February 15, 2000

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

Attention: Ms. Diane Calkins
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative cited as "The Campaign Finance Reform Act of 2000" (File No. SA 2000 RF 0004).

Proposal

This measure would repeal portions of existing or proposed laws regulating election campaigns for state and local office and enact specified campaign contribution limits and electronic online campaign contribution disclosure requirements for candidates for state office.

Contribution Limits. Under the provisions of this measure:

- Campaign contributions to candidates for state Assembly or Senate would be limited to a total of $5,000 per election. This contribution limit would not apply to contributions from a political party.

- Contributions to candidates for statewide elective office would be limited to a total of $10,000 per election. This provision affects candidates for Governor, Lieutenant Governor, Attorney General, Insurance Commissioner, Controller, Secretary of State, Treasurer, and Superintendent of Public Instruction. This contribution limit also would not apply to contributions from a political party.

- Contributions to a political party or a committee of a political party would be limited to $25,000 per calendar year. However, larger contributions could be made to such a committee if it was primarily formed to support or oppose a ballot measure.

Under the terms of this measure, all of these contribution limits would be adjusted in the future for inflation.

Online Disclosure. Existing law requires that certain candidates for state or local office file specified campaign finance information with the Secretary of State through an online or electronic disclosure process. This measure would further require that candidates for the Assembly or Senate or for statewide elective office file an online disclosure report within 24 hours of receipt of every contribution of $5,000 or more.

Repeal Provisions. This measure would repeal portions of a 1996 voter-approved initiative regulating election campaigns for state and local office, as well as repeal portions of a related measure that will appear on the March 2000 statewide ballot.

Specifically, this measure would repeal portions of Proposition 208 of 1996. Among the provisions that would be repealed are contribution and voluntary expenditure limits for certain campaigns and limits on when certain candidates can accept contributions. At the time this analysis was prepared, none of the provisions of Proposition 208 were in effect because of a court order blocking enforcement of its provisions.

This measure would further repeal portions of Proposition 25 on the March 2000 ballot, which includes some provisions intended to take the place of components of Proposition 208 as well as additional provisions not contained in Proposition 208.

This proposed new initiative would repeal provisions in Proposition 25 establishing contribution and voluntary expenditure limits for certain campaigns, limits on when candidates can accept contributions, publicly funded broadcast media credits for campaign advertising, a state-run Internet Web site to display information on campaigns, state verification of contributions from major donors, and various new campaign finance reporting rules. Among the rules that would be repealed is a requirement that state candidates or ballot measure committees file an online disclosure report within 24 hours of receipt of every contribution of $1,000 or more.

Fiscal Effect

This measure could have significant fiscal effects on state government.

Implementation Costs. This new initiative could result in a significant increase in expenditures by the Secretary of State and the Fair Political Practices Commission (FPPC), potentially exceeding $1 million annually, for the implementation and enforcement of the campaign contribution limits and online electronic reporting requirements provided in this measure.

Impact of Repealing Prior Initiatives. This new initiative could also significantly reduce state costs by repealing portions of Propositions 208 and 25, assuming either or both measures were legally in effect at the time this new initiative was enacted.

Repeal of a Proposition 25 provision establishing publicly funded broadcast media credits for eligible campaigns could result in an annual state savings of $17 million. The partial repeal of Propositions 208 and 25 could significantly reduce expenditures for their implementation and enforcement by the Secretary of State and the FPPC. This new initiative would specifically repeal an initial appropriation of $1.5 million, and the subsequent appropriation of $750,000 annually, to the Secretary of State for carrying out various provisions of Proposition 25.

The repeal provisions in this new initiative would have no fiscal consequences, however, if the voters do not enact Proposition 25 and if the courts do not uphold or allow Proposition 208 to go into effect.

Summary of Fiscal Effects

The net fiscal effect of this new initiative is unknown at this time because it depends upon (1) whether the courts uphold Proposition 208 and allow it to go into effect before this new initiative goes before the voters and (2) whether the voters enact Proposition 25 on the March 2000 ballot.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance