Form 803 behested payment reports were provided to the Fair Political Practices Commission by the Assembly Rules Committee. (Within 30 days of receiving such reports, state agencies are required to forward them to the Commission.²)

SUMMARY OF THE LAW

The Act and its regulations are amended from time to time. All legal references and discussions of law are intended to be citations to statutes and regulations as they existed at the time of the violations noted above.

Need for Liberal Construction and Vigorous Enforcement of the Political Reform Act

When enacting the Political Reform Act, the people of California found and declared that previous laws regulating political practices suffered from inadequate enforcement by state and local authorities.³ Thus, it was decreed that the Act "should be liberally construed to accomplish its purposes."

Payments made at the behest of elected officials—including charitable donations—are a means by which donors may seek to gain favor with elected officials. One purpose of the Act is to ensure timely, transparent reporting of such activity, which serves to increase public awareness regarding potential attempts to influence in this manner.⁵

Another purpose of the Act is to provide adequate enforcement mechanisms so that the Act will be "vigorously enforced."

Required Filing of Behested Payment Reports

When one individual or organization makes a charitable donation (or donations) to another—at the behest of an elected officer—the officer is required to disclose the payment(s) on a Form 803 behested payment report, which must be filed with the officer's agency within 30 days following the date on which the payment(s) equal or exceed \$5,000 in the aggregate from the same source in the same

² Section 82015, subdivision (b)(2)(B)(iii), as in effect prior to 2018; Section 84224, subdivision (a), as in effect after 2017.

³ Section 81001, subdivision (h).

⁴ Section 81003.

⁵ See Sections 82004.5, 82041.3, and 84224, as in effect after 2017; and 82015, subdivision (b)(2)(B)(iii), as in effect before 2018.

⁶ Section 81002, subdivision (f).

calendar year. The report is a public record, which must include the name and address of the payor, the amount of the payment, the date of payment, the name and address of the payee, a brief description of the goods or services provided or purchased (if any), and a description of the specific purpose or event for which the payment or payments were made. Once the \$5,000 aggregate threshold from a single source has been reached for a calendar year, all payments for the calendar year made by that source must be disclosed within 30 days after the date the threshold was reached or the payment was made, whichever occurs later.⁷

These rules apply when the payment is "made at the behest" of the officer. This means that the payment is made under any one (or more) of the following circumstances:⁸

- 1. at the request, suggestion, or direction of the officer (or his agent);
- 2. in concert with the officer (or his agent);
- 3. with the express, prior consent of the officer (or his agent);
- 4. in cooperation, consultation, or coordination with the officer (or his agent); or
- 5. under the control of the officer (or his agent).

An officer "has a duty to be informed of payments made at his behest, and must make an effort to file required forms as soon as possible." This is a duty to make reasonable inquiry.

SUMMARY OF THE FACTS

In 2017 and 2018, Holden was a member of the California State Assembly, and he was Chair of the California Legislative Black Caucus. As Chair of the Black Caucus, he also served as the Chair of the Institute. During this time, numerous charitable donations of \$5,000 or more were made to the Institute at Holden's behest in his role as Chair of the Institute. Holden was required to file a Form 803 behested payment report with the California State Assembly within 30 days of each payment, but he failed to do so. His reports were filed from 20 to 276 days late, as summarized in the following chart (which includes the oldest activity that may be charged under the tolling agreement that Holden entered into with Enforcement regarding the statute of limitations):

⁷ See Sections 82004.5, 82041.3, and 84224, as in effect after 2017; and 82015, subdivision (b)(2)(B)(iii), as in effect before 2018.

⁸ Regulation 18215.3, subdivision (a).

⁹ See: <u>John St. Croix Advice Letter (I-13-107)</u>, page 4.

1			Payment	Filing Due	Date
	Donor	Amount	Date	Date	Filed
2	Altria Client Services, LLC	\$50,000	5/26/17	6/25/17	3/28/18
	PHRMA	\$100,000	5/26/17	6/25/17	3/28/18
3	Chevron Products Company	\$40,000	6/30/17	7/29/17	3/28/18
	American Beverage Association	\$10,000	7/10/17	8/9/17	3/28/18
4	United Nurses Assoc. of CA/Union of Health Care Prof. Issues	\$25,000	7/10/17	8/9/17	3/28/18
_	SEIU Local 2015 Issues PAC	\$25,000	7/28/17	8/27/17	3/28/18
5	Members Voice of the State Building and Construction Trades Council	\$10,000	8/11/17	9/10/17	3/28/18
6	California Real Estate PAC	\$10,000	8/15/17	9/14/17	3/28/18
١	Santa Ynez Band of Mission Indians	\$10,000	8/15/17	9/14/17	3/28/18
7	Barona Band of Mission Indians	\$10,000	8/16/17	9/15/17	3/28/18
´	Wells Fargo and Company	\$10,000	8/16/17	9/15/17	3/28/18
8	California Teachers Association (CTA)	\$10,000	8/17/17	9/16/17	3/28/18
	AMGEN Inc State PAC	\$15,000	8/18/17	9/17/17	3/28/18
9	Association of California School Administrators Issues PAC	\$15,500	8/18/17	9/17/17	3/28/18
	IBEW Local 11 PAC	\$20,000	8/18/17	9/17/17	3/28/18
10	IBEW Local 18 Water & Power Defense League	\$10,000	8/18/17	9/17/17	3/28/18
	Charter Communications	\$10,000	8/22/17	9/21/17	3/28/18
11	South Coast Air Quality Management District	\$10,000	8/23/17	9/22/17	3/28/18
	Ghost Management Group LLC	\$10,000	8/29/17	9/28/17	3/28/18
12	RAI Services Company	\$15,000	9/6/17	10/5/17	3/28/18
12	AT&T	\$10,000	9/7/17	10/6/17	3/28/18
13	California Correctional Peace Officers	\$5,000	9/7/17	10/6/17	3/28/18
14	Eaze Solutions, Inc.	\$15,000	9/8/17	10/7/17	3/28/18
14	San Manuel Band of Mission Indians	\$15,000	9/11/17	10/10/17	3/28/18
15	Microsoft	\$15,000	9/12/17	10/11/17	3/28/18
13	CA Apartment Association PAC	\$15,000	9/21/17	10/20/17	3/28/18
16	United Domestic Workers of America Issues PAC	\$20,000	9/25/17	10/24/17	3/28/18
	CA Credit Union League	\$15,000	9/26/17	10/25/17	3/28/18
17	California Dental PAC, SCC	\$15,000	9/26/17	10/25/17	3/28/18
	Matt Dababneh for Assembly 2018	\$5,000	10/1/17	9/30/17	3/28/18
18	CSLEA Issues Committee	\$15,000	10/2/17	11/1/17	3/28/18
	Anheuser Busch	\$10,000	10/10/17	11/9/17	3/28/18
19	AFSCME	\$15,000	10/11/17	11/10/17	3/28/18
_	Chevron	\$10,000	10/11/17	11/10/17	3/28/18
20	Community Loans of America, Inc.	\$10,000	10/11/17	11/10/17	3/28/18
21	Association of California State Supervisors PAC	\$10,000	10/12/17	11/11/17	3/28/18
21	Consumer Attorneys Public Interest Foundation	\$10,000	10/12/17	11/11/17	3/28/18
22	Anthem Inc.	\$15,000	10/16/17	11/15/17	3/28/18
22	DaVita (two payments)	\$15,000	10/16/17	11/15/17	3/28/18
23	Dish	\$10,000	10/16/17	11/15/17	3/28/18
23	CA Beer & Beverage Distributors Community Affairs (two payments)	\$30,000	10/18/17	11/17/17	3/28/18
24	California Cable & Telecommunications Association	\$15,000	10/18/17	11/17/17	3/28/18
	Charter Communications	\$15,000	10/18/17	11/17/17	3/28/18
25	USAA	\$10,000	10/19/17	11/18/17	3/28/18
	Anheuser Busch	\$30,000	10/25/17	11/24/17	3/28/18
26	Kelly Boyd Momoh	\$7,500	10/25/17	11/24/17	3/28/18
	Farmers Insurance	\$15,000	10/26/17	11/25/17	3/28/18
27	Verizon	\$25,000	10/26/17	11/25/17	3/28/18
20	CA Apartment Association PAC	\$5,000	10/31/17	11/30/17	3/28/18
28	Verizon	\$9,000	11/1/17	12/1/17	3/28/18
	IUPAT PAC	\$10,000	11/8/17	12/7/17	3/28/18

1	Donor	Amount	Payment Date	Filing Due Date	Date Filed
2	Pacific Gas and Electric Company	\$10,000	11/8/17	12/7/17	3/28/18
-	AERA Energy LLC	\$15,000	11/14/17	12/13/17	3/28/18
3	Pacific Gas and Electric Company	\$25,000	11/15/17	12/14/17	3/28/18
	21st Century Fox America, Inc.	\$15,000	11/20/17	12/19/17	3/28/18
4	AT&T	\$25,000	11/21/17	12/20/17	3/28/18
5	CA Medical Association PAC Members' Voice of the State Building and Construction Trades	\$10,000	11/21/17	12/20/17	3/28/18
6	Council of CA	\$15,000	11/21/17	12/20/17	3/28/18
	PG&E Corporation Foundation	\$25,000	11/21/17	12/20/17	3/28/18
7	Sempra Energy	\$7,500	11/21/17	12/20/17	3/28/18
	California Apartment Association	\$10,000	11/27/17	12/26/17	3/28/18
8	California Charter Schools Association	\$6,000	11/27/17	12/26/17	3/28/18
	Comcast Financial Agency Corporation SoCalGas	\$25,000 \$7,500	11/27/17	12/26/17 12/26/17	3/28/18
9	Innocean	\$7,500	11/27/17 11/30/17	12/29/17	3/28/18 3/28/18
10	CalChambers	\$15,000	12/14/17	1/13/18	3/28/18
10	Shell Oil Company	\$15,000	12/15/17	1/14/18	3/28/18
11	Abbott Laboratories	\$15,000	12/18/17	1/17/18	3/28/18
	Calpine Corporation	\$15,000	12/19/17	1/18/18	3/28/18
12	Sutter Health	\$20,000	12/20/17	1/19/18	3/28/18
	CA State Council of Service Employees	\$25,000	12/21/17	1/20/18	3/28/18
13	California State Pipe Trades Council	\$5,000	12/21/17	1/20/18	3/28/18
14	California Charter Schools Association Advocates	\$6,000	12/24/17	1/23/18	3/28/18
14	MSG Sports and Entertainment, LLC	\$20,000	12/27/17	1/26/18	3/28/18
15	So Cal Edison	\$50,000	12/27/17	1/26/18	3/28/18
13	Dart Container	\$15,000	1/5/18	2/4/18	3/28/18
16	CA Cannabis Industry Association	\$5,000	1/25/18	2/24/18	3/28/18
	California Assoc. of Hospitals and Health	\$10,000	1/25/18	2/24/18	3/28/18
17	Visa	\$25,000	1/25/18	2/24/18	3/28/18
	Charter Communications	\$5,000	1/29/18	2/28/18	3/28/18
18	Pechanga Band of Luiseno Indians SEIU United Healthworkers – West	\$5,000 \$5,000	1/29/18 2/2/18	2/28/18	3/28/18
10	KP Financial SVCS OPS	\$10,000		3/1/18 3/8/18	3/28/18
19	AFSCME, AFL-CIO, Council 36 PAC	\$5,000	2/9/18 4/24/18	5/24/18	12/4/18
20	Intuit, Inc.	\$25,000	7/16/18	8/15/18	12/4/18
20	San Manuel Band of Mission Indians	\$15,000	7/17/18	8/16/18	12/4/18
21	21st Century Fox America, Inc.	\$15,000	8/23/18	9/24/18	12/4/18
	Anheuser Busch	\$30,000	8/23/18	9/24/18	12/4/18
22	CA Cable & Telecommunications Association	\$15,000	8/23/18	9/24/18	12/4/18
22	Chevron Products Company	\$50,000	8/23/18	9/24/18	12/4/18
23	Comcast Corporation	\$20,000	8/23/18	9/24/18	12/4/18
24	Eli Lilly and Company	\$15,000	8/23/18	9/24/18	12/4/18
∠ 4	General Motors LLC	\$5,000	8/23/18	10/1/18	12/4/18
25	Kelly Boyd Momoh	\$7,500	8/23/18	10/1/18	12/4/18
-5	TOTA	AL: \$1,576,500			

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VIOLATIONS

Counts 1 - 16: Failure to Timely File Behested Payment Reports

In this way, Holden violated Section 82015, subdivision (b)(2)(B)(iii), as in effect prior to 2018—and Section 84224, as in effect after 2017. For settlement purposes, 16 counts are being charged (as discussed in more detail below).

STREAMLINE EXCLUSION

This case is excluded from the streamline settlement program because—due to the number of behested payment reports that were late-filed and the total amount of those behested payments—the extent and gravity of the public harm in the aggregate is more than minimal.¹⁰

PROPOSED PENALTY

The maximum penalty that may be imposed per count is \$5,000.¹¹ In this case, 16 counts are recommended. The maximum penalty for the counts charged is \$80,000.

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in the context of the following factors:¹²

- 1. the extent and gravity of the public harm caused by the specific violation;
- 2. the level of experience of the violator with the requirements of the Act;
- 3. penalties previously imposed by the Commission in comparable cases;
- 4. the presence or absence of any intention to conceal, deceive or mislead;
- 5. whether the violation was deliberate, negligent or inadvertent;
- 6. whether the violator demonstrated good faith by consulting Commission staff or any other governmental agency in a manner not constituting a complete defense under Section 83114, subdivision (b);
- 7. whether the violation was isolated or part of a pattern—and whether the violator has a prior record of violations of the Act or similar laws; and
- 8. whether the violator, upon learning of a reporting violation, voluntarily filed amendments to provide full disclosure.

¹⁰ Regulation 18360.1, subdivision (c)(2)(B)(v).

¹¹ See Section 83116, subdivision (c).

¹² These factors are set forth in Regulation 18361.5, subdivision (e)(1) through (8).

Behested payments can be a means by which donors may seek to gain favor with elected officials. Such payments are lawful, but timely reporting is required, as it affords the public an opportunity to assess the propriety of the behested payments—and in turn, this scrutiny serves to inhibit improper practices. There is inherent public harm in non-disclosure and late reporting, because the public is deprived of a timely opportunity to scrutinize the payments. Without such scrutiny, improper practices are not inhibited. The Commission has found timely disclosure to be essential.

A number of donors to the Institute have business before the Legislature in virtually every legislative session. However, there is no indication that these behested payments were related to their legislative activities.

In this case, Holden's violations appear to be the result of negligence. The case was opened based on two sets of filings that were provided to the Fair Political Practices Commission by the Assembly Rules Committee after Holden filed the reports. These included Holden's Form 803 filings for each of the payments noted in the chart above, which were filed from 20 to 276 days late. (Reports for about one-half of the payments were filed from 120 to 276 days late.) Each filing included the identity of the donor, identity of the recipient, amount of the donation, date of payment, and the date that the Form 803 report was filed with Holden's agency. Filing dates were compared to the reported dates of payments—meaning that the violations in this case were apparent from the face of the filings.

Holden maintains that, by filing the reports, he took responsibility for the Institute as a whole, "including funds raised by a professional fundraiser," and not by him personally. However, each behested payment report was executed by Holden under penalty of perjury, and in connection with this settlement, Holden acknowledges that the above-noted payments were in fact made at his behest.

While serving as Chair of the Institute, Holden maintains that he directed an internal audit to be performed, which revealed that: "because of staff changes and the transitions of leadership, the responsibility to track and report behested charitable contributions was not properly transferred to the incoming staff." Holden further maintains that once he became aware of the situation, he directed that the behested payment reports be prepared and filed—which was accomplished in March 2018. Another set of

¹³ See Sections 82004.5, 82041.3, and 84224, as in effect after 2017; 82015, subdivision (b)(2)(B)(iii), as in effect before 2018; Jay advice letter (A-10-088), page 3; <u>Legal Division staff memo of 10/11/21</u> re: behested payments, pages 4 and 5.

behested payment reports were filed in December 2018. Holden voluntarily filed the late reports on behalf of the Institute without any prompting by media or Enforcement Division inquiries.

Comparable Case

Historically, in cases with large numbers of violations involving failure to timely file behested payment reports, Enforcement has used thresholds, on a case by case basis, to separate the most egregious violations—in terms of reportable activity—from less egregious ones. The most recent example is a mainline stipulation that the Commission approved in January 2023. In the Matter of William Dodd; FPPC Case No. 19/439 (approved Jan. 26, 2023), the Commission imposed a penalty in the amount of \$7,500 for failure to timely file behested payment reports regarding 27 payments, totaling \$481,900. Five counts were charged—with a penalty of \$1,500 per count.

Dodd involved violations that appeared to be the result of negligence by an official with no history of prior, similar violations. No intent to conceal was found. Dodd voluntarily filed all required behested payment reports, albeit late. He cooperated with Enforcement, and he entered into a tolling agreement regarding the statute of limitations. Similar facts are present in the current case.

Also, both cases involve sophisticated respondents with ample reason to be familiar with the Act's requirements. (Prior to serving in the California Senate, Dodd served two years in the California Assembly, and before this, he served 14 years on the Napa County Board of Supervisors. Holden has been a member of the California State Assembly for 10+ years. Prior to this, he served almost 24 years as a Pasadena City Councilmember and Mayor.) Additionally, both cases involve a pattern of filing violations that occurred over multiple calendar years.

Despite these similarities, there are some differences between the cases that warrant more overall counts and a higher total penalty in the current case.

Aggravating Differences

In Dodd, the filings for three of the payments were about three to three-and-a-half months late; the rest were less than three months late. In the current case, however, the filings for about one-half of the behested payments were from 120 to 276 days late. Additionally, the current case involves more than three times the reportable activity of Dodd. This is discussed in more detail below in connection with the number of recommended counts.

Mitigating Differences

Holden was the Chair of the Institute, a charitable organization raising funds for its scholarships and other charitable purposes. Most of the events for which the payments were behested were long-standing events that occur annually, beginning before Holden became the Chair, and had repeat donors that participate in the fundraising events each year. (Similar facts were not noted in Dodd.) Further, assuming responsibility as Chair for the Institute's activities, Holden voluntarily disclosed the payments without any contact from the Enforcement Division or the media after pro-actively conducting a review of the Institute's practices.

Recommended Number of Counts and Penalty:

\$24,000 (16 counts at \$1,500 per count)

Although one count may be charged for each late-filed behested payment report, this many counts are not necessary to ensure that the penalty fits the wrongdoing.

Dodd involved late-filed reports regarding 27 behested payments (ranging in amounts from \$5,000 to \$120,000)—totaling approximately \$481,900. One count was charged for each of the five largest payments (ranging in amounts from \$20,000 to \$120,000). For settlement purposes, the remaining 22 payments (ranging in amounts from \$5,000 to \$14,400) were noted as aggravating information, but they were not charged. The penalty of \$7,500—five counts at \$1,500 per count—equated to about 1.56% of the combined total of all behested payments in that case.

The current case involves 94 payments (ranging in amounts from \$5,000 to \$100,000)—totaling approximately \$1,576,500. At \$1,500 per count, 16 counts would result in a penalty of \$24,000, and this is what Enforcement recommends. This penalty equates to approximately 1.52% of the combined total of all behested payments in the current case, in keeping with Dodd and the differences between the cases that are noted above.

CONCLUSION

Complainant, the Enforcement Division of the Fair Political Practices Commission, and respondent Christopher Holden hereby agree as follows:

1. Respondent violated the Act as described in the foregoing pages, which are a true and accurate summary of the facts in this matter.

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- 2. This stipulation will be submitted for consideration by the Fair Political Practices

 Commission at the regularly scheduled meeting that is noted in the case caption on page 1—or as soon thereafter as the matter may be heard.
- 3. This stipulation resolves all factual and legal issues raised in this matter—for the purpose of reaching a final disposition without the necessity of holding an administrative hearing to determine the liability of respondent pursuant to Section 83116.
- 4. Respondent has consulted with his attorneys, Gary Winuk and Stephen Kaufman—of the Kaufman Legal Group. Respondent understands and hereby knowingly and voluntarily waives, any and all procedural rights set forth in Sections 83115.5, 11503, 11523, and Regulations 18361.1 through 18361.9. This includes, but is not limited to the right to appear personally at any administrative hearing held in this matter, to be represented by an attorney at respondent's own expense, to confront and cross-examine all witnesses testifying at the hearing, to subpoena witnesses to testify at the hearing, to have an impartial administrative law judge preside over the hearing as a hearing officer, and to have the matter judicially reviewed.
- 5. Respondent agrees to the issuance of the decision and order set forth below. Also, Respondent agrees to the Commission imposing against him an administrative penalty in the amount of \$24,000. One or more payments totaling this amount—to be paid to the General Fund of the State of California—is/are submitted with this stipulation as full payment of the administrative penalty described above, and they will be held by the State of California until the Commission issues its decision and order regarding this matter.
- 6. If the Commission refuses to approve this stipulation—then this stipulation shall become null and void, and within fifteen business days after the Commission meeting at which the stipulation is rejected, all payments tendered by respondent in connection with this stipulation shall be reimbursed to respondent. If this stipulation is not approved by the Commission, and if a full evidentiary hearing before the Commission becomes necessary, neither any member of the Commission, nor the Executive Director, shall be disqualified because of prior consideration of this Stipulation.

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1	7. The parties to this agreement may execute their respective signature pages separately. A					
2	copy of any party's executed signature page—including a hardcopy of a signature page transmitted via					
3	fax or as a PDF email attachment—is as effective and binding as the original.					
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5						
6	Dated: James M. Lindsay, Chief of Enforcement					
7	Fair Political Practices Commission					
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9						
10	Dated: Christopher Holden, Respondent					
11						
12	The foregoing stipulation of the parties "In the Matter of Christopher Holden," FPPC Case No.					
13	2019-00429, is hereby accepted as the final decision and order of the Fair Political Practices					
14	Commission, effective upon execution below by the Chair.					
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16	IT IS SO ORDERED.					
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18	Dated: Richard C. Miadich, Chair					
19	Fair Political Practices Commission					
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