

January 23, 2012

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Dawn McFarland
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative related to corporate political contributions (A.G. File No. 11-0097).

Background

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).

Proposal

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. 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, a corporation could not contribute more than an amount equal to the requested amount multiplied by the percentage of outstanding shares owned by stockholders voting “yes” on whether the contributions should be authorized. (For instance, if stockholders representing 70 percent of the corporation’s outstanding shares 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 Effects

The state’s Fair Political Practices Commission could experience increased costs to enforce the measure’s provisions. These could total several 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 major fiscal impact:

- Increased annual state enforcement costs of potentially several hundred thousand dollars, partially offset by increased fine revenues.

Sincerely,

Mac Taylor
Legislative Analyst

Ana J. Matosantos
Director of Finance