

RAVI MEHTA
CHAIRMAN



FAIR POLITICAL PRACTICES COMMISSION

January 14, 1997

The Honorable Brett Granlund
Assembly Member, 65th District
State Capitol, Post Office Box 942849
Sacramento, California 94249-0001

Re: Your Request for Advice
Our File No. A-96-343

Dear Assembly Member Granlund:

This letter is a response to your request for advice regarding the provisions of the Political Reform Act (the "Act").¹

QUESTION

May you file amended campaign statements accruing interest to a campaign debt of \$31,000 on which you have paid interest for the past four years?

CONCLUSION

Assuming you have the necessary background records to document your loan payments and the applicable interest rate, you may amend your campaign statements to reflect the true source of the loan and the interest paid.

FACTS

In 1992, you lent your campaign \$31,000. According to your accountant, this loan was a cash advance on your VISA credit line. Your accountant stated that your interest rate on the VISA credit line was approximately 18 percent and that you have incurred significant interest expense on the loan. You have carried that loan at zero percent interest on your campaign disclosure statements. You were under the impression that you could not charge your campaign interest, and have not accrued any interest as part of the debt to your campaign.

ANALYSIS

The campaign disclosure provisions of the Act are designed to provide the public with full and complete information about receipts and expenditures in election campaigns. (Section 81002(a).)

¹ Government Code sections 81000 - 91015. Commission regulations appear at title 2, sections 18000 - 18995, of the California Code of Regulations.

Section 81004 provides that all filers shall use diligence in preparation of reports and statements filed pursuant to the Act. Information included in these reports should be true and complete to the best of the filer's knowledge. Section 81004.5 allows for the filing of amendments to reports and statements which are incorrect or incomplete. This provision is intended to allow supplemental information, where appropriate, to ensure the most complete disclosure possible to the public, but does not negate any violation that may have already occurred.

Section 89512 provides as follows regarding the use of campaign funds:

An expenditure to seek office is within the lawful execution of the trust imposed by Section 89510 if it is reasonably related to a political purpose. An expenditure associated with holding office is within the lawful execution of the trust imposed by Section 89510 if it is reasonably related to a legislative or governmental purpose. Expenditures which confer a substantial personal benefit shall be directly related to a political, legislative, or governmental purpose.

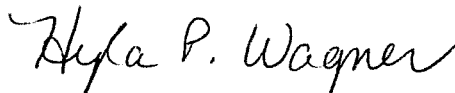
Repayment of outstanding campaign debts, including loans and the interest on loans, is a permitted use of campaign funds under Section 89512. In the *Wilson* Advice Letter, No. A-93-362, we advised that Assembly Member Tom Bane could use surplus campaign funds to pay interest owed on a debt which was incurred by the Friends of Tom Bane Committee.

With respect to your campaign disclosure, the financial institution issuing your VISA line of credit should have been reported as the source of the loan to your committee. To report the interest you paid on the loan, you will have to amend your campaign statements to show the financial institution as the source of the loan. Provided you have the necessary background records to document the interest payments and applicable interest rate, you may amend your campaign statements to reflect the interest you actually paid on the campaign debt. Your accountant may contact the Commission's Technical Assistance division for assistance with the amendments. Note that this advice pertains to and is limited to reporting a loan made prior to the effective date of Proposition 208.

If you have any other questions regarding this matter, please contact me at (916) 322-5660.

Sincerely,

Steven G. Churchwell
General Counsel



By: Hyla P. Wagner
Staff Counsel, Legal Division