

February 17, 2006

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

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative related to political contributions from corporations (File No. SA2006RF0012).

Major Provisions

Under current law, corporations with stockholders are authorized to make political contributions. A corporation determines on its own who can authorize such contributions (for instance, an executive officer, board of directors, or stockholders).

This measure restricts corporations with stockholders from making political contributions (for candidates, ballot measures, issue advocacy, and other political activities) unless the stockholders authorize the contributions. Specifically, the measure requires stockholders to approve the total amount of political contributions for the subsequent fiscal year. For increased expenditures *within* a fiscal year, stockholders would be required to approve specific contributions to entities. In both instances, any requested amount of authorized contributions would be proportionally reduced to an amount equal to the percentage of stockholders voting “yes” on whether the contributions should be authorized. (For instance, if 70 percent of a corporation’s stockholders voted yes on a \$1 million request, then \$700,000 would be authorized.) In addition, the measure requires corporations to prepare an annual report of political contributions.

Fiscal Effect

The state’s Fair Political Practices Commission could experience increased costs to enforce the measure’s provisions. These costs could total a few hundred thousand dollars annually. Such costs could be partially offset by fines collected from corporations not abiding by the measure’s provisions.

Fiscal Summary. This measure would have the following fiscal impact:

- State enforcement costs potentially totaling a few hundred thousand dollars annually, partially offset by increased fine revenues.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Michael C. Genest
Director of Finance