



March 6, 2023

The Honorable Steve Glazer, Chair
Senate Committee on Elections
State Capitol, Room 410
Sacramento, CA 95814

RE: Oversight Hearing on the Status of Audits Conducted by the Franchise Tax Board pursuant to the Political Reform Act.

Dear Chairman Glazer and Members:

On behalf of the Institute of Governmental Advocates (“IGA”) we are pleased to provide information regarding the experience of our member lobbyists and lobbying firms with the audit program under the Political Reform Act (“PRA”). As you know, the PRA as originally enacted divided various responsibilities under the Act to existing governmental agencies, including the Secretary of State and the Franchise Tax Board, while also creating a new agency, the Fair Political Practices Commission. IGA believes that this division of responsibility was sensible at the time and remains sensible today.

Government Code section 91001 provides for both “mandatory” and “random” audits of many participants in the political process, including candidates and their committees, political action and independent expenditure committees, ballot measure committees, lobbying firms and lobbyist employers.

Generally, statewide candidates (and all their respective committees) and statewide ballot measures are subject to “mandatory” audit (thus, FTB gets a new list of mandatory audits every two years).

All others committees, including committees controlled by state legislators, as well as lobbying firms and lobbyist employers are subject to “random” audit. The statutory formula requires that all be subject to a 25% chance of being audited.

Committee staff have informed IGA that it is concerned that the FTB has not completed random audits of lobbying firms and lobbyist employers in recent years. Assuming that is true, we do not know if that is Covid-related, staffing related, or related to an excessive number of “mandatory” audits. *What we do know, is that over the last decade, FTB audits have shown that*

Letter to the Honorable Steve Glazer

March 6, 2023

Re: Oversight Hearing on the Status of Audits Conducted by the Franchise Tax Board pursuant to the Political Reform Act.

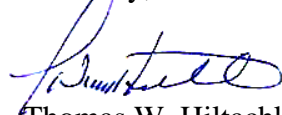
lobbying firms and lobbyist employers are, in fact, complying with disclosure obligations of the PRA.

According to the publicly-available records of enforcement actions by the FPPC following FTB audits of lobbying firms, no fines were imposed through an enforcement action from 2013 to the present, and only four lobbying firms were even given a “warning letter” by the FPPC following an FTB audit.

IGA’s members maintain the utmost professionalism and ethical practice of their profession, including compliance with the PRA. We believe the current audit program conducted by the FTB adequately protects the public by ensuring timely and accurate reporting of lobbying activities, as proven by decades of compliance by the regulated community.

Thank you for the opportunity to provide comment to the Committee.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. Hiltachk', is written over the typed name.

Thomas W. Hiltachk,
General Counsel,

Institute of Governmental Advocates

Cc:

Scott Matsumoto, Principal Consultant

Senate Committee on Elections and Constitutional Amendments

Botts, Cory, Policy Consultant

Senate Republican Office of Policy