

December 30, 2009

Hon. Edmund G. Brown Jr.  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Krystal Paris  
Initiative Coordinator

Dear Attorney General Brown:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative related to corporate contributions (A.G. File No. 09-0087).

### **Background**

Under current law, corporations with stockholders are authorized to make political contributions. Each corporation determines 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 Effect**

The state's Fair Political Practices Commission could experience increased costs to enforce the measure's provisions. These 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,

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Mac Taylor  
Legislative Analyst

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Michael C. Genest  
Director of Finance