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April 29, 1999

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Connie Lemus
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have received the proposed initiative cited as the "California Voter's Bill of Rights" (Plan B) (File No. SA 1999 RF 0008).

This measure would revise state laws governing political campaigns for state candidates and campaigns for or against state ballot measures commencing in 2001. These provisions include mandatory campaign contribution limits, voluntary limits on campaign spending, verification of contributions by major donors, public assistance for eligible campaigns in the form of voter information packets and purchase of broadcast advertising, and online electronic disclosure of campaign registration information, finances, and advertising. Also, various new disclosure or reporting requirements would be established for candidate and ballot measure campaigns, slate mailers, and initiative petitions. Certain provisions would affect some local candidate and local ballot measure campaigns commencing in 2002.

In addition, the measure would amend the California Constitution to limit the authority of the California Citizens Compensation Commission to raise the annual salaries of state elected officials to no more than the increase in the state's Consumer Price In-

dex, unless a higher increase is approved by the voters. The measure would also place new limits on the number of days that Members of the Legislature could receive payments to cover their living expenses.

Finally, the measure would amend the California Constitution to require adjustments to the boundaries of districts for the State Senate and Assembly, Board of Equalization, and U.S. House of Representatives for California, be made by a two-thirds vote of each house of the Legislature, rather than a simple majority.

FISCAL EFFECT

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

Political Campaign Provisions

Public Assistance for Campaigns. This measure mandates that \$1 for every state income taxpayer, or about \$17 million, be appropriated annually from the state General Fund to pay for broadcast advertising for campaigns for eligible candidates for statewide office and for campaigns supporting and opposing state ballot measures. Also, the State Controller would incur unknown administrative costs for distributing the funds to campaigns.

The measure also establishes a Voter Information Packet program by which the Secretary of State would mail packets of campaign advertising, prepared by state candidates and state ballot measures, eight times during an election year. The state cost of coordinating, producing, and mailing the packets would probably exceed \$20 million annually, and could be significantly more, depending upon the number of campaigns participating in them and the exact approach taken by the Secretary of State's office in implementing the Voter Information Packet program.

These costs would be partly offset through reimbursements from candidates and ballot measure campaigns that chose to participate in the packet mailing program. The mailings would be free of charge to eligible major candidates who agreed to voluntary campaign spending limits. However, state candidates and state ballot measure campaigns that agreed to participate in the mailings, but who also declined to abide by voluntary campaign spending limits, would be charged for part of the cost of the packets. The offsetting revenue likely to result from this provision is unknown.

Secretary of State Implementation Costs. This measure initially appropriates \$1.5 million in additional funding to the office of the Secretary of State to implement

various provisions, with \$750,000 in additional funding provided in each subsequent fiscal year, adjusted upward annually for the cost of living. The measure directs the Legislature to provide additional resources as needed to implement the measure.

Additional funding above the appropriations provided in the measure would likely be needed to fulfill the requirements of this measure to: (1) modify Secretary of State information technology systems so that campaign registration information, finances, and campaign advertising would be made accessible to the public through "Internet" web pages within 24 hours of receipt; (2) provide for Secretary of State tracking of major contributors to state campaigns, send letters to such contributors to verify their contributions, and fine contributors who fail to comply with the requirements; (3) certify which candidates are eligible for the public financial assistance described above; and (4) compensate county governments for verifying the signatures on petitions submitted by state candidates to qualify for the public financial assistance provided in this measure.

Preliminary estimates by the Secretary of State's office indicate that the provisions would result in annual costs of a few million dollars to implement these provisions. If those estimates are correct, additional state appropriations in excess of the \$750,000 appropriated in this measure would be required to administer these provisions.

Fair Political Practices Commission Implementation Costs. This measure appropriates \$1 million annually in additional funding to the office of the Fair Political Practices Commission (FPPC) to implement various provisions, adjusted upward annually for the cost of living. The measure directs the Legislature to provide additional resources as needed to implement the measure. The FPPC has estimated that it may need as much as \$600,000 annually in additional funding beyond the \$1 million appropriation to establish regulations to implement the measure, provide technical assistance to the public, and prosecute violators of the measure. These state costs would be offset to the unknown extent that enforcement of the measure resulted in the collection of fines from political campaign committees that would be deposited in the state General Fund.

Local Government Implementation Costs. City and county governments could incur significant costs, potentially exceeding \$1 million dollars statewide annually, to implement applicable provisions of this measure for online electronic reporting of contributions, filing of additional expenditure reports, establishment of Internet web sites for campaign financial reports and campaign advertising, as well as other provisions.

The measure provides that city and county governments could avoid incurring these costs if they lacked the technological capability to comply with the provisions of the measure. To the extent that city and county governments opted out under this provi-

sion, local government costs for implementing this measure would be reduced but state implementation costs would increase. This measure contains no appropriation for local government implementation of the measure, but does specify that county governments are to be reimbursed by the state for verifying the signatures of registered voters submitted on petitions by state candidates in order to qualify for public financial assistance. County governments could receive state reimbursements amounting to the low hundreds of thousands of dollars for signature-verification activity, depending upon the number of candidates submitting signature petitions to qualify for public assistance.

Legislative Compensation Provisions

The provision of the measure which limits the annual increases in salaries for state officials and living expense payments to Members of the Legislature could result in unknown, but probably not significant, annual savings to the state.

Redistricting Provisions

The provision of the measure that requires a two-thirds vote of the Legislature to change the district boundaries for the Legislature, Board of Equalization, and U.S. House of Representatives, would have a negligible net fiscal impact on the state.

SUMMARY

This measure is likely to result in the following ongoing fiscal effects:

- State costs of more than \$40 million annually, potentially offset to an unknown extent.
- Local government costs of potentially more than \$1 million annually.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance