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**SB-686 Campaign disclosure: limited liability companies.** (2021-2022)

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**Senate Bill No. 686**

**CHAPTER 321**

An act to add Section 84109 to the Government Code, relating to the Political Reform Act of 1974.

[ Approved by Governor September 27, 2021. Filed with Secretary of State September 27, 2021. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 686, Glazer. Campaign disclosure: limited liability companies.

The Political Reform Act of 1974 provides for the comprehensive regulation of campaign financing, including requiring elected officials, candidates for elective office, committees formed primarily to support or oppose a candidate for public office or a ballot measure, and other entities to file periodic campaign statements and reports concerning campaign finances.

This bill would require a limited liability company that qualifies as a committee or a sponsor of a committee under the act, as specified, to file a statement of members with the Secretary of State. The bill would require the statement of members to include certain information about the limited liability company, including a list of all persons who have a membership interest in the limited liability company of at least 10% or who made a cumulative capital contribution of at least \$10,000 to the limited liability company after it qualified as a committee or sponsor of a committee, or within the 12 months before it qualified.

Existing law makes a knowing or willful violation of the Political Reform Act of 1974 a misdemeanor. By expanding the scope of an existing crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes upon a  $\frac{2}{3}$  vote of each house of the Legislature and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote: 2/3 Appropriation: no Fiscal Committee: yes Local Program: yes

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 84109 is added to the Government Code, to read:

**84109.** (a) A limited liability company that qualifies as a committee pursuant to Section 82013, or qualifies as a sponsor of a committee pursuant to Section 82048.7, shall file a statement of members with the Secretary of State.

(b) The statement of members shall include a list of all persons who either:

- (1) Have a membership interest in the limited liability company equal to or greater than 10 percent of the total outstanding membership interests.
- (2) Made a cumulative capital contribution of ten thousand dollars (\$10,000) or more to the limited liability company after it qualified as a committee or sponsor of a committee, or within the preceding 12 months before it qualified.

(c) The statement of members shall include all of the following:

- (1) The name of the limited liability company and the contact information for its responsible officer or principal officer.
- (2) The name of each member required to be identified by subdivision (b).
- (3) The dollar amount of the cumulative capital contributions made by each member identified in the statement of members.
- (4) The date of each capital contribution made by a member identified pursuant to paragraph (2) of subdivision (b).
- (5) The percentage ownership interest in the limited liability company of each member identified in the statement of members.

(d) (1) (A) Except as provided in subparagraph (B), a statement of members is due within 10 days of the limited liability company qualifying as a committee or sponsor of a committee.

(B) A statement of members is due within 24 hours of the limited liability company qualifying as a committee or sponsor of a committee if the limited liability company qualifies within 30 days of an election and the limited liability company has made a contribution to, or an independent expenditure supporting or opposing, a candidate or ballot measure on the ballot in that election, or made a contribution to a committee that made a contribution to, or an independent expenditure supporting or opposing, a candidate or ballot measure on the ballot in that election.

(2) (A) A limited liability company required to file a statement of members under subdivision (a) shall file an amended statement if it receives a capital contribution of ten thousand dollars (\$10,000) or more after qualifying as a committee or sponsor of a committee.

(B) (i) Except as provided in clause (ii), a limited liability company required to file an amended statement of members shall file the amended statement within 10 days of receiving the additional capital contribution.

(ii) A limited liability company required to file an amended statement of members shall file the amended statement within 24 hours of receiving the additional capital contribution if the limited liability company receives the contribution within 90 days of an election and the limited liability company has made a contribution to, or independent expenditure supporting or opposing, a candidate or ballot measure on the ballot in that election.

(C) A capital contribution or other payment made to a limited liability company that qualified as a committee or sponsor of a committee that is earmarked, in whole or in part, for political purposes shall be deemed a contribution to the committee.

(e) If a member listed on a statement of members is a limited liability company, the statement shall list all members of that limited liability company who would be listed on a statement of members pursuant to subdivision (b) if the member limited liability company qualified as a committee or sponsor of a committee.

(f) Contributions from a member of a limited liability company identified in a statement of members shall be aggregated with contributions from the limited liability company pursuant to Section 82015.5.

(g) (1) A statement of members shall be filed by email with the Secretary of State and shall be signed by using a secure electronic signature. The Secretary of State shall post all statements received pursuant to this subdivision on its internet website within five business days, or if the Secretary of State receives the statement during the 16 days before the election, within 48 hours.

(2) This subdivision shall become inoperative on the date the Secretary of State makes the statement of members available for filing using the Secretary of State's online filing and disclosure system described in Section 84602.

(h) (1) No later than one year after the Secretary of State certifies the online filing and disclosure system pursuant to paragraph (7) of subdivision (b) of Section 84602, the Secretary of State shall make the statement of members available for filing using that online filing and disclosure system.

(2) (A) A statement of members shall be filed online or electronically with the Secretary of State. The Secretary of State shall make a statement of members filed pursuant to this subdivision available to the public in the online filing and disclosure system described in Section 84602.

(B) This paragraph shall become operative on the date the Secretary of State makes the statement of members available for filing using the Secretary of State's online filing and disclosure system described in Section 84602.

(i) For purposes of this section, the following terms have the following meanings:

(1) "Capital contribution" means money, or the fair market value of any other property, contributed to a limited liability company in exchange for a membership interest in the limited liability company.

(2) "Limited liability company" means an entity defined in subdivision (j) or (k) of Section 17701.02 of the Corporations Code.

(3) "Member" has the same meaning as defined in subdivision (p) of Section 17701.02 of the Corporations Code.

**SEC. 2.** No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

**SEC. 3.** The Legislature finds and declares that this bill furthers the purposes of the Political Reform Act of 1974 within the meaning of subdivision (a) of Section 81012 of the Government Code.