

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 8620	Department Fair Political Practices Commission	Priority No.
Budget Request Name 8620-001-BCP-BR-2016-GB		Program Administration and Technology Division	Subprogram Statement of Economic Interests(SEI)

Budget Request Description
 Statement of Economic Interests Reporting: Gifts of Travel (SB 21)

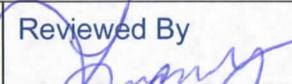
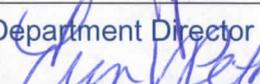
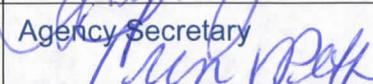
Budget Request Summary
 The Fair Political Practices Commission is requesting increased General Fund expenditure authority of \$210,000 in 2016-17 (\$196,000 in 2017-18 and ongoing) and one and one-half positions to implement the provisions of Chapter 757, Statutes of 2015 (SB 21).

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed Amend Section 87207 and 89506	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

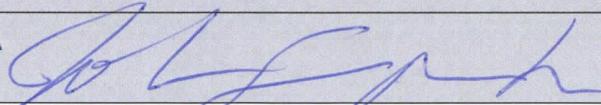
If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By 	Date 1/5/16	Reviewed By 	Date 1/5/16
Department Director 	Date 1/5/16	Agency Secretary 	Date 1/5/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA  Date submitted to the Legislature
1/5/16

BCP Fiscal Detail Sheet

BCP Title: Statement of Economic Interests Reporting: Gifts of Travel (SB 21)

DP Name: 8620-001-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	1.5	1.5	1.5	1.5	1.5
Total Positions	0.0	1.5	1.5	1.5	1.5	1.5
Salaries and Wages						
Earnings - Permanent	0	117	117	117	117	117
Total Salaries and Wages	\$0	\$117	\$117	\$117	\$117	\$117
Total Staff Benefits	0	46	46	46	46	46
Total Personal Services	\$0	\$163	\$163	\$163	\$163	\$163
Operating Expenses and Equipment						
5301 - General Expense	0	14	3	3	3	3
5302 - Printing	0	2	2	2	2	2
5304 - Communications	0	2	2	2	2	2
5306 - Postage	0	1	1	1	1	1
5320 - Travel: Out-of-State	0	1	1	1	1	1
5320 - Travel: In-State	0	1	1	1	1	1
5322 - Training	0	1	1	1	1	1
5324 - Facilities Operation	0	18	18	18	18	18
5344 - Consolidated Data Centers	0	1	1	1	1	1
5346 - Information Technology	0	6	3	3	3	3
Total Operating Expenses and Equipment	\$0	\$47	\$33	\$33	\$33	\$33
Total Budget Request	\$0	\$210	\$196	\$196	\$196	\$196

Fund Summary

Fund Source - State Operations						
0001 - General Fund	0	210	196	196	196	196
Total State Operations Expenditures	\$0	\$210	\$196	\$196	\$196	\$196
Total All Funds	\$0	\$210	\$196	\$196	\$196	\$196

Program Summary

Program Funding						
6610019 - Legal, Technical Assistance & State Enforcement	0	210	196	196	196	196
Total All Programs	\$0	\$210	\$196	\$196	\$196	\$196

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A. Budget Request Summary

The Fair Political Practices Commission (FPPC) is requesting increased General Fund expenditure authority of \$210,000 in 2016-17 (\$196,000 in 2017-18 and ongoing) and one and one-half positions to implement the provisions of Chapter 757, Statutes of 2015 (SB 21).

SB 21 amends sections 87207 and 89506 of the Political Reform Act of 1974 (the Act). It mandates that the FPPC create a new form to enable nonprofit organizations to disclose gifts of travel made to state and local elected officials and to disclose donors to the nonprofit organization. Also, the bill requires a person who receives a gift of travel from any source to report the travel destination on the Statement of Economic Interests.

B. Background/History (Provide relevant background/history and provide program resource history. Provide workload metrics, if applicable.)

The FPPC was created by the Act as an independent non-partisan agency whose objective is to prevent corruption of public officials in the governmental decision making process. The FPPC has primary responsibility for the impartial and effective administration and implementation of the Act. The FPPC regulates and enforces actions performed by governmental officials and agencies and requires extensive disclosure reports to provide the public with access to government processes.

Those public officials whose decisions could affect their economic interests are required by law to file economic interest disclosure statements. Public officials disclose their private economic interests using a form provided by the FPPC titled "Statement of Economic Interests" (SEI) also known as "Form 700". The statements become public records after they are filed. The SEI reporting process provides transparency and ensures accountability in two ways: 1) it provides necessary information to the public about a public official's personal financial interests to ensure that officials are making decisions that do not enhance their personal finances, and 2) it serves as a reminder to the public official of potential conflicts of interests so the official can abstain from making or participating in governmental decisions that are deemed conflicts of interest.

Generally, the Act regulates campaign financing and spending, financial conflicts of interest, lobbyist registration and reporting, and governmental ethics. The Act prohibits public officials from receiving gifts in excess of \$440 from a single source in a calendar year, with exceptions. One exception to this gift limit is for payments made to public officials for travel reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy and paid for by a 501(c)(3) nonprofit organization.

Public officials are required to report travel payments from nonprofits on their Form 700. If a donor uses a nonprofit as an intermediary (as defined in Regulation 18945) to make payments to public officials for travel, the donor to the nonprofit is considered to be the true source of the travel gift. In these cases, the public official is required to report the donor to the nonprofit and the nonprofit on his or her Form 700. The travel gift is also subject to the Act's \$440 gift limit. The true source of the travel payments and the public official are subject to violations for failing to comply with the requirements of this gift limit exception.

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Resource History (Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	7,483	8,302	9,031	10,296	10,261
Actual Expenditures	7,311	7,902	7,841	9,035	9,604
Revenues					
Authorized Positions	72.7	78.4	84.3	86.0	81.3
Filled Positions	74.9	75.0	66.4	69.0	71.0
Vacancies					

C. State Level Considerations

The FPPC is charged with the primary responsibility for administration and enforcement of the Act. This request is consistent with that mandate.

D. Justification

SB 21 was recently signed into law and takes effect January 1, 2016. The legislation creates new requirements for nonprofit organizations that pay for travel for state and local elected officials. Specifically, it requires a nonprofit organization that regularly organizes and hosts travel for elected officials, as specified, and that pays for these types of travel for an elected state officer or local elected officeholder to disclose the names of donors who, in the preceding year, both donated to the nonprofit organization and accompanied an elected officer or officeholder for any portion of the travel, as specified.

The legislation requires a complicated analysis to determine which nonprofit organizations trigger this additional reporting requirement. A nonprofit organization that makes travel payments of either (1) \$5,000 or more for one elected state or local officeholder or (2) \$10,000 or more a year for elected state or local elected officeholders, *and* whose expenses for such travel payments total one-third or more of the organization's total expenses in a year as reflected on the organization's Internal Revenue Service Form 990, would trigger reporting. And, once it's determined that a nonprofit organization triggers this disclosure, it must disclose to the Commission the names of donors who donated \$1,000 or more in the past year and also went on the trips.

As a new requirement, the FPPC will need to promulgate regulations to interpret these requirements. It will also need to develop an entirely new form to enable this disclosure. Also, the legislation raises legal questions as to the FPPC's jurisdiction to enforce these provisions against nonprofit organizations. In addition, the Enforcement Division is concerned that the "one-third of total expenses" requirement would be difficult to prove in light of the reporting and language variations used by nonprofit organizations on the Form 990, as well as the difficulty in establishing that the expenses reported were related to elected officers. And, the FPPC will need to do additional training and outreach to nonprofit organizations and public officials. For all these reasons, there is additional workload as a result of the legislation.

The statute also requires a person who receives a gift of a travel payment from any source to report the travel destination on his or her Form 700. This will require the FPPC to modify the Form 700 and instructions, as well as update trainings and provide additional advice.

This proposal would add one and one-half permanent positions: 1 Associate Governmental Program Analyst and 0.5 Senior Commission Counsel. These positions are needed to perform all functions necessary to amend sections 87207 and 89506 of the Act. These functions include, but are not limited to:

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- Preparation of Regulations;
- Creation of a new travel form to ensure that travel payments made by nonprofit organizations are reported in a consistent and standardized manner;
- Revision of Statement of Economic Interests, Form 700, specifically Schedule E (Travel payments) and form instructions;
- Preparation an outreach program for legislators, state constitutional officers, state agency directors, members of board of supervisors and city councilmembers who often report travel payments;
- Participating and providing oral and written legal advice regarding new law;
- Performing initial and on-going training for FPPC management and staff, and filers and filing officers at local and state agencies;
- Performing the most complex enforcement investigations involving nonprofit organizations under the new requirements of SB 21; and
- Researching and training regarding rules and reporting under the IRS code regarding 501(c) organizations.

E. Outcomes and Accountability *(Provide summary of expected outcomes associated with Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlines in the Background/History Section.)*

FPPC will be able to accomplish the requirement of SB 21 with the additional one and one-half positions.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve \$210,000 for 2016-17 and one and one-half full time positions to implement the project.

Pros: Complete, timely and accurate implementation of the provisions of SB 21.

Cons: Will result in increased positions and additional funding.

Alternative 2: Do not approve the funding and positions.

Pros: No increase in funding and positions.

Cons: The FPPC will have difficulty timely and accurately implanting the requirements of SB 21 within current resources.

G. Implementation Plan

The implementation will begin in the coming months and continue after January 1, 2016 when the legislation goes into effect.

H. Supplemental Information *(Describe special resources and provide details to support costs including appropriate back up.)*

I. Recommendation

The FPPC recommends approval of Alternative 1.