



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
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Law & Policy Committee Meeting on Legislation
(Conducted by Telephone at 10AM on June 8, 2018)

Members Present: Commissioners Audero & Hatch
Staff Present: Loressa Hon, Brian Lau, Sasha Linker, Phillip Ung

Legislation Considered by the committee:

1. AB 664 (Steinorth): Campaign fund expenditures; fair market value

FPPC Position: Oppose Unless Amended

Status: Senate Elections Committee

Fiscal Estimate: Minor and absorbable

Summary: The Commission expressed opposition to a loophole implied in subsection (c). The bill appears to permit payments greater than fair market value in situations where a family member may be a minority-owner of a vendor or an employee of a vendor. Additionally, subsection (c) permits a spouse or domestic partner to receive payments from campaign funds controlled by a candidate spouse which is in direct conflict with subsection (a). Subsection (a) prohibits any compensation to spouse or domestic partner from a spouse's controlled committee.

In addition to the staff proposed amendments to allay the Commission's concerns, the committee also voted to recommend the following amendment:

Amend subdivision (b) on line 9, after "exchange for" insert: "furnished or promised"

2. AB 2155 (Mullin): Campaign disclosure

FPPC Position: Support if Amended

Sponsor: California Clean Money Campaign

Status: Senate Elections Committee

Fiscal Estimate: No costs to the Commission

Summary: The Commission recommended that Section 84501(a)(1)(H) be redrafted to express the Legislature's intent regarding quantity thresholds narrowly directed to issues or provisions related to advertising. The Commission believes current language in the May 30 version of AB 2155 is over-inclusive, capturing all quantity thresholds or potential thresholds throughout Chapter 4 of the Political Reform Act which could lead to unintended consequences. Chapter 4 includes Articles related to the organization of committees, filing of campaign statements, prohibitions, exemptions, and advertisements.

In addition to recommending the staff draft of amendments, the committee has also proposed to recommend that If the author was concerned with a future potential of having to amend the lengthy section 84501, then the committee would accept an additional amendment, which would delete the second sentence of paragraph (H) and incorporate that language in a new section 84501.1 that refers back to section 84501.

3. AB 2880 (Harper): Political Reform Act; local enforcement

FPPC Position: Support if Amended

Sponsor: California Common Cause

Status: Senate Elections Committee

Fiscal Estimate: Costs to the FPPC in the tens of thousands for each individual jurisdiction, reimbursed by the jurisdictions. Minor and absorbable costs to the FPPC to make the required report.

Summary: This bill would generally authorize the governing body of a local government agency to contract with the Commission for the administration, implementation, and enforcement of a local campaign finance or government ethics law. The authorization is limited to jurisdictions with a population of less than 3,000,000. This bill would also clarify that any agreement with one of the cities enumerated above that was in effect on December 31, 2018, is deemed to comply with this provision. The authorization will sunset January 1, 2026. The Commission would be required to produce a report to the Legislature regarding the performance of any agreements on or before January 1, 2025.

The Commission voted to recommend the following three amendments be added to AB 2880:

1) An addition to subsection (d) that the terms of any agreement between a local government agency and the Commission include full reimbursement for all direct and indirect costs.

2) An addition to subsection (e) requiring 180-day notice be provided when a local government agency or the Commission wishes to terminate an agreement.

3) An addition to the bill that requires the financial terms of any agreement between a local government agency and the Commission be approved by the Director of the Department of Finance.

After discussions with the sponsor, the committee voted to recommend the following compromise amendments:

- **Clarify that entering into an agreement remains in FPPC’s discretion:**
 - (d)(1) “... shall enter into any agreements necessary and appropriate to carry out the provisions of this ~~section~~ paragraph (1) of subdivision (a).”
- **Require minimum 90-day wind-down but allow parties to agree to more:** (alternative: 180 days and allow parties to agree to less)
 - (e) “... The termination shall be effective no earlier than 90 days after the enactment of the ordinance or resolution unless, by agreement between the local government and the Commission, a longer period is required.”
- **Require FPPC to submit the contract for DGS review within 90 days and report-out to DOF:**
 - (d)(1) “... Before approving an agreement for local reimbursement, the Commission shall consult with the Department of Finance regarding the Commission’s expected costs submit the proposed agreement to the Department of General Services for its review. The Commission may approve the agreement 90 days after submitting the proposed agreement

to the Department or after receiving the Department's written review of the agreement, whichever occurs first. Any agreement approved by the Commission, along with any review of the agreement by the Department, shall be submitted to the Department of Finance.

4. SB 1239 (Hertzberg): Campaign disclosure: online filing system

FPPC Position: Support

Sponsor: Secretary of State Alex Padilla

Status: Assembly Elections Committee

Fiscal Estimate: No costs to the Commission, potential minor cost savings.

Summary: The Political Reform Act of 1974 generally requires elected officials, candidates for elective office, and committees formed primarily to support or oppose a candidate for public office or a ballot measure, along with other entities, to file periodic campaign statements and certain reports concerning campaign finances and related matters. The act generally provides for the filing of campaign statements and reports by various means, including personal delivery, guaranteed overnight delivery, facsimile transmission, and online transmission. The act requires the Secretary of State, in consultation with the Fair Political Practices Commission, to develop online and electronic filing processes for persons and entities that are required to file statements and reports with the Secretary of State's office. The act requires certain persons and entities to file online or electronically with the Secretary of State if their political contributions, expenditures, or loans reach specified monetary thresholds. The Act requires each committee that is required to file a statement of organization to pay the Secretary of State a fee of \$50 by January 15 of each year until the committee is terminated. The Act subjects a committee that fails to pay the fee on time to a penalty equal to three times the amount of the fee.

This bill would generally recast certain provisions governing the processing of campaign reports and statements to provide for the filing, verification, delivery, amendment, retention, and inspection of those documents online or electronically, as prescribed. The bill would repeal the abovementioned monetary thresholds, thereby making the online and electronic filing requirements applicable to all specified filers. The bill would also repeal various obsolete or extraneous provisions of the act, and would make conforming and other technical, nonsubstantive changes. The bill would change the deadline for payment of the annual fee to April 30 of each year. The bill also makes other technical, non-substantive changes.

The committee voted to recommend to the sponsor, without affecting the previous Commission position, the following two amendments:

- 84102 (b) Require the email address of all sponsors.
- 84504.2 (a)(4) on the second line, after the word "insert" insert "URL for the" (See in context below)
- "Funding Details At [insert URL for the Secretary of State Internet webpage with Top 10 Contributor Lists].

As the above are merely suggestions, there is no action requested of the Commission on SB 1239.

Recommendation: Delegating limited authority to the executive director.

The committee voted to recommend that the Commission delegate limited authority to the executive director to change the Commission's legislative position subject to the following conditions:

1. Upon recommendation from the Commission's legislative director, the policy conditions described by the Commission's action on AB 664, AB 2155, and AB 2880 have been met.
2. One day prior to the executive director changing the position, the executive director informs the Commission, in writing, that the policy conditions have been met and she intends to change the Commission's position as described by Commission action.
3. No commissioners object to the executive director's intent to change the Commission position.
4. The executive director proposes to change the Commission position starting June 21 and ending the day of the July Commission meeting.

This concludes the report of the Law & Policy Committee

Brian L Hatch, Chair