Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON ELECTIONS
Gail Pellerin, Chair
AB 2421 (Valencia) – As Amended April 6, 2026

SUBJECT: Political Reform Act of 1974: committee termination.

SUMMARY: Permits the Secretary of State (SOS) to terminate a campaign committee if certain conditions are met. Specifically, **this bill**:

1) Requires the SOS to provide a written notice to the treasurer of a recipient committee and to the Fair Political Practices Commission (FPPC) that the committee may be terminated 180 days after the notice is sent in the following situations:

   a) The committee failed to submit a campaign report for at least the prior 12 months and either of the following is true:

      i) The committee had an ending cash balance of $3,000 or less on its last campaign statement.

      ii) The committee had an ending cash balance of $5,000 or less on its last campaign statement and owes $2,000 or more to the candidate who controls the committee.

   b) The committee filed a statement of organization in error.

2) Permits the SOS to terminate a committee that has been provided the written notice specified in 1) if the committee, its representative, or the FPPC does not object in writing within 180 days of the notice being sent. Requires the SOS to notify the filing officer with whom the committee was required to file its last campaign statement within 30 days of terminating a committee pursuant to this authority.

EXISTING LAW:

1) Creates the Fair Political Practices Commission (FPPC), and makes it responsible for the impartial, effective administration and implementation of the Political Reform Act (PRA). (Government Code §§83100, 83111)

2) Provides that a "committee," for the purposes of the PRA, means any person or combination of persons who directly or indirectly does any of the following:

   a) Receives contributions totaling $2,000 or more in a calendar year. These types of committees are commonly referred to as "recipient committees."

   b) Makes independent expenditures (IEs) totaling $1,000 or more in a calendar year. These types of committees are commonly referred to as "IE committees."

   c) Makes contributions totaling $10,000 or more in a calendar year to or at the behest of candidates or committees. These types of committees are commonly referred to as "major donor committees." (Government Code §82013)

3) Provides that a person or combination of persons that becomes a committee shall retain its status as a committee until such time as that status is terminated. Requires committees and candidates to terminate their filing obligation pursuant to FPPC regulations which ensure that a committee or candidate will have no disclosable activity after the termination. Provides that a committee that is solely an IE committee or a major donor committee is not required to file any notice of its termination. (Government Code §§82013, 84214)

4) Permits the Chief of the Enforcement Division of the FPPC to terminate a recipient committee for any of the following reasons:

   a) The committee failed to file a campaign statement in the previous 12 months, and had an ending cash balance of $3,000 or less on its last campaign statement;

   b) The committee failed to file a campaign statement in the previous 12 months, had an ending cash balance of $5,000 or less on its last campaign statement, and owes $2,000 or more to the controlling candidate;

   c) The committee filed a Statement of Organization in error;

   d) The committee failed to file a campaign statement in the previous 48 months;

   e) The committee failed to respond to the Enforcement Division's reasonable efforts to contact the committee regarding the committee's failure to file campaign statements or pay annual fees, as specified; or,

   f) The Chief of the Enforcement Division obtains evidence to show the person responsible for the committee is deceased or incapacitated. (2 Code of California Regulations §18404.2)

FISCAL EFFECT: Unknown

COMMENTS:

1) **Purpose of the Bill**: According to the author:

> AB 2421 would improve the accuracy and integrity of our campaign finance disclosure system. By creating a process for the Secretary of State to terminate inactive campaign committees, while still allowing committees the opportunity to object, this bill would ensure our database is up to date and reduces administrative burdens for regulators. This would allow the FPPC to focus their resources on compliance issues and investigations, creating stronger enforcement and oversight.

2) **Cal-Access and the Cal-Access Replacement System (CARS)**: In 1997, the Legislature passed and Governor Pete Wilson signed SB 49 (Karnette), Chapter 866, Statutes of 1997, which amended the PRA and established the Online Disclosure Act of 1997. SB 49 required the SOS, in consultation with the FPPC, to develop and implement, by the year 2000, an online filing and disclosure system for reports and statements required to be filed under the PRA, as specified. As a result, the SOS created and deployed a system called the California Automated Lobby Activity and Campaign Contribution and Expenditure Search System, commonly referred to as Cal-Access.

   Cal-Access is now 27 years old, and the SOS reports that components of the system are no longer supported by their vendor. As a result the system has periodically crashed and denied public access. Additionally, the SOS has indicated that the ability to make modifications to the existing Cal-Access system is very limited. The Legislature has taken steps to replace the Cal-Access system with a new disclosure system commonly referred to as CARS. CARS is scheduled to be deployed toward the end of this year.

3) **Termination of Campaign Committees**: Under the PRA, there are three ways in which a person or entity qualifies as a political committee: by receiving contributions of $2,000 or more per year for political purposes (recipient committees); by making IEs of $1,000 or more per year on California candidates or ballot measures (IE committees); or by making contributions of $10,000 or more per year to or at the request of California candidates or ballot measures (major donor committees). While IE committees and major donor committees are required to file reports disclosing their activities, they are not required to file any paperwork to form or terminate their status as a committee if they are not also a recipient committee. Instead, these types of committees automatically terminate at the end of each calendar year.

   Recipient committees, on the other hand, continue in perpetual existence until they are terminated. Until early 2012, the only method for terminating a committee was for the committee to file a campaign report noticing its termination once the committee had wound down all campaign activities and was not expected to have disclosable activity after the termination. However, the FPPC found that many recipient committees that were no longer engaged in campaign activity were failing to terminate and mistakenly discontinuing filing required campaign statements. Additionally, some committees registered but never qualified as a committee. When those committees failed to file campaign statements—a violation of the PRA—the filing officers were making enforcement referrals to the FPPC for those committees. As a result, a large amount of resources were being used by filing officers and by the FPPC to handle complaints and referrals related to committees that were no longer engaged in campaign activity, but that technically were violating the PRA by failing to file campaign disclosure reports because they had never terminated their status as a committee.

   As a result, in late-2011, the FPPC adopted a regulation allowing it to administratively terminate recipient committees. When a committee is administratively terminated, that action also terminates the committee’s obligations to file subsequent campaign statements, but the committee may not receive contributions or make expenditures exceeding the ending cash balance on the committee's last campaign statement, except to pay outstanding fees or fines. While this authority has helped reduce the number of inactive committees, the FPPC reports that the administrative termination process requires staff review and an active assessment and determination by the Chief of Enforcement, which can be time-consuming and resource-intensive.

Furthermore, as the SOS has been preparing for the deployment of CARS, it has been attempting to contact a large number of inactive committees that never officially terminated. According to background provided by the author of this bill, the SOS reported that approximately 6,600 committees registered, but never reported reaching the $2,000 threshold for qualifying as a committee, and never took action to terminate as a committee. Another 3,600 committees have not filed campaign reports or amendments in at least 12 months.

By allowing the SOS to automatically terminate committees that meet certain criteria, this bill should help reduce the number of inactive political committees that nonetheless are still shown as active committees in the state's campaign disclosure records. To protect against termination of committees that are still active, this bill requires the SOS to provide 180 days' notice to the committee's treasurer before the committee is terminated. The criteria for a committee to be terminated under this bill is identical to three of the six criteria that the FPPC may use under its regulations for terminating a committee administratively.

4) **Technical Amendments**: This bill requires the SOS to send a notice to any committee that meets one of three specified criteria. In some cases, however, the SOS may not have sufficient information to determine whether a committee meets that criteria.

   For example, candidates for local office generally file campaign disclosure reports with local filing officers, rather than with the SOS. In such situations, it is unclear how or whether the SOS would know if a committee has filed campaign disclosure reports in the prior 12 months, or what the committee's ending cash balance was on the last campaign statement that it filed.

   To ensure that this bill does not impose requirements that the SOS cannot fulfill, committee staff recommends amending the language on page 2, lines 3-8, of the bill as follows:

   84214.5. (a) (1) If **<u>the Secretary of State determines that</u>** a committee, as defined in subdivision (a) of Section 82013, meets either of the conditions of termination described in paragraph (2), the Secretary of State shall provide a written notice to the committee's treasurer and the commission that the committee may be terminated 180 days after the date the notice is sent.

   Committee staff additionally recommends that this bill be amended to include a cross-reference to the new termination procedure created by this bill in Section 82013 of the Government Code. Specifically, committee staff recommends that the last sentence of Section 82013 be amended as follows:

   A person or combination of persons that becomes a committee shall retain its status as a committee until such time as that status is terminated pursuant to Section **~~84214.~~** **<u>84214 or 84214.5.</u>**

5) **Arguments in Support**: The sponsor of this bill, the FPPC, writes in support:

> Under the [PRA], a person or combination of persons must register as a recipient committee if they receive contributions of $2,000 or more in a calendar year. The committee retains its status as a committee until the committee actively terminates. FPPC regulations provide the circumstances and timelines under which committees are required to terminate.
>
> Despite these termination requirements, many committees that should have terminated retain active status in the state's campaign finance database, CAL-ACCESS. With the new CAL-ACCESS Replacement System (CARS) in development, it is important that the Secretary of State have a mechanism to clear out defunct committees, so that CARS will include the most accurate and up-to-date information about committees possible.

6) **Political Reform Act of 1974**: California voters passed an initiative, Proposition 9, in 1974 that created the FPPC and codified significant restrictions and prohibitions on candidates, officeholders, and lobbyists. That initiative is commonly known as the PRA. Amendments to the PRA that are 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.

REGISTERED SUPPORT / OPPOSITION:

Support

Fair Political Practices Commission (Sponsor)

Opposition

None on file.

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