STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3050 • Sacramento, CA 95811 • (916) 322-5660

To: Chair Silver and Commissioners Brandt, Lloyd, Ortiz, and Wilson

From: Lindsey Nakano, Sr. Legislative Counsel

Subject: **Legislative Update – December 2026**

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Subject: Legislative Update – December 2026 1
I. General Update 2
II. Legislative Calendar 2
III. Ideas for Potential Sponsored Legislation 2
1. Misuse of Public Funds for Campaign Activity 2
2. Behested Payments: Additional Disclosure by Lobbying Entities and New Prohibition 3
3. Update Antiquated Service of Process Options for Probable Cause Reports 3
4. Prediction Markets 4
5. Cleanup/ Corrections/ Minor Changes 4
6. Enhanced Disclosure for Nonprofit Organizations that Pay for Elected Official Travel 6
7. Clarify Law on Disclosure for Paid Third-Party Social Media Content 7

I. General Update

- This report includes potential legislation ideas for 2027. These ideas are presented to the Commission for discussion and feedback. The Commission may wish to provide feedback on which ideas to pursue as potential sponsored legislation. Staff recommend that the Commission choose five to six ideas to pursue as sponsored legislation.

II. Legislative Calendar

- Dec. 7 – Legislature convenes for one-day organizational session.
- Jan. 1 – Statutes take effect.

III. Ideas for Potential Sponsored Legislation

1. Misuse of Public Funds for Campaign Activity

a. Background:
   - Although multiple provisions in existing state law prohibit public officials from using public resources for campaign activity, enforcement of these provisions is outside of the jurisdiction of the Fair Political Practices Commission. The Commission is authorized to enforce the requirements on disclosure and reporting of campaign spending and can bring an enforcement action for failure to disclose spending, but cannot bring an action for spending public funds in violation of laws outside of the Political Reform Act.
   - The Commission has received feedback from those regulated by these rules, including cities and counties, expressing a desire for clearer criteria for application.

b. Proposal Summary:
   - Reframe the prohibition on a state or local government agency, or any agent of the agency, from making a payment of public money for a public communication that clearly identifies a candidate or ballot measure and clearly identify personal liability and increase penalties

c. "Public communication" would include:
   - A mailing.
   - Bumper sticker
   - Billboard
   - Flyer
   - Mass media communication, including a television, digital, or radio advertisement
   - Social media post.

d. The proposal would exempt specific informational and related communications. The scope of these exemptions is still under consideration.
e. Enforcement:
    - A violation would be subject to administrative or civil penalties under the PRA, and a person may additionally be subject to penalties of up to three times the amount of the unlawful payment of public money. A public official who authorizes a payment of public money in violation of this section may be held personally liable.

2. Behested Payments: Additional Disclosure by Lobbying Entities and New Prohibition

a. Proposal Summary:
    - Require that a behested payment made by a state lobbyist, lobbying firm, or lobbyist employer be disclosed as an "other payment to influence."
    - Require state lobbyists, lobbying firms, and lobbyist employers that make a behested payment reportable under Section 84224 to notify the elected official or PUC member who behested it within 21 days after the end of the calendar quarter in which the payment was made.
    - Additionally, prohibit elected officials and PUC members from behesting a payment to a person who has been a source of income to the official, not including gifts, of $500 or more, in the aggregate, in the 12 months preceding the payment. A federal, state, or local government agency that is a source of income to the official would not be subject to the prohibition.
b. Policy Rationale:
    - Requiring lobbying entities to report behested payments and notify officials behesting them will allow for more accurate, timely, and auditable reporting of behested payments.

3. Update Antiquated Service of Process Options for Probable Cause Reports

a. Background:
    - The PRA currently provides that a finding of probable cause can only be found after service of the probable cause report by "service of process or registered mail with return receipt requested." The current practice is to attempt service by certified mail with return receipt. When accepted, this service allows for tracking and allows for the receiving party to sign for the item.
b. Proposal Summary:

- Update the PRA to update the means of providing notice to the Respondent sufficient to have a probable cause hearing or a finding of probable cause. Options are under consideration.

c. Policy Rationale:
   - Updating service of process options will help the Enforcement Division move matters forward and ensure that Respondents are effectively notified of the proceedings.
   - Enforcement has noted that service through certified mailing is becoming increasingly challenging. Enforcement staff speculate that fewer people answer the door and that if a certified mailing is presented at a front door and notice is left, few people take the time to pick up an unexpected mailing at the post office.
   - Enforcement has also experienced challenges in serving through a process server. Personal service and certified mail has been less successful. Less people answer their doors, particularly in this era of doorbell cameras and surveillance services.
   - This change would allow for more efficient processing of cases at the PC stage by allowing for additional forms of service and would continue to protect the Respondent's due process rights.

4. Prediction Markets

a. Proposal Summary:
   - Prohibit Form 700 filers listed in Section 87200, or, alternatively, all Form 700 files, from betting on the outcome of elections and legislative or administrative actions within their jurisdiction.
   - Require prediction markets to disclose any prohibited bet made by an official covered by the prohibition.
   - The scope of this proposal is under consideration.

b. Policy Rationale:
   - Prediction market sites like Kalshi and Polymarket allow individuals to bet on the outcomes of specific actions or events, including elections and government actions. High-level officials may have nonpublic information about elections and legislative or administrative actions within their jurisdictions and may be able to influence how those matters turn out. Prohibiting such officials from betting on those outcomes restricts the actual or perceived use of inside information or an official's position for private gain in this context.

5. Cleanup/ Corrections/ Minor Changes

a. Clarification Regarding Section 87200 Form 700 Filer Lists

- Background:
  1. Prior recent legislation requires all Section 87200 filers to file their Form 700s electronically with the FPPC.

Other law in the PRA refers to lists that need to be kept of Section 87200 filers filing with a city clerk or county clerk, which are no longer necessary.

- Proposal Summary:
    1. Amend the latter section to provide that city and county clerks no longer need to keep this lists of filers.

b. Campaign Training Attestation on CARS

- Background:
    1. In 2026, the legislature passed AB 1789, an FPPC-sponsored bill, which imposes mandatory campaign training requirements.
- Proposal Summary:
    1. Add an attestation field on CARS that documents whether the candidate and treasurer have completed the required training, similar to the process for lobbyists.

c. AB 571 Adjustment

- Background:
    1. In 2019, AB 571 established local campaign contribution limits for candidates for county or city offices, at the same limits set for state candidates.
    2. The law for state candidates includes a specific exemption, but this exemption was not extended to the local candidates.
    3. Specifically, existing law prohibits a person, *other than a small contributor committee or political party committee*, from exceeding specific contribution limits to a candidate for elective state office other than a candidate for statewide elective office
    4. AB 571 did not make the same exemption to the limits that apply to local candidates for contributions from small contributor committees and political party committees.
    5. FPPC staff speculate that this may have been a drafting error, as AB 571 was intended to create some parity between state and local candidates.
- Proposal Summary:
    1. This proposal would extend that exemption to the local campaign contribution limits.

d. Repeal Section 85501

- Background:
    1. A 2014 Superior Court ruling found Section 85501 unconstitutional.

2. Section 85501: A controlled committee of a candidate may not make independent expenditures and may not contribute funds to another committee for the purpose of making independent expenditures to support or oppose other candidates.

- Proposal Summary: Repeal Section 85501 due to the court ruling.

6. Enhanced Disclosure for Nonprofit Organizations that Pay for Elected Official Travel

a. Background:
   - Existing law requires 501(c)(3) and 501(c)(4) nonprofit organizations that pay for travel for elected officials to report certain donors to the FPPC under specified circumstances:
     - The donor donated $1,000 or more to the nonprofit organization.
     - The donor accompanied the elected official, either personally or through an agent, employee, or representative, for any portion of travel.
     - The sum of the nonprofit organization's travel expenses with regard to elected officials was greater than 1/3 of its total expenses, as reflected on the nonprofit organization's IRS Form 990 filed most recently within the last 12 months.
     - The nonprofit makes payments that total more than $10,000 in a calendar year, or that total more than $5,000 in a calendar year for a single person, for travel by an elected officer.
   - Under the thresholds of existing law, very few nonprofit organizations are required to report, as reported by the Audit Division at the February 2025 Commission meeting. It is also difficult to determine whether an organization meets the 1/3 expense threshold, due to the way expenses are reported on the IRS Form 990.

b. Proposal Summary:
   - Reintroduce AB 1788 (2026), which would revise and clarify the reporting threshold for nonprofit organizations that pay for travel expenses for elected officials, enhances disclosure, and imposes related recordkeeping requirements.
   - Specifically, the proposal would:
     - Eliminate the threshold that requires reporting only if the nonprofit organization's travel and travel-related payments are greater than 1/3 of its total expenses, as reported on the organization's Internal Revenue Service Form 990. The bill would instead require reporting if the nonprofit makes expenditures for travel for elected

officials of $10,000 or more per year, or $5,000 or more per year for a single elected official.
- Add to disclosure requirements to additionally require disclosure of each travel expenditure and the name of the official for whom the expenditure was made.
- Add recordkeeping requirements that mirror the standard recordkeeping requirements for other entities under the PRA.
- Exempt nonprofit organizations like CSG and NCSL, which was the stated concern of some members of the Legislature about AB 1788.

7. Clarify Law on Disclosure for Paid Third-Party Social Media Content

a. Background:
   - Existing law in the PRA provides that if a committee pays a person to post content on an internet website, web application, or digital application for the purpose of supporting or opposing a candidate for elective office or a ballot measure, the person shall concurrently include a disclaimer with that content stating that the person was paid by the committee in connection with the posting.
   - The Enforcement Division has observed that paid consultants are also posting favorable content for candidates who are their clients. However, the consulting contracts are general in nature and do not specifically include posting social media content, so it is difficult to prove the consultant was paid for that activity and thus difficult to prove a violation.

b. Proposal Summary:
   - Amend the section to require that a paid consultant who posts content favorable to their client candidate to also include the social media disclaimer statement.