

May 19, 2022

Ms. Angela Brereton
Chief, Enforcement Division
FPPC
1102 Q Street, #3000
Sacramento, CA 95811

Dear Ms. Brereton:

I write to make a sworn complaint against California Insurance Commissioner Ricardo Lara and the so-called Independent Expenditure (“IE”) committees spending money on his behalf. Lara and his coordinated IE committees are violating one of the most serious provisions of the Political Reform Act (“Act”) by laundering campaign funds without disclosing the true source of the contributors.

Ricardo Lara has a well-documented history of seeking and accepting campaign donations from the industry he regulates, including contributions made in the names of relatives of industry executives apparently to disguise their true source. (See article detailing his acceptance of insurance industry contributions before being forced to return them under public pressure

<https://www.sandiegouniontribune.com/news/watchdog/story/2021-08-11/after-breaking-pledge-and-halting-donations-state-insurance-commissioner-jump-starts-campaign>)

After Lara was forced to return these contributions due to media scrutiny, his insurance industry supporters are now laundering these contributions through the Legislative LGBTQ caucus. These illegal contributions are funding direct campaign communications to the public in support of Lara’s candidacy for re-election without disclosing the insurance industry as the source of the contributions.

Lara is the former Vice-Chair of the Legislative LGBTQ caucus. (See LGBTQ Caucus press release: <https://lgbtqcaucus.legislature.ca.gov/news/1484121600-assemblymember-evan-low-elected-serve-chair-senator-ricardo-lara-elected-serve-vice>) He remains an Ex Officio member of the Caucus to this day. (see LGBTQ Caucus roster here: <https://lgbtqcaucus.legislature.ca.gov/members>) A review of the reported contributions received by and expenditures made by the Caucus’ campaign committee reveal patterns that make clear that the money donated by insurance companies was earmarked for these specific campaign communication expenditures in support of Lara.

As a former leader and current Ex Officio member of the Caucus, it is quite probable that Lara influenced these decisions and worth the Commission’s inquiry. As you are aware, FPPC Regulations list common agents and consultants as triggering a presumption that coordination is occurring (FPPC Regulation 18225.7). Here, Lara continues to serve on the LGBTQ Caucus Board, and the Board’s PAC is the entity funneling the insurance industry contributions to the Lara IE Committee.

Attached is an excel sheet that identifies the insurance industry contributions received by the LGBTQ Caucus for the 2021-2022 election cycle. This evidence, when coupled with the contributions made by the LGBTQ Caucus, found here:

<https://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1339123&view=contributions>

demonstrate a clear pattern of virtually identical amounts of money coming in to the Caucus from the insurance industry, and then going out to two IE Committees that purchased communications in support of Lara's campaign.

Specifically, insurance companies gave \$122,500 in contributions to the LGBTQ Caucus committee between June 2021 and April 2022. The LGBTQ Caucus committee then gave \$75,000 to the campaign committee Equality California in April 2022. Shortly after that, on May 6, 2022, the LGBTQ Caucus committee and Equality CA gave the Independent Expenditure Committee Californians Supporting Ricardo Lara for Insurance Commissioner a combined \$125,000 directly (\$50,000 from LGBTQ Caucus committee and \$75,000 from Equality CA). (See the Ricardo Lara IE late contributions received here: <https://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1447630&view=late1>)

These contributions were made to the Ricardo Lara IE on the same day and in virtually the exact same total amount as the total insurance industry contributions to the LGBTQ Caucus committee. The contribution from Equality California to the Ricardo Lara IE was in the exact same amount as it received from the LGBTQ Caucus Committee just a few weeks prior.

Immediately after receiving these funds from Lara's LGBTQ Caucus, the Lara IE then spent \$199,866 on campaign communication advertisements and \$40,000 on polling in support of Lara's re-election. These expenditures were made on May 12, 2022, just 6 days after receiving the funds from the LGBTQ Caucus. (see CalAccess records of expenditures here: <https://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1447630&view=late3>)

The short timeframe and similar dollar amounts raise the specter of the LGBTQ Caucus, or Lara, coordinating with the IE committee regarding these communications.

The movement of this money from the insurance industry through the LGBTQ Caucus committee in virtually identical dollar amounts and in short periods of time must be investigated by the FPPC. The fact that Equality CA and the LGBTQ Caucus committee moved the exact amount of the insurance industry contributions to the Lara IE committee on the exact same day cannot be a coincidence. This is further supported by Lara's intimate role with the Caucus as its former Vice-Chair and current Ex Officio member.

Furthermore, the pattern of insurance industry contributions to the LGBTQ Caucus make clear that the insurance industry began giving it funds in earnest only after Ricardo Lara declared his candidacy for Insurance Commissioner. The LGBTQ Caucus committee collected just \$2,000 total from insurance companies between the years 2011 and 2016. Only when Lara ran for Commissioner in the 2017-18 election cycle did

the insurance industry begin contributing significantly to the committee. Insurance companies gave the LGBTQ Caucus committee \$27,500 in 2017-18, \$107,500 in 2019-20, and \$122,500 in 2021-22 – the contributions at issue in this complaint.

The State's Insurance Commissioner benefiting from laundered campaign funds from the industry he regulates on the heels of a public scandal where he was publicly shamed from taking such contributions is a very serious violation of the State's campaign ethics rules. The public is entitled to accurate information about the true source of these contributions.

Statutes and Regulations Violated

Government Code Section 84301 – Campaign Money Laundering – Ricardo Lara or the LGBTQ Caucus committee coordinated the contributions of insurance companies to the LGBTQ Caucus committee, then to the Lara IE committee, which failed to disclose the true source of the contributions.

Government Code Section 83116.5 – Aiding and Abetting a Violation of the Political Reform Act – Lara or the LGBTQ Caucus committee aided and abetted the campaign money laundering scheme by facilitating the movement of the campaign funds from the insurance industry contributors without disclosing the true source of the contributions.

Government Code Section 84203 and 84203.3 – Ricardo Lara and Ricardo Lara for Insurance Commissioner 2022 - Failure to Report Contributions –If Lara behested the contributions from the LGBTQ Caucus committee to the Lara IE committee, the May 12, 2022 committee expenditures were, in fact, in-kind contributions to his candidate-controlled committee, Ricardo Lara for Insurance Commissioner 2022. In that case, Ricardo Lara and his campaign committee, Ricardo Lara for Insurance Commissioner 2022, failed to report contributions to his campaign committee from the insurance industry. Lara's committee did not report these contributions within 24-hours as required.

I respectfully request you immediately open an investigation into these serious violations that have deprived the public the legally required information regarding the insurance industry's laundered contributions to benefit Ricardo Lara.

Thank you for your prompt attention to this matter.

Sincerely,

Carmen Balber

Encl.