



Bill Analysis

Author: Glazer

Sponsor:

Bill Number: SB 1404

Related Bills: See Legislative
History

Amended: June 18, and
June 27, 2024

SUBJECT

Political Reform Act: Lobby Audits

SUMMARY

This bill, under the Government Code, would amend provisions relating to the Political Reform Act of 1974, by transferring lobbyist audit responsibilities from the Franchise Tax Board (FTB) to the Fair Political Practices Commission (Commission).

RECOMMENDATION

No position—The three-member FTB Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The June 18, 2024, amendments made changes to the number and type of lobbyist audits that the Commission would be required to conduct.

The June 27, 2024, amendments modified the dates the Commission would be responsible for lobbyist audits.

This analysis only addresses the provisions that would impact the FTB.

REASON FOR THE BILL

The reason for the bill is to temporarily move state audit responsibilities for lobbying firms and lobbyist employers to the Commission.

ANALYSIS

This bill would transfer the responsibility to audit and conduct field investigations for reports and statements filed with the Secretary of the State (SOS), by lobbying firms and lobbyist employers from the FTB to the Commission, beginning with the audits selected in February 2027 through January 1, 2033. The FTB would be responsible for auditing reports and statements of lobbying firms and lobbyist employers that are selected for audit through February 2025.

This bill, beginning on January 1, 2033, would transfer the responsibility to audit and conduct field investigations for reports and statements filed with the SOS, by lobbying firms and lobbyist employers from the Commission back to the FTB.

Effective/Operative Date

As an appropriation, this bill would be effective immediately upon enactment and operative on January 1, 2025, and before January 1, 2033.

Federal/State Law

Federal Law

The Federal Election Commission (FEC) is an independent regulatory agency of the United States whose purpose is to enforce campaign finance law in United States federal elections. Created in 1974 through amendments to the Federal Election Campaign Act, the FEC is responsible for overseeing the public funding of the presidential campaign and ensuring the public has confidence in the published campaign statements of elected officials by making sure there is transparency and enforcement thorough access and education.

State Law

In 1974, California voters passed Proposition 9, also known as the Political Reform Act (Act) and created the Commission and codified significant restrictions and prohibitions on candidates, officeholders, and lobbyists. The Act requires periodic reports to be filed that disclose payments made in connection with efforts to influence legislative or administrative action. These periodic lobbying disclosure reports are also required to include information about the legislative and administrative actions that were lobbied during the period covered by the report.

The FTB is responsible for the independent auditing and field investigations of the reports and statements filed with the SOS, relating to campaign disclosures, campaign contributions and limitations, and lobbying firms and lobbyist employers. The Commission selects the lobbying firms and lobbyist employers for audit on a random basis every other February in odd-numbered years.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 569 (Glazer, 2023/2024), similar to this bill, would have amended provisions relating to the Political Reform Act of 1974, by transferring lobbyist audit responsibilities from the FTB to the Commission if an appropriation is made. This bill was referred to the Assembly Committee on Appropriations and is being held under submission.

SB 459 (Allen, et al., Chapter 873, Statutes of 2022) requires additional disclosure on required reports and increases the frequency of reports to be filed by lobbying entities, as specified. This bill also requires additional disclosures on issue lobbying advertisements, as specified.

SB 1239 (Hertzberg, Chapter 662, Statutes of 2018) among other changes associated with filing campaign and lobbying reports to the Cal-Access Replacement System (CARS), eliminated the requirement to file paper copies of lobbying reports required to be filed online or electronically upon the certification of CARS by the SOS.

AB 1217 (Mullin, 2019/2020), among other provisions, would have required individuals who make payments for "electioneering communications or "issue lobbying communication" to make specified disclosures. This bill did not pass out of the Senate by the constitutional deadline.

AB 1574 (Mullin of 2019/2020) would have required lobbying disclosure reports be filed monthly instead of quarterly. This bill did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

Eliminating this audit work from FTB's authority will produce no staff savings as FTB has never been resourced to do this work.

ECONOMIC IMPACT*Revenue Estimate*

This bill as amended June 18, 2024, and June 27, 2024, would not impact state income or franchise tax revenue.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Appropriations Committee analysis 08-05-2024.

Support:

California Fair Political Practices Commission (FPPC).

Opposition:

Institute of Governmental Advocates.

ARGUMENTS

Assembly Appropriations Committee analysis 08-05-2024.

Proponents:

This bill is supported by the FPPC, which argues:

“The FPPC has unique and robust experience in the subject matter and would be well-suited to take on these audits given appropriate resources,” as audits “are the main and most consistent vehicles for monitoring compliance and discovering lobbying violations.” This bill is also supported by voter empowerment groups and the California Taxpayers Association.”

Opponents:

This bill is opposed by the Institute of Governmental Advocates arguing:

“Past FTB audits show compliance with lobbying rules” and “No valid reason exists to transfer this role to another agency and charge those subject to the duty so transferred to fund the new newly created division of the FPPC.”

LEGISLATIVE CONTACT

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