision \(a\) of §82013](#). This would mean all contributions (§82015) received by the committee would have to be deposited in the designated account, and all expenditures (§82025) made by the committee would have to be drawn from the designated account.

Analysis

This bill does the following:

1. Creates a new Section 84109 within Article 1 (Organization of Committees) of Chapter 4 (Campaign Disclosure).
2. Requires, within 10 days of qualifying as a committee under subdivision (a) of Section 82013, also known as a recipient committee, the committee must establish one campaign contribution account at a financial institution with offices located in the state.
3. Requires the recipient committee to disclose on its Statement of Organization (Form 410) the name and address of the financial institution in which the committee established the account and the account number.
4. Requires all contributions or loans made to the committee or to a person on behalf of the committee be deposited in the account.
5. Requires all campaign expenditures by the committee be made from the account.
6. This section does not apply to candidate committees that are subject to Section 85201.

Rationale

There are many benefits to a separate account for the committee. Having a segregated account assists in the proper organization of campaign funds that are held in trust. The Commission already recommends primarily formed committees to establish a separate campaign bank account because pre-numbered and pre-printed checks with the committee's name are useful in meeting the recordkeeping requirements described in Chapter 2. ([FPPC Campaign Manual 2, Chapter 1](#)) The benefits to committee are such that some local central committees go above and beyond the minimum duty and create subaccounts to further segregate funds (i.e. separating Senate and Assembly funds).

The [Federal Election Commission](#) requires all non-connected PACs (non-candidate controlled committees) to register an official committee depository. Non-connected PACs have two options: a) set up one federal account to support both federal and nonfederal candidates and report all activity to the FEC or b) set up two accounts – one for federal elections and another for state and local elections. The FEC requirement to create separate bank accounts arguably makes the requirement a best practice that should be adopted in California.

Fiscal Impact

The bills fiscal impact is minor and absorbable.

Legislative Counsel has keyed the as a state-mandated local program which generally requires the state, under the California Constitution, to reimburse local agencies and school districts for certain costs mandated by the state. However, no reimbursement is required by this bill because the only costs that may be incurred by a local agency or school district will be incurred because this bill 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](#).

Staff Recommendation

1. Approve the Legislative Counsel draft as presented,
2. Adopt a sponsorship position, and
3. Authorize Commission staff to retain an author for bill introduction.

LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Political Reform Act of 1974: committee accounts.

The Political Reform Act of 1974 provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures and imposing other reporting and recordkeeping requirements on campaign committees.

The act requires a candidate committee to establish one campaign contribution account at an office of a financial institution located in the state and generally requires all candidate contributions to be made to the account and all candidate expenditures to be made from the account.

This bill would impose a similar requirement on non-candidate committees that qualify as a committee under the act by receiving contributions totaling \$2,000 or more in a calendar year.

A violation of the act's provisions is punishable as a misdemeanor. By expanding the scope of a crime, this bill would impose a state-mandated local program.

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.

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 of the Legislature and compliance with specified procedural requirements.

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

Vote: 2/3. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.



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An act to add Section 84109 to the Government Code, relating to the
Political Reform Act of 1974.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 84109 is added to the Government Code, to read:

84109. (a) Within 10 days of qualification as a committee under subdivision (a) of Section 82013, the committee shall establish one campaign contribution account for the committee at an office of a financial institution located in the state.

(b) As required by subdivision (f) of Section 84102, the committee shall set forth the name and address of the financial institution where the committee 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 committee or to a person on behalf of the committee shall be deposited in the account.

(d) All campaign expenditures by the committee shall be made from the account.

(e) This section does not apply to candidate committees that are subject to Section 85201.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B 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 XIII B of the California Constitution.

SEC. 3. 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.

