



Election Campaigns. Contributions and Spending Limits. Public Financing. Disclosures. Initiative Statute.

Official Title and Summary Prepared by the Attorney General

ELECTION CAMPAIGNS. CONTRIBUTIONS AND SPENDING LIMITS. PUBLIC FINANCING. DISCLOSURES. INITIATIVE STATUTE.

- Expands campaign contribution disclosure requirements, establishes contribution limits from single sources of \$5,000 for statewide candidates, \$3,000 for other candidates, \$25,000 for political parties, and \$50,000 total per election. Bans corporate contributions. Limits fund-raising to period 12 months before primary election and ninety days after election.
- Provides public financing of campaign media advertisements and voter information packets for qualifying candidates and ballot measure committees adopting spending limits ranging from \$300,000 for Assembly primary race to \$10,000,000 for Governor's race.
- Requires ballot pamphlet to list top contributors on ballot measures.

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

- State costs of more than \$55 million annually, potentially offset to an unknown extent.
 - Local government costs of potentially several million dollars annually.
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BACKGROUND

Political Reform Laws. The Political Reform Act of 1974, approved by California voters in that year, established campaign finance disclosure requirements for candidate and ballot measure election campaigns. Specifically, it required candidates for state and local office, as well as proponents and opponents of ballot measures, to report contributions received and expenditures made on their campaigns. These reports are filed with the Secretary of State's office, local 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.

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, this lawsuit was still pending and Proposition 208 had not been implemented.

Ballot Pamphlet and Sample Ballot. Each household with a registered California voter is mailed before each statewide election a ballot pamphlet prepared by the Secretary of State. The pamphlet contains information on measures 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 candidates and ballot measures.

PROPOSAL

This measure revises state laws on political campaigns for candidates and ballot measures beginning in 2001. Specifically, the measure:

- Limits financial contributions to support candidates for state or local elective office and prescribes when fund-raising for state candidates can occur.
- Establishes voluntary campaign spending limits for state candidates and ballot initiative campaigns.
- Provides public funding for broadcast advertising and voter information packets mailed to voters for certain state candidates and ballot initiative campaigns that have accepted voluntary campaign spending limits.
- Requires establishment of Internet web sites to display information on state political campaigns and some local political campaigns, finances, and advertising authorized by campaigns.

- Establishes new advertising and financial disclosure requirements for state and local campaigns.
- Requires state verification of contributions from major donors.
- Makes it illegal under any circumstances to provide or offer compensation to someone to vote.

Some provisions of this measure are similar to those enacted in 1996 by Proposition 208 which have not gone into effect because of an ongoing lawsuit.

The major provisions of Proposition 25 are described below.

Campaign Contribution Limits

This measure places limits on financial contributions to campaigns for state and local candidates. The major contribution limit provisions are shown in Figure 1. These limits would be adjusted for inflation.

Figure 1 Proposition 25 Campaign Contribution Limits		
Contributor	Candidate for:	
	Legislative and Local Elective Office	Statewide Office
Individual donation to a candidate	\$3,000 per election.	\$5,000 per election.
Donation of personal funds to own campaign	No limits.	No Limits.
Political party	No more than 25 percent of voluntary spending limits established by this measure, per election.	No more than 25 percent of voluntary spending limits established by this measure, per election.
Political action committees	\$3,000 per election.	\$5,000 per election.
For-profit corporations	Prohibited.	Prohibited.
Transfer from another campaign committee	Prohibited.	Prohibited.

Except for contributions to political parties, no person could contribute a combined total of more than \$50,000 per election to state candidates. Other provisions of this measure limit contributions to political parties, political committees not directly controlled by candidates, ballot measure campaigns, and loans to candidates.

Candidates for statewide office generally could not begin to accept contributions for their election campaigns until within 12 months before the primary election. The period would be six months for other state offices. Contributions generally could not be accepted more than 90 days after the election.

This measure further provides that more restrictive campaign contribution limits established under Proposition 208 would override this measure and take effect if the court allows Proposition 208 to go into effect.

Voluntary Spending Limits

This measure establishes a system of voluntary spending limits for state candidates and ballot initiative

campaigns. Specifically, a candidate or ballot initiative committee would be required to file a statement at the beginning of the campaign declaring whether it will accept or reject the limits. The major spending limit provisions are shown in Figure 2. These limits would be adjusted for inflation.

Figure 2

Proposition 25
Voluntary Spending Limits

Election Contest	Election	
	Primary	General
Assembly	\$300,000	\$400,000
Senate or Board of Equalization Member	500,000	800,000
Governor	6,000,000	10,000,000
Other statewide offices	1,500,000	2,000,000
State ballot initiative	\$6,000,000 per election	

The voluntary spending limits applying to a specific elective office or a state ballot initiative campaign would increase by two and a half times the dollar amount of the initial limits if opposing campaigns exceeded certain specified fund-raising or campaign spending levels. Any candidate or ballot initiative campaign which violated a pledge to abide by the voluntary spending limits would be subject to a fine.

Publicly Funded Campaign Assistance

A candidate for statewide office or a campaign for or against a state ballot initiative that accepts the voluntary spending limits with specified exceptions could receive public funding in the form of credits for broadcast media advertising. A candidate for Governor or a state ballot initiative campaign could receive credits worth up to \$1 million per election, while candidates for other statewide offices could receive credits worth up to \$300,000 per election. A campaign receiving many small contributions would receive more credits than one with fewer but larger contributions. The credits would be allocated on a first-come, first-served basis until the funds set aside for this purpose are exhausted.

In addition to public funding for broadcast advertising, a candidate for any state office and any state initiative campaign that accepted voluntary spending limits could participate free of charge in a voter information packet program. A campaign refusing to accept the spending limits could choose to participate by sharing in the cost of the packets. The packets would be assembled and mailed by the Secretary of State at four specified times before each election.

A candidate would have to collect a specified number of valid signatures of registered voters to qualify for public assistance during the *primary election*. The level of public assistance provided during the subsequent *general election* would depend upon a candidate's share of the primary election vote.

State candidates and ballot initiative committees that agree to voluntary spending limits would be so designated in the voter information packets as well as in the regular ballot pamphlet prepared by the Secretary of State and the sample ballots prepared by local elections officials.

Campaign Web Site

This measure directs the Secretary of State to establish and maintain a Campaign Web Site on the Internet to provide specified information on state candidates and state ballot measure campaigns. Copies of campaign advertisements, information about the candidates, and financial disclosure reports would be made accessible to the public through the Internet web site within 24 hours of their receipt. Links would also be provided to web sites established by campaign committees.

Campaign information would be similarly disclosed for some local election campaigns beginning in 2002. The Secretary of State would provide this information on the state web site after that date if local elections officials lacked the technological capability to do so.

Campaign Advertising and Financial Disclosures

This measure requires that state candidates and state ballot measure committees provide earlier financial disclosure through reports of contributions of \$1,000 or more and expenditures in excess of certain specified levels. Certain candidates and ballot measure committees would have to disclose in their campaign advertising their top two financial donors, the use of a paid spokesperson, and the amount spent by the campaign to date. Additional disclosure requirements would be established for so-called "slate mailers," campaign mass mailings that contain recommendations on candidates and ballot measures.

Ballot pamphlets mailed to voters would also list the top five contributors over \$25,000 for and against a ballot measure. Petitions for state or local ballot measures would include a statement indicating whether the individual circulating the petition is paid or a volunteer.

Provisions Affecting Major Donors

Under existing law, so-called major donors who make political contributions with a combined total of \$10,000 or more in a year must file reports listing their contributions. Under this measure, only someone contributing a combined total of \$100,000 or more would have to file such reports. However, the Secretary of State would be required to compile the names of all persons who gave \$10,000 or more per year to state candidates or ballot measure committees. Such donors would be sent forms to verify their contributions and could be fined for failure to complete them in a timely manner.

Compensation for Voting Prohibited

State law already makes it illegal to pay someone to vote for or against a specific candidate or ballot measure. This measure would also make it illegal under any circumstances to pay someone to vote in an election. Thus, it would become illegal to pay someone to vote even if the voter was not paid to vote for or against a specific candidate or ballot measure.

FISCAL EFFECT

This measure would result in significant net costs for state and local governments, which are discussed below.

Publicly Funded Campaign Assistance. This measure requires that \$1 for every state income taxpayer be appropriated annually from the state General Fund to pay for broadcast advertising credits. We estimate this would result in an annual state cost of about \$17 million.

The Secretary of State has estimated that the cost for coordinating, producing, and mailing the voter information packets would probably be about \$35 million annually. These costs would be partly offset by an unknown amount of revenue from campaigns which agreed to pay to participate in the voter information packet program.

Additional Secretary of State Implementation Costs. The Secretary of State would likely incur additional costs of several million dollars annually to fulfill the other requirements of this measure. These costs are likely to significantly exceed the initial appropriation of \$1.5 million and ongoing appropriations of \$750,000 to the Secretary of State provided in the measure. The Secretary of State would primarily incur these costs to establish the Campaign Web Site, to track and fine major donors, to certify the campaigns eligible for public assistance, and to reimburse counties for verifying signatures submitted to qualify for public assistance. The process of verifying major donors would

generate revenue through fines thereby offsetting these state costs to an unknown amount.

FPPC Implementation. The FPPC has estimated that it may need as much as \$600,000 annually in additional funding beyond the \$1 million appropriation provided in this measure to establish necessary regulations, to provide technical assistance to the public, and to prosecute violators of the proposed new law. These state costs would be offset by an unknown amount to the extent that enforcement of various provisions of the measure results in the collection of fines from campaigns.

Local Government. City and county governments could incur significant costs, potentially exceeding several millions of dollars annually on a statewide basis, to implement this measure primarily for maintaining local campaign web sites. To the extent that city and county governments lacked the technological capability to implement these provisions, local government costs would be lower but state costs to provide this information would increase.

For text of Proposition 25 see page 135



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Argument in Favor of Proposition 25

WHY DO WE NEED PROPOSITION 25?

- California is one of only six states with ABSOLUTELY NO LIMITS on the source or size of political contributions. Candidates can receive checks for \$1 MILLION or even more! Our government has been corrupted by BIG MONEY.
- Last election, California gambling casinos and Nevada gambling casinos spent over ONE HUNDRED MILLION DOLLARS (\$100,000,000.00) fighting for control of organized gambling in California—casinos gave millions to Democrats and millions to Republicans. Government should be of the people, by the people, and for the people, NOT OF THE GAMBLING CASINOS, BY THE GAMBLING CASINOS, and FOR THE GAMBLING CASINOS.
- Public figures get huge cash payments to endorse or oppose campaigns. Last election, a consumer advocate opposed the utility rate-cut initiative and got over \$160,000 from utility companies; a former state schools official opposed the tobacco tax initiative and got \$90,000 from tobacco companies. We often don't find out about such payments until after the election.

WHAT WILL PROPOSITION 25 DO?

- Prohibits paying people to vote or not vote.
- Requires immediate Internet disclosure of political contributions of \$1,000 or more.
- Requires immediate Internet disclosure of television, radio, print, or mail advertisements.
- Provides strict contribution limits of \$5000 or less, limits which will survive any legal challenge.
- Bans corporate contributions to candidates, just like federal law has for almost 100 years.
- Provides free television and radio time to statewide campaigns which agree to limit spending.
- Requires individuals in advertisements to disclose whether they are being paid by a campaign or its major donors.
- Requires statewide campaigns which exceed voluntary spending limits to disclose their spending total in all advertisements.
- Prevents endless fundraising by elected officials while

they're voting on important bills—statewide candidates can't begin fundraising until one year before their primary, legislative candidates six months before their primary.

- Restricts "soft money," stopping its unlimited use for electronic media or candidate advertisements.

WHAT WILL PROPOSITION 25 COST?

- The initiative limits public funding to just ONE DOLLAR EACH YEAR PER CALIFORNIA TAXPAYER. It's worth spending a dollar a year to BUY BACK OUR GOVERNMENT from special interests which control it!
- Our politicians should answer to taxpayers not gambling casinos and tobacco companies.
- Political reform will SAVE taxpayers and consumers BILLIONS OF DOLLARS by limiting tax breaks and sweetheart deals for big campaign contributors.

HOW WILL PROPOSITION 25 CLOSE LOOPHOLES AND LEVEL THE PLAYING FIELD?

- Under Section 85309, ALL subsidiaries of a business and ALL locals of a union are treated as one donor for contribution limit purposes; this prevents different subsidiaries and locals from EACH giving maximum contributions.
- Section 89519 forces candidates to liquidate their campaign war chests after every election, meaning all candidates start even after every vote.

WHO SUPPORTS PROPOSITION 25?

- A coalition of Democrats, Republicans, third party members, and independents who want to stop corruption, including Republican Senator John McCain and California Common Cause.

WHO OPPOSES PROPOSITION 25?

- Special interests who want to keep control of OUR government.

VOTE YES ON 25.

JAMES K. KNOX

Executive Director, California Common Cause

RON UNZ

Chairman, Voters Rights 2000—Yes on 25

TONY MILLER

Former Acting Secretary of State

Rebuttal to Argument in Favor of Proposition 25

Some questions proponents are hoping you *don't* ask . . .

- WHAT ELSE HAS COMMON CAUSE SAID ABOUT PROP. 25?

"The contribution limits would be the highest in the nation . . . Worst of all, there is a huge 'soft money' loophole."—California Common Cause Newsletter, Spring 1999

"The measure would allow unlimited contributions to the state parties."—California Common Cause Press Release, March 25, 1999

- WHY IS THE LEAGUE OF WOMEN VOTERS—one of California's leading campaign finance reform advocates—OPPOSING PROP. 25?

While the League of Women Voters supports public financing for candidates, they oppose Prop. 25's taxpayer financing of initiative campaigns. More importantly, *they want fair and equitable reform that levels the playing field and Prop. 25 does the opposite.* It lets special interests flood our system with unlimited money and influence.

- WHO ELSE OPPOSES PROP. 25?

Taxpayer and consumer organizations, seniors, campaign reform experts, business, labor, Democrats, Republicans, Independents, Taxpayers for Fair Elections and everyday

Californians who want a fair and level playing field.

- WHY DOES THE STATE'S INDEPENDENT LEGISLATIVE ANALYST ESTIMATE PROP. 25 WILL COST TAXPAYERS MORE THAN \$55 MILLION ANNUALLY?

Because it uses public funds to pay for political advertising, Californians would become the first state taxpayers forced to subsidize the cost of initiative campaign advertising.

- WHY IS PROP. 25 A CURE WORSE THAN THE DISEASE?

It gives *wealthy candidates* an even *greater advantage.* It contains an UNFAIR LOOPHOLE that lets special interests circumvent contribution limits. It could force a \$55+ MILLION ANNUAL TAX INCREASE on Californians. VOTE NO!

LARRY McCARTHY

President, California Taxpayers' Association

WAYNE JOHNSON

President, California Teachers Association

ALLAN ZAREMBERG

President, California Chamber of Commerce

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Argument Against Proposition 25

We need to *clean up* California's political system, *not* add more problems to the mix.

Proposition 25 is a classic example of a CURE THAT'S WORSE THAN THE DISEASE. It includes some positive changes, but unfortunately, this 24-PAGE INITIATIVE contains TOO MANY LOOPHOLES and provisions that will ADD TO THE ABUSES and LEAVE TAXPAYERS FOOTING THE BILL.

California taxpayer organizations, government accountability groups and campaign finance experts have taken a close look at Prop. 25. Here's what they've found:

- A \$55 MILLION ANNUAL TAX INCREASE TO FUND POLITICAL ADS

If you like those political ads you get bombarded with every election, you'll love Prop. 25 because if it passes, *you'll get to PAY for those ads*—even ads with which you disagree. Prop. 25 includes a MANDATORY TAXPAYER SUBSIDY TO FINANCE POLITICAL ADVERTISING. If approved, it would become the first state law in the country to force taxpayers to subsidize political advertising for initiative campaigns.

Read the fiscal impact summary by the state's independent Legislative Analyst. FIFTY-FIVE MILLION TAX DOLLARS WITH AUTOMATIC INCREASES EVERY YEAR. This is not a voluntary check-off on your tax form. The only say you have in the matter is a vote on Prop. 25. If it passes, your tax dollars *will* be used to finance political ads. That means a TAX INCREASE or CUTS TO EDUCATION and other services to pay for it.

- PROP. 25 IS THE MILLIONAIRE CANDIDATE'S BEST FRIEND

Just ask the millionaire candidate who wrote it. It limits the money all but one type of candidate can raise from individuals. MILLIONAIRE CANDIDATES LIKE PROP. 25's SPONSOR ARE EXEMPTED from the initiative's contribution limit so they can spend unlimited amounts of their own money to get

elected. Prop. 25 will make politics even more of a rich man's game and give wealthy people and incumbents a huge advantage against new challengers.

- PROP. 25 LOCKS SPECIAL INTEREST LOOPHOLES DIRECTLY INTO STATE LAW

Prop. 25 will legally protect the ability of special interests to dominate our political system. It was drafted to allow special interests to give an unlimited amount of money—known as “soft money”—to political parties. *If Prop. 25 passes, special interests will not only be able to avoid campaign contribution limits, they'll be able to do so under the protection of state law.* That's why traditional supporters of campaign finance reform initiatives are opposing this one.

- PROP. 25 IS ANOTHER FULL EMPLOYMENT ACT FOR LAWYERS

This 24-page initiative contains provisions that have already been found unconstitutional elsewhere and will undoubtedly lead to more costly lawsuits. Just what we need, another initiative headed straight for the courts.

Prop. 25 has some good things in it, but we don't get to pick and choose which ones we want. Overall, Prop. 25's BAD PROVISIONS and LOOPHOLES make it a cure worse than the disease. Prop. 25 will *not* clean up politics. It will ADD TO THE ABUSES and LEAVE TAXPAYERS FOOTING A \$55 MILLION ANNUAL BILL.

VOTE NO on 25!

DANIEL LOWENSTEIN

Former Chair, California Fair Political Practices Commission

PETER J. KANELOS

President, Responsible Voters for Lower Taxes

LOIS WELLINGTON

President, Congress of California Seniors

Rebuttal to Argument Against Proposition 25

As usual, the special interests are trying to fool you.

Proposition 25 costs us only about \$1 per year, a cheap price to clean up politics in California.

The opponents' arguments are not the REAL reasons why they oppose the initiative.

Our REAL opponents—the big corporations, big unions, and others spending millions to defeat our campaign reform initiative—are the ones who write our elected officials checks for \$100,000 or \$200,000 or even more.

Of course they oppose campaign reform. They always have. They always will.

They own our government and they don't want the people of California to buy it back.

- Proposition 25 LIMITS TOTAL PUBLIC FUNDING FOR CAMPAIGNS TO JUST \$1 PER TAXPAYER PER YEAR. Candidates don't get ANY taxpayer money—they get LIMITED free air time IF they agree to limit their spending.
- Proposition 25 requires immediate Internet disclosure of all contributions of \$1,000 or more.

- Proposition 25 puts severe restrictions on the amount of money that millionaire candidates can spend on their own campaigns, and restricts the amount of money which can be given to political parties or candidates.
- Proposition 25 bans corporate contributions to candidates.
- Proposition 25 forces campaigns to tell the voters in their advertisements how much they're spending.
- Proposition 25 will give California one of the least corrupt election systems in America, and create an important model for national campaign finance reform.

Don't be fooled by the special interests. Take back our government for \$1 per year. Vote YES on Proposition 25!

MARCH FONG EU

Former California Secretary of State

THOMAS K. HOUSTON

Former Chair, California Fair Political Practices Commission

DONALD KENNEDY

Former President, Stanford University