

May 6, 2011

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

Attention: Ms. Krystal Paris
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative regarding campaign contributions by corporations, labor unions, and government contractors (A.G. File No. 11-0010).

Background

Federal courts generally have ruled that organizations and individuals have a constitutional right, under freedom of speech, to contribute money to political campaigns. State laws place certain restrictions on the amount of money individuals, corporations, labor unions, and other organizations may contribute to a candidate's campaign for political office or to a candidate-controlled committee. The California Fair Political Practices Commission (FPPC) administers the state's campaign financing laws, imposes fines for violations of these laws, and defends these laws in court.

Major Provisions

This measure limits corporations, labor unions, and government contractors' authority to contribute money to a candidate's campaign for political office or to any committee controlled by a candidate. Specifically, it prohibits:

- Corporations and labor unions from contributing money for these purposes.
- Government contractors from contributing money for these purposes in cases when the candidate, if elected, could play a role in awarding a government contract to the contractor.
- Corporations, government contractors, government employers, and labor unions from collecting money from employees and union members to be used for political purposes, except in cases when the contributions are made on a strictly voluntary basis.

Fiscal Effect

It is possible that a federal or state court would prevent this measure from going into effect because it infringes upon various parties' constitutionally protected freedom of speech. If the measure were not preempted by the courts, its provisions likely would increase the workload and costs of the FPPC to implement and enforce the state's campaign finance laws. The amount of these costs is unknown, but could be in the range of hundreds of thousands of dollars annually. Some of these costs could be offset by increased fines for not complying with the measure's provisions.

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

- Increased state implementation and enforcement costs of up to hundreds of thousands of dollars annually, potentially offset in part by revenues from fines.

Sincerely,

Mac Taylor
Legislative Analyst

Ana J. Matosantos
Director of Finance