

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2023-2024 Regular Session**

SB 1027 (Menjivar)  
Version: March 20, 2024  
Hearing Date: April 2, 2024  
Fiscal: Yes  
Urgency: No  
AM

**SUBJECT**

Political Reform Act of 1974: disclosures

**DIGEST**

This bill amends the Political Reform Act of 1974 (PRA) to authorize a committee to redact a bank account number included on the copy of the statement of organization filed with the local filing officer and requires the Secretary of State (SOS) to redact the bank account number on a statement of organization before making the statement available to the public in any form. The bill also requires the SOS or a local filing officer to redact the name and building number on a report or statement before making the report or statement available to the public in any form.

**EXECUTIVE SUMMARY**

In the wake of the Watergate scandal, California voters enacted the PRA and established the Fair Political Practices Commission (FPPC) through Proposition 9 in 1974 (June 1974, prim. elec.). The FPPC is a five-member independent, non-partisan commission tasked with the responsibility of administering the PRA. Under the PRA, political candidates or committees are required to file various forms and reports with the FPPC containing certain information, which is generally publically available. This bill seeks to address concerns that certain personal and financial information that is publically available on forms filed with the FPPC can lead to victimization and financial fraud. The bill requires a two-thirds vote because it amends the Political Reform Act of 1974, an initiative measure. The bill passed the Senate Committee on Elections and Constitutional Amendments on a vote of 7 to 0. The bill is sponsored by the FPPC and the California Political Attorneys Association. The bill is supported by the California Federation of Teachers. The Committee has received no timely opposition.

**PROPOSED CHANGES TO THE LAW**

Existing law:

- 1) Establishes the Political Reform Act (PRA), which creates the Fair Political Practices Commission (FPPC) and makes it responsible for the impartial, effective administration and implementation of the PRA. (Gov. Code § 81000.)<sup>1</sup>
- 2) Defines “statewide election,” for purposes of the PRA, as an election for statewide elective office. (§ 82052.5.)
- 3) Defines “committee” to mean 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;
  - b) makes independent expenditures totaling \$1,000 or more in a calendar year;
  - or
  - c) makes contributions totaling \$10,000 or more in a calendar year to or at the behest of candidates or committees. (§ 82013.)
- 4) Requires a committee to file a statement of organization with the SOS, and file a copy of the statement of organization with the local filing officer, if any, as specified. (§ 84101.)
- 5) Authorizes a local government agency to require an elected officer, candidate, committee, or other person to file statements, reports, or other specified documents, with certain limited exceptions, online or electronically. (§ 84615).
  - a) Requires the local filing officer to make data available on the internet, but provides that data cannot not contain the street name and building number of the persons or entity representatives listed on the electronically filed forms or any bank account number required to be disclosed pursuant to the PRA. (§ 84615(f).)
  - b) Requires the local filing officer to make a complete, unredacted copy of any statement, report, or other document filed available to any person upon request, and that this copy is to include any street names, building numbers, and bank accounts disclosed by the filer. (*Ibid.*)
- 6) Provides, pursuant to the California Constitution, that the people have the right of access to information concerning the conduct of the people’s business, and, therefore, the meetings of public bodies and the writings of public officials and agencies are required to be open to public scrutiny. (Cal. const. art. I, § 3(b)(1).)

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<sup>1</sup> All further references are to the Government Code unless specified otherwise.

- a) Requires a statute to be broadly construed if it furthers the people's right of access, and narrowly construed if it limits the right of access. (Cal. const. art. I, § 3(b)(1).)
  - b) Requires a statute that limits the public's right of access to be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. (Cal. const. art. I, § 3(b)(1).)
- 7) Governs the disclosure of information collected and maintained by public agencies pursuant to the California Public Records Act (CPRA). (§§ 7920.000 et seq.)
- a) States that the Legislature, mindful of the individual right to privacy, finds and declares that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in this state. (§ 7921.000.)
  - b) Defines "public records" as any writing containing information relating to the conduct of the public's business prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics. (§ 7920.530.)
  - c) Provides that all public records are accessible to the public upon request, unless the record requested is exempt from public disclosure. (§ 7922.530.)

This bill:

- 1) Permits a committee to redact or otherwise omit a bank account number and the name of an authored person on the copy of the statement of organization filed with a local filing officer.
- 2) Prohibits a local filing officer from requiring a committee to disclose a bank account number or the name of an authorized person on the copy of the statement of organization filed with the local filing officer as a condition of accepting that filing.
  - a) "Authorized person" is defined as a person, other than the treasurer, who is authorized to obtain the bank records of the committee from the financial institution where the campaign bank account is maintained.
- 3) Requires the SOS to redact a bank account number or the name of an authorized person on a statement of organization filed with the SOS before making the statement available to the public in any form.
- 4) Makes specified legislative findings and declarations.

## COMMENTS

### 1. Stated need for the bill

The author writes:

SB 1027 provides added protections to candidates and elected officials when filing their Statement of Organization (Form 410) with the Secretary of State (SOS). This minor change in statute will mitigate the rising threat of identity theft that has become commonplace in the finance and banking industries. This bill will permit a candidate or elected official to omit the bank account numbers from the Form 410 when filing copies of these statements with local elections officials. SB 1027 will also require SOS to redact the bank account numbers from hard copies of their Statement of Organization when they are requested by the public. Election officials are currently not required to redact the bank account numbers from the hard copies of the Form 410 provided to the public. This has led to candidates and elected officials becoming easy targets for those who perpetuate identity theft schemes. Further, this bill will require the names of authorized users to be redacted from the Form 410, once the Cal-Access Replacement System (CARS) is updated and certified by the SOS. From someone who has had their committee accounts hacked multiple times as a candidate and an elected official, this legislation is needed to protect my colleagues from being victimized in the same way that I have.

### 2. The PRA, public right of access under the CPRA, and privacy

#### *a. Prior related bills*

This bill is a reintroduction of provisions that were in SB 888 (Committee on Elections and Constitutional Amendments, 2023), which passed this Committee on a vote of 11 to 0 but ultimately failed to pass the Senate Appropriations Committee. SB 423 (Umberg, Ch. 31, Stats. 2020), in an early version of the bill, among other provisions, also would have ensured that bank account numbers on a committee's statement of organization form (Form 410) are kept confidential; however, this bill was later amended to reflect a different elections issue.

#### *b. Concerns regarding the disclosure of sensitive financial information on Form 410*

At the FPPC's October 2023 meeting, they received several public comments asking them to delay the implementation of amendments to § 18410 of the regulations of the FPPC, which would require information contained on a Form 410 to include the name of those authorized to obtain bank records in addition to other bank account information, until the Legislature passes legislation to protect sensitive financial

information required to be disclosed on Form 410.<sup>2</sup> Once such public comment was from the California Political Attorneys Association (CPAA), which is one of the sponsors of this bill. The CPAA had concerns that providing both the bank account numbers and signer information on a single form without appropriate privacy safeguards creates a significant risk for fraud.<sup>3</sup> The CPAA wrote in their comment to the FPPC:

As noted by the Association for Financial Professional's (AFP) 2023 Payments Fraud and Control Survey Report, 65 percent of organizations were victims of payments fraud attacks or attempts in 2022. Instances of fraud via ACH credits and virtual cards increased by 6 percentage points each from prior years. For a nefarious actor to commit ACH fraud, they need a bank account and a routing number. Any additional information the potential fraudster can obtain, such as authorized signer information, only helps to make commission of the fraud easier. Committees are already required to provide bank account numbers on the Form 410 without appropriate protections in the law to require redaction. Routing numbers for all banks can be found online via a quick Google search. Adding additional, valuable information to the 410 before safeguards are put in place further jeopardizes the safety of funds located in campaign bank accounts.

The author of this bill states above that their own committee accounts have been victimized multiple times as both a candidate for office and as an elected official.

*c. Public right of access under the CPRA and privacy*

California generally recognizes that public access to information concerning the conduct of the people's business is a fundamental and necessary right. At the same time, the state recognizes that this right must be balanced against the right to privacy. The general right of access to public records may, therefore, be limited where records include personal information or information of a sensitive nature. Under existing law, when a committee files a Form 410, one of the required fields is a bank account number. The original Form 410 is submitted to the SOS and a copy is submitted to a local filing officer. When making these forms available online for the public, the SOS redacts the bank account; however, this information on the hard copy of Form 410 is not redacted and may be disclosed to the public. The bill will provide that the bank account number and the name of an authorized person may be redacted on the hard copy of the form filed with the SOS and that if it is included on the form it is not to be disclosed to the public. The bill states that the above limitations on the access to public records is

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<sup>2</sup> See Oct. 19, 2023 Agenda, Fair Pol. Pract. Comm., agenda item 5 available at <https://fppc.ca.gov/about-fppc/hearings-meetings-workshops/current-agenda/past-agendas/2023-agendas/october-2023-agenda.html>.

<sup>3</sup> See Comment Letter – CPAA on the FPPC's website for their Oct. 19, 2023 meeting available at <https://fppc.ca.gov/about-fppc/hearings-meetings-workshops/current-agenda/past-agendas/2023-agendas/october-2023-agenda.html>.

needed in order to protect filers' privacy and to prevent financial fraud. In light of the bill's findings on the need for limiting access, this limitation to the CPRA seems warranted.

### 3. Statements in support

The FPPC, one of the sponsors of the bill, writes in support stating:

Existing law under the Political Reform Act of 1974 requires candidates to establish a single campaign bank account for all campaign contributions and expenditures, and imposes additional requirements on management of committee funds, accounting, recordkeeping, and disclosure that apply to all campaign committees. As part of the disclosure requirements, campaign committees must file a Statement of Organization with the Secretary of State, and a copy of the statement with the local filing officer. Pursuant to FPPC regulation, this statement includes the committee bank account number and, as of January 1, 2024, the names of persons authorized to obtain bank account records.

Campaign committees and committee and bank representatives have expressed strong concern over increased fraud risk due to public disclosure of campaign committees' bank account information on the committees' Statements of Organization. In public comment letters submitted to the FPPC, bank representatives stated that the risk of fraud attacks on campaign committee bank accounts and other types of accounts is at an all time high.

To address this concern, SB 1027 would require the Secretary of State to redact the committee bank account number and the names of persons authorized to obtain bank account records from copies of Statements of Organization provided to the public. The bill would also permit committees to omit this information from copies of the statement filed with the local filing officer.

### SUPPORT

California Fair Political Practices Committee (sponsor)  
California Political Attorneys Association (sponsor)  
California Federation of Teachers

### OPPOSITION

None received

**RELATED LEGISLATION**

Pending Legislation: None known.

Prior Legislation:

SB 888 (Committee on Elections and Constitutional Amendments, 2023) contained various changes to the PRA, including authorizing a committee to redact a bank account number included on the copy of the statement of organization filed with the local filing officer and requiring the SOS to redact the bank account number on a statement of organization filed with the SOS before making the statement available to the public in any form. SB 888 was held in the Senate Appropriations Committee.

SB 423 (Umberg, Ch. 31, Stats. 2020), in an early version of this bill, among other provisions, would have ensured that bank account numbers on a committee's Statement of Organization form are kept confidential. This bill was later amended to reflect a different elections issue.

**PRIOR VOTES**

Senate Elections and Constitutional Amendments Committee (7 Ayes, 0 Noes)

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