

34**CAMPAIGN CONTRIBUTIONS AND SPENDING. LIMITS. DISCLOSURE.**

Legislative Initiative Amendment.

Official Title and Summary Prepared by the Attorney General**CAMPAIGN CONTRIBUTIONS AND SPENDING. LIMITS. DISCLOSURE.**

Legislative Initiative Amendment.

- Limits individual campaign contributions per election: state legislature, \$3,000; statewide elective office, \$5,000 (small contributor committees may double these limits); governor, \$20,000. Limits contributions to political parties/political committees for purpose of making contributions for support or defeat of candidates.
- Establishes voluntary spending limits, requires ballot pamphlet to list candidates who agree to limit campaign spending.
- Expands public disclosure requirements, increases penalties for violations.
- Prohibits lobbyists' contributions to officials they lobby.
- Limits campaign fund transfers between candidates, regulates use of surplus campaign funds.
- Effective 1/1/01, except statewide elective office effective 11/6/02.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Additional net costs to the state, potentially up to several million dollars annually, to publish candidate statements in the state ballot pamphlet and to implement and enforce provisions of the measure.
- Unknown, but probably not significant, costs to local governments to implement voluntary spending limit provisions of the measure.

Final Votes Cast by the Legislature on SB 1223 (Proposition 34)

Assembly:	Ayes 42	Noes 23
Senate:	Ayes 32	Noes 2

BACKGROUND

Political Reform Laws. The Political Reform Act of 1974, approved by California voters in that year, established campaign finance disclosure requirements. Specifically, it required candidates for state and local offices, proponents and opponents of ballot measures, and other campaign organizations to report contributions received and expenditures made during campaigns. These reports are filed with the Secretary of State’s office, local election officials, or both. The Fair Political Practices Commission (FPPC) is the state agency primarily responsible for enforcing the law.

In November 1996, California voters approved Proposition 208, an initiative that amended the Political Reform Act, to establish limits on campaign contributions to candidates, voluntary limits on campaign spending, and rules on when fund-raising can occur. The measure also required identification of certain donors in campaign advertisements for and against ballot measures and contained various other provisions regulating political campaigns.

A lawsuit challenging Proposition 208 resulted in a court order in January 1998 blocking enforcement of its provisions. At the time this analysis was prepared, the lawsuit was still pending. Until the case is resolved, it is unclear which, if any, provisions of Proposition 208 will be implemented. At this time generally no contribution and expenditure limits are in place for campaigns for state elective offices.

Ballot Pamphlet and Sample Ballot. Before each statewide election, a ballot pamphlet prepared by the Secretary of State is mailed to each household with a registered California voter. It contains information on propositions placed on the ballot by the Legislature as well as ballot initiative and referendum measures placed before voters through signature gathering. State law also directs county elections officials to prepare and mail to each voter a sample ballot listing the federal, state, and local candidates and ballot measures.

On-Line Campaign Reporting. State law requires certain candidates and campaign organizations involved in elections for state elective office or ballot propositions to file campaign finance information on-line or in electronic formats with the Secretary of State. Information from those campaign finance reports is then made available for public review through the Internet.

PROPOSAL

This measure revises state laws on political campaigns for state and local elective offices and ballot propositions. Most of these changes would take effect beginning in 2001. Campaigns for statewide elective office, such as Governor, would generally not be affected by the provisions of the measure until after the November 2002 election. This measure does not affect campaigns for federal office, such as the U.S. Congress and generally does not affect the contribution limits now enforced for local offices. The major provisions of this measure include the following:

- Repeals the campaign contribution and voluntary spending limits for state and local elective offices enacted by Proposition 208. Establishes new contribution and voluntary campaign spending limits, with higher dollar amounts than those contained in Proposition 208, for state elective offices.
- Enacts new campaign disclosure requirements, including on-line or electronic reporting in a timely manner of campaign contributions and expenditures of \$1,000 or more.
- Increases penalties for campaign law violations to the same levels as Proposition 208.

These major provisions of the measure are described in more detail below.

Campaign Contribution Limits

This measure establishes limits on contributions to candidates for state elective office. The limits vary according to the state office sought by the candidate and the source of the contribution, as shown in Figure 1. The limits would be adjusted every two years for inflation.

Figure 1
Proposition 34
Campaign Contribution Limits

Contributor	Candidate for:		
	Legislature	Statewide Office	
		Other Than Governor	Governor
Individual	\$3,000	\$5,000	\$20,000
“Small Contributor Committee” ^a	6,000	10,000	20,000
Lobbyist ^b	Prohibited	Prohibited	Prohibited
Political party	No limit	No limit	No limit

^a Defined as a committee in existence for at least six months with 100 or more members, none of whom contribute more than \$200 to the committee in a year, and which contributes to five or more candidates.

^b Prohibition applies to lobbyists only in certain circumstances.

This measure repeals the contribution limits contained in Proposition 208 and replaces them with limits that are generally higher than those contained in Proposition 208. For example, this measure limits contributions from an individual to a candidate for the Legislature to \$3,000 per election and repeals the Proposition 208 limit of \$250 per election for such contributions.

The measure also limits contributions by an individual to a political party for the support or defeat of candidates for elective state office. The contributions would be limited to \$25,000 per calendar year, although additional sums could be given to support other party activities. This measure does not limit the contributions political parties could make to candidates.

The measure also establishes contribution limits both for small contributor committees and for the transfer of funds left over from prior campaigns to the same candidate. In addition, it prohibits contributions from lobbyists to state elective officials or candidates under certain conditions. This measure also repeals a provision

in Proposition 208 limiting contributions to political committees which operate independently of a candidate's campaign committee.

Under this measure, candidates would be allowed to give unlimited amounts of their own money to their campaigns. However, the amount candidates could loan to their campaigns would be limited to \$100,000 and the earning of interest on any such loan would be prohibited.

This measure repeals a provision of Proposition 208 that bans transfers of funds from any state or local candidate or officeholder to another candidate, but establishes limits on such transfers from state candidates. The measure also repeals a provision of Proposition 208 that prohibits candidates for state and local elective office from fund-raising in nonelection years.

Voluntary Spending Limits

Proposition 208 enacted voluntary campaign spending limits for state elective offices. Candidates who accepted those limits would (1) be entitled to obtain larger campaign contributions than otherwise; (2) be identified in the state ballot pamphlet, county sample ballot materials, and on the ballot as having accepted the limits; and (3) receive free space for a statement in support of his or her candidacy in the state ballot pamphlet or in county ballot materials (depending upon the office sought).

This measure repeals those provisions and enacts a new set of voluntary spending limits. Candidates who accepted these limits would (1) be identified in the state ballot pamphlet as having accepted the limits and (2) be eligible to purchase space in the state ballot pamphlet for a statement in support of his or her candidacy.

The major spending limit provisions of this measure are shown in Figure 2. These voluntary limits, which would be adjusted every two years for inflation, are higher than the limits contained in Proposition 208. For example, this measure would repeal a voluntary expenditure limit of \$100,000 for the primary election for an Assembly seat and instead establish a limit of \$400,000 for such an election contest.

Figure 2

**Proposition 34
Voluntary Spending Limits**

Election Contest	Election	
	Primary	General
Assembly	\$400,000	\$700,000
Senate	600,000	900,000
State Board of Equalization	1 million	1.5 million
Other statewide offices, except Governor	4 million	6 million
Governor	6 million	10 million

Figure 3 shows some of the key changes made by Proposition 34.

Figure 3

Key Changes Made by Proposition 34

This measure would enact new contribution and voluntary spending limits for candidates for state elective office. Two examples are shown below of how these provisions differ from the Political Reform Act, which is the current practice in regular elections, and Proposition 208, which has not been implemented because of a pending lawsuit.

Election Contest	Political Reform Act of 1974	Proposition 208	Proposition 34
Limits Per Election on Campaign Contributions by Individuals^a			
Assembly and Senate	No limits	\$250	\$3,000
Statewide offices (except Governor)	No limits	\$500	\$5,000
Governor	No limits	\$500	\$20,000
Voluntary Campaign Spending Limits^{b,c}			
Assembly			
Primary:	No limits	\$100,000	\$400,000
General:	No limits	\$200,000	\$700,000
Senate			
Primary:	No limits	\$200,000	\$600,000
General:	No limits	\$400,000	\$900,000
Board of Equalization			
Primary:	No limits	\$200,000	\$1 million
General:	No limits	\$400,000	\$1.5 million
Statewide Office (except Governor)			
Primary:	No limits	\$1 million	\$4 million
General:	No limits	\$2 million	\$6 million
Governor			
Primary:	No limits	\$4 million	\$6 million
General:	No limits	\$8 million	\$10 million

^a Under Proposition 208, limits double if candidate agrees to voluntary campaign spending limit.
^b Under Proposition 208, limits can as much as triple under certain circumstances defined in the measure.
^c Under Proposition 34, political party expenditures on behalf of a candidate do not count against voluntary spending limits.

Campaign Disclosure Rules

Paid Endorsements. Under this measure, if a person appearing in a campaign advertisement for or against a state or local ballot proposition was paid, or will be paid \$5,000 or more for the appearance, that fact would have to be disclosed in the advertisement.

On-Line Reporting. This measure requires that a candidate for state elective office or a committee supporting a state ballot measure make on-line or electronic reports to the Secretary of State within 24 hours of receiving a contribution of \$1,000 or more during the 90 days before an election. Certain independently operating committees would similarly have to make on-line or electronic reports of expenditures of \$1,000 or more related to a candidate for state elective office.

Advertising Payments. Under current law, if a person spends funds to directly advocate the election or defeat of a candidate for state office, such expenditures generally must be disclosed in a statement filed with the Secretary of State before the election. This measure would generally require an on-line or electronic report before the election when someone is purchasing campaign advertisements involving payments of \$50,000 or more that clearly identify a candidate for state office but do not expressly advocate the candidate's election or defeat.

"Slate Mailers." Slate mailers—mailed campaign advertisements containing lists of recommendations for voters—would have to include a written notice if they indicate an association with a political party but their recommended position on a ballot proposition or candidate differs from that political party's official position.

Other Provisions

Fund-Raising by Appointees. This measure repeals a provision in Proposition 208 that would prohibit members of certain appointed public boards or commissions from contributing to or soliciting campaign contributions on behalf of the person who appointed them to that office.

Surplus Campaign Funds. This measure limits the use of surplus campaign funds to specified purposes, including repayment of campaign debts or political contributors, charitable donations, contributions to

political parties, home security systems for candidates or officeholders subjected to threats, and payment of legal bills related to seeking or holding office. In so doing, the measure repeals a provision of Proposition 208 that generally requires, within 90 days after an election, the distribution of any surplus funds to political parties, political contributors, or to the state.

Penalties and Enforcement. This measure increases penalties for violations of campaign law to the same levels as Proposition 208. For example, the FPPC could impose a fine of up to \$5,000 per violation, instead of the prior penalty of \$2,000. Additionally, the measure repeals a provision of Proposition 208 allowing the FPPC to initiate criminal prosecution of alleged violations of campaign laws, and narrows the cases in which an alleged campaign law violation is subject to penalties.

FISCAL EFFECT

This measure would result in additional costs to the state primarily related to the publication of candidate statements in the state ballot pamphlet and the implementation and enforcement of various provisions of the measure. The additional state costs would be offset to an unknown extent by payments and fines from candidates and political committees. We estimate that the net costs to the state could potentially be as much as several million dollars annually. In addition, local governments would incur unknown, but probably not significant, costs to implement the voluntary spending limit provisions of the measure.

For text of Proposition 34 see page 55.

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Argument in Favor of Proposition 34

Reform California political campaigns. Vote YES on Proposition 34.

- Clamp a lid on campaign contributions
- Limit campaign spending
- Require faster disclosure of contributions via the Internet
- Does not allow taxpayer dollars to be used in campaigns
- Stop political “sneak attacks”
- Close loopholes for wealthy candidates
- Increase fines for law violators

Currently there are no limits on what politicians can collect and spend to get elected to state office. California is still the wild west when it comes to campaign fundraising. Six-figure campaign contributions are routine. Proposition 34 finally sets enforceable limits and puts voters back in charge of California’s political process.

• PROPOSITION 34 LIMITS POLITICAL CONTRIBUTIONS

Proposition 34 brings strict contribution limits to every state office. These limits are tough enough to rein in special interests and reasonable enough to be upheld by the courts. Proposition 34 bans lobbyists from making ANY contribution to any elected state officer they lobby.

• PROPOSITION 34 CREATES CAMPAIGN SPENDING LIMITS

Campaign spending is out of control. Proposition 34 creates legally allowable limits to keep spending under control and includes a system so voters know who abides by the limits and who doesn’t.

• PROPOSITION 34 USES THE INTERNET TO SPEED UP DISCLOSURE

Proposition 34 requires candidates and initiatives to disclose contributions of \$1,000 or more on the Internet within 24 hours for a full three months before the end of the campaign.

• PROPOSITION 34 DOES NOT ALLOW TAXPAYER FUNDED CAMPAIGNS

Proposition 34 does not impose taxpayer dollars to be used to finance political campaigns in California. Our tax money is better spent on schools, roads and public safety.

• PROPOSITION 34 MORE THAN DOUBLES FINES TO \$5,000 PER VIOLATION

• PROPOSITION 34 CLOSES LOOPHOLES FOR WEALTHY CANDIDATES

Wealthy candidates can loan their campaigns more than \$100,000, then have special interests repay their loans. Proposition 34 closes this loophole.

• PROPOSITION 34 STOPS POLITICAL SNEAK ATTACKS

In no-limits California, candidates flush with cash can swoop into other races and spend hundreds of thousands of dollars at the last minute to elect their friends. Proposition 34 stops these political sneak attacks.

• PROPOSITION 34 REFORMS WON’T BE THROWN OUT

Three times in the past twelve years, voters have attempted to enact limits only to have the courts strike them down.

Proposition 34 has been carefully written to fully comply with all court rulings and will set reasonable limits that can be enforced.

VOTE YES ON PROPOSITION 34 if you’re tired of special interests controlling our government.

VOTE YES ON PROPOSITION 34 if you want real campaign reform that can and will be enforced.

VOTE YES ON PROPOSITION 34 if you don’t want taxpayers to pay for political campaigns.

Proposition 34 is tough, fair and enforceable. It deserves your support.

DAN STANFORD, *Former Chair*

California Fair Political Practices Commission

EILEEN PADBERG, *Member*

Bipartisan Commission on the Political Reform Act

HOWARD L. OWENS, *Director of Region IX*

National Council of Senior Citizens

Rebuttal to Argument in Favor of Proposition 34

Proponents of Proposition 34 just don’t get it! Ridding state government of special influence is a worthy goal. *BUT PROPOSITION 34 OFFERS A CURE THAT IS WORSE THAN THE DISEASE.*

It is very expensive to run for political office in California. Candidates need campaign contributions to inform voters where they stand on the issues. If candidates are unable to raise the money needed to finance a campaign, how will voters be able to make informed choices as to who is the best person to represent them?

Free speech is a cherished right in our nation. *WHY SHOULD WE RESTRICT A POLITICAL CANDIDATE’S FREE SPEECH IN THE GUISE OF POLITICAL REFORM?*

Proponents of campaign finance reform have the false illusion that Proposition 34 contribution limits will keep special interest politics out of the State Legislature.

They’re wrong.

PROPOSITION 34 WON’T WORK. Here’s why:

By clamping unworkable limits on normal campaign contributions, candidates will be forced to spend *more time*—not less—asking wealthy political donors for money.

Incumbent politicians will be begging for money when they should be tending to the public’s business. Challengers will be forced to seek campaign funds from any and all sources that want political favors from Sacramento.

PROPOSITION 34 IS A RECIPE FOR A GOVERNMENT MORE BEHOLDEN TO SPECIAL INTERESTS.

The best way to reduce special interest influence is to fully disclose all campaign contributions and let the voters decide which candidate deserves our trust.

Vote No on Proposition 34.

BRETT GRANLUND, *Assemblyman*

65th Assembly District

BILL MORROW, *Senator*

38th District

Argument Against Proposition 34

True campaign finance reform is to require detailed reporting of all contributions and let the chips fall where they may.

Proposition 34 is an unnecessary scheme to limit the amount of money that can be spent by candidates for State office. CANDIDATES SPEND CAMPAIGN MONEY TO SEND US INFORMATION ABOUT THEIR CAMPAIGN AND THEIR POSITIONS ON ISSUES. THIS ENABLES US TO MAKE CHOICES. No money, no information.

The supporters of Proposition 34 say we should limit campaign money because contributors could unduly influence candidates or officeholders. Do you want to be dependent upon biased newspapers or news organizations to tell us what a candidate thinks rather than letting the candidate himself or herself tell you?

If a person feels so strongly about the qualities of a candidate that he or she wants to give money to help get the candidate elected, so what? If a person believes the positions of an incumbent politician are wrong, doesn't he or she have the right to financially help the opponent? ALL CAMPAIGN CONTRIBUTIONS ARE NOW REPORTED. IF WE DON'T LIKE THE PEOPLE WHO GIVE MONEY TO A POLITICIAN, WE CAN VOTE AGAINST HIM OR HER!

Without a political campaign, we'd never know which of the candidates are worthy of our support. Proposition 34 would

impose severe limits on campaign money. Limits so severe that most politicians would be unable to communicate effectively. Limits so severe that we might wind up electing the politician we'd heard something about—the most famous name. DO WE WANT TO LIMIT OUR CHOICE OF CANDIDATES TO A GROUP OF RICH MOVIE STARS, FAMOUS ATHLETES OR CELEBRITY TALK SHOW HOSTS?

Political campaigns cost money: money for mail advertisements, money for television and radio advertisements. We may not believe what they tell us, but it doesn't cost US anything.

Our Founding Fathers wrote a guarantee of "free speech" into the Constitution. But speech isn't free if you want a lot of people to hear it. When you outlaw campaign money, you are really outlawing effective speech in politics—and that's wrong!
VOTE NO ON PROPOSITION 34!

BRETT GRANLUND, *Assemblyman*
 65th Assembly District
 BILL MORROW, *Senator*
 38th District

Rebuttal to Argument Against Proposition 34

Opponents of Proposition 34 argue that we don't need reform of our campaign system. They would have us believe that unlimited campaign contributions by special interests do not influence politicians. Are they serious?

Former Insurance Commissioner Chuck Quackenbush accepted five and six figure campaign contributions from insurance companies which led to one of the biggest corruption scandals in California history. These huge contributions would not have been allowed under Proposition 34.

PROPOSITION 34 WILL PUT THE BRAKES ON SPECIAL INTEREST DOLLARS.

- Special interests will be limited in what they can contribute to candidates.
 - Lobbyists will be forbidden from making contributions.
 - Campaign spending will be limited.
 - Faster public disclosure of contributions will be required.
- PROPOSITION 34 IS CONSTITUTIONAL.

On three recent occasions, voters have approved ballot measures imposing strict contribution limits. Each time, the courts have struck them down.

Unlike other reform measures, Proposition 34 was drafted by experts to fully comply with all court rulings. It will allow candidates to spend enough to campaign effectively without allowing special interests to buy elections.

With no current contribution or spending limits in place, politicians routinely spend \$1 million for a seat in the State Legislature. Where do they get this money? The vast majority of their campaign dollars come from powerful special interests seeking favors in Sacramento.

Officials should work for the people who elect them, not for special interests.

REFORM CALIFORNIA CAMPAIGNS. FIGHT CORRUPTION. VOTE YES ON 34.

LEE BACA, *Sheriff*
 Los Angeles County
 DAN STANFORD, *Former Chair*
 California Fair Political Practices Commission
 GEORGE ZENOVICH, *Associate Justice*
 Court of Appeal, Fifth District (ret.)