



Politics, Power, and Presents: A Report on Gifts Given to California's State Legislature

A CALIFORNIA COMMON CAUSE STUDY

December 2014

ABOUT COMMON CAUSE

With a 40-year track record, chapters in 35 states, and nearly 400,000 supporters and activists across the country, Common Cause is one of the nation's most effective grassroots advocacy organizations dedicated to reforming government and strengthening democracy in America.

As founder John Gardner put it, "Common Cause is about making political decision-makers accountable to their constituents." In that vein, the issue of ethics in government has been paramount. In states across the country, Common Cause has played a lead role in putting ethics reform issues in the spotlight, leading the fight to pass the federal Honest Leadership and Open Government Act and led the charge to create the Office of Congressional Ethics.

AUTHOR

Sarah Swanbeck

RESEARCH & EDITING

Hinnaneh Qazi

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
METHODOLOGY	5
THE STATE OF POLITICAL ETHICS	6
WHAT GIFTS WERE GIVEN	7
That's The Ticket	7
No Such Thing As A Free Lunch?	8
INTERESTING GIFTS FROM 2013	9
LOOKING AT LEADERSHIP.....	9
POLITICAL JET SETTERS.....	10
CAMPAIGN ACCOUNTS & POLITICAL INFLUENCE.....	11
CONCLUSION	12
California Has Weak Gift Laws	12
Gift Limits	12
Lobbyist Loopholes	13
Travel Issues.....	13
POLICY RECOMMENDATIONS.....	13
Eliminate Gifts To State Elected Officials	13
Restrict Certain Types Of Travel Payments.....	13
Tighten The Regulations For How Campaign Funds May Be Used	14

EXECUTIVE SUMMARY

This report examines gifts provided and travel-related payments made to state legislators from special interest groups and includes ethics reform recommendations to prohibit or limit many of these activities.

The following analysis draws attention to the widespread practice of politicians accepting expensive and highly influential gifts from interest groups who have business before elected officials. Additionally, this report highlights the use of campaign funds to pay for lavish activities voters would not directly attribute as a campaign expense. In 2013, state elected officials received approximately \$580,000 in travel payments and an additional \$265,000 in gifts including \$65,500 for tickets to entertainment and sporting events and over \$100,000 for meals and receptions. Many of these activities exploit loopholes in state law and regulations that allow payments to exceed gift limits, lobbyists to work around long standing prohibitions, and officials to personally benefit from generous interest groups.

This report concludes with several comprehensive recommendations to the Legislature and the Fair Political Practices Commission that would help restore public trust in California's government.

Common Cause recommends stronger ethics laws and rules that would:

-  Eliminate gifts to state elected officials;
-  Adopt new restrictions on certain types of travel payments;
-  Improve transparency on privately-funded travel payments;
-  Tighten the regulations for how campaign funds may be used.

METHODOLOGY

The data for this report was pulled from publicly available documents, specifically Form 700, Statement of Economic Interests (SEI), downloaded from the Fair Political Practices Commission's website. All elected officials and many public employees are required to file an SEI at the beginning of each new calendar year. The Statement of Economic Interests describes, among other things, income, investments, real property, and gifts associated with the official for the previous calendar year. Under California law, only gifts received that exceed \$50 need to be reported on SEIs. Public officials are required to report the source of the gift, a description, and a fair market value of the item. This report includes gift disclosures of state legislators who were elected in 2013. SEIs are not filed electronically or in machine-readable formats. In order to do a full data analysis, California Common Cause manually inputted data into machine readable formats.

THE STATE OF POLITICAL ETHICS

The Political Reform Act (Act) of 1974 is the heart of California's campaign finance system and political ethics laws. The Act created the Fair Political Practices Commission (FPPC) and was a huge step forward for the state in ethics and campaign finance reform. Since its adoption, the Act has been amended dozens of times through statute and ballot measures. On top of that, the FPPC has adopted hundreds of regulations, opinions, and advice letters to close unforeseen loopholes, help give further guidance on the law, and to adapt to the changing political landscape, which has shifted considerably with the deregulation of federal campaign finance regulations by several Supreme Court decisions. As the campaign finance landscape has shifted, the regulated community, including interest groups, elected officials, political parties, and lobbying entities, has developed new workarounds to existing laws to take advantage of loopholes.

Unfortunately, California's political ethics laws have failed to keep pace. While California voters overwhelmingly support strengthening political ethics laws, the political establishment has proven resistant.

In the last year, California has seen two state senators indicted on public corruption charges. Senator Ronald Calderon was indicted last February on charges that he accepted bribes (including trips on privately chartered planes, expensive meals, and rounds of golf) in exchange for supporting legislation that would prevent or delay changes to the state's workers' compensation laws. Soon after, Senator Leland Yee was indicted on charges of corruption and gun running. In a case that could certainly be considered a low point in California state politics, Senator Yee is purported to have accepted campaign

donations and cash in exchange for official acts as Senator. In the wake of these ethics scandals, leaders in Sacramento need to step up and reevaluate the effectiveness of our current ethics laws.

In 2014 the Legislature did manage to pass three bills that targeted ethics violations outlined in last year's California Common Cause report, *Gifts Influence and Power: A Report on Gifts Given to California's Elected Officials*. Specifically, the Legislature passed Senate Bill 831 (Hill) which sought to increase restrictions on behested payments and tighten the travel gifts loophole; Senate Bill 1443 (de Leon) which would have lowered the allowable gift limit and placed restrictions on certain types of gifts; and Assembly Bill 2692 (Fong) which would have restricted the personal use of campaign funds. Yet by the time these bills made it through the legislative process and onto the Governor's desk, many elements had been watered down. Ultimately it did not matter either way - the Governor vetoed all three bills.

When the Governor vetoed almost every ethics bill at the end of the last legislative session, he sent a clear message about his stance on political reform. In his veto message for SB 1443, Governor Brown commented that the bill would add "further complexity to the law without commensurate benefit." While crafting meaningful reform that is effective in curbing unethical behavior is certainly challenging, this "do nothing" approach to reform is not working. If anything, this report highlights the growing practice of gift giving among politicians and special interests, which strongly suggests that "[p]roper disclosure, as already provided

by law"¹ is in fact not sufficient to guard against undue influence.

Recent ethics violations, as well as ever more apparent loopholes in the state's gift giving rules, highlight an underlying, more troublesome problem of the system in which we currently operate – the political landscape is overrun by money from special interests that is difficult to track and even more difficult to regulate. While recent legislative proposals have taken a narrow approach to resolving the symptoms of the money in politics "disease," California has yet to see political leadership step up to address the root cause of the problem and restore public trust in government.

WHAT GIFTS WERE GIVEN

Gift disclosures included over 2,700 gifts, a total value of approximately \$844,000 (including \$580,000 worth of travel payments and \$265,000 worth of other gifts). That is equivalent to a 290 percent increase in gifts from 2012, when they reported \$216,000. Public disclosures ranged from a \$1.50 bottle of Coke reported by Assembly Member Wesley Chesbro from Coca-Cola Company to a \$15,782 trip to Armenia reported by Assembly Member Scott Wilk.



Assembly Member Scott Wilk reported a trip to Armenia valued at over \$15,000.

¹ SB 1443 veto message from Governor Brown, September 30, 2014.

That's The Ticket

Interest groups, non-profits, and higher education entities were the most common giver of entertainment and sports tickets. Tickets valued as much as \$220 to the Del Mar Thoroughbred Club and as little as \$10 to a Sacramento Kings Rally. In total, over \$65,500 in tickets were given to elected officials. That's an increase of over 100 percent from 2012 when officials received \$32,000 in tickets.

Several universities gave free tickets to college football and basketball games, valued at over \$4,600. These universities included both public institutions like The University of California Berkeley and University of California Los Angeles, as well as private counterparts such as Stanford and the University of Southern California. Other educational entities such as San Diego-based Bridgepoint Education gave over \$1,700 worth of Lakers basketball tickets and concert tickets to four legislators representing southern California districts.

At the top of the list of gift-givers opening their wallets to provide free tickets to sporting events, concerts, and other events, were several special interest groups. These are all groups that typically have business before the Legislature and spend heavily to lobby the Legislature. Both AT&T and Sprint spent in excess of \$500 on tickets to sporting events like Sacramento Kings basketball games.

Another company which also spent heavily on tickets for legislators was The Walt Disney Company, which gave well in excess of \$2,000 on theme park admissions tickets, free film screenings, and receptions. Assembly Members Allen Travis, Ian Calderon, Jeff Gorell, Curt Hagman, Donald Wagner, and Scott Wilk were each beneficiaries of this generosity along with Senators Lou Correa, Jim Nielsen, and Alex

Padilla. Gifts ranged from a \$46 movie screening provided to Assembly Member Donald Wagner up to \$420 worth of amusement park tickets reported by Assembly Member Jeff Gorrell.

Another popular gift among legislators was free admission to attend the Ultimate Fighting Championship, provided by Zuffa, LLC, an American sports promotion company. Tickets to the event were gifted to Assembly Members Allen Travis, Rob Bonta, Isadore Hal, and Scott Wilk as well as Senators Ron Calderon, Lou Correa, and Leland Yee.

While tickets to sporting events and concerts were the most common tickets reported by state lawmakers, some officials reported particularly unique events. Assembly Member Rob Bonta received four tickets to a Drake concert valued at \$440. Assembly Member Beth Gaines received a free ticket to the Folsom Rodeo worth \$110. And Assembly Member Christina Garcia reported pageant tickets to the Official Miss Lebanon Immigrants West Coast USA Pageant, a gift with a value of \$325.

No Such Thing As A Free Lunch?

By far, the most common gift provided to legislators in 2013 were meals. These gifts took the form of attendance at receptions, caucus and party events, hospitality at various conferences, as well as policy lunches. State elected officials reported about \$108,000 in total of free food and beverages (this was on par with 2012's total of \$112,000 in food and drink).

As in the previous year, in 2013 the most popular meal reported by state elected officials was dinner. In total, over \$52,000 in free dinners were reported. Officials enjoyed meals at high-end restaurants, many of whom also brought along spouses, other guests, and staff.



Speaker John A. Perez used over \$4,000 from his 2012 campaign committee to buy dinners for members of the Democratic caucus.

By far, the largest contributor of free dinners was the California Democratic Party, which shelled out close to \$10,000 in free dinners to members of the state party (that's about 17 percent of all free dinners given to state elected officials in 2013). Close behind was then Speaker John A. Perez, who doled out \$4,200 from his 2012 campaign committee in free dinners to fellow Democrats, including about \$300 to current Speaker Toni Atkins.

Lunch was also a popular meal among Capitol politicians. Special interest groups picked up the tab for a range of meals, including a \$144 lunch reported by Senator Fran Pavley and paid for by the Ford Motor Company.

Also leading the pack in footing the bill for state electeds' free meals were the Western State's Petroleum Association, the California Poultry Foundation, the California Protocol Association, a non-profit primarily funded by agribusiness interests and banking groups, and the California Correctional Peace Officers Association. Each of these entities has business before the state Legislature and the volume of free meals should shed some light on the influence of these groups in the State Capitol.

INTERESTING GIFTS FROM 2013

While the most common gifts, as already discussed, were meals and tickets to various events, many state legislators reported gifts that were of a personal or unique nature. A non-comprehensive list of some of these gifts is below:

- The Sacramento Kings gave Senator Ted Gaines \$337 worth of Sacramento Kings paraphernalia.
- The National Sorority of Phi Delta Kappa Inc. of San Diego gifted Assembly Member Shirley Weber a \$250 purse.
- A framed print valued at \$230 given to Assembly Member Chris Holden from the NAACP.
- Nail polish valued at \$216 given to Senator Leland Yee by the Personal Care Products Association.
- The California Foundation on Education and the Environment gifted Senator Anthony Canella \$160 worth of golf fees and clubs.
- Senator Holly Mitchell received \$130 in spa services from the California Legislative Black Caucus Policy Institute.
- A gift of \$115 in seafood given from the Monterey Bay Aquarium Foundation to Assembly Member Reggie Jones-Sawyer.
- Speaker John A. Perez received an engraved pocket watch valued at \$93 from Kathy Kneer, President and CEO of Planned Parenthood.

- A gift of \$84 for a Segway rental in Los Angeles given to Assembly Member Richard Bloom from Segway Los Angeles.
- San Diego Gas and Electric gave Senator Mark Wyland an “energy efficiency kit” worth \$66.

LOOKING AT LEADERSHIP

Members of the State Legislature in leadership positions can exert significant influence over the direction of policy in the Capitol. Special interests looking to influence the decisions of lawmakers in Sacramento know to focus their gift giving on leadership and the numbers often reflect this special treatment.

Looking at financial statements filed by leadership from 2013, it is clear that there are differences in the approach to gifts across majority and minority leaders. For the second year in a row, Speaker John A. Perez led the pack in both the total number of gifts received as well as the total value of gifts received. The Speaker accepted gifts in excess of \$7,400, significantly more than his three other leadership counterparts (Figure 1).

Likewise, the Speaker stood out from his colleagues in the use of his accumulated campaign funds. While Senate Minority Leader Bob Huff did not make any gifts from unused campaign funds, Assembly Minority Leader Connie Conway spent minimally (\$410) and Senate President Pro Tem Steinberg spent somewhat modestly (\$1,258). On the other hand, Speaker Perez spent in excess of \$8,800 on gifts for his colleagues, primarily for personalized jackets, meals, and bottles of wine.

Figure 1: Leadership's Approach To Gifts*

	Steinberg	Perez	Huff	Conway
Total Number of Gifts	21	84	28	23
Total Value of Gifts	\$4,444	\$7,468	\$1,884	\$1,759
Unique Gift	Talking stick (\$117)	Swarovski ducks (\$173)	Engraved chair (\$80)	Decorative plate (\$90)
Most Received Gift	Meals	Meals	Dinners	Meals
Spent from Campaign Funds	\$1,258	\$8,857	\$0	\$410
Major Purchase with Campaign Funds	Dinner	Personalized jackets	N/A	Tickets to Roast

*Not including travel grants and reimbursements

POLITICAL JET SETTERS

While most gifts given in 2013 were subject to the state's \$440 gift limit (raised to \$440 from \$420 in 2013), some of the largest gifts given fall into a long-standing travel loophole. Under current state law, interest groups are able to take advantage of this loophole which allows them to pay for three days of lodging and food if the official is speaking at a non-profit conference.

It has become common practice for public officials to receive reimbursements or advances for lodging and meals at conferences sponsored by non-profits. If these conferences were actually paid for by 501(c)3 charities providing public services and philanthropy, that would be one thing. In actuality, often special interests set up shell non-profits in order to be able to make these travel payments uninhibited. The practice has been harshly criticized by ethics watchdogs, the press, and voters, but that has not stopped public officials from taking advantage of the loophole in order to take trips. In 2013 alone, state legislators received \$580,000 worth of travel payments and reimbursements - a whopping 70 percent of total gifts given.

The special interests fund non-profits that then go on to sponsor conferences, overseas trips, and junkets where lobbyists get

exclusive access to policymakers without being bound by gift limits. In addition, these shell non-profits are not subject to any public disclosure. This exploitative activity is well documented by major media outlets and from financial disclosures of special interest groups.

This report supports media accounts of this abuse. In fact, the single largest reported gift in 2013 was from Assembly Member Scott Wilk who disclosed a two-week \$15,800 study trip to Armenia for airfare, hotels, meals, and several gifts including a watch. The trip to Armenia was paid for by the Consulate General of Armenia and three other members of the state legislature also took advantage of this same trip.

Another non-profit that historically foots the bill for numerous trips is the California Foundation on the Environment and the Economy (CFEE). The organization's board members include lobbyists from the state's biggest special interests who regularly have business before the Legislature. CFEE describes its trips as "projects for state and local elected and appointed officials, labor and environmental leaders, as well as representatives from the private sector." It does not currently disclose its donors. In 2013, CFEE spent \$162,000 on trips for lawmakers, including an educational trip to Scandinavia for several officials.

Figure 2: 2013 Top Gift Givers

Rank	Contributor Name	Value of Gifts Provided
1	California Foundation on the Environment & Economy	\$161,893
2	Independent Voter Project	\$38,080
3	Consulate General of the Republic of Armenia	\$25,173
4	State Legislative Leaders Foundation	\$24,027
5	Pacific Policy Research Foundation	\$22,015
6	Taipei Economic and Cultural Office	\$32,533
7	California Issues Forum	\$18,902
8	The Jewish Federation of Greater Los Angeles	\$17,989
9	American Israel Foundation	\$12,737
10	California Democratic Party	\$10,556

Likewise, the Independent Voter Project continued its tradition of hosting an annual junket on the island of Maui for a week-long conference between legislators and special interest lobbyists (the group spent over \$38,000 in 2013). The conference is regularly funded by interest groups like Altria, Chevron, and the California Prison Guards Union. The trip to Maui has received increased attention over the last few years from watchdogs and the media. As a result, many legislators have turned to paying for the trip with campaign funds thus avoiding the public gift disclosure. Several state officials, however, did disclose attending the conference: Senators Tom Berryhill, Martin Block, Steve Knight, Norma Torres, and Rod Wright, and Assembly Members Frank Bigelow, Nora Campos, Jeff Gorrell, Curt Hagman, Roger Hernandez, Reggie Jones-Sawyer, Kristin Olsen, V. Manuel Perez, and Donald Wagner.

CAMPAIGN ACCOUNTS & POLITICAL INFLUENCE

California's current restrictions on the use of campaign funds do not prevent abuse. Campaign funds often become slush funds that can be transferred to future campaign committees, given to political parties to help out critical races, and in the case of some legislators, used buy lavish gifts for themselves, colleagues, and staff. For instance, Assembly Member Henry Perea's campaign committee paid for a dinner for Assembly Member Brian Maienschein worth \$75. Assembly Member Connie Conway spent \$410 from her 2018 Senate campaign funds to pay for tickets to a roast and a prayer breakfast for seven Assembly colleagues. Finally, Assembly Member Toni Atkins spent over \$200 from her campaign committee on meals and gifts (plants, cigars) for fellow Assembly Members.

At times, campaigns use substantial campaign funds for large group purchases. For instance, Senate Pro Tempore Darrell Steinberg used over \$1,000 of his 2010

campaign funds on a dinner for Senate colleagues. For the second year in a row, the largest case of using campaign funds for gifts comes from Speaker John A. Perez. Perez spent primarily on gifts for nearly every Assembly member including a \$45 bottle of wine and a \$75 personalized jacket.

Figure 3: 2013 Top Recipients Of Gifts

Recipient	Value
Assembly Member John A. Perez	\$37,823
Senator Ricardo Lara	\$32,492
Senator Anthony Cannella	\$26,644
Assembly Member Steve Bradford	\$25,408
Assembly Member Allen Travis	\$23,118
Senator Kevin De Leon	\$22,910
Assembly Member Scott Wilk	\$21,780
Assembly Member Connie Conway	\$20,675
Assembly Member Christina Garcia	\$20,600
Assembly Member Kristin Olsen	\$17,603

Current law and regulations permit candidates to spend campaign funds on items related to "campaign, legislative, or political" business. Under normal circumstances, these expenditure categories would be sufficient; yet California does not define campaign, legislative, or political-related expenditures. This lack of clear direction around the use of campaign funds has resulted in politicians leveraging surplus funds to buy time and access to other lawmakers and to gain favor with state parties. Expenditures that would normally not pass as campaign, legislative, or politically-related, are allowed all in the name of "professional development" or "furthering legislative relationships."

Californians in 2013 saw campaign funds pay for ties, cigars, bottles of wine, flatware, flower bouquets, customized apparel, and overseas junkets.

Federal rules regarding the use of campaign funds provide an interesting contrast to the California situation. Candidates for federal office may only spend campaign funds on bona fide campaign or political related expenses. Respective congressional ethics committees and the Federal Election Commission direct candidates to spend funds on "legitimate and verifiable campaign expenditures."

CONCLUSION

California Has Weak Gift Laws

Compared to other states around the nation and federal gift restrictions, California's laws are weak. California has a \$440 gift limit that is raised automatically every two years, numerous exemptions from the gift rule, incredibly ineffective and loose travel restrictions, few limits on lobbying entities, and once a year disclosure. These rules open the door for special interests to influence public decisions, wine and dine public officials, and sponsor all-expenses paid "educational" conferences around the world. California's rules not only apply to elected officials but to all state employees and appointed officials. Agency employees who may be reviewing complaints and bids or regulating an industry are allowed to accept influential gifts from persons seeking action or business from the government.

Gift Limits

California's gift limit was first established in 1990 and was originally set at \$250. State law requires the limit be indexed for inflation every two years. At the beginning of 2013, the Fair Political Practices Commission raised the limit to \$440. Compared to many other states and the federal government, California's gift limit is excessive. Northernly neighbors Washington and Oregon have set gift limits at \$50 per year; neighbors to the east, Nevada and Colorado have limits of \$100.

According to the United States Office of Governmental Ethics, who sets ethics policy for 2.7 million federal employees, the gift limit is \$50 in aggregate per year and no single gift can be more than \$20. Federal employees are also prohibited from receiving gifts from any person seeking action, doing business or seeking to do business or are regulated by the employee's agency. Congressional rules limit congress members, senators, and Capitol Hill employees to \$100 in aggregate annually with no gift valued over \$50.

Lobbyist Loopholes

While individual lobbyists in California are no longer allowed to give gifts to state officials, lobbying clients are still able to give up to the \$440 limit set for individuals. This gaping loophole makes the individual lobbyist prohibition a meaningless law. Interest groups are the ones looking to curry favor with policy makers, even more so than their contract lobbyist. The U.S. House of Representatives understand this fact - they have banned lobbyists, lobbyist employers, and firms from providing gifts of any value to members and employees.

Travel Issues

As mentioned earlier in this report, the travel loophole has allowed large, all-expense paid trips to be exempt from the gift limit as long as the travel is disclosed. California's once-a-year disclosure does not allow for timely accountability of special interest funded trips. Congress has adopted a system of disclosure which allows for accountability prior to the commencement of privately-funded travel and prohibited lobbyists from attending trips alongside elected officials.

POLICY RECOMMENDATIONS

Eliminate Gifts To State Elected Officials

The current gift limit is set at \$440, an increase of over 75 percent from the limit of \$250 that was first adopted into law. The current gift limit is four times larger than the federal gift limit and much larger than other states. Voters are shocked when they learn public officials can receive upwards of \$440 from interest groups with business before the state. While lowering the overall gift limit would be a welcome first step, if the Governor and political leadership are worried about complicating state law further without adding additional benefit, then the Legislature should consider banning gifts all together. Such an approach would make the law straight-forward and much easier to comply with. In reality, there is not a huge difference between allowing gifts up to \$50 (as in Washington and Oregon) for example, and eliminating gifts all together. Yet in banning all gifts, the Legislature could make enforcement of the law much simpler and California could send a clear message to the rest of the country.

Restrict Certain Types Of Travel Payments

Public officials have taken advantage of travel payments in order to participate in all-expenses paid junkets to exotic or foreign locations. In 2013, these payments rose to an astronomical \$580,000. These payments are not limited to specific types of activities, so a fact-finding trip could have a substantial amount of recreational activities without violating the law. Disclosure of privately- funded travel is also an issue. Public officials travel on the tab of private sponsors throughout the year, but voters are only informed of the details of these trips the next calendar year. Disclosure is

only meaningful if it allows voters and the Fair Political Practices Commission to react in a timely manner.

The Legislature should reform state ethics law to limit travel payments to items necessary for conducting state-related business and prohibit any payments for activities considered substantially recreational. The Fair Political Practices Commission should consider updating the conflict of interest Form 700 in order to force state officials to break out expenses from travel into “official” purposes and “recreational” purposes. Finally, the Legislature should adopt rules similar to the Federal model, requiring privately-funded trips to be disclosed ahead of time and prohibit lobbyist from attending trips alongside elected officials.

Tighten The Regulations For How Campaign Funds May Be Used

The Legislature should adopt the Congressional and Federal prohibitions on campaign funds to end the worst practices in California campaigns. Under current law, politicians may use surplus campaign funds on activities that, to the public, seem to provide a personal benefit to the elected officials. Donors should not have to worry that their original, well-intended donation could be used to personally benefit the elected official or their family members.

The Legislature should also more closely examine existing law that allows the transfer of campaign funds from one campaign to the next, as well as state law that allows the transfer of funds to state political parties and ballot committees. Under current law, candidates who are successful in their elections are given considerable leeway to transfer surplus funds to other committees and accounts while in office. State elected officials have taken advantage of this loophole to buy

influence with their state parties and to help fund pet initiatives or other causes while in office.