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Overview of Proposition 89

LEGISLATIVE ANALYST'S OFFICE

Presented To:

Joint Hearing of Assembly Elections and Redistricting,

Senate Elections, Redistricting and Constitutional Amendments,

Assembly Revenue and Taxation, and Senate Revenue and Taxation Committees





Proposition 89's Main Components

- Public Funding for Political Candidates**

- Lower Contribution Amounts for Privately Funded Candidates**

- Contribution Restrictions for State Ballot Measures**

- Higher Corporate Taxes**



Public Funding—Initial Steps

- “Qualifying Contributions”—
\$5 Donations and Signatures**
 - Residents can contribute to only one candidate for each office.
 - Candidate sends the contributions to the state.

- “Seed Money”—Start-Up Contributions**
 - \$100 from each donor, with maximum total allowed varying by office.
 - Can only be spent until 90 days prior to a primary.

Public Financing Provisions for Major Party Candidates		
Office	Initial Steps	
	Number of \$5 Contributions	Maximum Start-Up Contributions
Assembly	750	\$10,000
Senate	1,500	20,000
Board of Equalization	2,000	30,000
Statewide officials	7,500	75,000
Governor	25,000	250,000



Public Funding

Amounts Available

- Would vary based on office sought and whether it was primary or general election.

Public Financing Available for Major Party Candidates		
Office	Primary Election	General Election
Assembly	\$250,000	\$400,000
Senate	500,000	800,000
Board of Equalization	250,000	400,000
Statewide officials	2,000,000	2,000,000
Governor	10,000,000	15,000,000

Additional Public Funds Possible

- Dollar-for-dollar public matching of spending by opponents or independent expenditures.
- Generally capped at five times the original allocation (four times for Governor).



Public Funding— Minor Party and Independent Candidates



Designation as Major Party

- Major party candidates receive full allocations. Parties qualify for major party status by getting 10 percent of the vote in last general election for Governor or a specific office.



Allocations for Other Candidates

- Minor party and independent candidates could receive a percentage of the major party allocation. Amounts vary, but can reach up to 50 percent of the full allocation.



Public Funding— Other Requirements

- If a candidate opts for public funding:
 - No private contributions can be accepted, except for start-up contributions and from political parties. Political party contributions are subject to the same new limits as for privately funded candidates.
 - No use of personal funds to supplement public funds.
 - Must agree to participate in public debates.

- Allocations administered by Fair Political Practices Commission (FPPC) using a debit card system.

- Winning candidates using public financing would be eligible for annual payments while in office (\$50,000 or \$100,000 depending on office) to cover office expenses.



Lower Contribution Amounts to Candidates

- For those candidates choosing to be privately funded:
 - Imposes much more restrictive campaign contributions than the current limits established by Proposition 34 (November 2000).
 - Lowers limits on individuals, groups, corporations, and small contributor committees.
 - Imposes new limits on political party contributions.

Campaign Contribution Limits for Privately Funded Candidates (For Each Election)						
	Individual, Group, or Corporation		Small Contributor Committee		Political Party	
	Current	Proposition 89	Current	Proposition 89	Current	Proposition 89 ^a
Assembly	\$3,300	\$500	\$6,700	\$2,500	No limit	\$20,000
Senate	3,300	500	6,700	2,500	No limit	40,000
Board of Equalization	5,600	500	11,100	2,500	No limit	20,000
Statewide officials	5,600	1,000	11,100	2,500	No limit	200,000
Governor	22,300	1,000	22,300	2,500	No limit	750,000

^a Amounts shown are for general elections. Primary election limits are between one-half and two-thirds of the amounts shown. Political party limits would apply to both privately and publicly funded candidates.



Lower Contribution Amounts— Other Restrictions



Independent Expenditures

- Imposes \$1,000 annual limit of contributions to a committee for independent expenditures.
- No comparable limit is currently in place.



Overall Donation Limit

- Limits overall contributions to all candidates and committees to \$15,000.
- Any contributions over \$7,500 would have to be for independent expenditures.
- No comparable limit is currently in place.



Lower Contributions to Parties

- Lowers an existing limit on annual contributions to political parties to support and oppose candidates from \$27,900 to \$7,500.



State Ballot Measures

- ☑ Currently, there are no restrictions on support or opposition of state ballot measures. Proposition 89 adds two limits.
 - ***Involvement of Candidate for State Office.*** For committees with significant involvement from a candidate, contributions would be limited to \$10,000. (Involvement includes coordination of spending, solicitations for contributions, and appearances in advertisements.)
 - ***Limits on Corporations.*** Corporations could only spend \$10,000 to support or oppose a state ballot measure. They also could establish special committees to accept voluntary employee donations. (Nonprofit corporations meeting certain requirements would not be subject to this restriction.)



Other Provisions

- For all candidates, no campaign donations earlier than 18 months prior to a primary elections.
- Changed definitions of independent and political expenditures—resulting in more spending being subject to contribution and disclosure rules.
- Secretary of State required to develop voter education campaign.



Higher Corporate taxes and Other Fiscal Provisions



Revenue Sources

- Increases tax rate on corporations and financial institutions. For corporations, tax rate would increase from 8.84 percent to 9.04 percent. For financial institutions, tax rate would increase from 10.84 percent to 11.04 percent.
- Other, small sources of revenues to pay for measure include \$5 qualifying contributions and fines on candidates.



Total Amounts of Revenues and Spending

- Would raise over \$200 million annually. Several million dollars each year for administrative costs—with the rest available for public financing.
- Fund limited to holding about \$900 million at any time. (Any amount over this limit would go to the General Fund.) If there were insufficient funds, FPPC can prorate allocations to candidates.
- Many factors determining the amount of spending, including:
 - Number of candidates accepting public funds.
 - Amount of money spent by candidates not receiving public funds.