



STATE OF CALIFORNIA  
**FAIR POLITICAL PRACTICES COMMISSION**  
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**To:** Chair Silver, Commissioners Brandt, Ortiz, Wilson, and Zettel

**From:** Dave Bainbridge, General Counsel, Legal Division  
Karen Harrison, Senior Counsel, Legal Division

**Subject:** **Prenotice Discussion, Proposed Amendments to Regulation 18404, Repeal and Adoption of Regulation 18404.1 and Adoption of Regulation 18404.3, Termination of Filing Duties; Terminating and Reopening of Section 82013(a) Committees.**

**Date:** August 11, 2025

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### **Executive Summary**

Staff proposes amendments to Regulation 18404, regarding the termination of filing obligations for committees and candidates; a revised Regulation 18404.1 (repeal and adopt), regarding the termination requirements and procedures for recipient committees; and a new Regulation 18404.3, regarding the reopening requirements and procedures for terminated recipient committees.

### **Reason for Proposed Regulatory Action**

These changes respond to the implementation of the online filing and disclosure system, “CARS” procedures for campaign filings, which will not reference forms and statements, and respond to requests from the Secretary of State for clarifications related to the CARS implementation. The proposed language addresses the new requirements for the return or reimbursement of security items/expenses paid for with campaign funds, and updates the reconsideration process for a denied request to reopen to reflect current procedures by the Commission. The changes also propose other clean-up and reorganization items identified as needed by the Executive Director and staff.

### **Background & Law**

#### *1. Requirements for Terminating Filing Obligations: Regulation 18404*

Section 84214 provides that all committees and candidates shall terminate their filing obligations pursuant to regulations adopted by the Commission. These regulations must ensure that a committee or candidate terminating its filing obligations will have no activity that must be disclosed under the Act. To implement these provisions, the Commission adopted Regulations 18404 (Termination of Candidate’s and Committees’ Filing Requirements), 18404.1 (Termination and Reopening of Committees), and 18404.2 (Administrative Termination).

## *A. Committees*

Section 82013(b) major donor committees, and Section 82013(c) independent expenditure committees, have filing obligations under the Act related to the calendar year in which they qualified as a committee. Once the filings for that calendar year, such as semiannual campaign statements, late contribution reports, or late independent expenditure reports, are filed, the committee's filing obligations for that year cease. (Regulation 18404(a).)

Section 82013(a) recipient committees, however, must file campaign statements under the Act until their status as a committee is terminated. Regulation 18404(b) provides the following requirements for a committee to terminate:

- The committee no longer has activity in that it has ceased receiving contributions and making expenditures.
- It has eliminated or has no ability to discharge its debts.
- It has no surplus funds.
- It has filed all its required campaign statements.

(Regulation 18404 (b).)

To terminate, the committee's treasurer files a Statement of Organization in accordance with Section 84101(a), under penalty of perjury, declaring its termination of status and compliance with the above conditions. (Regulation 18404(c)).<sup>1</sup>

## *B. Candidates*

Candidates, which includes elective officeholders, must file campaign statements under the Act until the candidate's status as a candidate terminates. As a result, elective officeholders must file campaign statements until they no longer hold office and are no longer a candidate because they lost, withdrew or were no longer on the ballot for the election. (Regulation 18404(d).)

A candidate with one or more controlled committees ceases to have filing obligations once they are no longer a candidate, have left office, and have closed all their controlled committee(s). (Regulation 18404(d)(1).)

A candidate without controlled committees who has filed a Form 470 short form<sup>2</sup> ceases their filing obligations at the end of the calendar year in which they filed the Form 470 once they

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<sup>1</sup> Section 84101(a) requires the Statement of Organization to be filed with the Secretary of State and to file a copy 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.

<sup>2</sup> Section 84206 allows for the filing of a "short form" where the candidate receives contributions and makes expenditures of less than \$2,000 in a calendar year. Apparently, candidates who open a committee in anticipation of meeting the \$2,000 thresholds, but who end up filing the "short form," have some confusion about their need to close the opened committee in these circumstances.

are no longer candidates, have left office, cease all campaign contribution and expenditure activity, and file all required campaign statements. (Regulation 18404(d)(2).)

### *C. Issues to Address*

With CARS, the Secretary of State's new online filing and disclosure system for campaign filings that is scheduled to be operational in November of 2026, the procedure for opening and terminating committees will be an online registration process as opposed to the current process utilizing forms. For this reason, particular forms will no longer be referenced, such as the "Form 410 Statement of Organization or the "Form 470 short form." Campaign "reports" rather than "statements will be used as well.<sup>3</sup> Regulation 18404 will need updated language that does not rely on form names.

Additionally, the Secretary of State's office requests that the Commission provide regulatory language stating that a candidate who has opened a committee in anticipation of receiving or spending \$2,000 in a calendar year, but did not meet those thresholds, must close its committee to end the candidate's filing obligations.

Lastly, Regulation 18404(b) and (c) address how and when a recipient committee terminates, rather than clearly stating its obligation to file campaign statements until it terminates. Staff recommends that the regulation solely address "termination of filing requirements" consistent with its title and better state the termination of a candidate's status.

### *2. Termination and Reopening of Committees: Regulation 18404.1*

Regulation 18404.1 states the termination requirements for three types of candidate controlled committees that must terminate by a certain date. It also provides a process for these committees to request an extension or to reopen and an exception for accepting refunds without reopening the committee.

#### *A. Termination within 24 Months.*

When first adopted, this regulation applied only to committees formed for a state elective office due to the campaign contribution limits that apply to those committees.<sup>4</sup> As of 2021, Regulation 18404.1 also applies to committees organized for a city or county elective office in a jurisdiction that has not passed its own contribution limits and is therefore subject to the state contribution limits in Section 85301(d) [often referred to as "AB571 candidate committees"].<sup>5</sup>

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<sup>3</sup> AB 808 is currently pending in the legislature and would make numerous changes to the Act to facilitate the transition from a form-based campaign reporting process to a data-driven electronic filing system. One such change would be using the term "report" consistently in the Act rather than "statement" when referring to campaign reporting data outputs.

<sup>4</sup> See Section 85301. (Proposition 34, Stats. 2000, Ch 102.)

<sup>5</sup> See Section 85301 (a), (d) and Section 85702.5. Pursuant to Assembly Bill 571 (Stats. 2019, Ch. 556, AB 571 Mullin), beginning January 1, 2021, a state campaign contribution limit will by default apply to city and county candidates when the city or county has not already enacted a contribution limit on such candidates. Along with the

Termination of these committees must occur within 24 months of the committee having: (a) no “net debts outstanding”<sup>6</sup> and (b) the candidate is defeated, leaves office, the term of office for which the committee was formed ends, or, for a withdrawn candidate, the election occurs. (Regulation 18404.1(a).) In addition to the termination requirements in Regulation 18404(b), the committees must close their campaign bank account and must notify their creditors within 60 days of their anticipated termination date. (Regulation 18404.1(b) and (d).)

Another type of committee that must close within 24 months is a local candidate-controlled committee previously or concurrently held by a candidate elected to state office or a local elective office subject to the state contribution limits. (Regulation 18404.1 (f).) These committees must terminate under Regulation 18404, with no added requirements.

Due to the mandatory 24-month termination timeline, committees subject to Regulation 18404.1 may request an extension of time to terminate for good cause from the Executive Director. (Regulation 18404.1(e).)

#### *B. Reopening “Good Cause” Circumstances & Procedures*

Because the committees terminated under Regulation 18404.1 encountered situations where there was a need to properly process and report transactions such as unexpected refunds or debts unknown at the time of termination, Regulation 18404.1 was amended in 2004 to include a procedure for the Executive Director to reopen a terminated committee on a limited basis for good cause. (Regulation 18404.1(g).)

Subdivision (g) provides a list of circumstances where reopening is appropriate, and includes a catch-all, “for any other good cause” provision. (Regulation 18404.1(g)(1)-(5).) This list includes refunds, expenses for an audit or investigation, and litigation expenses permitted under Sections 89513 and 89514.

For certain refunds, there is an exception that allows a terminated committee to accept the refund without the need to reopen. (Regulation 18404.1(g)(1)(A)-(C).) Where the refund is from (a) a government entity, or (b) is from a vendor or other person, is less than \$10,000, and the committee did not know of its entitlement prior to termination, the terminated committee may accept the refund without reopening the committee. (Regulation 18404.1(g)(1)(A).) The refund

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new campaign contribution limit, there are also other related provisions that formerly applied only to state level candidates that will now apply to city and county candidates. Note: “Elective city and county offices” do not include certain offices such as judicial offices.

<sup>6</sup> Under Section 85316(a), the candidate committees formed for elective office may only solicit and accept contributions after an election to pay their “net debts outstanding,” subject to the applicable contribution limit for that election. “Net debts outstanding” is defined in substantially similar language in four regulations, Regulations 18531.6 and 18531.61, for state elective office committees before and after 2004, respectively, and Regulations 18531.63 and 18531.64, for local elective office committees in jurisdictions that have not passed their own contribution limits before and after 2021, respectively. “Net debts outstanding” means the total of a committee’s outstanding debts minus its assets. Committee “assets” include amounts owed to the committee in the form of credits, refunds of deposits, returns, or receivables, or a commercially reasonable amount based on the collectability of those credits, refunds, returns, or receivables.

may be transferred to a committee that would have been allowed to receive funds from the committee prior to its termination, and if so, the terminated committee does not need to deposit the funds in its reopened campaign bank account prior to transfer to the committee. (Regulation 18404.1(g)(1)(B).) The refund is reported on a campaign statement by the terminated committee as a miscellaneous increase to cash and an expenditure when the funds are used or transferred. (Regulation 18404.1(g)(1)(C).) Refund expenditures must be made consistent with Sections 89510-89519, as applicable, including the payment of debts not discharged. (Regulation 18404.1(h).)

Regulation 18404.1(i) provides the procedures for the request and reopening process. It also sets forth an appeal process if the request is denied. The appeal is to the “Chairman” for a final decision. (Regulation 18404.1(i)(1).) This language was adopted in 2004 to be consistent with a since-deleted expedited appeal procedure for requests for an extension of time to terminate.<sup>7</sup> However, Regulation 18404.1 no longer provides an appeal process for extension requests, and there is no indication that this expedited process is needed for reopening reconsiderations. Additionally, the appeal process is not consistent with other reconsideration procedures adopted by the Commission, such as the process set forth in Regulations 18751, noted below.<sup>8</sup> These procedures allow for greater transparency and, if the Chair deems it warranted, consideration by the full Commission.

### *C. Issues to Address in Regulation 18404.1*

Regulation 18404.1 will need updated language that does not rely on form names to comply with the new CARS system. It would also be helpful to organize the regulation so that

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<sup>7</sup> Adoption of Amendments to Termination of Committees Regulation 18404.1, Memorandum dated May 28, 2004, p. 6. The extension request appeal process was originally adopted in 2001, when the Commission expected numerous requests for extensions while the committees adjusted to the mandatory termination process. (See Commission Meeting Minutes, October 11, 2001, p. 9.)

<sup>8</sup> For example, Regulation 18751 states:

(f) Reconsideration. All exemption, extension, and denial letters issued will be posted on the Commission's website. Within 30 days of the date the letter is posted, any interested party may submit a request for reconsideration by the Commission. The Chair will consider the request and will schedule the matter for hearing before the Commission if, in the Chair's discretion, good cause exists for reconsideration.

As another example, Regulation 18740 states:

(b)(2) If the General Counsel determines that nondisclosure is justified under California or Federal law, the General Counsel will notify the Chair of the Commission. The Chair may:  
(A) approve the determination and direct the General Counsel to issue a final order of nondisclosure; or  
(B) request review of the General Counsel's determination by the full Commission and place the matter on the agenda for the next available Commission meeting.

the termination of recipient committees, elective and mandatory, is provided in one regulation, and to then have the reopening procedures for recipient committees in a separate regulation.

Regulation 18404.1 provides the only reopening procedure for terminated committees. Although it does not apply to recipient committees that do not have a mandatory termination requirement, this has caused some confusion when other types of recipient committees request to reopen. The Secretary of State's office requests that the Commission provide a clear reopening procedure for committees that elected to terminate under Regulation 18404, in addition to those for committees that terminated under the mandatory requirements in Regulation 18404.1.

Updates are also needed for the reopening of terminated committees in light of new laws and recurring issues. Recent legislation has expanded the circumstances in which a committee may use campaign funds for personal security expenses<sup>9</sup> and changed the timing for reimbursing or returning the campaign funds or item. Under the newly enacted Section 89517.5, a committee must receive the return or reimbursement at the latest within one year of: the elected official leaving office, or the candidate no longer being a candidate for the office for which the security system or item was purchased. (Section 89517.5(c)(2)(A).) Under this one-year requirement, a committee subject to the mandatory 24-month termination has an expectation that the funds will be reimbursed or items returned well within a committee's 24-month termination requirements. However, where the threat continues and the secured property is still held, Section 89517.5(c)(2)(B) provides that the return or reimbursement may be extended to one year from the date the threat ceases – an indefinite date which may fall outside a committee's 24-month termination requirement. Committees will need regulatory guidance to ensure that a committee will have no activity that must be disclosed under the Act, while also accommodating the delayed return timelines. This may be addressed in the "exceptions" provisions that allow the return/reimbursement of \$10,000 or less without reopening the committee, similar to the provisions for a vendor refund. Larger returns/reimbursements may be addressed in the reopening provisions.

The Executive Director has identified another circumstance – the need to return public money received from a dedicated fund pursuant to Section 85300 – that may be recurring and should be listed as an acceptable purpose for reopening a terminated committee. Lastly, as noted above, the current reconsideration appeal procedure needs updating to reflect current Commission practices and standards of transparency.

### **Proposed Regulatory Changes**

#### *1. Regulation 18404: Amendments*

Staff proposes amendments to Regulation 18404. First, the language in Regulation 18404(a) has nonsubstantive amendments to consolidate the language and remove references to "statements" in line with the CARS updates. In subdivision (b), language is added to state that recipient committees have filing obligations until the committee terminates its status, and removes the termination of committee conditions and procedures in subdivisions (b) and (c).

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<sup>9</sup> Section 89517.5(b) currently limits the lifetime maximum expenditures to \$10,000; however, there is proposed legislation to increase this limit.

These are placed, with updates, in revised Regulation 18404.1. This allows Regulation 18404 to solely address the termination of filing requirements for committees and candidates in subdivisions (a)-(c). Lastly, the amendments specify that candidates must close all open committees in order to terminate their filing requirements as requested by the Secretary of State's office. (Proposed Regulation 18404(c)(1).)

## *2. Regulation 18404.1: Repeal and Adopt*

Staff proposes a repeal and adoption of Regulation 18404.1 to consolidate the termination requirements currently in Regulations 18404 and 18404.1 in one regulation. The proposed language:

- States the general requirements for terminating a recipient committee based on the current language in Regulation 18404(b), without references to forms. (Proposed subdivision (a).)
- Combines the current provisions in Regulation 18404.1(a), (b), (d) and (f) regarding the termination of candidate controlled committees for state elective office and for an elective city or county office subject to the state contribution limits. (Proposed subdivision (b).)
- Contains the current language regarding the mandatory termination of local committees in current subdivision (c), with updates in references only. (Proposed subdivision (c).)
- Rephrases the current provisions in Regulations 18404.1(e) regarding requests for extensions of time to terminate, and clarifies that the Commission delegates the authority to grant the extension to the Commission's Executive Director or their designee. (Proposed subdivision (d).)
- Contains the provisions for terminated committees to accept certain refunds without the need to reopen the committee currently addressed in subdivision (g)(1)(A)-(C), and the first sentence of (h). (Proposed subdivision (f).)
- Removes the reopening provisions currently in subdivisions (g) through (k) to a new proposed Regulation 18404.3.

Substantively, a new provision requires committees to resolve the return/reimbursement for a security expense/item prior to termination, except where the threat is ongoing under Section 89517.5(c)(2)(B). (Proposed Regulation 18404.1(a)(3).) Additionally, the proposed language specifies that there be no "remaining or surplus" funds prior to termination, to address situations where the termination occurs prior to the categorization of funds as "surplus."<sup>10</sup> (Proposed Regulation 18404.1(a)(4).)

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<sup>10</sup> Outstanding assets as of 90 days after the election/leaving office date are treated as "surplus funds" that may only be used for specific purposes or donated to a nonprofit organization. (Section 89519.)

Additional substantive changes are that the acceptance of particular types of refunds without reopening provisions will apply to all terminated recipient committees. (Proposed Regulation 18704.1(f).) The language adds that a terminated committee may accept a security return or reimbursement as a type of “refund” without reopening the terminated committee, where there has been an ongoing security threat and the refund totals no more than \$10,000, similar to the current provision for vendor returns. (Proposed Regulation 18704.1(f)(1)(C).) Proposed subdivision (f)(2)(B) clarifies that the refund, where it is not transferred, be deposited into the committee’s reopened campaign bank account.

### *3. Regulation 18404.3: Adopt*

Proposed Regulation 18404.3 addresses the reopening procedure for committees that may elect to terminate and those that must terminate within the 24-month timeframe. This reorganizes the reopening provisions currently in Regulation 18404.1. (See Regulation 18404.1(g) through (k). The language removes references to particular forms or statements.

Substantively, the regulation adds new language that a committee not subject to the 24-month termination requirements in Regulation 18404.1 may reopen by filing with the Secretary of State’s office, so long as the filing is made by the terminated committee’s treasurer, vice treasurer, controlling candidate, or principal officer. (Proposed Regulation 18404.3(b).)

Also, proposed language establishes the delegation of authority to the Executive Director to consider a reopening request for those committees terminated under the 24-month mandatory requirements. The proposal further adds to the list of “acceptable purposes” for reopening after termination the following: to accept the return or reimbursement of a security expense where there has been an ongoing threat, and to return public money received pursuant to Section 85300. (Proposed Regulation 18404.3(c)(3)(B) and (C)(iv).)

Lastly, the proposed language adds the requirement that the requests and responses be posted to the Commission’s website and allows for the full Commission to hear the matter at the Chair’s discretion, in keeping with current Commission practices. (Proposed Regulation 18404.3(c)(4).)

### **Conclusion**

Staff presents the proposed amendments to Regulation 18404, repeal and adoption of a revised Regulation 18404.1, and adoption of new Regulation 18404.3 for the Commission’s consideration. These changes respond to the implementation of the online filing and disclosure system, “CARS” procedures for campaign filings, which do not reference forms and statements. It also responds to requests from the Secretary of State related to the CARS implementation, addresses the new requirements for the return or reimbursement of a security item/expense paid for with campaign funds, and provides updates to reflect current reconsideration procedures by the Commission, as well as other clean-up and reorganization items identified as needed by the Executive Director and staff.

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**Attachments:**

**Proposed Amendments to Regulation 18404**

**Proposed Repeal and Adoption of Regulation 18404.1**

**Proposed Adoption of Regulation 18404.3.**