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JOHN ST. CROIX
EXECUTIVE DIRECTOR

Date: January 11, 2011
To: Members, Fair Political Practices Commission
From: John St. Croix, Executive Director, San Francisco Ethics Commission
Re: Electronic Filing as the Document of Record

On November 17, 2010, the FPPC Chairman's Task Force on the Political Reform Act held a meeting to discuss a variety of proposals to update and clarify the Political Reform Act. Included in these proposals is a networked state and local electronic filing system and database, with a long-term goal of moving towards a data-driven electronic filing system.

The San Francisco Ethics Commission responded to the electronic filing proposal, urging the Task Force to support eliminating the paper filing requirement and making the electronic document the official document of record. **We believe that designating the electronic filing as the document of record should be the first step and highest priority of the FPPC before any changes are made to state and local electronic filing systems.**

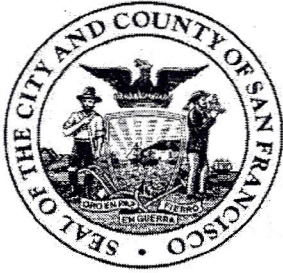
Twenty-one local jurisdictions already have in place proven and efficient electronic filing systems today. Our agencies could move to paperless e-filing without any system modifications. Local agencies should be allowed to eliminate the paper filing requirement as soon as the agency believes it has a sufficient electronic system in place. This would address a longstanding request from the regulated community and provide significant cost savings to local jurisdictions.

We believe that the future of campaign finance disclosure is a data-driven electronic filing system, and paper filing is the primary barrier to this goal. Eliminating paper filing now will allow the state to properly revise the electronic filing format, without the need to produce static individual paper reports, so that campaign finance data can be better represented as charts, financial summaries, and comparative analyses.

Endorsed by:

Shirley Concolino, City Clerk, City of Sacramento
Karen Diaz, City Clerk, City of Pleasanton
Joan Flynn, City Clerk, City of Huntington Beach
Heather Holt, Executive Director, Los Angeles City Ethics Commission
Elizabeth Maland, City Clerk, City of San Diego
Kathleen Franco Simmons, City Clerk, City of Sunnyvale

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ETHICS COMMISSION

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JOHN ST. CROIX
EXECUTIVE DIRECTOR

Date: November 30, 2010

To: Chairpersons, FPPC Political Reform Act Task Force

From: John St. Croix, Executive Director
By: Shaista Shaikh, Assistant Deputy Director
Steven Massey, Information Technology Officer

Re: Comments regarding proposed reform topics

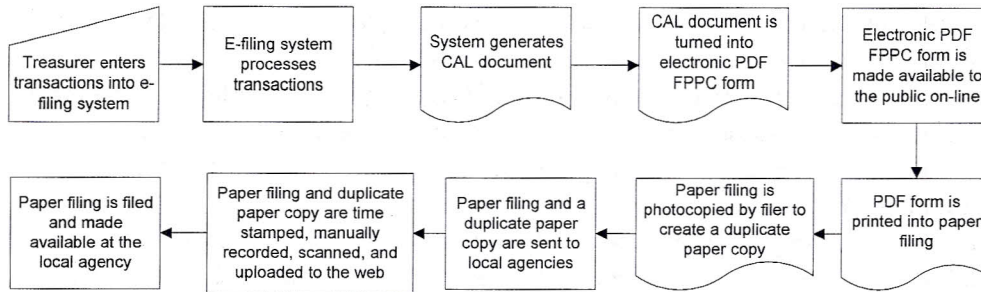
The San Francisco Ethics Commission supports the efforts of the FPPC Task Force to improve upon the Political Reform Act (PRA) and increase transparency and efficiency. The Ethics Commission has significant experience with implementing the PRA and local law on a large scale. We have also been a strong advocate of improving electronic filing and on-line public access to records. We welcome the opportunity to provide input on the changes proposed by the Task Force, some of which expand upon the remarks our staff made at the meeting of the FPPC PRA Task Force on November 17, 2010. Our comments first address concerns related to electronic filing, followed by concerns related to thresholds and filing deadlines. We make our recommendations in the interest of disclosure and simplification for filers, the public and filing officers; and look forward to working with interested parties in advancing reforms in the PRA and local law.

I. Electronic Filing

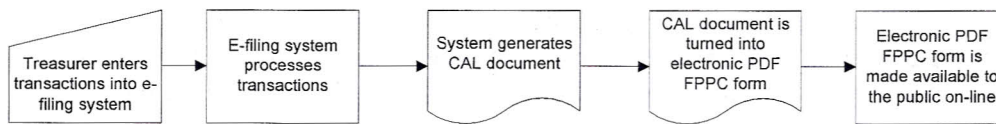
The Ethics Commission has run a web-based electronic filing system since 1999 and has experience with in-house developed software (1999-2007) and off-the-shelf solutions from a third-party vendor that has been tailored to San Francisco's needs (2007-present). This same off-the-shelf system is shared by 18 local jurisdictions in California. The electronic filing systems developed in San Francisco have received praise and awards over the years for innovation and accessibility. Today, the Ethics Commission runs three electronic filing systems for campaign finance FPPC forms, Statements of Economic Interests Form 700 forms, and Lobbyists disclosure forms.

More campaign finance filings are processed through San Francisco's electronic systems than any other local jurisdiction. San Francisco averages almost 800 electronic filings per year. A majority of the electronic filings are accompanied by duplicate paper copies which are processed, filed and made available to the public. Staff manually scans each state and local paper filing into an electronic PDF document to make it equally as available as an electronic document on-line. At the same time, when

FPPC campaign filings go through the following filing process:



The process could be significantly shortened without any loss of access to the public by adopting the following:



B. Saves committees time and money processing paper statements and delivering them to agencies

Campaign committees spend significant amounts of money printing large filing reports, obtaining the necessary signatures, and delivering the reports by each filing deadline. For committees that file electronically, this work is not only wasteful but serves no public purpose, as the report is already made available to the public on-line within seconds of submitting the electronic copy. In addition, committees required to file electronically that fail to file on-time are subject to a form of double jeopardy, receiving two late fines for both the electronic and paper copy.

The Ethics Commission has received numerous requests from treasurers to eliminate the paper filing requirement but we cannot ignore the state’s requirement for paper filings. Thus, we have no ability to address their concerns. Meanwhile, staff at local agencies are unable to provide enough assistance to filers because staff must devote their efforts towards processing the paper forms when filing deadlines approach.

C. Moves the state towards a shared goal of building a data-driven filing system

The CAL 2.01 data format, supported by the Secretary of State’s office, is primarily designed to record values that are required to be input into paper forms. Because transactions are often represented on multiple FPPC forms, from sometimes the same or different sources, the same transaction is often represented multiple times electronically, which is a problematic data-model. To move to a data-driven filing system, the CAL data format needs to be revised to move away from ties to paper and towards data that can be better presented electronically. Currently, other than verifying that the paper statement has been properly filed, all audits in San Francisco are conducted using the electronic data records instead of the paper-filed reports. Thus, currently,

This will allow the FPPC and local agencies to address a significant and longstanding complaint from the filing community, while carefully designing a new data-driven model.

D. Provides environmental benefits

This communication will not address specific environmental benefits and energy savings other than a reminder that all-electronic filing provides a host of “green advantages,” including a massive reduction in the use of paper, toner and electricity and a great reduction in the need for interested parties to travel to filing offices to view and retrieve documents.

Below, staff addresses some of the common arguments against an *immediate* move to electronic filing:

- **The Secretary of State’s CAL-ACCESS system is antiquated and should be replaced before paper filing is eliminated.**

Response: Twenty-one local jurisdictions already have in place proven and efficient electronic filing systems today. Many of these agencies could move to paperless e-filing without any system modifications. Local agencies should be allowed to eliminate the paper filing requirement as soon as the agency believes it has a sufficient electronic system in place. CAL-ACCESS could be updated in the future without holding back local agencies that are ready to make the transition today. San Francisco has been running simultaneous electronic and paper filing for eleven years and believes no further testing of electronic filing is necessary. Waiting until the state and all local jurisdictions are simultaneously capable of paperless filing is a recipe for maintenance of the status-quo.

- **Paper is a safer and more secure official record than electronic records.**

Response: Paper, while tangible, provides a false sense of security. As paper is the current filing of record, it is critical that the paper filings are preserved. San Francisco stores recent filings on-site and older filings in off-site storage. Original paper filings stored in a single location are at risk to fire, natural disaster, theft or being misplaced. San Francisco’s electronic records, along with the 18 other jurisdictions using the same e-filing system, are backed up every day in multiple locations hundreds of miles from each other. Should an electronic system fail, it could be restored without data-loss.

- **Not all members of the public have Internet access.**

Response: This is likely to be the case for the foreseeable future and will always be a potential excuse to keep paper filing. However, agencies can provide a public-access computer in place of growing rows of filing cabinets. The Ethics Commission, for example, offers a bank of computers in a public access room to view disclosure statements on-line. Disclosure statements can be printed on demand. Additionally, many

filings, no longer require wet signatures. On the other hand, campaign statements follow a very different process than electronic voting, which has been a controversial electronic submission process in the past decade because it is difficult to provide a verifiable backup. With electronic voting the submission process is inherently private from unidentifiable sources, whereas disclosure statements are public records and the submission source can be more easily traced and content verified with a thorough audit of bank records, invoices, and receipts.

II. Thresholds and Filing Deadlines

A. State/Local Consistency

We strongly agree with the recommendation of the State/Local Consistency and Campaign Finance Thresholds subcommittees regarding campaign finance disclosure thresholds that “while having two tiers of thresholds for different sizes of local jurisdictions might have some benefits, the benefits would likely be outweighed by the complexity and inconsistency such an approach would create.” There should not be a two-tiered threshold and reporting system for state and local committees. It is already difficult enough for committees to understand state laws and to determine which ones apply and which do not. A two-tiered system would be difficult to decipher not only for filers but also for filing officers and the public. Furthermore, committees are often fluid, changing from state to local committees and vice-versa. A two-tiered system of rules would only add frustration to an understanding of the rules in both general and particular circumstances. Finally, as the state and local jurisdictions within the state move towards an electronic filing system, the disclosure thresholds should become more uniform.

B. Committee Qualification

We recommend that the FPPC not change the recipient committee qualification threshold from \$1,000 to \$2,500 or the independent expenditure committee threshold from \$1,000 to \$2,500. These committee qualification thresholds should remain at \$1,000. Raising thresholds would result in the loss of significant disclosure, particularly at the local level. If thresholds were raised at the state level, many local jurisdictions may impose lower thresholds for local committees, thereby adding to the layers of complexity in campaign finance laws and resulting in more confusion for filers, members of the public and filing officers. Consistency in qualification thresholds is especially important when the long-term goal is to achieve a data-driven filing system that is uniform throughout the state.

In addition, we recommend that filings required of major donor committees be eliminated. Contributions made by major donor committees are reported by recipient committees on the Form 460 (and if the contribution is made during the 16-day period before the election, also on the Form 497). Filings by major donor committees do not provide any additional benefit for researchers or filing officers.

C. Supplemental and Late Period Reporting

card payments. With respect to credit card expenses, committees could simply list in the description field of Schedule E or Schedule F that a payment was made via credit card. In the CAL data format, it is very difficult for a researcher to connect credit card transactions on Schedule E or Schedule F with the Schedule G sub-vendor entries. Consolidating this information on Schedule E or Schedule F would simplify reporting and research.

E. Consolidation of Reports

The FPPC Task Force Sub-Committee on Filing Deadlines proposes consolidation of reports so that the Form 460 is the major report. We assume the sub-committee is proposing to consolidate Forms 425, 450, 460, 461 and 470 by eliminating the Forms 425, 450, 461 and 470, and keeping only the Form 460. We agree with this proposal but request that the Form 460 not be changed. While elimination of forms requires minimal follow-up and cost, changes to a form require resources and time to update the paper and electronic formats, which in cash-strapped times is not feasible.

F. Quarterly Reports and Pre-Election Statements

We recommend that the same rules apply to state and local committees.

III. Conclusion

We strongly recommend that the FPPC consider the immediate elimination of the paper filing requirement, recognize electronic filing as the official document of record, and eliminate duplicative reporting requirements. Reporting requirements can be simplified and streamlined without revisions to forms. Short-term simplifications to filing requirements including consistency in qualification thresholds, reporting thresholds, and filing deadlines and forms, are crucial because the long-term goal is to achieve a data-driven system that is uniform throughout the state. Such consistency is necessary to achieve a simplified and easy-to-understand process, which addresses the concerns of the regulated community and public.