

**CALIFORNIA FAIR ELECTIONS ACT.**

- This act repeals the ban on public funding of political campaigns.
- Creates a voluntary system for candidates for Secretary of State to qualify for a public campaign grant if they agree to limitations on spending and private contributions.
- Candidates would have to qualify before receiving the grant.
- Candidates who demonstrate sufficient public support would receive the same amount.
- Participating candidates would be prohibited from raising or spending money beyond the grant.
- There would be strict enforcement and accountability with published reports open to the public.
- Funded by voluntary contributions and a biennial fee on lobbyists, lobbying firms, and lobbyist employers.

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

- Increased revenues (mostly from charges on lobbyists, lobbying firms, and lobbyist employers) totaling over \$6 million every four years. These funds would be spent on public financing for campaigns of Secretary of State candidates for the 2014 and 2018 elections.

**FINAL VOTES CAST BY THE LEGISLATURE ON AB 583 (PROPOSITION 15)****(Chapter 735, Statutes of 2008)**

Senate:	Ayes 21	Noes 18
Assembly:	Ayes 42	Noes 32

**ANALYSIS BY THE LEGISLATIVE ANALYST****BACKGROUND**

***Ban on Public Funds to Pay for Campaigns.*** State law bans the use of public funds for political candidates' campaigns. This ban extends to all elected offices at the state level and most elected offices at the local level. (Using powers that they already have under the State Constitution, a small number of charter cities have created programs for the public financing of candidates for certain local offices.)

***Entities That Oversee Campaign Finance Laws.*** The state's campaign finance laws are administered by the Fair Political Practices Commission (commission) and the Secretary of State. Under state law, individuals and groups must disclose how much money has been given, received, and spent on political campaigns. This information is available to the public on the Secretary of State's Web site. The commission monitors candidates and donors, and it can assess fines on candidates and donors who violate election laws.

***Lobbyist Registration Administered by Secretary of State.*** The Secretary of State is elected statewide every four years and serves as the state's chief elections official. The Secretary of State also has other duties, such as monitoring activities of lobbyists. Lobbying is the act of communicating directly with public officials in order to influence

governmental actions on behalf of the lobbyist's employer or client. Every two years, lobbyists, lobbying firms, and lobbyist employers must register with the Secretary of State. There is currently a \$25 fee related to each lobbyist to cover the administrative expenses of registration.

**PROPOSAL**

As shown in Figure 1, this measure:

- Lifts the ban on public funding for political campaigns.
- Establishes a public funding system for campaigns for the office of Secretary of State.
- Requires lobbyists to pay higher charges for this public campaign funding.

**Lifts the Ban on Public Funding for Political Campaigns**

This measure eliminates the ban on using public funding for political campaigns for elected office. This would allow the Legislature—and, in some cases, city, county, and other local elected policy makers—to create public financing programs in the future. As described below, this measure creates a public financing program only for the office of Secretary of State.

**Figure 1**  
**Main Provisions of Proposition 15**

- ✓ **Lifts the Ban on Public Funding for Political Campaigns**
- ✓ **Establishes Public Funding for Secretary of State Campaigns**
  - The Secretary of State—the state’s chief elections officer—is elected on the statewide ballot every four years.
  - A candidate for Secretary of State meeting certain requirements could receive state funds to pay for the costs of a political campaign.
  - The amount of state funds that a candidate would receive would go up if an opponent spent more private funds.
  - The measure expires on January 1, 2019—meaning it would apply to Secretary of State campaigns in 2014 and 2018. The Legislature could extend this expiration date by a majority vote.
- ✓ **Higher Charges Related to Lobbyists**
  - Increases charges related to lobbyists to \$700 every two years.
  - Raises more than \$6 million every four years from these increased charges and other sources to implement the measure.

## Establishes Public Funding System for Secretary of State Campaigns

### Public Funding Levels and Requirements for Primary Election Campaigns

**\$5 Qualifying Contributions.** To receive public funds for a *primary election* campaign, a candidate for Secretary of State would have to collect a certain number of \$5 contributions (“qualifying contributions”) from registered voters. Candidates seeking a nomination from a major party (that is, a party that earned at least 10 percent of the votes in the last gubernatorial or Secretary of State election) must collect 7,500 qualifying contributions (a total of \$37,500). Candidates in other parties must collect 3,750 qualifying contributions (a total of \$18,750). (The Democratic Party and the Republican Party currently count as major parties under this measure. Other parties now count as “minor parties,” but could become major parties based on performance in future elections.) Candidates choosing not to participate would fund campaigns from private sources under existing rules.

**Funding for Eligible Candidates in Primary Elections.** Figure 2 summarizes funding amounts and other requirements under this measure for Secretary of State campaigns. Participating candidates competing for a major party’s nomination would receive a base level of funding of \$1 million for the primary election. These candidates would receive additional funds (“matching funds”) to equal the money spent by nonparticipating candidates or outside groups trying to influence the election. Participating

candidates could receive up to an additional \$4 million of these matching funds for the primary. For example, if a nonparticipating candidate were to raise and spend \$3 million and another interest group were to spend \$2 million in favor of the nonparticipating candidate, the participating candidate would be eligible to receive \$5 million—\$1 million in base funding, and \$4 million in matching funds. Eligible candidates from minor parties would receive \$200,000 in base funding. These minor party candidates also could receive the matching funds described above—up to an additional \$800,000—if they demonstrate broader support by collecting 15,000 qualifying contributions (a total of \$75,000) instead of 3,750.

### Public Funding Levels and Requirements for General Election Campaigns

**Winning a Party’s Primary Election.** In order to receive public financing for a *general election* campaign, a party candidate must have participated in the public financing program in the primary election campaign. Candidates who participate in the public financing program in the primary election must follow program rules if they proceed to the general election.

**Independent Candidates.** Independent candidates—that is, those not affiliated with any party—would not have participated in a primary election. These candidates must collect 15,000 qualifying contributions to receive the same level of public financing in the general election as major party candidates who participate.

**Figure 2**  
**Proposed Qualifying Requirements and Public Funding Levels for Secretary of State Candidates**

	Qualifying \$5 Contributions Needed	Primary Election Funds		General Election Funds	
		Base Level	Maximum Level of Matching Funds	Base Level	Maximum Level of Matching Funds
Candidates from major political parties	7,500	\$1,000,000	\$4,000,000	\$1,300,000	\$5,200,000
Candidates from minor parties	3,750	200,000	Not eligible	325,000	Not eligible
Candidates from minor parties demonstrating broader support	15,000	200,000	800,000	1,300,000	5,200,000
Independent candidates	15,000	Not applicable <sup>a</sup>	Not applicable <sup>a</sup>	1,300,000	5,200,000

<sup>a</sup> Currently, independent candidates do not participate in primary elections.

***Funding for Eligible Candidates in General Election.***

The base level of funding for major party candidates and independent or minor party candidates demonstrating broader support is \$1.3 million for the general election campaign. Similar to the primary election campaign, eligible candidates would receive additional matching funds to equal the money spent by nonparticipating candidates or outside groups trying to influence the election. Eligible candidates could receive up to an additional \$5.2 million of these matching funds. Other eligible candidates from minor parties would only receive \$325,000 in base funding.

**Other Requirements to Receive Public Funds for Campaigns**

To receive public funds for the primary or general election campaign, candidates for Secretary of State would have to follow new rules and requirements described below.

***Private Contributions Restricted.*** To receive public funding, a candidate could not accept private campaign funding, with four main exceptions:

- First, candidates must collect the \$5 qualifying contributions. (These qualifying contributions would be deposited into the fund supporting the public financing program, as described below.)
- Second, beginning 18 months prior to a primary election, candidates could collect and spend start-up contributions, or “seed money.” (These funds could be spent, for example, to pay costs for collecting the qualifying contributions.) The measure restricts seed money contributions to \$100 for each registered voter, and total contributions would be limited to \$75,000 per campaign.
- Third, candidates could accept a certain amount of contributions from political parties—5 percent of the

base level of public funds in each of the primary election and the general election—that is, up to \$50,000 for the primary election campaign, and \$65,000 for the general election campaign.

- Fourth, in the event that the program did not have enough funds to give to eligible candidates, candidates could raise from private donors the difference between what they were entitled to receive from the state and what they actually received.

***Use of Funds.*** The public funds could only be used for direct campaign expenses. The measure contains various restrictions to prevent funds from being used for other purposes.

***Other Requirements.*** Publicly funded candidates also would be subject to other requirements. For example, they would have to participate in debates with other candidates before each election and submit campaign expenditure records to the commission. In addition, aside from initial seed money, candidates could not use their personal funds to pay for campaign costs or raise funds for other candidates in other campaigns or for political parties.

**Other Provisions**

***Smaller Awards if There Are Insufficient Funds.*** If the commission determines that there is not enough money in the program to fund all eligible candidates, the commission would reduce the grants proportionately to all eligible candidates. If there are insufficient funds, participating candidates would be allowed to raise money up to the amount that they were entitled to receive from the public financing program.

***Rules for Those Not in the Public Funding Program.*** Secretary of State candidates could choose not to participate

ANALYSIS BY THE LEGISLATIVE ANALYST

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in the public funding program. As soon as a nonparticipating candidate begins to spend more than the base amount of funding for participating candidates, the nonparticipating candidate must report his or her campaign spending to the commission electronically within 24 hours. Other individuals or groups that spend more than \$2,500 in a year to influence the outcome of the Secretary of State's race also must report such spending within 24 hours.

**Amounts Adjusted by Inflation.** Every four years, the commission would adjust seed money limitations and public funding amounts for the program by the rate of inflation.

**Expires January 1, 2019.** This measure would end public financing for Secretary of State campaigns on January 1, 2019. Public financing, therefore, would be in place for the 2014 and 2018 elections. The Legislature, however, could extend this expiration date by passing a bill signed by the Governor.

**Interaction With Other Measure on the June 2010 Ballot.** Proposition 14 on this ballot would change the primary and general election process for state offices, including for the Secretary of State. The nearby box discusses how this measure interacts with Proposition 14.

### Proposition 14 and This Measure

If approved, Proposition 14—a constitutional amendment also on this ballot—would change the primary and general election system for state offices, including Secretary of State. Proposition 14 makes changes that could conflict with the proposed statutory provisions of the public campaign funding system under this measure. For example, a potential conflict is this measure's linking of certain funding decisions to participation in a *partisan* primary election, which would no longer exist if Proposition 14 were to pass.

If both measures pass, conflicting provisions of these two measures would have to be reconciled through additional legislation, judicial action, or a future ballot measure.

### Requires Lobbyists to Pay Higher Charges

**Fair Elections Fund Established.** The public funds for Secretary of State campaigns would be paid out of a new Fair Elections Fund, which would be funded by increased charges on lobbyists, qualifying contributions, potential voluntary tax check-off donations (on state personal income tax forms), and other sources.

**Increases Charges Related to Lobbyists.** This measure requires charges for lobbyists, lobbyist firms, and lobbyist employers of \$700 every two years. The measure requires that these charges be adjusted by the rate of inflation in the future. These charges likely would be the main source of money for the public funding program. As of January 2010, over 4,300 individuals and groups were registered as lobbyists, lobbying firms, or lobbyist employers. If similar numbers of registrations were to occur in the future, this source of revenue would raise about \$6 million every four-year election cycle.

**Administrative Costs.** The measure allows up to 10 percent of all money deposited to the Fair Election Fund every four years to pay for administering the public funding program. Such funds would be paid to the Secretary of State's office, the commission, and other departments with new duties under this measure.

### FISCAL EFFECTS

**New State Revenues.** We estimate that this measure would raise more than \$6 million every four years. This includes funds from the lobbyist charge, as well as qualifying contributions. This amount would grow with inflation in future years. It is possible that other revenues would be generated from voluntary tax check-off donations and other sources.

**New State Costs.** The new funds would pay for costs associated with the measure. The costs paid from the new Fair Elections Fund to administer this measure could not exceed 10 percent of moneys deposited into the fund—about \$600,000 every four years. The remaining funds would be available for candidates for Secretary of State who choose to receive public funds for their political campaigns. The amount of spending on the public funding of Secretary of State election campaigns would depend on a number of factors and vary from election to election. Among the factors affecting this spending would be:

- The number of candidates accepting public funds.
- The amount of money spent by candidates not receiving public funds (which would be a factor in determining the level of any additional matching funds payments).

Based on the amount of campaign spending for Secretary of State candidates in recent elections, total costs would most likely be between \$5 million and \$8 million per campaign. If there are not sufficient funds available to provide all candidates with the amounts envisioned under the measure, public funding provided to the candidates would have to be reduced so that overall expenses do not exceed the funds available to the program.