



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
Zachary W. Norton, Senior Counsel, Legal Division

Subject: **Adoption of Proposed Amendments to Regulation 18430.1.**

Date: November 10, 2025

Executive Summary

As discussed at the August Commission Meeting, Staff proposes the following regulatory amendments:

- Additional detailed verification and recordkeeping requirements for monetary contributions made electronically and collected by contract vendors or collection agents on behalf of candidates and committees.
- Prohibiting a candidate or committee from purchasing or using a prepaid debit, prepaid credit, or gift card in an amount of \$100 or more, with a limited exception for the purchase of gift cards of \$100 or more to be given to committee staff or agency employees, consistent with the Act's restrictions on gifts of campaign funds.
- Prohibiting a candidate or committee from accepting any contributions totaling \$100 or more of, or made using, a prepaid debit, prepaid credit, or gift card, consistent with the rules regarding the acceptance of cash contributions.

The proposed amendments are discussed in detail in the attached memorandum to the Commission, *Adoption of Proposed Amendments to Regulations 18401, 18421.3, and 18430.1*, dated August 11, 2025. As directed by the Commission, staff is returning the proposal for adoption after further consideration of public comments received at the August meeting regarding prepaid cards that track expenditures. In response to the public comments, the proposed regulatory language has been further amended to provide an exception to the prohibition on expenditures made with prepaid cards, so long as the cards are linked to a prepaid expense account and management system that maintains detailed, itemized records of all expenditures.

Reason for Proposed Regulatory Action

This proposed amendment arose from public comment provided to the Commission at the August meeting. At the Commission's direction, and after research and outreach to the regulated community, including professional treasurers, Enforcement Division Special Investigators, and both Commission and Franchise Tax Board Auditors, staff returns with this proposed exception to

allow for the use of prepaid expenditure card and management systems. Specifically, this proposed amendment would allow for the use of prepaid expenditure cards with management systems that meet specific requirements. These requirements include ensuring that any prepaid expense platform is U.S. based (and thus subject to investigative subpoena for records); any funds placed into a prepaid expense card management system originate from a campaign bank account and any remaining funds are returned to the originating campaign bank account prior to termination of the committee; and that the prepaid expense platform provides detailed, itemized records of all expenses incurred through the expense cards, including identifying the specific cardholder who incurred each expense.

Background

The Political Reform Act was created to accomplish several purposes, one such purpose being that the 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 81002.) In furtherance of this goal, the Act requires committees to file periodic campaign statements disclosing contributions and expenditures. (Sections 84200 - 84225.) Section 84211 specifies what information must be disclosed on campaign statements and requires specific disclosure concerning the identity of contributors. The Act also places safeguards concerning the expenditure of campaign funds. Any expenditure of committee funds must, at a minimum, be reasonably related to a political, legislative, or governmental purpose (Sections 89512.5(a) and 89512.5(b)).

To ensure adequate tracking of expenditures, staff initially proposed prohibiting a candidate or committee from purchasing or using a prepaid debit, prepaid credit, or gift card in an amount of \$100 or more, with a limited exception for the purchase of gift cards of \$100 or more to be given to committee staff or agency employees, consistent with the Act's restrictions on gifts of campaign funds. However, public commenters identified a type of prepaid card not considered by staff in drafting the proposal, which are cards that fully track expenditures similar to a purchase made by credit card.

Prepaid Expense Account and Management Systems

In response to public comments, staff have now identified prepaid expense account and management systems.¹ These systems generally allow for payments made with prepaid expense account cards, which are a type of reloadable, prepaid debit card, typically used by businesses to allow spending by multiple employees and departments in a manner that allows for streamlined expense tracking. These prepaid expense card platforms typically assess a monthly service fee, as well as a fee on each card issued. One of the most widely used platforms is Prepaid Expense Card Solutions, Inc. ("PEX").

Establishing and Using Prepaid Expense Accounts

¹ Public comment included reference to the *Grant Advice Letter*, No I-11-111, which concluded that campaign committees may use the PEX prepaid expense card for staff payments for supplies and business travel purchases, so long as they comply with all applicable disclosure provisions of the Act.

As part of establishing a prepaid expense card account using the PEX platform, an initial deposit of funds must be made to a primary account. The card administration (for our purposes, this would be a committee treasurer) must initiate a bank-to-bank transfer to deposit funds into the PEX card's primary account. PEX only accepts funds via wire transfer or automated clearing house ("ACH ") transfers. Cash, check, or PayPal deposits are not allowed.

The account administrator may then issue cards and allocate funds from the primary account to each individual card. The funds are allocated from the primary prepaid expenditure account to the individual cards based on the expected expenses of the individual cardholders. The administrator can issue cards to staff and volunteers with individual spending limits. The account administrator can also place individualized limitations on the use of cards to help prevent improper spending. The limitations include: establishing merchant category restrictions (preventing purchases at certain types of businesses), setting time-based controls (limiting when cards can be used), and implementing geographic restrictions (blocking transactions outside certain areas). In practical terms, this would allow a treasurer to limit cards used by campaign volunteers to gas stations for payment at the pump, with the card only valid within the jurisdiction where the committee is active and the card expiring at the time of the election, while setting less restrictive limits for a campaign manager or committee staffer with greater responsibilities. The account administrator also has the ability to track transactions in real-time through an online dashboard or mobile app. This serves as a way to verify that expenditures are made for legitimate political, legislative, or governmental purposes.

Once funded, cardholders can use the cards for approved expenses just like other payment cards. As with a debit card, generally, cardholders can only make expenditures up to the amount allocated to their card. When the balance gets low, the administrator can reload the card with more funds.

The cards themselves may be physical or virtual. Cardholders can use the cards for both physical and online purchases wherever the card's network (like Visa or Mastercard) is accepted. This network compatibility means they are accepted at the same places as traditional credit cards and debit cards. Some cards also allow for ATM cash withdrawals; however, as noted above, limitations can be placed on specific types of card use, including prohibiting their use for cash withdrawals. Cardholders can also upload receipts or personal notes to the account dashboard to ensure accurate reporting of expenditures, and as an additional way for treasurers to maintain proper records and verify that expenditures are made for legitimate political, legislative, or governmental purposes. PEX syncs with most types of common accounting and expense software. For software without direct integration, users can download a file of PEX transactions and import it into their accounting system.

Considerations for Compliance Under the Act

In practical terms, these cards do not present the same issues that Enforcement Division Special Investigators identified in connection with standard prepaid debit cards. As discussed above, expenditures made with prepaid expense cards can be tracked in real-time by committee treasurers. Further, treasurers would have the ability to exercise discretion and control over the types of permissible expenditure and merchant categories for which cards may be used when

issuing them to volunteers and staff, and to require cardholders to upload receipts for expenditures through a mobile app.

Proposed Amendment to Regulation 18430.1

Specific to the public comment received at the August Commission Meeting, staff is proposing an additional amendment to Regulation 18430.1 that establishes a limited exception that allows committees to use prepaid expense cards for expenditures of \$100 or more, so long as the cards are linked to a prepaid expense account and management system that maintains detailed, itemized, records of all expenditures.

Legal Division staff engaged in outreach with Enforcement Special Investigators, Audit Division staff, Political Reform Audit staff with the Franchise Tax Board, and members of the regulated community to ensure that their concerns were addressed in drafting this exception. The proposal to allow the use of prepaid expense accounts with management systems addresses the recordkeeping and accounting concerns of investigators and audit staff, while balancing the practical concerns expressed by the regulated community.

Candidates and committees must comply with the applicable disclosure and recordkeeping provisions of the Act when using a prepaid expense card. (Section 84200 et seq.; Section 84104 and Regulation 18401.) Committees should report expenditures when they are made by campaign staff or volunteers using the prepaid card, not when funds are transferred from the campaign bank account to the client trust account. Committees must itemize all expenditures of \$100 or more paid for by a prepaid expenditure card. (Regulation 18421.9.) Given the specifics of prepaid expense accounts with management systems, including tracking and management of expenditures, as well as existing disclosure requirements under the Act, staff finds that a limited exception allowing for the use of these management systems and cards would not present the same problems identified in connection with ordinary prepaid cards.

Conclusion

Staff proposes, in addition to the proposed amendments discussed at the August Commission Meeting, a narrowly tailored exception that allows committees to utilize prepaid expense account and management systems that maintain detailed, itemized records of all expenditures. This exception addresses the concerns of the regulated community, allowing for committee staff and volunteers to pay for necessary expenses, as well as the verification and traceability concerns highlighted by the Enforcement Division Special Investigators, helping to ensure that campaign expenditures are “fully and truthfully disclosed” and that “adequate enforcement mechanisms” exist to verify that expenditures are properly reported.

Attachments:

- **Memorandum to the Commission, Adoption of Proposed Amendments to Regulations 18401, 18421.3, and 18430.1, dated August 11, 2025.**
- **Proposed Regulation 18430.1**
- **Proposed Amended Regulation 18421.3**
- **Proposed Amended Regulation 18401**