STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3050 • Sacramento, CA 95811

March 29, 2024

Beverly Grossman Palmer
Strumwasser & Woocher
On behalf of Village Laguna, Inc.
[redacted]

Warning Letter re: FPPC No. 2018-01434; In the Matter of Village Laguna, Inc. and Mary Ives

Dear Beverly Grossman Palmer:

The Enforcement Division of the Fair Political Practices Commission ("FPPC") enforces the provisions of the Political Reform Act (the "Act").[1] As you are aware, the Enforcement Division received two sworn complaints against your client, Village Laguna, Inc. (the "Committee"). In general, the complaints alleged that the Committee failed to comply with the Act's reporting requirements in regard to the receipt of contributions. Additionally, the complaints allege that the Committee failed to comply with the advertisement disclosure requirements of the Act. The complaints also allege that the Committee cannot be a multipurpose organization, a general purpose committee, and a primarily formed committee over time.

The Enforcement Division has completed its investigation and review of the matter. The investigation confirmed that while the Committee has typically filed campaign statements timely, the campaign statements do not properly disclose all reportable activity, such as the names of candidates supported and opposed by means of independent expenditures. The Committee also failed to timely file some 24-hour reports or filed some late. In addition, the advertisements produced by the Committee failed to conform to the specific format and language requirements for advertisement disclosure. In addition to this letter, the Committee has agreed to and paid the penalty for a streamline penalty for some of the violations found. This letter will resolve the outstanding violations.

With respect to the allegations regarding the organization and its purpose, the Enforcement Division confirms that an organization can function as a multipurpose organization and also as a general purpose committee and at times, a primarily formed committee. The Act has specific reporting requirements, depending on the type and purpose of committees and committees can change designations at times.[2]

The Act has a comprehensive reporting system, intended to provide transparency and disclosure of political activity of both the persons who make contributions and how committees spend these contributions.[3] A recipient committee is a committee that makes or receives at least

---

[1] The Political Reform Act is contained in Government Code sections 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.
[2] See generally, Section 84200, *et seq*.
[3] Section 84200, *et seq*.

$2,000 in contributions.[4] In addition, organizations that exist for multiple purposes are referred to in the Act as a multipurpose organization.[5] As these organizations can have multiple purposes beyond what is regulated by the Act, the Act has special reporting requirements that require committees to provide disclosure of political activity. In this matter, the Committee has previously indicated that it has relied on an advice letter from 2003 to determine what activity to disclose on campaign statements and how that activity should be reported. However, the Enforcement Division notes that this advice is outdated as the law around multipurpose organizations' reporting requirements was revised in 2014. Despite this reliance on a 21-year-old advice letter, the Enforcement Division has found insufficient evidence to make a finding that the Committee has failed to disclose contributions received for political purposes. The Committee should promptly review its status as a possible multipurpose organization and seek advice as appropriate regarding political and nonpolitical activity as it relates to compliance with the Act.

General purpose committees and primarily formed committees are required to periodically review the committee's designation and determine if their designation is appropriate in light of past activity, as well as anticipated future activity.[6] For example, if, in anticipation of an upcoming election, a general purpose committee knows that the committee intends to primarily support a particular candidate or set of candidates and dedicate most of its activity for that purpose in the upcoming election, that committee would be required to re-designate as a primarily formed committee. Upon that re-designation, the committee is required to file an amendment to the statement of organization (Form 410) and change the name to reflect the primarily formed nature.[7] A review of the Committee's campaign statements show that at various points, the Committee has redesignated but the activity did not always correspond with the change in designation. For example, at one point, the Committee was designated as a primarily formed committee to oppose specified candidates in an upcoming election. However, the primary activity of that election cycle was to support other candidates. The harm of this error was further compounded by the failure of the Committee to properly report independent expenditures on Schedule D. However, that violation was addressed in the streamline settlement.

When committees produce and disseminate advertisements, the Act requires that these advertisements include a disclaimer to inform the public who paid for the advertisements. The Act has several provisions related to the specific requirements for formatting and language. While advertisements produced by the Committee typically had enough information for a reasonable person to understand that the Committee was responsible for the advertisement, several advertisements failed to comply with the specific formatting and language requirements set by the Act. For example, two advertisements issued in 2022 included the required disclosure statement and a statement that the advertisement was not coordinated with the candidates, but the disclaimer was not in the correct format. The disclaimer should have been separate from the rest of the mailer's content, in a drawn box, with a solid white background, in Arial 10-point font.[8]

---

[4] Section 82013, subdivision (a).
[5] Section 84222, subdivision (a).
[6] Regulation 18227.5 and Regulation 18247.5.
[7] Regulation 18402, subdivision (c)(3).
[8] Section 84504.2.

With respect to these findings, the Enforcement Division has determined that mitigating circumstances exist here. The Committee has no prior history of enforcement actions. There is evidence that the treasurers and individuals involved made a good-faith attempt to comply with the reporting requirements of the Act. Additionally, Respondents have no prior enforcement history. Based on the foregoing, and in accordance with the Enforcement Division Policy Directives formally adopted by the Commission on January 26, 2023, which requires the Enforcement Division to take all appropriate actions within their discretion to decrease the Division's annual carryover caseload, the Enforcement Division is closing this case with this warning letter.[9] This resolution may not be used as a comparable case for other enforcement matters.[10]

This letter serves as a written warning. The information in this matter will be retained and may be considered should an enforcement action become necessary based on newly discovered information or future conduct. Failure to comply with the provisions of the Act in the future will result in monetary penalties of up to $5,000 for each violation.

A warning letter is an Enforcement Division case resolution without administrative prosecution or fine. The Commission has adopted Regulation 18360.1 to authorize the Enforcement Division to issue warning letters to conclude cases in specified circumstances. However, the warning letter resolution does not provide you with the opportunity for a probable cause hearing or hearing before an Administrative Law Judge or the Commission. If you wish to avail yourself of these proceedings by requesting that your case proceed with prosecution rather than a warning, please notify us within ten (10) days from the date of this letter. Upon this notification, the Enforcement Division will rescind this warning letter and proceed with administrative prosecution of this case. If we do not receive such notification, this warning letter will be posted on the Commission's website ten (10) days from the date of this letter.

If you have any questions regarding this letter, please contact Theresa Gilbertson at tgilbertson@fppc.ca.gov or by phone at (279) 237-5960.

Sincerely,

Theresa Gilbertson
Senior Commission Counsel
Enforcement Division

CC: Michael Ray, Sworn Complainant
Samuel Goldstein, Sworn Complainant
Cindy Shopoff, Sworn Complainant
Louis Longi, Sworn Complainant

---

[9] https://www.fppc.ca.gov/content/dam/fppc/NS-Documents/AgendaDocuments/General%20Items/2023/january/15.0-Enforcement-directives.pdf

[10] See Regulation 18361.5, subdivision (e)(3).