

Date of Hearing: April 28, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 236 (Berman) – As Amended March 10, 2021

Policy Committee: Elections

Vote: 5 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill requires a limited liability company (LLC) that makes contributions or expenditures in connection with California elections to publicly disclose the identities its members, as specified, and of the individual responsible for approving the LLC's political activities.

FISCAL EFFECT:

Increased annual Fair Political Practices Commission costs of about \$120,000 (General Fund).

COMMENTS:

Rationale. An LLC is a popular type of business structure that combines the benefits of a partnership and a corporation. LLCs, whose owners are referred to as members, may be formed to run a business, or simply to hold assets. There are numerous legitimate business reasons why a business may incorporate as an LLC as opposed to a different corporate structure. Advantages include protecting the members from personal liability for business debts and claims, fewer formalities and less paperwork, avoiding double-taxation, no restrictions on the number and types of owners, and no specific required management structure. For these reasons, many different types of businesses, from small family businesses to some of the world's largest companies, choose to incorporate as LLCs.

Currently, limited liability companies can make large campaign contributions and expenditures in elections in the state without any meaningful disclosure to the public about the true source of those funds. Often, these LLCs are formed or purchased shortly before an election.

LLCs are attractive vehicles for disguising the true source of political activity. An LLC can make campaign contributions or independent expenditures solely in the name of the LLC without disclosing any information about, or providing a way to determine, the source of the funds expended by the LLC and individuals responsible for operating the LLC.

This bill, sponsored by the FPPC, increases transparency in the political process by providing the public with more information about the individuals behind LLCs, and regulates their campaign activities the same way businesses are regulated.