



**Government Operations Agency**

# Improving Campaign Finance Disclosure

A Report to the Governor

January 16, 2015

As directed by Governor Brown's October 8, 2013, veto message of Senate Bill 3 (Yee, 2013), the Government Operations Agency has consulted the Fair Political Practices Commission (FPPC) and the staff of the Office of the Secretary of State, as well as others with an informed interest in improving California campaign disclosure, to examine California's campaign finance system and to recommend changes in the campaign finance reporting process to improve transparency, efficiency and accountability.

Senate Bill 3 would have required the FPPC to provide additional online training for all campaign committee treasurers beyond its existing free training. It also would have declared the Legislature's intent that the Secretary of State should create a statewide electronic filing system for campaign and lobbyist contributions and expenditures that could be retrieved through an online system that was searchable and easy to use. Governor Brown's veto addressed the cost of creating additional mandatory training, given that the FPPC already provides extensive training.

Governor Brown's veto message also made plain the need to modernize an outdated and cumbersome disclosure system. This highlights the need for California to build a new, more transparent, data-driven public forum for campaign disclosure. In doing so, California can address the shortcomings of the Secretary of State's Cal-Access campaign finance reporting system in tandem with efforts by the FPPC to improve electronic filing of Form 700 Statement of Economic Interests. For maximum benefit to the public, these efforts should be closely coordinated.

In 2013, California made some progress toward improving disclosure. Assembly Bill 409 (Quirk-Silva, Chapter 643, Statutes of 2013) authorized the FPPC to create a statewide electronic filing system for the Form 700. Currently, the financial disclosure statements required of elected and other public officials are not collected in a single place. In many instances, the statements exist only in paper form in city, county, special district and state offices.

Also during 2013, Secretary of State Debra Bowen made the state's Cal-Access campaign finance raw data file available for free download. Previously the information had been available only in CD-ROM form for a \$5 fee.

With this background, the comments below represent options for improving on existing systems and establishing a new level of openness in California.

### **Option 1: Amend the Political Reform Act**

The Political Reform Act has been revised considerably since voters adopted the initiative in 1974. These revisions have added to the Act's complexity. Recommendations to improve and update the Act have been produced through three extensive reviews: The 2011 FPPC

Advisory Task Force on the Political Reform Act; Secretary of State Bruce McPherson's 2005-2006 Task Force on Online Disclosure of Campaign Finance Statements; and in 2000, a report produced as a result of legislation by then-Senator McPherson, the Bipartisan Commission on the Political Reform Act of 1974.

All three reports emphasize the need to modernize and simplify reporting requirements. Task force recommendations include shifting to a system of electronic filing and online disclosure. In the context of creating a data-driven public forum for campaign disclosure, the most productive areas for amending the Act are those that would improve the quality and clarity of the information submitted, and ease the retrieval and analysis of that information by people who want to use it.

Examples of how the Political Reform Act could be simplified include:

- Require all state committees to file electronically and eliminate the requirement for paper filing.
- Institute a filing schedule for all political committees with standardized calendars for all campaigns.
- Eliminate unnecessary or redundant filing, especially where overlapping filing calendars require submitting the same information during the same period on different forms, or where identical information is filed in more than one location.
- Move from a form-driven process to data-driven reporting, where the data can be easily captured and analyzed across jurisdictions and time periods.

## **Option 2: Replace Cal-Access**

Cal-Access, the state's main system for filing and reporting campaign and lobbying contributions and expenditures, is vulnerable to failure and is not user-friendly. An amalgam of applications developed in 13 different programming languages over the past 15 years, Cal-Access currently runs on a server cluster that relies on a total of 90 disk drives. Failure of a disk array controller shut down the system in November 2011 for more than three weeks, leaving the public unable to access records on campaign spending. Secretary of State Bowen described the system as fragile and its complex and antiquated structure prevents updating or adding features to the system.

The Office of the Secretary of State has solicited information from vendors and non-partisan voter advocacy groups as it develops its plan to replace Cal-Access. The office is coordinating with the Department of Technology as it prepares proposal documents for a

new system that it estimates can be operational by 2020. The Secretary of State estimates the cost of the new system at \$13.5 million.

The Secretary of State's proposed new system would allow direct filing of campaign committee and lobbying reports, as well as the uploading of reports compiled by third parties engaged by committees or lobbying firms. The Secretary of State's proposal calls for an interview-based interface that would guide new filers through the process and reduce errors. More experienced filers could bypass this interface and upload their data directly into the system through established accounts. The system would have a website for public use, where users could research and download campaign and lobbying disclosure information.

The lengthy timeline for replacing Cal-Access reflects the limited resources of the Office of the Secretary of State and that the office already has two important technology projects underway. The office hopes to launch an updated VoteCAL, a statewide voter registration database by 2016, after cancelling a previous contract for the project in 2010. Also set for a 2016 release is California Business Connect, a consolidated automated system for business filings, fee collections and other related services.

### **Option 3: Create a Cal-Campaign Data Portal Using Currently Required Data**

Cal-Access is confusing and difficult to navigate. The system's complicated user interface is hard for non-experts to understand and the way the data are organized makes it difficult to view summaries of information. The data set, however, is posted on the Secretary of State's website and can be downloaded for further analysis and loaded into customized spreadsheets.

The state could create a portal to provide greater public access to the existing Cal-Access database while the Secretary of State's office works toward replacing the Cal-Access system. This would be a data retrieval portal; campaign committees and lobbyists would continue to submit their reports through the old system until it is replaced. The portal could be located on the state's existing data.ca.gov site, on the FPPC webpage or the Secretary of State's website.

Creating the portal would require the state to develop software to extract and organize the Cal-Access data, either on its own or through a vendor with experience with similar projects. Already, a nonprofit research organization has created a free online software application which allows the public to search the Cal-Access data set and to download the data into a spreadsheet. The state could require the outward facing application software to be written in open source code to allow public participation in adding refinements and features or create new applications based on the data. The state's experience with this

portal could provide insight and generate feedback that would be invaluable for the design and creation of a multi-function statewide campaign disclosure portal.

#### **Option 4: Expand Electronic Filing of Form 700 Statements of Economic Interest**

The FPPC is the designated filing officer for about 25,000 Statements of Economic Interest from state and local elected officials and many, but not all, state officers and appointees. This is a small segment of the 500,000 forms that the FPPC estimates are filed with state and local public agencies and certified private filers.

Beginning in 2010, the FPPC began posting scanned versions of Form 700s from elected officials. The reports can be searched by individual name, but the information in the forms has not been organized into a larger data base, preventing more complex searches.

With the enactment of Assembly Bill 409, FPPC staff began analyzing how to develop a system that would enable state and local elected officials to file their reports online and feature a portal on the FPPC website that would allow the public and the media to search the database and analyze the information more comprehensively. The FPPC's proposal is now in the project review phase with the Department of Technology. The FPPC estimates the system cost at \$3.3 million over four fiscal years.

Transparency advocates envision a system that would include Form 700 reports from local governments and the FPPC's system could be built to accommodate this goal to the greatest extent possible. AB 409 gives the FPPC the authority to act as filing officer for other agencies, which provides an opportunity to create a state-level system that could accept Form 700 reports from local officials and others, and create tools to display the reports' data online. Local governments could then create links from their webpages to this database. This would create the opportunity to build a comprehensive, statewide database of public officials' financial interest statements.

After a successful 2008 pilot project, Assembly Bill 2062 (Davis, Chapter 500, Statutes of 2012) authorized all state and local agencies to develop an electronic Form 700 filing program. Currently, 79 agencies, including five state agencies and 24 of California's 58 counties, have done so. Adoption of the electronic forms has allowed agencies to redirect resources and achieve savings. As an interim step, the FPPC's online portal could feature links to local governments' Form 700 databases to facilitate broader access.

#### **Option 5: Continue Positive Communication and Coordination Between the Secretary of State and the Fair Political Practices Commission.**

The FPPC and the Secretary of State's staff have been exchanging information and discussing shared goals as they proceed on their separate tracks for developing new systems. This discussion should be encouraged given the importance of creating

compatible systems that could facilitate searches across their databases on a statewide portal. The state should consider the costs and benefits of building in system compatibility, such as standard naming conventions, compatible meta data standards, improved use of identifiers, and coordinating on data fields.

The discussions also should include the Department of Technology, particularly to make sure the architectures of the two systems are compatible. The process also will benefit from the Department of Technology's review process, or State Technology Approval Reform process, which ensures that issues at one stage are addressed and resolved before a project moves to the next stage.

In comments following Governor Brown's veto of SB 3, campaign treasurers emphasized that "smart form" design features are essential, such as automatic filling of blanks for repeatedly entered information, and coding that prevents a user from making non-responsive entries in designated fields.

On the output side, experienced political professionals and transparency advocates alike encouraged soliciting the ideas and assessments of a broad range of people likely to use each system as they are developed and testing the user interface extensively before the new systems are launched. Given the increasing use of mobile devices, each system should feature mobile applications for their website that provide broad functionality for mobile users.

#### **Option 6: Build a Statewide Portal for Campaign Finance and Related Reports**

Transparency advocates, in discussing next steps following the veto, said that the state's most pressing need is not more data or more rigorous disclosure laws, but better access to the considerable amount of information that is currently filed by candidates, lobbyists, elected officials, and state officials.

Although campaign finance disclosure reports are housed in the Secretary of State's Cal-Access system, the FPPC is responsible for campaign disclosure enforcement and also collects Form 700 reports for state elected and state officials and appointees.

From a governance perspective, it is unclear whether this system of split responsibilities is the most efficient. Consolidation of these functions in a single entity, however, would face significant hurdles, including concerns about impinging on the constitutional status of the Secretary of State and the independence of both the Secretary of State and the FPPC. A comprehensive review would be beneficial before further discussions about consolidating or reorganizing current responsibilities.

If the current structure is maintained, the state should consider building a statewide portal that would include such information as:

- State campaign finance reporting information
- State lobbying data
- Local campaign finance data
- Form 700 Statements of Economic Interests.

This option could capture much of the benefits of consolidating information virtually, without the complications involved in a formal shift of responsibilities. Depending on how it is designed, the portal could be a front-end system that could present data from different state entities, such as the Secretary of State and the FPPC, as well from local governments. Ideally, this portal would rely on a new, fully functional online Cal-Access system and a fully electronic FPPC Form 700 system and the use of major donor and campaign committee identifier codes consistent across both systems. The state could start work in this direction with Option 3, as the “ideal” state necessarily requires development of two separate systems, which will take years.

Early and ongoing public outreach is essential. Designing the portal’s user interface will require input from campaign and transparency experts as well as members of the public interested in the political system. The interface should be tested with a range of potential users well ahead of any official launch to ensure that it both is easy to use and truly useful. The portal should provide easy-to-follow navigational tools and clearly written descriptions and directories of the data sets available.

Other states provide examples of different paths California could consider. Colorado’s system mandates that all local candidates file electronically to the state’s online system, saving time and money for county clerks. The system contains campaign finance data for all state and local candidates. Illinois allows searching of both campaign finance data and state contracting data, while Michigan’s system offers mobile access and includes judicial candidates and officers.

**Conclusion:**

In reviewing the current CalAccess, it is clear that a new statewide electronic filing system is needed. Before a system can be successfully completed, additional review will be required. Cost considerations as well compatibility with the FPPC Form 700 system should be taken into account. In the interim, exploring ways to make the raw data in CalAccess easier to download, organize and analyze would increase accessibility and transparency.