

# Agenda Report

**TO:** CITY COUNCIL **DATE:** October 9, 2006  
**THROUGH:** LEGISLATIVE POLICY COMMITTEE  
**FROM:** CITY MANAGER  
**SUBJECT:** NEUTRAL POSITION FOR PROPOSITION 89 (POLITICAL CAMPAIGNS) FOR THE NOVEMBER 2006 ELECTION

## **RECOMMENDATION**

It is recommended that the City Council take a neutral position on Proposition 89 (Political Campaigns, Public Financing, Corporate Tax Increase, Campaign Contributions and Expenditure Limits, Initiative Statute) in the upcoming November 7, 2006 State Election.

## **BACKGROUND:**

Proposition 89, also referred to as the California Clean Money and Fair Election Act, proposes changes to state law regarding the financing of campaigns for elected state offices, including statewide officials, legislature, and Board of Equalization members, and state ballot measures. According to the California Voter Information Guide, the main provisions of the proposition are as follows:

- Public Funding for Political Candidates:
  - A candidate for state office meeting certain requirements could receive state funds to pay for the costs of a political campaign.
  - The amount of state funds that a candidate would receive would go up if an opponent spent more in private funds.
- Lower Contribution Amounts for Privately Funded Candidates

- For candidates choosing not to receive public funding, the amount of money that could be collected from each individual, corporation, or other group would be lower than is currently the case.
- Contribution Restriction fro State Ballot Measures
  - Places new limits on contribution to candidates' efforts to support or oppose ballot measures.
  - Places new limits on contribution from corporation to support or oppose ballot measures.
- Higher Corporation Taxes
  - Increase tax rate on corporation and financial institutions. Fore corporation, 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.
  - Raise over \$200 million each year to implement the measure.

#### Arguments supporting Proposition 89

This initiative was introduced by the California Nurses Association (CAN). According to CNA President Deborah Burger, RN "At a time of widening public disgust with the debasement of our political system by a culture of corporate corruption and lobbying scandals, this initiative gives California the tools to clean up the mess and take back our democracy".

The League of Women Voters of California has also given their support to Proposition 89 and in their arguments has stated that the benefits include the following:

- Makes politicians accountable to the public rather than to big money campaign contributors.
- Provides public financing to candidates who stick to strict spending limits and reject contributions from corporations, other organizations and individuals who now make big contributions.
- Allows candidates to focus on issues rather than spending their time asking for contributions from special interest and wealthy individuals.
- Set limits on campaign committees created by big contributors outside a candidate's official campaign.

Sierra Club California recently endorsed Proposition 89 saying that it "is the best hope in years for fundamental change that would finally give the environment a more level playing field in Sacramento". They note that currently environmental candidates cannot compete financially against corporate-backed candidates. Proposition 89 would provide competitive amounts of public campaign funds to candidates who voluntarily limit their campaign spending and show a broad base of support.

## Arguments opposing Proposition 89

California Taxpayers' Association (Cal-Tax) is opposing this proposition arguing the following:

- Proposition 89 increases taxes so that money can be given to politicians. This money can be used for negative hit pieces, bogus slate mailers, and padding their political payroll with relatives. Government funds should not be used for political purposes.
- The limits imposed on contributions by this measure are unconstitutional. The U.S. Supreme Court recently struck down similar limits in Vermont because they violate the Constitution. And California could be forced to live with this damaging initiative for years before the court would make a final decision on the measure.
- It limits political activity by some groups and not others. Contributions by corporations are restricted but not labor unions.

Additional arguments include:

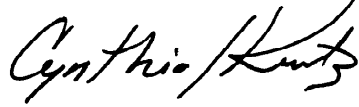
- Proposition 89 raises taxes on all California businesses. The authors of Prop. 89 say they are trying to stop big corporations from having too much influence. But in order to publicly finance campaigns, Proposition 89 increases taxes on all incorporated California businesses, including small businesses, not just big corporations. California businesses should not fund political campaigns for politicians.
- Proposition 89 will not stop wealthy candidates. Proposition 89 puts no limits on wealthy candidates who try to buy California elections. Donation limits have not kept big money out of California politics and probably never will. Under Proposition 89, when a "Clean Money" candidate runs against an independently wealthy candidate, the candidate using taxpayer funds could be gifted increased matching funds, potentially receiving up to ten times as much taxpayer money to run his or her campaign. That means that a candidate for Governor could receive up to \$200 million of taxpayer money to run his or her campaign.
- California already has campaign limits. Californians passed a campaign finance reform law, Proposition 34, which strictly limits contributions made to candidates. We don't need another measure that puts limitations on contributions. Especially one that wastes millions of taxpayer dollars.

This initiative does not direct impact local government and does not negatively impact any of the state legislative platforms City Council approved for 2006. Therefore, staff recommends that the City Council also take a neutral position. The League of California Cities is also staying neutral on Proposition 89.

**FISCAL IMPACT:**

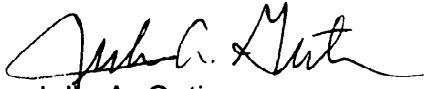
There is no fiscal impact by taking a neutral position on Proposition 89.

Respectfully submitted,



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Prepared and approved by:



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