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7

8 BEFORE THE FAIR POLITICAL PRACTICES COMMISSION
9 STATE OF CALIFORNIA

10 In the Matter of:

11 LYSA RAY AND MARC STEINORTH
12 FOR SUPERVISOR 2018

13 Respondents.

FPPC Case No. 2019-01802, 2020-01120

STIPULATION, DECISION AND ORDER

Date Submitted to Commission: June 2025

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15 **INTRODUCTION**

16 This case arose in response to an audit prepared by the Fair Political Practices Commission (the
17 “Commission”). The Respondent, Lysa Ray (“Ray”), served as the treasurer for the committee, Marc
18 Steinorth for Supervisor 2018 (the “Committee.”) The Political Reform Act¹ (the “Act”) holds that a
19 candidate’s campaign funds are held in trust for the purpose of seeking office and holds that surplus
20 funds are further restricted in their use. The Committee and Ray violated the Act by violating the Act’s
21 restrictions on use of campaign funds and surplus funds and by failing to file campaign statements
22 disclosing reportable activity.

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28 ¹ The Political Reform Act—sometimes simply referred to as the Act—is contained in Government Code sections 81000 through 91014. All statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations. All regulatory references are to this source.

1 **SUMMARY OF THE LAW**

2 The Act and its regulations are amended from time to time. All legal references and discussions
3 of law are intended to be citations to statutes and regulations as they existed at the time of the violations
4 in this case.

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

6 When enacting the Political Reform Act, the people of California found and declared that
7 previous laws regulating political practices suffered from inadequate enforcement by state and local
8 authorities.² Thus, it was decreed that the Act “should be liberally construed to accomplish its
9 purposes.”³

10 One purpose of the Act is to promote transparency by ensuring that receipts and expenditures in
11 election campaigns are fully and truthfully disclosed so that voters are fully informed and improper
12 practices are prohibited.⁴ Along these lines, the Act includes a comprehensive campaign reporting
13 system.⁵ Another purpose of the Act is to provide adequate enforcement mechanisms so that the Act will
14 be “vigorously enforced.”⁶

15 **Campaign Funds Held in Trust**

16 The Act holds that contributions deposited into a campaign bank account are held in trust for
17 expenses associated with the election of the candidate or for expenses associated with holding office.⁷
18 An expenditure to seek office is within the lawful execution of the trust if it is reasonably related to a
19 political, legislative, or governmental purpose.⁸ Any expenditure that confers a substantial personal
20 benefit shall be directly related to a political, legislative, or governmental purpose of the committee.⁹

21 For purposes of this section, the phrase “substantial personal benefit” is defined as an
22 expenditure of campaign funds that results in a direct personal benefit with a value of more than \$200
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26 ² Section 81001, subdivision (h).

³ Section 81003.

⁴ Section 81002, subdivision (a)

⁵ Section 84200, *et seq.*

⁶ Section 81002, subdivision (f).

⁷ Section 89510.

⁸ Section 89512, subdivision (a).

⁹ Section 89512, subdivision (b).

1 to a candidate, elected officer, or any individual with authority to approve the expenditure of campaign
2 funds held by a committee.¹⁰

3 **Surplus Funds**

4 A candidate is deemed to be a defeated candidate if they lose or withdraw from the election.
5 Any remaining campaign funds after a candidate is defeated, whether the candidate loses or withdraws
6 from the election, are considered “surplus funds” on the 90th day following the end of the post-election
7 reporting period.¹¹ For a candidate intending to be on the ballot for June 5, 2018, any remaining
8 campaign funds would become surplus funds on September 28, 2018.

9 Surplus campaign funds must be reported and may be used only for the following purposes: the
10 payment of outstanding campaign debts or elected officer's expenses; the repayment of contributions;
11 donations to any bona fide charitable, educational, civic, religious, or similar tax-exempt, nonprofit
12 organization; contributions to a political party committee; contributions to support or oppose any
13 candidate for federal office, any candidate for elective office in a state other than California, or any
14 ballot measure; or, the payment for professional services reasonably required by the committee to assist
15 in the performance of its administrative functions.¹²

16 **Campaign Statements**

17 Committees shall file semiannual statements each year no later than July 31 for the period
18 ending June 30, and no later than January 31 for the period ending December 31.¹³

19 **Liability**

20 Under the Act, it is the duty of the treasurer of a committee to ensure that the committee
21 complies with all the requirements of the Act concerning the receipt, expenditure, and reporting of
22 funds.¹⁴ The treasurer may be jointly and severally liable, along with the committee, for violations of
23 the committee.¹⁵

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26 ¹⁰ Section 89511, subdivision (a)(3).

27 ¹¹ Section 89519.

28 ¹² Section 89519, subdivision (b).

¹³ Section 84200.

¹⁴ Section 81004, 84100, 84213, and Regulation 18427.

¹⁵ Section 83116.5 and 91006.

1 **SUMMARY OF THE FACTS**

2 The Committee filed a Statement of Organization on March 23, 2018, indicating that the
3 Committee had qualified as a recipient committee on or by March 14, 2018. The Committee was formed
4 as a candidate-controlled committee for the candidate, Marc Steinorth (“Steinorth,”) to campaign for the
5 office of Supervisor for the San Bernardino County Board of Supervisors at the June 5, 2018 Primary
6 Election. Steinorth was unsuccessful.

7 The Committee filed a Statement of Organization on August 1, 2018, indicating that the
8 Committee had terminated as a recipient committee on or by June 30, 2018. According to a campaign
9 statement filed for the reporting period of May 20, 2018 through June 30, 2018, the Committee had a
10 beginning cash balance of \$468,520.79 and an ending cash balance of \$0.

11 The Committee was audited by the Commission’s Audit Division pursuant to a contract between
12 the Commission and the County of San Bernardino. The audit process started in January of 2020. That
13 audit revealed that the Committee did not have a \$0 cash balance as of June 30, 2018. Bank statements
14 for the Committee revealed that the Committee’s bank account still had a total of \$257,079.70 in the
15 account at least by June 30, 2018. This balance can be attributed to unnegotiated checks for expenditures
16 that were reported on the final filed campaign statement. By October 31, 2018, the Committee was left
17 with a remaining cash balance of \$21,987. This balance was due to several checks that were never
18 negotiated by the payee.

19 On December 18, 2019, Ray authorized an expenditure of \$21,987, in the form of a transfer from
20 the Committee to a bank account belonging to her business, Lysa Ray Campaign Services. During that
21 period, Ray utilized the business account for non-campaign related expenses. On April 29, 2020, Ray
22 withdrew a total of \$21,029.72. The remaining committee funds were extinguished by issuing multiple
23 refunds to some of the Committee’s contributors. Ray did not fully reimburse the Committee for the
24 funds withdrawn from the Committee bank account. The remainder of funds not reimbursed to the
25 Committee after the prohibited expenditure totals approximately \$957.37.

26 Ray made an expenditure of \$21,987 from the Committee to her business. This expenditure did
27 not have a legislative, political, or governmental purpose. The funds were surplus at the time and there is
28 no evidence to support a finding that the expenditure was for a purpose consistent with the use of surplus
funds. In support of this finding, the transfer was made long after the end of the campaign, the

1 Committee had purported to terminate and was inactive on paper but in fact the Committee had not fully
2 divested of funds, and the funds were transferred and were comingled with Ray's personal funds. Ray
3 has offered that she believes that the funds were not surplus because the balance was due to unnegotiated
4 lawful expenditures made in 2018 and she issued cashier's checks to refund donors from her own
5 account. The Enforcement Division contends that the funds were surplus consistent with the statute
6 determining surplus funds. Ray canceled the original unnegotiated checks and transferred the balance to
7 her own account.

8 When contacted, the candidate, Steinorth, indicated that he believed the Committee had
9 terminated as indicated by the filings and had a \$0 balance consistent with the campaign statement
10 reporting. Steinorth indicated that he was not aware that the Committee continued to have a balance.

11 By maintaining campaign funds for nearly two years after the Committee filed termination
12 statements, the Committee continued to have a filing obligation to disclose reportable activity such as the
13 cash balance of the Committee, the payment to Lysa Ray Campaign Services, the deposit from Lysa Ray
14 Campaign Services, and the expenditures that extinguished the remaining cash balance. However, the
15 Committee failed to disclose reportable activity during a required reporting period of July 1, 2019
16 through December 31, 2019 and the reporting period of January 1, 2020 through June 30, 2020. These
17 statements were due to be filed January 31, 2020 and July 31, 2020, respectively.

18 The Enforcement Division commenced a proceeding by filing a Report in Support of Probable
19 Cause and serving the document on December 13, 2024.

20 VIOLATIONS

21 **Count 1: Misuse of Campaign Funds**

22 Ray and the Committee made a payment, by bank transfer, of approximately \$21,987 to Lysa Ray
23 Campaign Services. This payment, made on December 18, 2019, was not compliant with the Act's
24 restriction on the use of campaign funds as the payment had no legislative, governmental, or political
25 purpose and the payment provided a substantial personal benefit to the treasurer, Ray. The payment was
26 not compliant with the Act's restriction on the use of surplus funds. In this way, the Committee and Ray
27 violated Government Code Sections 89410, 89512, and 89519.

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1 **Count 2: Failure to File Campaign Statements**

2 Ray and the Committee failed to file campaign statements to disclose reportable activity for the
3 reporting period ending December 31, 2019 and the reporting period ending June 30, 2020, in violation
4 of Government Code Section 84200.

5 **PROPOSED PENALTY**

6 This matter consists of two proposed counts. The maximum penalty that may be imposed is
7 \$5,000 per count.¹⁶ Thus, the maximum penalty that may be imposed is \$10,000.

8 Count 1 involves a violation type, misuse of campaign funds, that is not eligible for the streamline
9 program. Count 2 involves a violation type, failure to file campaign statements, that is eligible under the
10 streamline program but is disqualified from a streamline resolution due to the ineligible violation.

11 In determining the appropriate penalty for a particular violation of the Act, the Enforcement
12 Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an
13 emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division
14 considers the facts and circumstances of the violation in the context of the following factors set forth in
15 Regulation 18361.5 subdivision (e)(1) through (8): (1) The extent and gravity of the public harm caused
16 by the specific violation; (2) The level of experience of the violator with the requirements of the Political
17 Reform Act; (3) Penalties previously imposed by the Commission in comparable cases; (4) The presence
18 or absence of any intention to conceal, deceive or mislead; (5) Whether the violation was deliberate,
19 negligent or inadvertent; (6) Whether the violator demonstrated good faith by consulting the Commission
20 staff or any other governmental agency in a manner not constituting complete defense under Government
21 Code Section 83114(b); (7) Whether the violation was isolated or part of a pattern and whether the
22 violator has a prior record of violations of the Political Reform Act or similar laws; and (8) Whether the
23 violator, upon learning of a reporting violation, voluntarily filed amendments to provide full disclosure.

24 With respect to the first factor, misuse of campaign funds and misuse of surplus funds causes a
25 high degree of public harm because such conduct erodes public confidence in the political process by
26 creating the appearance that lawful campaign contributions are personal gifts to the public official or to
27 their staff. As stated elsewhere, an express purpose of the Act’s comprehensive reporting system is to
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¹⁶ See Section 83116, subdivision (c).

1 promote transparency so that the voters are fully informed and to discourage prohibited behavior. A part
2 of the comprehensive reporting system requires committees to fully and accurately report activity. By
3 failing to accurately account for unspent funds, Ray prevented transparency regarding the actual
4 disposition of funds at the end of the election cycle.

5 Ray is a professional treasurer and knew or should have known the legal status of campaign
6 funds, the proper use of campaign funds and surplus funds, and the conditions under which committees
7 may lawfully terminate.

8 The Commission considers comparable cases to assist in determining the appropriate penalty. The
9 following case is presented for such consideration. The Commission considered and approved a
10 stipulation, [In the Matter of Hallinan for Board of Equalization 2018, Hallinan for Supervisor 2020, Tom](#)
11 [Hallinan, and Hannah Burcaw, FPPC No. 2020-00861](#) at the August 2024 Commission Meeting. In this
12 case, the Commission agreed, in relevant part, to settle the matter for one count for failing to timely file
13 two semiannual campaign statements and one count of misusing surplus funds. Specifically, the
14 respondents failed to file post-election semiannual statements, including the period of activity relevant to
15 the misuse count. The respondents improperly transferred \$3,000 in surplus funds to another candidate-
16 controlled committee. For the first count, the Commission imposed a penalty of \$2,500 and for the
17 second count, the Commission imposed a penalty of \$3,000.

18 Here, a higher penalty is recommended because the amount of funds at issue was higher and the
19 transfer of funds did not have a political, legislative, or governmental purpose. In addition, the public
20 harm from failing to file campaign statements was greater because earlier filings indicated that the
21 Committee was terminated when the Committee remained open in fact and the activity related to the
22 transfer of funds and the winding down of the Committee was not disclosed on statements. In mitigation,
23 there was only one transferred payment, it was not a pattern of activity. Most of the funds were
24 eventually extinguished properly, with Ray issuing refunds to the Committee's contributors.

25 After considering the factors listed in Regulation 18361.5 and penalties in prior similar cases, the
26 Enforcement Division recommends a penalty of \$4,000 for Count 1 and \$3,500 for Count 2. A total
27 penalty of \$7,500 is recommended.

1 **CONCLUSION**

2 Complainant, the Enforcement Division of the Fair Political Practices Commission, and Ray and
3 the Committee hereby agree as follows:

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

6 2. This stipulation will be submitted for consideration by the Fair Political Practices
7 Commission at its next regularly scheduled meeting—or as soon thereafter as the matter may be heard.

8 3. This stipulation resolves all factual and legal issues raised in this matter—for the purpose
9 of reaching a final disposition without the necessity of holding an administrative hearing to determine the
10 liability of Respondents pursuant to Section 83116.

11 4. Respondent has consulted with their attorney, Steve Baric of Baric Law, and understands,
12 and hereby knowingly and voluntarily waives, all procedural rights set forth in Sections 83115.5, 11503,
13 11523, and Regulations 18361.1 through 18361.9. This includes, but is not limited to the right to appear
14 personally at any administrative hearing held in this matter, to be represented by an attorney at
15 Respondents' own expense, to confront and cross-examine all witnesses testifying at the hearing, to
16 subpoena witnesses to testify at the hearing, to have an impartial administrative law judge preside over
17 the hearing as a hearing officer, and to have the matter judicially reviewed.

18 5. If the Commission declines to approve this stipulation—then this stipulation shall become
19 null and void, and within fifteen business days after the Commission meeting at which the stipulation is
20 rejected, all payments tendered by Respondent in connection with this stipulation shall be reimbursed to
21 Respondent. If this stipulation is not approved by the Commission, and if a full evidentiary hearing
22 before the Commission becomes necessary, neither any member of the Commission, nor the Executive
23 Director, shall be disqualified because of prior consideration of this Stipulation.

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1 6. 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 fax
3 or as a PDF email attachment, is as effective and binding as the original.
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5 Dated: _____

Angela J. Brereton, Assistant Chief of Enforcement
Fair Political Practices Commission

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8 Dated: _____

Lysa Ray, individually and on behalf of the Committee,
Mark Steinorth for Supervisor 2018.

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12 The foregoing stipulation of the parties "Lysa Ray and Mark Steinorth for Supervisor 2018,"
13 FPPC Case Nos. 2019-01802 and 2020-01120 is hereby accepted as the final decision and order of the
14 Fair Political Practices Commission, effective upon execution below by the Chair.

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16 IT IS SO ORDERED.

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18 Dated: _____

Adam E. Silver, Chair
Fair Political Practices Commission