

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/30/2015
POSITION: Oppose

BILL NUMBER: AB 1200
AUTHOR: Gordon, Richard

BILL SUMMARY: Political Reform Act of 1974: lobbying: procurement contracts.

This bill amends the Political Reform Act (Act) to clearly define the terms "governmental procurement" and "administrative action". This bill further provides that communicating with state governmental officials in order to influence state governmental procurement contracts exceeding \$250,000 can result in a person being considered a "lobbyist" under the Act.

FISCAL SUMMARY

The Secretary of State (SOS) estimates costs of \$245,000 General Fund in the first year, and ongoing costs of \$230,000 General Fund annually and 3 positions to manage the increased workload associated with lobbyist and lobbying firm registrations and report filings as a result of this measure.

The Fair Political Practices Commission estimates costs of \$1.3 million General Fund in the first year, and ongoing costs of \$1.1 million General Fund annually and 11 positions to implement and administer the provisions of this measure. The one-time costs are to promulgate new major regulations, prepare compliance materials, and to modify lobbying manuals and forms. The ongoing costs are attributed to the significant increase in requests for advice and to conduct additional investigations.

Any request for additional expenditure authority is subject to review and approval through the annual budget process.

Any local government costs resulting from the mandate in this measure would not be state-reimbursable because the mandate only involves the definition of a crime, creates a new crime, or changes the penalty for a conviction of a crime.

COMMENTS

The Department of Finance opposes this bill because it would result in additional General Fund costs to the state, inconsistent with the current budget.

Under existing law, individuals and entities that make or receive specified levels of payments for the purpose of influencing legislative or administrative actions may be required to comply with the state's lobbying rules, including requirements to register with the SOS and to file periodic reports. The term "administrative action" is defined primarily to include rule-making and rate-making, the adoption of regulations, and quasi-legislative proceedings. Contracting decisions by state agencies are not included within the definition of the term "administrative action." Individuals and entities that attempt to influence state contracting decisions are not required to comply with lobbying rules as a result of their efforts with respect to contracting decisions.

This bill would add government procurement to the definition of "administrative action." It would include contracting within the types of governmental decisions that are covered by the state's lobbying rules.

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| Analyst/Principal (0242) J.Fitzpatrick | Date | Program Budget Manager Chris Ryan | Date |
| Department Deputy Director | | Date | |
| Governor's Office: | By: | Date: | Position Approved _____ Position Disapproved _____ |
| BILL ANALYSIS | | | Form DF-43 (Rev 03/95 Buff) |

Gordon, Richard

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COMMENTS (continued)

For individuals and entities that frequently attempt to influence state agency contracting decisions, but that do not regularly attempt to influence other actions by state agencies, this bill could require those individuals and entities to comply with the state's lobbying rules, including registering with the SOS and filing periodic disclosure reports.

Many individuals and entities that attempt to influence contracting decisions, however, may already be registered as lobbyists, lobbying firms, or lobbyist employers because those individuals and entities are involved in attempting to influence other actions by the Legislature or state agencies. For those entities and individuals, this bill would require them to disclose details about their procurement lobbying on the periodic disclosure reports that they already file.

According to the author's office, the State of California authorized over \$11 billion in procurement contracts in 2014. In light of this substantial spending, the public should have the ability to see who, if anyone, is attempting to influence the procurement process and expenditure of taxpayer dollars. California voters enacted the Act, in part, to ensure that state and local government "serve the needs and respond to the wishes of all citizens equally" and "perform their duties in an impartial manner." To serve these goals, the Act requires lobbying firms and parties employing lobbying firms to report their legislative and regulatory activities. Lobbying of procurement contracts does not fall under the purview of the Act. For the same reasons that the state currently imposes registration and reporting requirements on legislative and regulatory lobbying, and in light of the amount of taxpayer money spent on procurement, this bill would impose necessary reporting requirements on procurement lobbying.

| Code/Department Agency or Revenue Type | SO | (Fiscal Impact by Fiscal Year) | | | | | |
|--|----|--------------------------------|----|--------------|--------------|-----------|------|
| | LA | (Dollars in Thousands) | | | | | |
| | CO | PROP | | | | | Fund |
| | RV | 98 | FC | 2015-2016 FC | 2016-2017 FC | 2017-2018 | Code |
| 0890/Secty State | SO | No | C | 123 C | 237 C | 230 | 0001 |
| 8620/FPPC | SO | No | C | 650 C | 1,300 C | 1,100 | 0001 |