

Date of Hearing: May 5, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1367 (Low) – As Amended April 21, 2021

Policy Committee: Elections

Vote: 7 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

**SUMMARY:**

This bill increases penalties for the egregious personal use of campaign funds. Specifically, this bill:

- 1) Provides any person who uses campaign funds in a manner that violates existing law and results in an egregious personal benefit is liable in an administrative or civil action brought by the Fair Political Practices Commission (FPPC) for an amount of up to three times the amount of the unlawful expenditure.
- 2) 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 individual or individuals with authority to approve the expenditure.

**FISCAL EFFECT:**

Fair Political Practices Commission (FPPC) costs are minor and absorbable.

**COMMENTS:**

- 1) **Background and Purpose.** Generally, statute requires expenditures of campaign funds to be either reasonably related to a political, legislative or governmental purpose, or directly related to a political, legislative or governmental purpose in situations where the expenditure confers a substantial personal benefit on any individual with authority to approve the expenditure of campaign funds.

The Political Reform Act (PRA) defines “substantial personal benefit” to mean an expenditure of campaign funds that results in a direct personal benefit with a value of more than \$200 to a candidate, elected officer or any individual or individuals with authority to approve the expenditure of campaign funds held by a committee.

When a public official uses campaign funds for personal purposes, it is a serious violation of the PRA that erodes public confidence in the political process by creating the appearance that lawful campaign contributions are personal gifts to the public official. This erosion of public confidence is amplified when the value of the personal use is especially high.

According to the author, “AB 1367 will increase transparency and compliance and discourage unlawful use of campaign funds to ensure public confidence in our political process.

- 2) **Egregious Activity.** According to the FPPC, a 2019 enforcement case provides an example of an egregious case. The FPPC found a former local public official who unlawfully used campaign funds for personal uses on multiple occasions, including making a disbursement from a committee’s money market account to their own personal checking account in the amount of \$35,000. This individual also used campaign funds in excess of \$36,000 to pay personal travel expenses for a vacation to another country not directly related to a political, legislative or governmental purpose of the committee.

This example illustrates an egregious personal use of campaign funds and, according to supporters of the bill, harms public confidence in the state’s campaign finance system, its public officials and the political process as a whole.

- 3) **Political Reform Act of 1974.** California voters passed an initiative, Proposition 9, in 1974, which created the FPPC and codified significant restrictions and prohibitions on candidates, officeholders and lobbyists. Amendments to the Political Reform Act not submitted to the voters, such as those contained in this bill, must further the purposes of the initiative and require a two-thirds vote of both houses of the Legislature.

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