

June 11, 2003

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 initiative measure related to political contributions (File No. SA2003RF0016 Amendment No. 1-S).

Background

Under current law, individuals, “small contributor committees,” and political parties can make political contributions to candidates for state office and elected officials—subject to a variety of dollar amounts and other limitations. These contributions are made directly to the candidates, who are then responsible for reporting information to the Secretary of State (SOS). The SOS makes this information available for public review through the Internet. Upon the resignation or death of an elected official or the defeat of a candidate, there are a number of restrictions on the use of contribution funds.

Measure’s Provisions

Under this measure, political contributions for state offices could only be made by (1) individual California residents eligible to vote and (2) political parties. Upon resignation, death, or defeat, the contributed funds would become the property of the candidate or office holder (or his or her estate). In addition, the measure requires that all political contributions be made through the SOS.

The measure requires the SOS to:

- Maintain individual accounts on behalf of each candidate or official.
- Record information on all political contributions on the Internet and in public records.

The measure allows the SOS to use interest earned on the contributions to help defray the administrative costs of these requirements.

Fiscal Effect

This measure would increase state costs by requiring the administration of political contribution accounts. These costs would be offset to some extent by any interest earned by the state while the funds were held by the state.

The state's increased costs would primarily be borne by the SOS, as the designated entity to maintain accounts and provide public information on contributions. The SOS would need to modify its existing database systems (one-time costs) and add additional staff to collect and process contributions (ongoing costs). The one-time costs could exceed \$1 million and the ongoing costs could be in excess of \$2 million annually.

The amount of interest earned by the state would depend on a number of factors—the amount of money contributed, the length of time the funds remained in state accounts, and the interest rate. As a result, the exact amount of interest earned is unknown and would vary on a year-to-year basis. On average, the state could expect at least several hundreds of thousands of dollars over each two-year election cycle. After accounting for these interest earnings, the net state cost would be roughly \$2 million annually.

Summary

This measure would have the following major fiscal effect:

- Net state cost annually of about \$2 million to administer political contribution funds.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Steve Peace
Director of Finance