2021
ANNUAL REPORT

FAIR POLITICAL PRACTICES COMMISSION

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ABOUT THE FPPC

The Fair Political Practices Commission is a five-member independent, nonpartisan commission that has the primary responsibility for the impartial and effective administration and enforcement of the Political Reform Act. The Act regulates campaign finance, conflicts of interest, lobbying, and governmental ethics. The Commission's objectives are to ensure that public officials act in a fair and unbiased manner in the governmental decision-making process, to promote transparency in government, and to foster public trust in the political system.

The Act and the FPPC were created in 1974 when California voters approved Proposition 9. Since the adoption of the Act, the Commission has worked to promote and increase transparency, provide assistance, advice, and education to thousands of individuals in the regulated community, and effectively enforce the Act.

2021 MEMBERSHIP OF THE COMMISSION

- Richard Miadich, Chair
- Catharine Baker
- Frank Cardenas
- E. Dotson Wilson
- Abby K. Wood

MESSAGE FROM FPPC CHAIR RICHARD MIADICH

The Fair Political Practices Commission plays a vital role in maintaining public trust in state and local government by interpreting and enforcing the Political Reform Act of 1974. The requirements in the Act serve four main purposes: 1) ensuring that spending in election campaigns is transparent, so voters know which groups and persons are trying to influence their votes; 2) providing ethics rules that are designed to prevent public officials from using their positions for their own personal gain at the expense of the public; 3) regulating lobbyists so the public knows who is trying to influence their elected officials; and (4) educating the regulated community regarding their duties under the Act. Since the start of my tenure as Chair in May 2019, the Commission's work has included a focus on how the Act's requirements can – and should – be adapted to address recent trends in political activity, including an increase in digital campaign advertisements (including via social media) and behested payment activity by public officials.

I want to commend my fellow Commissioners and our staff for their exceptional work in these areas during 2021. Among the highlights noted in this Report:

- The FPPC's Digital Transparency Task Force, comprised of leading academics, campaign professionals, good government groups, and regulators, completed its work evaluating ways to improve transparency and accountability concerning digital political advertisements. The Commission unanimously adopted the Task Force's Final Report which, among other things, recommends the creation of a State-run digital political advertisement archive. The FPPC is urging the Legislature and Governor to take action to implement the Task Force's recommendations.

- The Commission adopted new rules enhancing the disclosure of behested payments – payments made to a third-party at the request (i.e., "behest") of a public official. Under these new rules, public officials will now need to publicly disclose whether an entity making a behested payment has business before the behesting public official, whether the public official has a relationship with an entity that receives a behested payment (e.g., if a staff member of the public official is employed by the entity), and additional information concerning the source of money used for behested payments that are made through so-called "Donor Advised Funds."

- The Commission adopted new rules increasing public disclosure when campaigns pay social media influencers to produce political advertisements and when campaigns use "bots" and similar devices to artificially "boost" the appearance of their online presence.

- The Commission adopted new rules requiring clearer and more specific recordkeeping of payments made to lobbyists and lobbying entities, which will result in more accurate reports and increased transparency of lobbying activity.

- The Commission successfully sponsored legislative bills that resulted in new laws providing greater disclosure of the sources of money used by Limited Liability Companies ("LLCs") in State and local campaigns and increasing penalties when public officials illegally use campaign funds for personal benefit.

- The Commission continued to improve compliance with the Act through increased Education and Outreach programs and began creating a new "Diversion" program that will allow those with less experience with the Act to resolve low-level violations by taking an online training course on the Act's requirements.

As we enter the 2022 election cycle, we will once again engage in proactive efforts designed to increase compliance and disclosure when it matters – before the elections – while at the same time focusing our enforcement resources on the most egregious violations of campaign finance laws, including those against money laundering, misuse of campaign funds, and the unlawful use of public funds for campaign purposes. We will also continue to both update our regulations as necessary to ensure that they address evolving trends in campaign activity and expand our advice and training programs to promote compliance with the Act's requirements. In these ways, the Commission and our staff will continue to ensure that the Act's promise of transparency and ethics in State and local government will be fulfilled for the benefit of all Californians.

2021 YEAR IN REVIEW

EDUCATION AND TRAINING

Political Reform Consultants in the Legal Division prepare and conduct extensive training and outreach through workshops, webinars, video tutorials, and other training materials to help individuals better understand their obligations under the Political Reform Act. The division also develops the forms and manuals used for financial disclosures and provides telephone advice for filers, their staff, and filing officers throughout the state.

39 workshops and webinars conducted.
5,841 views of FPPC video tutorials.
5,050 telephone calls providing technical assistance.

LEGAL ADVICE

The Legal Division responds to a large number of requests for advice from state and local officials, candidates, campaign committees, and lobbyists. For relatively straightforward inquiries, staff attorneys and Political Reform Consultants provide informal advice by phone or email. For some requests, legal staff can provide written advice in the form of advice letters, which are publicly available on the FPPC website.

7,105 emails providing advice on compliance with the Act.
176 advice letters researched and authored, 69 of which related to Section 1090 of the Government Code.

FORM 700S

The Administration Division processes and acts as filing officer for Statements of Economic Interests from all levels of government across the state.

23,448 annual, assuming office, leaving office, and candidate statements processed, including 12,367 that were filed using the FPPC's electronic filing system and 5,508 that were filed through local electronic filing systems.

ENFORCEMENT CASES

The Enforcement Division analyzes and processes complaints and referrals about potential violations of the Political Reform Act and investigates if there is sufficient information to believe that a violation of the Act has occurred. A complaint can be resolved through a letter finding no violation, an advisory letter, a warning letter, or through prosecution, which may result in monetary penalties approved by the Commission.

1,590 cases resolved, with 266 settlements and $472,248 in total fines.

AUDIT REPORTS

The Audit and Assistance Division operates a campaign audit program of both mandatory and discretionary audits.

10 audit reports were adopted in 2021, including for lobbyists, candidates, and committees controlled by candidates for San Bernardino County, Statewide, and CalPERS, with $1,379,937 in total combined contributions and $1,512,781 in total combined expenditures.

CONFLICT OF INTEREST CODES

Political Reform Consultants in the Legal Division prepare recommendations to Commission Counsel for conflict of interest code adoptions and amendments for all state and multi-county agencies. Political Reform Consultants also conduct webinars and create training materials for government agencies developing their conflict of interest codes.

89 state agency and multi-county agency conflict of interest codes approved.

HIGHLIGHTS AND SIGNIFICANT ACHIEVEMENTS

DIGITAL TRANSPARENCY TASK FORCE: RESEARCHING MAJOR ISSUES IN DIGITAL TRANSPARENCY

Advertisements are powerful tools of influence. In the political world, campaign advertisements can affect voter choices and turnout, and ultimately help shape the outcome of elections.

Advancing technology has brought new ways to communicate and connect, and political messaging can now be found on many newer and emerging mediums, including on social media, podcast and music streaming services, websites, gig economy apps, and blog posts. In addition to appearing in new places, these political ads can also be driven by advanced algorithms that allow ads to be tested and customized with more ease and speed than ever before. These new platforms and tools make campaign ads even more powerful and useful for campaigns, and, accordingly, spending on digital campaign ads doubled from the 2017-18 election cycle to the 2019-20 election cycle.

Now that these ads can appear almost anywhere that there is an internet connection, it has become even more important for the public to know who is trying to influence their vote. Knowing who is behind an ad helps voters weigh the value and veracity of the ad's message.

To study this changing digital landscape and its effects on campaign ad disclosure, the Fair Political Practices Commission authorized the creation of a Digital Transparency Task Force. The task force included members from a wide variety of backgrounds and interests, and included political practitioners, political scientists and academics, representatives from digital platforms, and good government groups. At its ten public meetings, the task force heard presentations from diverse sources, including other state and local jurisdictions, nonprofit and private entities with experience in digital transparency, and major online platforms.

In its final report, the task force made three recommendations for future action.

The task force first recommended the creation of a state-run archive for digital campaign advertisements. Like similar archives run by other government entities across the country, this archive would allow for more legal oversight of these ads, while also creating greater public access for journalists, watchdog groups, and other members of the public.

The second recommendation included more specifics about the archive. The task force recommended that the archive include ads for state-level candidates and ballot measures, and include copies of the ads and other information about them, such as who paid for the ad, the cost to run the ad, and what platform it appeared on.

Last, the task force recommended that the Legislature commission a study relating to whether different types or forms of disclaimers on digital campaign ads would be more effective at informing the public of who paid for them. This study would provide a data-driven foundation for possible future revisions to the current requirements.

These recommendations will be pursued through legislation in 2022.

LEGISLATION HIGHLIGHTS

SHEDDING LIGHT ON LLC DARK MONEY IN CALIFORNIA ELECTIONS

In early 2020, the FPPC found that limited liability companies (LLCs), often formed shortly before an election, were being used as vehicles for dark money in California elections. LLCs had minimal disclosure requirements, making them popular instruments for injecting elections with large sums of money while concealing the true source of those funds.

Access to full and accurate information, especially about the interests and individuals funding campaigns, is crucial to a healthy democracy and is a central purpose of the Political Reform Act and the work of the FPPC. To address this gap in disclosure, FPPC staff worked with the Legislature to pass SB 686 (Glazer). SB 686 sheds light on the individuals who fund LLCs that spend money in elections by requiring LLCs that reach a threshold level of political activity to submit a filing with the Secretary of State disclosing its members.

This new "statement of members" will be publicly accessible and will include a list of members who have a 10% or greater membership interest in the LLC or who made a cumulative capital contribution of at least $10,000 to the LLC within a certain time period.

The bill takes effect on January 1, 2022.

HIGHER PENALTIES FOR EGREGIOUS PERSONAL USE OF CAMPAIGN FUNDS

Treating campaign funds like one's own personal treasury is one of the most serious violations of the Political Reform Act. These violations erode public confidence in the political and electoral processes by diverting money intended to support the democratic process instead for personal gain.

In recent years, the FPPC has seen extreme cases of officeholders misusing campaign funds for their personal benefit, including for international vacations, home remodeling, and gambling. Although this activity involved misused funds in some cases over $100,000, they were punishable under the Act by a maximum penalty of only $5,000 per violation.

AB 1367 (Low) acknowledges the seriousness of these violations and increases penalties for "egregious" personal use of campaign funds, or personal use with a direct personal benefit of $10,000 or more, to up to two times the amount of the unlawfully used funds. These higher fines will better deter, and punish, this illegal activity.

The bill takes effect on January 1, 2022.

For more information on 2021 legislation relating to the Political Reform Act, see Appendix B.

REGULATION HIGHLIGHTS

ENHANCING DISCLOSURE OF BEHESTED PAYMENTS

Behested payments are payments that an elected official requests one party to pay another party, such as when an official fundraises on behalf of a charity. While these payments are not considered contributions and are not subject to limits under the Political Reform Act, they must be reported once they reach $5,000 from a single donor.

Following a review of behested payment reporting issues, the Commission identified opportunities for improving behested payment disclosure and passed regulations this year that increase transparency in this area.

These regulations require additional disclosure when the official has a specified relationship with the party receiving the donation, such as when the official holds a decision-making position with that party, or when the person making the payment has business before the official's agency. The regulations also clarify reporting duties for payments made from a donor advised fund, which is a separately identified fund maintained and operated by a section 501(c)(3) organization called a "sponsoring organization."

These regulations create meaningful improvements that allow the public and others to better understand the context behind each payment and the individuals and entities involved.

UPDATING DISCLOSURE REQUIREMENTS FOR DIGITAL CAMPAIGN COMMUNICATIONS

The digital world is constantly evolving and expanding, which increasingly results in the need to update the rules relating to digital campaign advertisements and other communications. The Commission passed several regulations this year to address the changing online landscape, including a regulation that gives the public more information about campaign ads posted by third parties, like social media influencers, and posted on non-social media websites that do not belong to the campaign committee, and a regulation that requires disclosure of payments for amplifying online communications, such as through the purchase of "follows" or "likes" on social media.

These updates help align the disclosure rules with current practices and provide the public with important information about the campaign communications they see on their phones, computers, and other devices.

IMPROVING ACCURACY AND TRANSPARENCY OF LOBBYING DISCLOSURE

At every level of government, outside interests have an undeniable influence on policymaking. One of the primary purposes of the Act is to prevent improper influence by regulating lobbying activity and ensuring financial disclosure of lobbyist's finances through regular reporting. To further this purpose, the Commission passed regulations this year that clarify the recordkeeping requirements of lobbyists, lobbying firms, lobbyist employers, and persons who spend $5,000 or more in a calendar quarter to influence legislative or administrative action.

These amendments will help improve the accuracy of reporting and will facilitate more effective fact-checking and accounting through audits, resulting in better transparency, oversight, and accountability of lobbying activities in the state.

For more information on regulatory changes in 2021, see Appendix C.

DIVISION UPDATES

LEGAL DIVISION

In addition to drafting regulations, opinions, and forms, and responding to advice requests, Legal Division staff provided various trainings on the Act via webinars. In addition to the usual SEI and campaign trainings, staff provided trainings in conflicts of interest and Section 1090. Legal Division attorneys, working cooperatively with the Attorney General's Office, also successfully defended the agency in court against allegations that Commission regulations requiring disclosure of campaign activities by public agencies were invalid. (See California State Assoc. of Counties, et. al v. Fair Political Practices Commission, Los Angeles County Superior Court, Case No. BS174653)

Additionally, Commission staff are creating online training programs for people with reporting and filing obligations under the Act. These trainings are part of the Commission's new Diversion Program, which will serve as an alternative to the traditional enforcement process. The trainings will be made available to candidates, campaign staff, public officials, and lobbyists who commit minor violations of the Act and meet certain criteria.

ENFORCEMENT DIVISION

Despite the challenges of the continuing pandemic, the Enforcement Division kept moving forward in 2021, processing complaints and referrals, investigating and resolving cases, responding to Public Records Act requests, and working on other special projects.

In 2021, the Commission updated the Streamline Program regulations with the goal of making the Streamline Program more inclusive, while still focusing its attention on those cases that carry the highest degree of public harm. The first eight months of the updated Streamline Program regulations show the goal is working. From March through November 2021, the Enforcement Division had a 16% increase in Streamline Penalties compared to 2020.

The Enforcement Division also prepared for the Gubernatorial Recall Election on September 14, 2021, which received national attention. In addition to the increased influx of filing officer referrals typical for non-election years, the Enforcement Division received and processed the extra complaints and AdWatch submissions the Recall Election generated, focusing on resolving complaints, obtaining campaign finance disclosure, and obtaining advertisement disclosure before the election when possible. The Enforcement Division also proactively ensured all replacement candidates complied with candidate SEI filing requirements, resulting in almost 100 percent of the candidates on the ballot filing their SEIs prior to the election.

AUDIT AND ASSISTANCE DIVISION

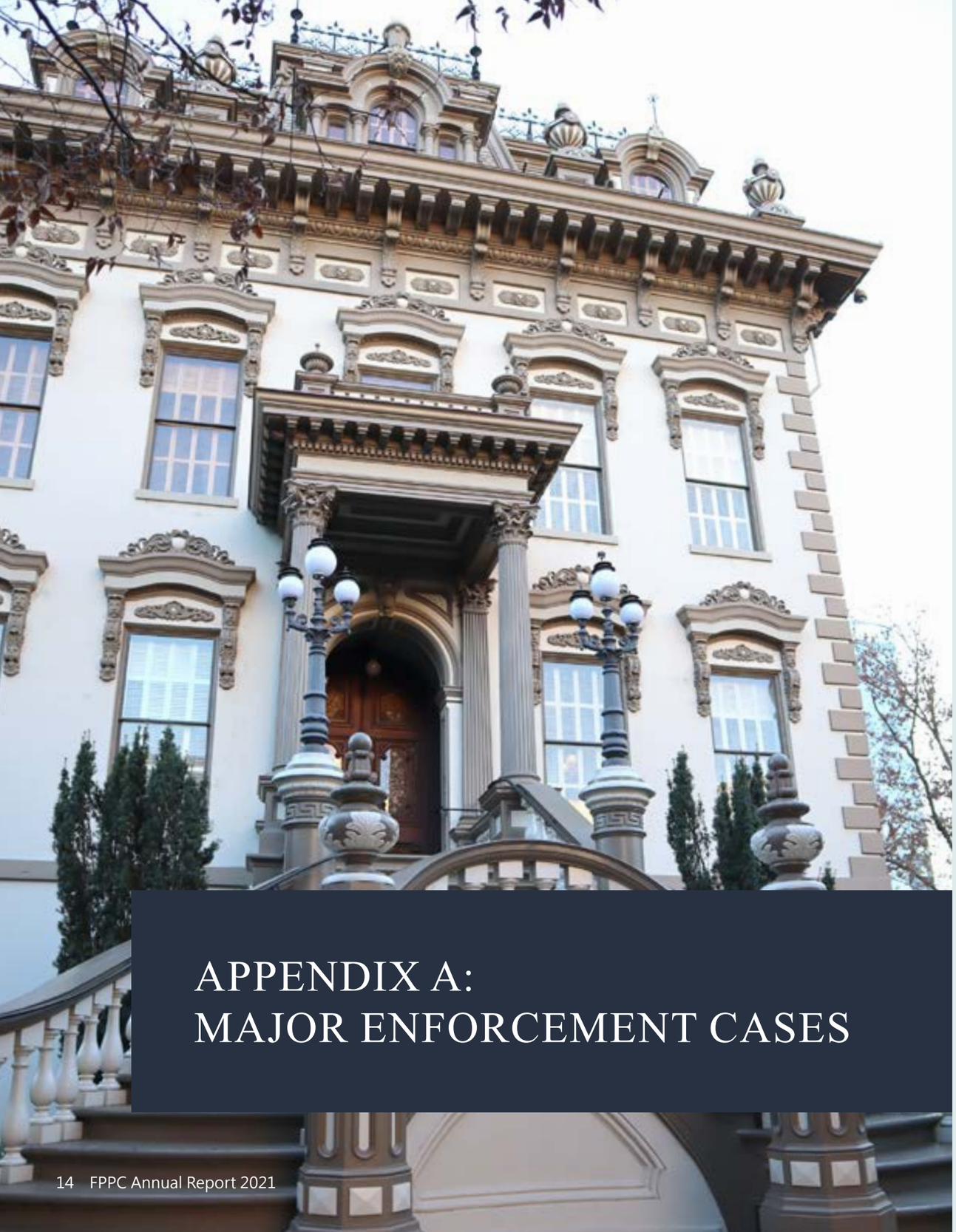
In 2021, the FPPC transferred its audit functions out of the Enforcement Division and created a separate, independent Audit & Assistance Division that conducts mandatory and discretionary audits under the Political Reform Act.

In addition to the ten audits adopted in 2021, the Commission's auditors also assisted with investigations, thoroughly reviewed the lobbying laws and regulations, worked with the Legal Division on proposed regulations, held public draws to select legislative districts, lobbying firms, lobbyist employers, local jurisdictions, superior court offices, and general purpose committees subject to audit, and provided agency-wide training.

ADMINISTRATION AND TECHNOLOGY DIVISION

The FPPC has continued to conduct the monthly public Commission hearings virtually by using collaborative tools to hear and vote on enforcement matters, adopt regulations, discuss legislative and litigation reports, and update the public about other Commission matters. The FPPC transitioned to fully remote operations, requiring extensive support by the IT unit, including coordination and support for collaborative tools like Zoom, implementing effective security systems, including the use of intrusion protection systems (IPS) and firewalls, and providing solutions and support to ensure remote public access and opportunities for public participation. IT staff additionally made it possible for education program staff to take phone calls from the public for technical assistance from home. The IT unit continued to provide remote technological support throughout the year, allowing the agency's employees to continue their essential duties with minimal interruption. The FPPC continued its focus on improving technology for both efficiency and transparency and on ensuring the continuity of the critical functions of Commission business.

The Division continues to handle personnel functions including recruitment, hiring, position classifications and reclassifications, attendance and payroll, training, equal employment opportunity, labor relations and reasonable accommodation and ergonomic issues. Budgeting functions include the development, management, and revision of the Commission's budget. Business services include building and space management, communications, contracts and procurement, equipment and supplies, maintenance, and travel. The SEI Unit in the Administration Division administers and acts as filing officer for Statements of Economic Interests (Form 700) submitted electronically or on paper from public officials from all levels of government across California. With a staff of six, the SEI unit processes over 25,000 of these statements each year.



APPENDIX A: MAJOR ENFORCEMENT CASES

ADVERTISEMENTS

In the Matter of Protect the City of Commerce, Sponsored by California Commerce Club, Inc., Hector Chacon, Paul Fickas, California Alliance Group, LLC, and Rita Copeland; FPPC No. 16/120.

Hector Chacon was represented by Anthony Willoughby, Willoughby & Associates. Protect the City of Commerce, Sponsored by California Commerce Club, Inc., Paul Fickas, and California Alliance Group, LLC were represented by non-attorney Marcus Allen Frishman of MAF Group. Protect the City of Commerce, Sponsored by California Commerce Club, Inc. was a general purpose committee that supported and opposed local candidates in the City of Commerce. The Committee was sponsored by California Commerce Club, Inc., owner and operator of the Commerce Casino. Paul Fickas was an undisclosed principal officer of the Committee, and Rita Copeland was the Committee's treasurer. California Alliance Group, LLC is a campaign consulting company. Paul Fickas and Hector Chacon were founders and senior partners of the group. The respondents failed to include the name of the Committee's sponsor, California Commerce Club, Inc., in the name of the Committee on various "hit piece" mailers, in violation of Government Code Sections 84505 and 84506 (1 count). Total Penalty: $40,000. (June 2021 Agenda)

CAMPAIGN RELATED COMMUNICATIONS AT PUBLIC EXPENSE

In the Matter of City of Fountain Valley; FPPC No. 16/20109.

The respondent was represented by Colin Burns of Harper & Burns, LLP. The City of Fountain Valley failed to include an advertisement disclosure statement in a magazine advertisement, in violation of Government Code Sections 84506, subdivision (a)(1), and 84507, and Regulation 18450.4, subdivision (b) (1 count); sent prohibited campaign related mass mailings at public expense, in violation of Government Code Section 89001 and Regulation 18901.1 (1 count); failed to timely file a 24-hour report, in violation of Government Code Section 84204 (1 count); and failed to timely file a semi-annual campaign statement, in violation of Government Code Section 84200, subdivision (b) (1 count). Total Penalty: $18,000. (March 2021 Agenda)

CAMPAIGN CONTRIBUTION LIMITS

In the Matter of Caixing Xie; FPPC No. 19/1680.

The respondent was represented by Henry Hu. Caixing Xie made contributions as an individual and through various entities in 2015

to Barry Chang for Assembly 2016. Caixing Xie made contributions that exceeded the campaign contribution limit for State Assembly candidates, in violation of Government Code Section 85301, subdivision (a), and Regulation 18545, subdivision (a)(1) (1 count). Additionally, Caixing Xie failed to timely file a major donor campaign statement, in violation of Government Code Section 84200, subdivision (b) (1 count). Total Penalty: $6,000. (September 2021 Agenda)

In the Matter of Dakota Brothers, Inc. and Tropicana Russell, Inc.; FPPC No. 19/1682.

Dakota Brothers, Inc. and Tropicana Russell, Inc. each made contributions in 2016 to Barry Chang for Assembly 2016. At the time when those contributions were made, Dakota Brothers and Tropicana Russell were majority owned by the same combination of individuals. Dakota Brothers, Inc. and Tropicana Russell, Inc made contributions that exceeded the campaign contribution limit for State Assembly candidates, in violation of Government Code Section 85301, subdivision (a), and Regulation 18545, subdivision (a)(1) (1 count). Additionally, Dakota Brothers and Tropicana Russell failed to timely file a major donor campaign statement, in violation of Government Code Section 84200, subdivision (b) (1 count). Total Penalty: $5,500. (September 2021 Agenda)

In the Matter of Esau Herrera for Assembly 2016, Esau Herrera, and Rebecca Rivera; FPPC No. 17/849.

Esau Herrera was an unsuccessful candidate for Assembly District 27 in the June 7, 2016 Primary Election. Esau Herrera for Assembly 2016 was his candidate-controlled committee. Rebecca Rivera was the Committee's treasurer. The Committee, Herrera, and Rivera failed to timely file a pre-election campaign statement and two semi-annual campaign statements, in violation of Government Code Sections 84200.5 and 84200 (1 count). Additionally, the Committee, Herrera, and Rivera accepted an over the limit contribution, in violation of Government Code Section 85301, subdivision (a) and Regulation 18545, subdivision (c) (1 count). Total Penalty: $5,000. (January 2021 Agenda)

In the Matter of Barry Chang for Assembly 2016 and Barry Chang; FPPC No. 16/446.

The respondents entered into a tolling agreement with the Enforcement Division, which was effective as of July 19, 2020, regarding the applicable statutes of limitations. The respondents were represented by Gary Winuk of Kaufman Legal Group LLP. Barry Chang was an unsuccessful candidate for District 24 of the California State Assembly in the June 7, 2016 Primary Election. Barry Chang for Assembly 2016 was Chang's candidate-

controlled committee. The Committee and Chang failed to timely file 35 10-day reports, in violation of Government Code Section 85309, subdivision (c) (3 counts); failed to timely disclose complete contributor information, in violation of Government Code Section 84211, subdivision (f) (1 count); failed to timely file four 24-hour reports, in violation of Government Code Section 84203 (1 count); and accepted aggregated contributions that exceeded the campaign contribution limit, in violation of Government Code Section 85301, subdivision (a), and Regulation 18545, subdivision (a)(1)(1 count). Total Proposed Penalty: $21,500. (November 2021 Agenda).

CONFLICT OF INTERESTS

In the Matter of Karson Klauer; FPPC No. 17/1313.

The respondent was represented by Paul Rovella of JRG Attorneys at Law. Karson Klauer was a City Councilmember and Vice-Mayor for the City of Hollister from 2014 to 2018. As a public official, Klauer made a governmental decision in which he had a financial interest, in violation of Government Code Section 87100 (1 count). Klauer also failed to timely disclose a source of income on his 2015 Annual and 2016 Annual Statements of Economic Interest, in violation of Government Code Sections 87200 and 87207 (1 count). Total Penalty: $5,500. (January 2021 Agenda)

CAMPAIGN BANK ACCOUNT

In the Matter of Committee to Elect Dr. Kumar 4 BOS CCC District 4 - 2018, Committee to Elect Dr. Kumar for Assembly (District 14) 2016, Harmesh Kumar, and Alex Cardoso; FPPC Nos. 18/590 and 18/777.

FPPC No. 18/777 concerning the 2016 Committee arose from an audit performed by the Franchise Tax Board's Political Reform Audit

Program. Harmesh Kumar was an unsuccessful candidate for Assembly District 14 and Contra Costa County Board of Supervisors in the June 2016 and June 2018 Primary Elections, respectively. Both committees were candidate-controlled, and Alex Cardoso was the treasurer for the 2016 Committee. The 2016 Committee, Kumar, and Cardoso failed to timely file a pre-election campaign statement, in violation of Government Code Sections 84200.5 and 84200.8 (1 count); failed to utilize one designated campaign bank account, in violation of Government Code Section 85201 (1 count); and accepted cash contributions and made payments in cash of more than $100, in violation of Government Code Section 84300 (1 count). The 2018 Committee and Kumar failed to timely file a pre-election campaign statement, in violation of Government Code Sections 84200.5 and 84200.8 (1 count). Total Penalty: $10,000. (January 2021 Agenda)

ADVERTISEMENTS AND CAMPAIGN LATE FILER

In the Matter of National United Farm Workers Political Action Committee and Armando Elenes; FPPC No. 18/1352.

National United Farm Workers Political Action Committee is a state general purpose committee. Armando Elenes was the Committee's treasurer. The Committee and Elenes failed to timely file eight semi-annual campaign statements and one preelection campaign statement in electronic and paper format, in violation of Government Code Sections 84200, 84200.5, 84200.8, and 84605 (2 counts); and failed to timely file thirteen 24-hour reports, in violation of Government Code Section 84204 (1 count). Total Penalty: $6,500. (February 2021 Agenda)

CAMPAIGN LATE FILER

In the Matter of Friends of Long Beach City College – Yes on Measure LB and Lexi Donovan; FPPC No. 17/1003.

Friends of Long Beach City College – Yes on Measure LB was a local ballot measure committee primarily formed to support the approval of Measure LB, a bond issue measure in the June 7, 2016 Primary Election. Lexi Donovan was the Committee's treasurer. The Committee and Donovan failed to timely file two preelection campaign statements and two semi-annual campaign statements, in violation of Government Code Sections 84200.5, 84200.8, and 84200 (1 count) and failed to timely file 44 24-hour reports, in violation of Government Code Section 84203 (3 counts). Total Penalty: $11,500. (September 2021 Agenda)

In the Matter of Lundgren Management Corporation; FPPC No. 21/98.

The respondent was represented by Gary S. Winuk of Kaufman Legal Group, APC. Lundgren Management Corporation engaged in campaign activities as a major donor committee in 2016. As a major donor committee, Lundgren Management Corporation failed to timely file a semi-annual campaign statement, in violation of Government Code Section 84200 (1 count), and six 24-hour reports, in violation of Government Code Section 84203 (2 counts). Total Proposed Penalty: $7,500. (November 2021 Agenda)

GIFT OVER-THE-LIMIT

In the Matter of Devon Mathis; FPPC No. 18/365.

The respondent was represented by Narek Avetisyan, Esq. Devon Mathis is a member of the California State Assembly representing District 26. Mathis failed to timely report a gift of lodging on the 2016 Annual Statement of Economic Interests, in violation of Government Code Sections 87203 and 87207, subdivision (a)(4) (1 count) and accepted a gift that exceeded the 2016 annual gift limit, in violation of Government Code Section 89503 (1 count). Total Penalty: $5,500. (October 2021 Agenda)

GOVERNMENT CODE SECTION 1090

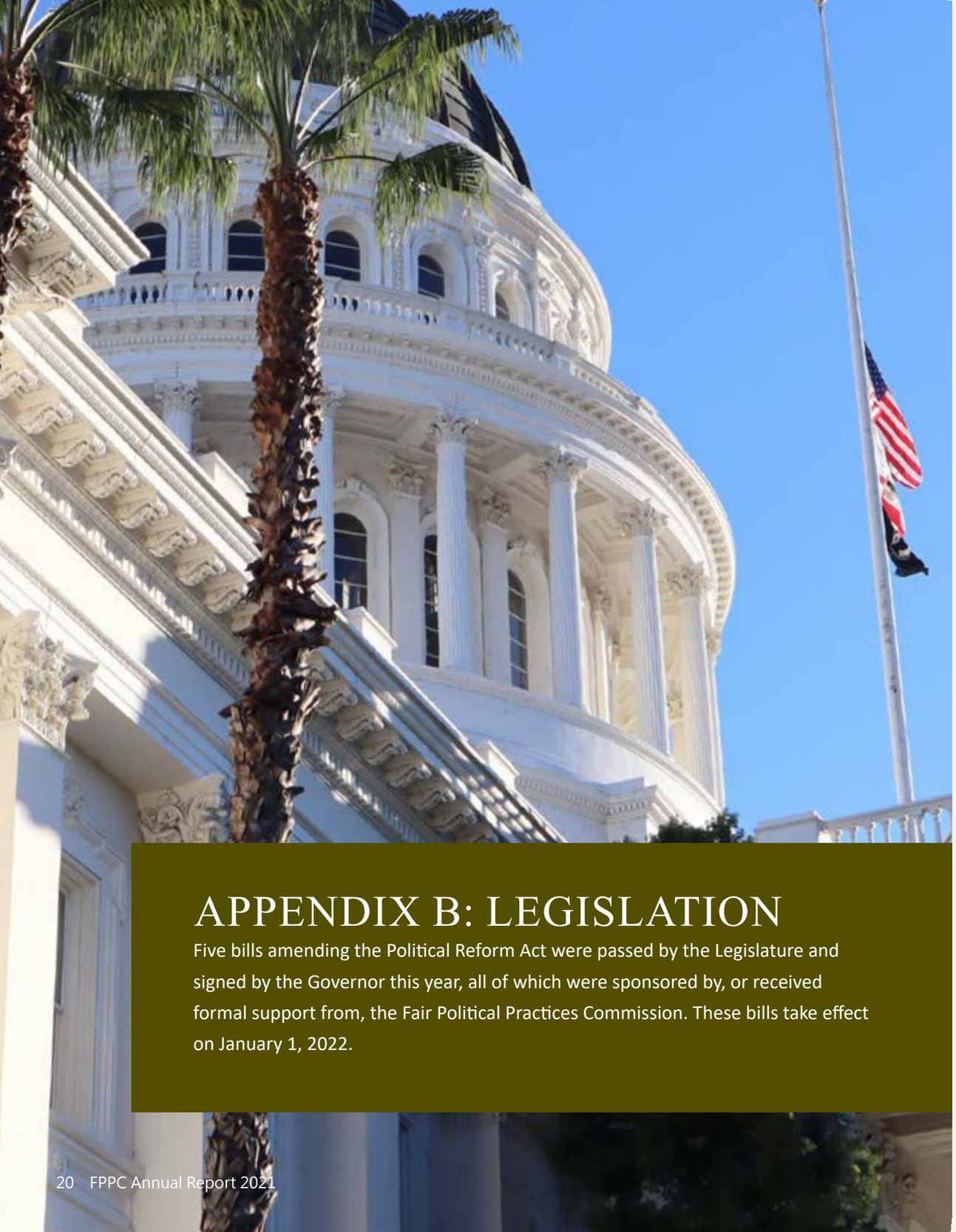
In the Matter of Charles Grace; FPPC No. 20/416.

Charles Grace is a public official for purposes of Government Code Section 1090. Grace participated in making a contract between the San Simeon Community Services District and Grace Environmental Services, a limited liability corporation in which Grace is the sole manager, in violation of Government Code Section 1090 (1 count). Total Proposed Penalty: $4,500. (November 2021 Agenda)

MASS MAILING SENT AT THE PUBLIC EXPENSE

In the Matter of County of Stanislaus; FPPC No. 17/325.

The respondent was represented by Thomas E. Boze, County Counsel. The County of Stanislaus sent a mass mailing that featured a governmental official at public expense, in violation of Government Code Section 89001 and Regulation 18901 (3 counts). Total Proposed Penalty: $9,000. (December 2021 Agenda)



APPENDIX B: LEGISLATION

Five bills amending the Political Reform Act were passed by the Legislature and signed by the Governor this year, all of which were sponsored by, or received formal support from, the Fair Political Practices Commission. These bills take effect on January 1, 2022.

AB 319 (VALLADARES) EXPANDING THE PROHIBITION ON FOREIGN CONTRIBUTIONS

Assembly Bill 319 expands the foreign contribution prohibition by prohibiting a foreign government or principal from making contributions, expenditures, or independent expenditures in connection with the election of a candidate to state or local office, and by prohibiting a person or a committee from soliciting or accepting those contributions.

AB 378 (BAUER-KAHAN) REMOVING GENDERED TERMS FROM THE ACT

Assembly Bill AB 378 removes gendered terms from the Political Reform Act and other areas of code.

AB 1367 (LOW) INCREASING PENALTIES FOR EGREGIOUS PERSONAL USE OF CAMPAIGN FUNDS

Assembly Bill 1367 increases penalties for a person who illegally uses campaign funds in a manner that results in an "egregious personal benefit" from a maximum of $5,000 per violation to up to two times the amount of the unlawfully used funds. The bill defines "egregious personal benefit" to mean a direct personal benefit with a total value of $10,000 or more to a candidate, elected officer, or any individual or individuals with authority to approve the expenditure of campaign funds held by a committee.

AB 1590 (ASSEMBLY ELECTIONS COMMITTEE) - TRANSFERRING PENALTY COLLECTION TO THE SOS

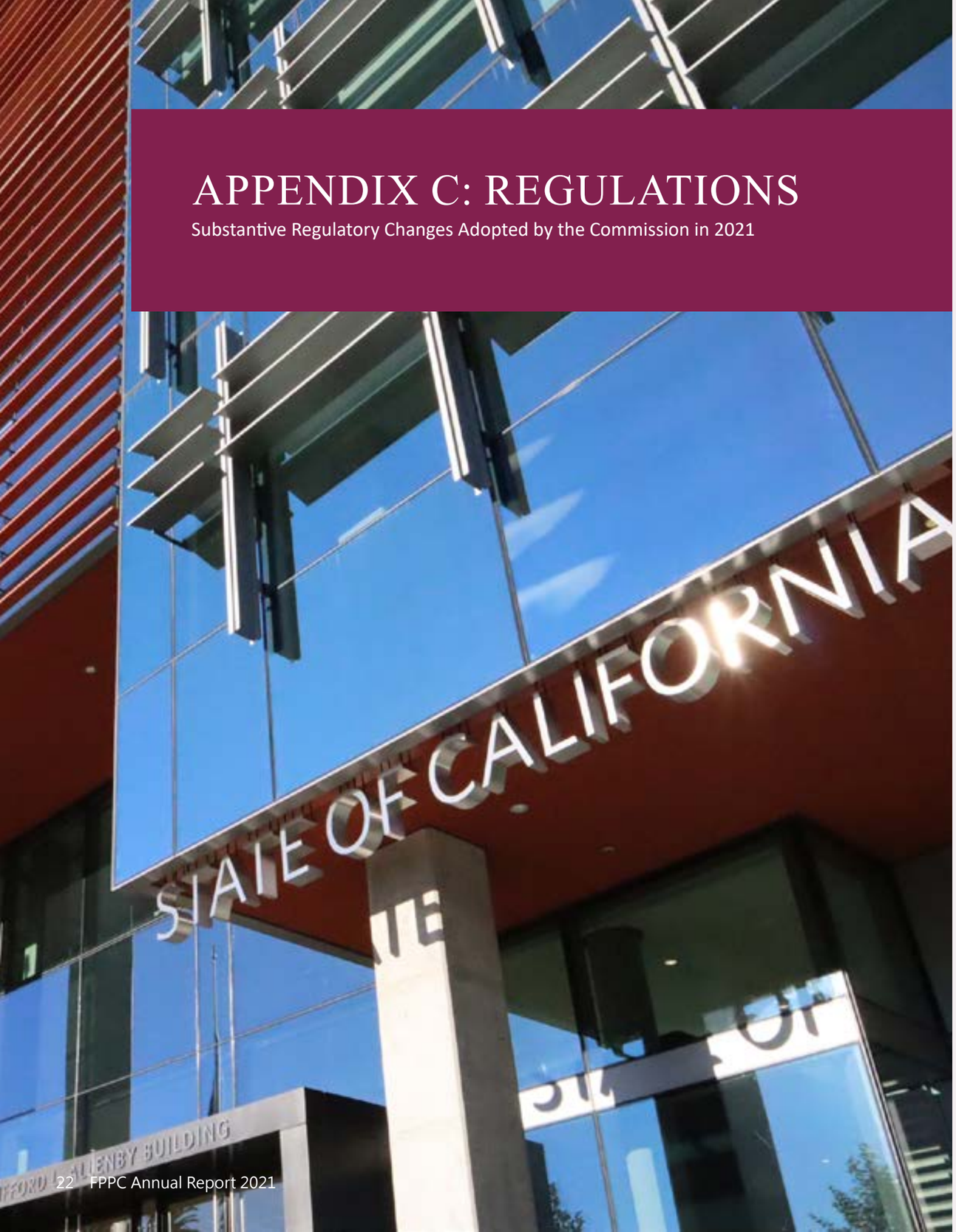
Assembly Bill 1590, in relevant part, transfers the duty to collect the penalty for failure to pay the annual committee fee from the Fair Political Practices Commission to the Secretary of State's office, which is responsible for collecting the original annual committee fee.

SB 686 (GLAZER) INCREASING TRANSPARENCY OF LLCS THAT PARTICIPATE IN ELECTIONS

Senate Bill 686 requires a limited liability company that qualifies as a committee or committee sponsor to file a new statement with the Secretary of State. The statement must include a list of all persons who have a membership interest in the LLC of at least 10% or who made a cumulative capital contribution of at least $10,000 to the LLC after it qualified as a committee or committee sponsor, or within the 12 months before it qualified.

APPENDIX C: REGULATIONS

Substantive Regulatory Changes Adopted by the Commission in 2021



ADVERTISEMENT DISCLOSURES AND REPORTING

Regulation 18421.5 – Reporting an Expenditure for Paid Online Communications

Amended to update the regulation to include more kinds of platforms and to expand expenditure reporting requirements to include more specific information.

Regulation 18421.11 - Reporting Payments in Connection with Amplification of Online Communications

Added to require a committee that makes a payment for the amplification of an electronic advertisement or online communication to include more specific information about such payments on the committee's campaign statements and reports.

Regulation 18450.4 – Video and Television Advertisement Disclosure

Amended to clarify that a video posted on social media that is required to include specified disclosures must contain the disclosures on the video, and not only on the committee's profile or landing page.

Regulation 18450.6 – Disclosure on Advertisements in Languages Other than English

Added to clarify that a disclosure for an advertisement in a language other than English must appear in that same language.

Regulation 18450.7 – Disclosure for Advertisements in Formats Not Specifically Addressed

Added to clarify disclosure requirements for written advertisements not specifically addressed in statute or related regulations.

Regulation 18450.8 – Disclosure for Advertisements on Listening Applications that are Both Audio and Visual

Added to clarify disclosure requirements for advertisements with hybrid visual and audio components that appear on mobile phone listening applications.

Regulation 18450.9 – Website Advertisements and Third-Party Social Media Advertisements

Added to address disclosure requirements for social media posts made by third parties and written posts on non-social media websites that are not the committee's website.

Regulation 18450.11 – Spokesperson Disclosure

Amended to clarify disclosure requirements relating to advertisements involving a paid spokesperson.

BEHESTED PAYMENT REPORTING

Regulation 18424 – Additional Information

Added to require additional disclosures in a behested payment report in two circumstances: (1) when the official has a specified relationship with the party receiving the payment, and (2) when a person making a behested payment has business before the official's agency.

Regulation 18424.1 – Good Faith Estimate

Added to allow an official to file a behested payment report with a good faith estimate of a payment amount or a payment date under certain conditions.

Regulation 18424.2 – Charitable Organization Fundraising Solicitations

Added to clarify reporting duties relating to charitable fundraising solicitation in which an official appears.

Regulation 18424.3 – Payments from Donor Advised Funds

Added to clarify reporting duties when a behested payment is made from a donor advised fund.

CAL-ACCESS REPLACEMENT SYSTEM

Regulations 18402.1, 18406, 18410, 18422.5, 18465, 18601, 18611, 18613, 18616, and 18616.4

Makes conforming regulatory changes in anticipation of the implementation of the Secretary of State's CAL-ACCESS Replacement System. These regulations were approved by the Commission but do not go into effect until the CAL-ACCESS Replacement System is operational. That date has not been set yet.

CAMPAIGN CONTRIBUTION LIMITS FOR LOCAL OFFICES

Regulations 18404.1, 18421.4, 18421.8, 18521, 18521.5, 18523.1, 18530.2, 18530.8, 18531.2, 18531.5, 18531.61, 18531.63, 18531.64, 18535, 18536, 18537.1, 18545, and 18951

Makes conforming regulatory changes as a result of Assembly Bill 571 (2019), which imposes contribution limits on candidates for certain local elective offices that previously were only applicable to candidates for elective state office.

ELECTRONIC SLATE MAILER DISCLOSURES

Regulation 18435.5

Amended to clarify disclosure requirements for slate mailers distributed in electronic form.

LOBBYIST, LOBBYING FIRM, AND LOBBYIST EMPLOYER RECORDKEEPING REQUIREMENTS

Regulations 18610, 18612, and 18615

Makes regulatory changes to provide greater clarity regarding records lobbying entities must maintain for purposes of lobbyist reporting.

SECURE ELECTRONIC SIGNATURES AND ELECTRONIC FILINGS

Regulation 18104 – Secure Electronic Signatures

Added to interpret the term "original" report, statement, or other document to include electronic documents in many circumstances, and to define the term "secure electronic signature."

Regulations 18115 and 18115.2 – Duties of Filing Officers and Filing Officials

Amended to provide guidance to filing officers and officials regarding the receipt of statements of economic interest via paper format, certified electronic filing system, or an electronic statement submitted with a secure electronic signature.

Regulation 18723.1 – Statements of Economic Interests: Public Officials with Multiple Positions

Amended to address statements filed with a secure electronic signature outside of an electronic filing system certified by the Commission.

Regulation 18757 – Filing an Original Statement of Economic Interest in Electronic Format Without a Certified Electronic Filing System

Added to authorize an official to submit their Statement of Economic Interests with a secure electronic signature, if permitted by the official's agency's filing officer.

STREAMLINE AND WARNING LETTER PROGRAMS

Regulation 18360.1 - Eligibility Requirements and Considerations: Streamline and Warning Letters

Amended to add two additional categories to the Streamline Program structure to increase efficiency and maintain consistency in those areas, add a second tier to the Streamline Program, and authorize an education diversion program.

Regulation 18360.2 – Penalties in Streamline Cases

Amended to add a penalty structure for Tier Two violations and authorize discretion when prosecuting very small committees, filers with a low level of experience and sophistication, inexperienced candidates, and other criteria.

Regulation 18360.3 – Eligibility Requirements and Considerations: Tier Two Streamline Program

Added to specify eligibility requirements for eligibility for a Tier Two streamline penalty.

RESOURCES

CONTACT US

General Information
- (916) 322-5660

Advice
- 1-866-ASK-FPPC *1
- Advice@fppc.ca.gov

Request a Public Record
- (916) 445-2772
- Cpra@fppc.ca.gov

Media Inquiry and Requests
- (916) 322-7761
- Press@fppc.ca.gov

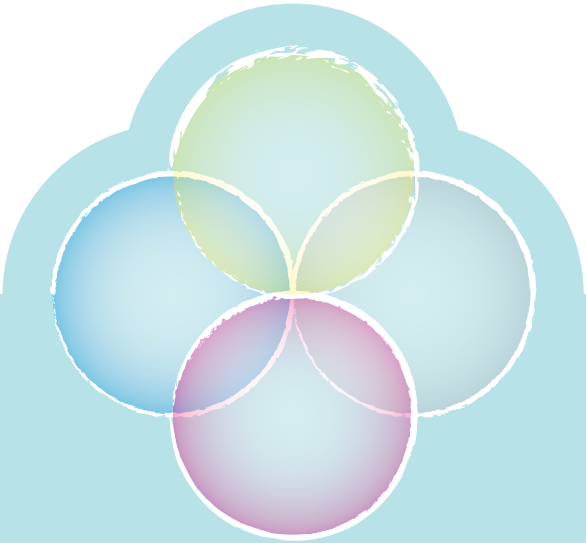
Enforcement Complaint:
- Complaint@fppc.ca.gov

Comment on Agenda Items
- CommAsst@fppc.ca.gov

FPPC's Electronic Filing System:
- 1-866-ASK-FPPC *2
- Form700@fppc.ca.gov

Request a Speaker
- (916) 327-8269

Visit www.fppc.ca.gov for more information.



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