PROP. 89

12/6

Elections Code, the Government Code, and

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends, repeals, and adds sections to the ~~Health and Safety Code,~~ the Revenue and Taxation Code ~~and the Welfare and Institutions Code~~; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

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1216

SA2006RF0015, AMDT. #2-S

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No. SA2006RF0015
[Filed: 1/23/06]
[First Amendment: 2/3/06]
[Second Amendment: 2/7/06]

CALIFORNIA NURSES CLEAN MONEY AND FAIR ELECTIONS ACT OF 2006

SECTION 1. Chapter 12 (commencing with Section 91015) is added to Title 9 of the Government Code, to read:

CHAPTER 12. California Clean Money and Fair Elections Act of 2006

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Article 1. General

91015. This chapter shall be known and may be cited as the California Clean Money and Fair Elections Act of 2006.

91017. The people find and declare all of the following:

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(a) The constitutional system of popular governance of the State of California is in serious jeopardy. The health of the state's democracy has been undermined by the state's campaign finance rules. Current regulation of campaign finance practices in California is insufficient. Nearly 60% of Californians have expressed their concern that California's campaign finance system needs major changes.

percent

(b) The increasing costs of political campaigns have forced candidates to raise a larger percentage of their campaign funds from special interests that have a specific financial or commercial stake in the outcome of the elections.

(c) Unlimited corporate-funded election-related spending and unlimited contributions to ballot measure and general purpose committees controlled by California elected officials and candidates are leading to corruption, or the appearance of corruption, of the election process, have produced corrosive and distorting effects on the electoral process, and have created a loss of public confidence in the fairness of the electoral process.

(d) Corruption and the appearance of corruption is a major problem in California politics. Large campaign contributors and spenders are able to buy access to California's elected officials, thereby unduly influencing the legislative and executive agenda and policy choices. At the very least, there is a troublesome appearance of corruption when, for

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example, the Governor sponsors a $500,000 per plate dinner with bond traders to raise funds supporting a bond-related ballot measure. Californians fear that in some instances large contributions are given to secure a political quid pro quo from current and potential officeholders.

(~~7~~ e) The current campaign finance system burdens candidates with the incessant rigors of fundraising and thus decreases the time available to carry out their public responsibilities.

(~~6~~ f) The current campaign finance system diminishes the free speech rights of a majority of voters and candidates whose voices are drowned out by corporations with unlimited funds to expend for monopolizing the arena of paid political communications to further their own private commercial interests.

(~~7~~ g) The current campaign finance system fuels the public perception of corruption at worst and conflict of interest at best and undermines public confidence in the democratic process and democratic institutions.

(~~8~~ h) The ever-increasing costs of political campaigns in competitive races force most candidates to raise larger and larger percentages of their campaign funds from interest groups that have a specific financial stake in the outcome of the elections and in matters before our state government.

(~~9~~ i) Existing term limits place a greater demand on fundraising for the next election even for elected officials in safe seats.

(~~10~~ j) The rapidly increasing amounts of independent expenditures point to a growing trend of special interest groups to fund independent expenditures in an effort to skirt the contribution laws.

(~~11~~ k) The current campaign finance system undermines the First Amendment right of voters and candidates to be heard in the political process, undermines the First Amendment right of voters to hear all candidates' speech, and undermines the core First Amendment value of open and robust debate in the political process.

(~~12~~ l) The number of candidates and issues attracting campaign contributions varies widely among candidate races. The costs in some election races are minimal while others draw expenditures in excess of one million dollars ($1,000,000). This ~~A~~ct addresses the range of competitive election races by providing smaller amounts of public funds in noncompetitive races and much larger amounts in competitive contests. As a result, the ~~A~~ct saves the taxpayers of California from unnecessarily expending large amounts of public funds.

(~~13~~ m) In states where the clean money and clean election laws have been enacted and used,

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election results show that more individuals, especially women and minorities, run as candidates; voter turnout increases and overall campaign costs decrease.

(14) The current campaign finance system creates a danger of actual corruption by encouraging elected officials to take funds from private interests that are directly affected by governmental actions.

(15) Under the state's current campaign finance rules, contributors may secure that political quid pro quo by making unlimited contributions to ballot measure and general purpose committees controlled, formally or informally, by candidates and state elected officials. More than $84 million has poured into these committees since 1990, much of it from large corporate contributors, from those with important business with the state, and from wealthy contributors whose financial interests are affected by state decisions.

(16) Powerful corporate and commercial interests have transformed initiative and referendum campaigns into a new arena for gaining commercial advantage and exploiting business opportunities at the expense of the public interest and welfare. Hundreds of millions of dollars are spent by corporate business interests in the initiative and referendum process to advance private, self-interested business plans, deregulate legal protections preserving the public health and welfare, and disable governmental institutions and programs essential to popular governance in the interests of the people. Established by the voters in 1911 as a means of curtailing the political influence of corporate interests, the initiative process now primarily serves corporate and commercial interests.

(17) Candidate elections and ballot measure elections in California are intertwined, not separate events. California state candidates, officeholders, and political parties often endorse, oppose, and actively campaign for and against ballot measures, and use those measures as part of an overall electoral strategy. Thus, the potential for candidate corruption and the appearance of corruption exists in all ballot measure campaigns in California.

(18) Campaign-related spending by business corporations is especially corrupting because of its corrosive and distorting effects. The immense aggregations of wealth that are accumulated with the help of the corporate form have little or no correlation to the public's support for the corporation's political ideas, and corporations should not be allowed to exert an undue influence on the outcome of candidate and ballot measure elections. Nearly 80% of Californians have complained that business corporations have too much influence on candidate elections and ballot initiatives.

(19) California's existing campaign finance rules that permit unchecked corporate spending are also undermining the public's confidence in the election process. A majority of Californians believe that campaign contributions are having a negative effect on the

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public policy made by state officials in Sacramento. Nearly 8 in 10 California voters say that their state government is run by a few big interests, and 92% of California voters believe the initiative process is controlled "some" or "a lot" by special interests.

(20) Corporate spending in the election process exerts an undue influence on the outcome of the vote, and — in the end — destroys the confidence of the people in the democratic process and in the integrity of government. Corporate advocacy threatens imminently to undermine democratic processes, thereby denigrating rather than serving First Amendment interests. However, contributions or expenditures by certain nonprofit organizations do not present these same dangers.

(21) Of particular concern are social science studies proving that large spending by corporations in ballot measure campaigns is very successful in blocking ballot measures that are otherwise popularly supported by the voters.

(22) Limits on corporate election-related spending and on contributions to candidate-controlled ballot measure committees do not violate the First Amendment. The Supreme Court has recognized that restrictions on direct corporate contributions and expenditures are constitutional when necessary to preserve voter confidence in the election process, to prevent candidate corruption or the appearance of corruption, or to prevent the distorting effect of corporate campaign contributions and expenditures. The Supreme Court has also recently recognized that corporate contributions are furthest from the core of political expression, since corporations' First Amendment speech and association interests are derived largely from those of their members and of the public in receiving information. Limits on direct corporate contributions leave individual officers, employees, and members of corporations free to make their own political contributions, and therefore deprives the public of little or no material information. The same rationale applies to restrictions on corporate political expenditures.

(23) Experience in the federal election process regarding the emergence of "sham issue advocacy" leads California voters to anticipate that corporations will attempt to circumvent any new limits on corporate express advocacy in candidate and ballot measure elections through the use of campaign advertising that avoids the "magic words" of express advocacy. A bright-line "electioneering communications" provision is therefore necessary to prevent corporations from exploiting a loophole in the law that would allow unlimited corporate spending on election-related campaign advertising.

(24) California's initiative process was established to enable individual citizens to join together to act as lawmakers when elected officials are too beholden to corporate interests to take action on matters of public safety and necessity. Thus the initiative process was intended to provide citizens with a collective opportunity to make their views known and voices heard, so as to engage in self-government, when the views of corporate interests predominate in the Legislature. Corporations are not humans; they are

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creatures of the state that are licensed upon agreement to comply with the norms of conduct imposed upon them, in exchange for which they are accorded the right to do business in the state and numerous other privileges.

(25) Through the use of money, corporations have come to exercise enormous influence, and often outright control, over the actions of the executive and legislative branches in California. Money from various corporate interests has effectively paralyzed the legislature from enacting laws that would protect the public. Similarly, through their use of their financial resources, corporations now overwhelmingly dominate the initiative process, either to prevent citizens from effectively exercising their right to promote ballot initiatives, or to enact legislation that the Legislature, paralyzed by competing special interests, will not enact. Indeed, business corporations now routinely employ "counter initiatives" designed not to pass the measures themselves, but to discourage voters from supporting or even voting upon citizen-sponsored ballot measures that the corporations oppose. Finally, elected officials and candidates for public office have begun to utilize the initiative process to both solicit funds from corporations whose financial interests would be served by proposed initiative legislation, and to escape the more stringent rules governing contributions to candidates for public office.

91019. The people enact this chapter to accomplish the following purposes:

(a) To reduce the influence of large contributions on the decisions made by state government.

(b) To remove wealth as a major factor affecting whether an individual chooses to become a candidate.

(c) To provide a greater diversity of candidates to participate in the electoral process.

(d) To reverse the escalating cost of elections that have increased far beyond the rate of inflation.

(e) To permit candidates to pursue policy issues instead of being preoccupied with fundraising and allow officeholders to spend more time carrying out their public duties.

(f) To diminish the danger of actual corruption and the public perception of corruption and strengthen public confidence in the governmental and election processes.

(g) To ensure that independent expenditures are not used to evade contribution limits.

(h) To foster more equal and meaningful participation in the political process.

(i) To provide candidates who participate in the Clean Money program with sufficient

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resources with which to communicate with voters.

(j) To increase the accountability of each elected official to the constituents who elect him or her, as opposed to the contributors who fund his or her campaigns.

(k) To provide voters with timely information regarding the sources of campaign contributions, expenditures, and political advertising.

(l) To prevent corruption, the appearance of corruption, and a decline in voter confidence in the integrity of the electoral and political process by imposing reasonable limits on contributions made to ballot measure committees controlled formally or informally by candidates.

(m) To prevent the distorting effect of campaign contributions and expenditures by business corporations, which threaten imminently to undermine the democratic process, and to restore the confidence of the people in the electoral process and in the integrity of government, by requiring that corporations desiring to engage in election-related spending in California do so through separate segregated funds that protect their First Amendment rights.

(n) To limit the opportunity for circumvention of important campaign finance rules enacted to avoid corruption, the appearance of corruption, distortion of the political process, and a decline in voter confidence by adopting reasonable restrictions governing electioneering communications, aggregate contribution limits, and inter-candidate and inter-committee transfers of campaign funds.

Article 2. Applicability to the Political Reform Act of 1974

91023. Unless specifically superseded by provisions of this chapter, the definitions and provisions of chapters 1 ~~through~~ to 11 inclusive, of this title (the Political Reform Act), shall govern the interpretation of this chapter.

Article 3. Definitions

91025. For purposes of the contribution limits of this chapter:

(a) The contributions of an entity whose contributions are directed and controlled by any individual shall be aggregated with contributions made by that individual and any other entity whose contributions are directed and controlled by the same individual.

(b) If two or more entities make contributions that are directed and controlled by a majority of the same persons, the contributions of those entities shall be aggregated.

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(c) Contributions made by entities that are majority-owned by any person shall be aggregated with the contributions of the majority owner and all other entities majority-owned by that person, unless those entities act independently in their decisions to make contributions.

91027. "Coordination" means a payment made for a communication or anything of value that is for the purpose of influencing the outcome of an election for elective state office and that is made by any one or more of the following methods:

(a) By a person in cooperation, consultation, or concert with, at the request or suggestion of, or pursuant to a particular understanding with a candidate, a candidate's controlled committee, or an agent acting on behalf of a candidate or a controlled committee;

(b) Based on specific information about the candidate's plans, projects, or needs provided to the person making the payment by the candidate or the candidate's agent who provides the information with a view toward having the payment made; or

(c) By a person if, in the same primary or general election in which the payment is made, the person making the payment is serving as a member, employee, fundraiser, or agent of the candidate's controlled committee in an executive or policymaking position.

91028. "District" means:

(a) In the case of an election for the state legislature or the Board of Equalization, the numeric district in which the candidate is seeking office.

(b) In the case of an election for statewide elective office, the State of California.

91029. "Entity" means any person other than an individual.

91031. "Excess expenditure amount" means the amount of funds spent or obligated to be spent by a nonparticipating candidate in excess of the Clean Money amount available to a participating candidate running for the same office. If a participating candidate has made the choice specified in subdivision (c) of Section 91097 in an election where there is more than one participating candidate, then the Clean Money amount available to the participating candidate shall be considered to be the actual amount paid by the Clean Money Fund to the candidate for that primary or general election period, including any increase or decrease effected by the choice.

91033. "Exploratory period" means the period beginning 18 months before the primary election and ending on the last day of the qualifying period. The exploratory period begins before, but extends to the end of, the qualifying period.

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¶ **91035.** "General election campaign period" means the period beginning the day after the primary election and ending on the day of the general election.

¶ **91037.** "Independent candidate" means a candidate for elective state office who does not represent a political party that has been granted ballot status for the general election and who has qualified to be on the general election ballot.

¶ **91041.** "Majority-owned" means an ownership of 50 percent or more.

¶ **91043.** "Nonparticipating candidate" means a candidate for elective state office who is on the ballot but has chosen not to apply for Clean Money campaign funding and a candidate who is on the ballot and has applied but has not satisfied the requirements for receiving Clean Money funding.

¶ **91045.** "Office-qualified party" means a party whose gubernatorial nominee has received 10 percent or more of the votes at the last election or whose candidate for the same elective state office in the same district, whether statewide or legislative, as the current candidate seeking Clean Money funding received 10 percent or more of the votes at the last election.

¶ **91046.** "Office-qualified candidate" is a candidate seeking nomination for an elective state office from an office-qualified party.

¶ **91047.** "One party dominant legislative district" is a district in which the number of registered voters for the party with the highest number of registered voters exceeds the number of registered voters for each of the other parties by an amount no less than 20 percent of the total number of registered voters in the district.

¶ **91047.5.** "Paid Circulator," for the purpose of collecting qualifying contributions and as used in this chapter, means any person who is compensated with money or anything of value for collecting qualifying contributions. This definition shall not include a full-time campaign staff member who spends no more than 20% of his or her time gathering qualifying contributions. "Compensation," for purposes of this chapter, means any economic consideration, including payments on the basis of the number of qualifying contributions gathered. "Compensation" does not include reimbursement of reasonable travel expenses such as expenses for transportation plus a reasonable sum for food and lodging.

¶ **91049.** "Participating candidate" means a candidate for elective state office who qualifies for Clean Money campaign funding. These candidates are eligible to receive Clean Money funding during primary and general election campaign periods.

¶ **91051.** "Party candidate" means a candidate for elective state office who represents a

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political party that has been granted ballot status and holds a primary election to choose its nominee for the general election.

¶ **91053.** "Performance-qualified candidate" means a candidate for elective state office who has either won the primary nomination of an office-qualified party or shown a broad base of support by gathering twice the number of qualifying contributions as is required for an office-qualified candidate. Independent candidates may qualify for funding as performance-qualified candidates.

¶ **91054.** "Person" means an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, ~~and~~ or any other organization or group of persons acting in concert.

¶ **91055.** "Petty cash" means cash amounts of one hundred dollars ($100) or less per day that are not drawn on the Clean Money Debit Card and used to pay expenses of no more than twenty-five dollars ($25) each.

¶ **91057.** "Political party committee" means the state central committee or county central committee of an organization that meets the requirements for recognition as a political party pursuant to Section 5100 of the Elections Code.

¶ **91059.** "Primary election campaign period" means the period beginning 120 days before the primary election and ending on the day the primary election results are certified for all candidates for the relevant elective state office.

¶ **91061.** "Qualified candidate" means a candidate seeking nomination for an elective state office from a party that is not an office-qualified party.

¶ **91063.** "Qualifying contribution" means a contribution of five dollars ($5) that is received during the designated qualifying period by a candidate for elective state office seeking to become eligible for Clean Money campaign funding from a legal resident of the district in which the candidate is running for office.

¶ **91065.** "Qualifying period" means the period during which candidates for elective state office are permitted to collect qualifying contributions in order to qualify for Clean Money funding. It begins 270 days before the primary election and ends 90 days before the day of the primary election for qualified party candidates and begins any time after January 1 of the election year and lasts 180 days but in no event ending later than 90 days before the general election for performance-qualified candidates who are running as independent candidates.

¶ **91067.** "Seed money contribution" means a contribution of no more than one hundred dollars ($100) made by a legal resident of California during the exploratory period.

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¶ **91069.** "Small contributor committee" means any committee that meets all of the following criteria:

¶ (a) The committee has been in existence for at least six months.

¶ (b) The committee has received contributions from 100 or more persons.

¶ (c) No one person has contributed to the committee more than two hundred dollars ($200) per calendar year.

¶ (d) The committee makes contributions to five or more candidates for elective state office

¶ (e) The committee is not a candidate-controlled committee pursuant to Section 82016.

Article 4. Clean Money

¶ **91071.** (a) An office-qualified candidate for elective state office qualifies as a participating candidate for the primary election campaign period if the following requirements are met:

¶ (1) The candidate files a declaration with the Commission that the candidate has complied and will comply with all of the requirements of this act, including the requirement that during the exploratory period and the qualifying period the candidate not accept or spend private contributions from any source other than seed money contributions, Clean Money funds, and political party funds as specified in Section 91123.

¶ (2) The candidate meets the following qualifying contribution requirements before the close of the qualifying period:

¶ (A) The office-qualified party candidate collects at least the following number of qualifying contributions:

(i) Seven hundred fifty qualifying contributions for a candidate running for the office of Member of the Assembly.

(ii) One thousand five hundred qualifying contributions for a candidate running for the office of Member of the State Senate.

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(iii) Two thousand qualifying contributions for a candidate running for the office of member of the State Board of Equalization.

(iv) Seven thousand five hundred qualifying contributions for a candidate running for any statewide office other than Governor.

(v) Twenty-five thousand qualifying contributions for a candidate running for the office of Governor.

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¶ (B) No individual legal resident of California shall provide more than one qualifying contribution for each office in which an election is held covering the district in which he or she resides.

¶ (C) Each qualifying contribution shall be acknowledged by a receipt to the contributor, with a copy submitted to the Commission by the candidate. The receipt shall include the contributor's signature, printed name, and home address, the date, and the name of the candidate on whose behalf the contribution is made. In addition, the receipt shall indicate by the contributor's signature that the contributor understands that he or she may contribute a qualifying contribution to only one candidate for each office for which the contributor is eligible to vote, that the purpose of the qualifying contribution is to help the candidate qualify for Clean Money campaign funding, and that the contribution is made without coercion or reimbursement.

¶ (D) A contribution submitted as a qualifying contribution that does not include a signed and fully completed receipt shall not be counted as a qualifying contribution.

¶ (E) All five-dollar ($5) qualifying contributions, whether in the form of cash, check, or money order made out to the candidate's campaign account, shall be deposited by the candidate in the candidate's campaign account.

¶ (F) All qualifying contributions' signed receipts shall be sent to the Commission and shall be accompanied by a check from the candidate's campaign account for the total amount of qualifying contribution funds received for deposit in the Clean Money Fund. This submission shall be accompanied by a signed statement under penalty of perjury from the candidate indicating that all of the information on the qualifying

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contribution receipts is complete and accurate to the best of the candidate's knowledge and that the amount of the enclosed check is equal to the sum of all the five-dollar ($5) qualifying contributions the candidate has received.

¶ (G) The candidate discloses at the end of the qualifying period the total amounts, if any, spent to hire paid circulators to collect qualifying contributions. The candidate shall disclose the information in a report filed with the Commission pursuant to regulations the Commission shall promulgate.

¶ (b) A party candidate for elective state office qualifies as a participating candidate for the general election campaign period if both of the following requirements are met:

¶ (1) The candidate met all of the applicable requirements of a participating candidate in the primary election period and filed a declaration with the Commission that the candidate has fulfilled and will fulfill all of the requirements of a participating candidate as stated in this act.

¶ (2) As a participating candidate from an office-qualified party during the primary election campaign period, the candidate had the highest number of votes of the candidates contesting the primary election from the candidate's respective party and, therefore, won the party's nomination.

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¶ **91073.** A qualified candidate for elective state office shall collect at least half the number of signatures as required for an office-qualified candidate for the same office and may show a greater base of support by collecting double the amount of signatures as required for an office-qualified candidate to become a performance-qualified candidate. The candidate shall also file a declaration with the Commission that the candidate has complied and will comply with all of the requirements of this act. For a candidate who does not run in a primary, the qualifying period begins any time after January 1 of the election year and lasts 180 days, except that it shall end no later than 90 days before the general election. A candidate who is not an office-qualified candidate shall notify the Commission within 24 hours of the day when the candidate has begun collecting qualifying contributions.

¶ **91075.** During the first election that occurs after the effective date of this act, a candidate for elective state office may be certified as a participating candidate, notwithstanding the acceptance of contributions or making of expenditures from private funds before the date of enactment that would, absent this section, disqualify the candidate as a participating candidate, provided that any private funds accepted but not expended before the effective date of this act meet any of the following criteria:

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(a) Are returned to the contributor.

(b) Are held in a special campaign account and used only for retiring a debt from a previous campaign.

(c) Are submitted to the Commission for deposit in the Clean Money Fund.

91077. (a) A participating candidate who accepts any Clean Money benefits during the primary election campaign period shall comply with all of the requirements of this chapter applicable to participating candidates through the general election campaign period whether the candidate continues to accept benefits or not.

(b) An elected state officer who accepted Clean Money benefits in the election for the currently held office shall not accept private contributions from any source and shall not solicit or receive political contributions for any candidate or any political party committee or other political committee, until the first day of the Qualifying Period for the next election for the office currently held. Contributions pursuant to section 91115 are not subject to this requirement.

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91079. (a) During the primary and general election campaign periods, a participating candidate who has voluntarily agreed to participate in, and has become eligible for, Clean Money benefits, shall not accept private contributions from any source other than the candidate's political party as specified in Section 91123. Contributions pursuant to section 91115 are not subject to this requirement.

(b) During the qualifying period and the primary and general election campaign periods, a participating candidate who has voluntarily agreed to participate in, and has become eligible for, Clean Money benefits shall not solicit or receive political contributions for any other candidate or for any political party committee or other committee as defined under Section 82013.

(c) No person shall make a contribution in the name of another person. A participating candidate who knows or reasonably should have known that he or she received a qualifying contribution or a seed money contribution that is not from the person listed on the receipt required by subparagraph (C) of paragraph (2) of subdivision (a) of Section 91071 shall be liable to pay the Commission the entire amount of the inaccurately identified contribution for deposit in the Clean Money fund, in addition to any penalties.

(d) During the primary and general election campaign periods, a participating candidate shall pay for all of the candidate's campaign expenditures, except petty cash expenditures, by means of a "Clean Money Debit Card" issued by the Commission, as authorized under Section 91141.

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¶ (e) Candidates for elective state office shall furnish complete campaign records, including all records of seed money contributions and qualifying contributions, to the Commission at regular filing times. Candidates shall cooperate with any audit or examination by the Commission, the Franchise Tax Board, or any enforcement agency.

¶ **91081.** (a) During an election for an elective state office, each participating candidate shall conduct all campaign financial activities through a single campaign account. Accounts established pursuant to section 91115 are not subject to this requirement.

¶ (b) Notwithstanding Section 85201, a participating candidate may maintain a campaign account other than the campaign account described in subdivision (a) if the other campaign account is for the purpose of retiring a campaign debt that was incurred during a previous election campaign in which the candidate was not a participating candidate.

¶ (c) Contributions for the purposes of retiring a previous campaign debt that are deposited in the "other campaign account" described in subdivision (b) shall not be considered "contributions" to the candidate's current campaign. Contributions for the purpose of retiring debt shall only be raised during the six-month period following the date of the election, unless, for good cause shown, the candidate receives a six-month extension from the Commission.

¶ (d) Participating candidates shall file reports of financial activity related to the current election cycle separately from reports of financial activity related to previous election cycles.

¶ **91083.** (a) Participating candidates shall use their Clean Money funds only for direct campaign purposes.

¶ (b) A participating candidate shall not use Clean Money funds for any of the following:

¶ (1) Costs of legal defense in any campaign law enforcement proceeding under this act.

¶ (2) Indirect campaign purposes, including, but not limited to, the following:

¶ (A) The candidate's personal support or compensation to the candidate or the candidate's family.

¶ (B) The candidate's personal appearance.

¶ (C) Capital assets having a value in excess of five hundred dollars ($500) and useful life extending beyond the end of the current election period determined in accordance with generally accepted accounting principles.

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Notwithstanding this limitation, a participating candidate may purchase computer-related assets provided that each such asset has a value not in excess of $1,000.

(D) A contribution or loan to the campaign committee of another candidate or to a political party committee or other political committee.

(E) An independent expenditure.

(F) A gift in excess of twenty-five dollars ($25) per person.

(G) Any payment or transfer for which compensating value is not received.

(3) Compensation to any individual who receives a salary from the State of California. Administrative and support personnel shall be exempt.

91085. (a) Personal funds contributed by a candidate for elective state office seeking to become eligible as a participating candidate as seed money to his or her campaign, or by adult members of the candidate's family to the candidate, shall not exceed the maximum of one hundred dollars ($100) per contributor.

(b) Personal funds shall not be used to meet the qualifying contribution requirement except for one five-dollar ($5) contribution from the candidate and one five-dollar ($5) contribution from the candidate's spouse.

91087. (a) The only private contributions a candidate for elective state office seeking to become eligible for Clean Money funding shall accept, other than qualifying contributions, contributions pursuant to Section 91115, and limited contributions from the candidate's political party as specified in Section 91123, are seed money contributions contributed by individual legal residents of the State of California residing in the district in which the candidate is running for election prior to the end of the qualifying period.

(b) A seed money contribution shall not exceed one hundred dollars ($100) per donor, and the aggregate amount of seed money contributions accepted by a candidate for elective state office seeking to become eligible for Clean Money funding shall not exceed:

(1) Ten thousand dollars ($10,000) for a candidate running for the office of Member of the Assembly.

(2) Twenty thousand dollars ($20,000) for a candidate running for the office of Member of the State Senate.

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(3) Thirty thousand dollars ($30,000) for a candidate running for the office of member of the State Board of Equalization.

(4) Seventy-five thousand dollars ($75,000) for a candidate running for a statewide office other than Governor.

(5) Two hundred fifty thousand dollars ($250,000) for a candidate running for the office of Governor.

(c) Receipts for seed money contributions under twenty-five dollars ($25) shall include the contributor's signature, printed name, street address, and ZIP Code. Receipts for seed money contributions of twenty-five dollars ($25) or more shall also include the contributor's occupation and name of employer. Contributions shall not be retained if the required disclosure information is not received.

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(d) Seed money shall be spent only during the exploratory and qualifying periods. Seed money shall not be spent during the primary or general election campaign periods. Any unspent seed money shall be turned over to the Commission for deposit in the Clean Money Fund.

(e) Within 72 hours after the close of the qualifying period, candidates seeking to become eligible for Clean Money funding shall do both of the following:

(1) Fully disclose all seed money contributions and expenditures to the Commission.

(2) Turn over to the Commission for deposit in the Clean Money Fund any seed money the candidate has raised during the exploratory period that exceeds the aggregate seed money limit.

91091. Participating candidates in races for elective state office with more than one candidate shall agree to participate in at least one public debate during a contested primary election and two public debates during a contested general election. The debates shall be conducted in accordance with regulations issued by the Fair Political Practices Commission.

91093. (a) No more than five days after a candidate applies for Clean Money benefits, the Commission shall certify that the candidate is or is not eligible. Eligibility may be revoked if the candidate violates the requirements of this act, in which case the candidate shall repay all Clean Money funds.

(b) The candidate's request for certification shall be signed by the candidate and the

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candidate's campaign treasurer under penalty of perjury.

(c) The Commission's determination is final except that it is subject to a prompt judicial review.

(d) The Commission shall provide updated information on its Web site that reflects changes a candidate's status as participating or non-participating candidates within 24 hours of such a change.

Article 5. Clean Money Benefits

91095. (a) Candidates for elective state office who qualify for Clean Money funding for primary and general elections shall:

(1) Receive Clean Money funding from the Commission for each election, the amount of which is specified in Section 91099. This funding may be used to finance any and all campaign expenses during the particular campaign period for which it was allocated consistent with Section 91081.

(2) Receive, if an office-qualified candidate or a performance-qualified candidate showing a broad base of support, additional Clean Money funding to match any excess expenditure amount spent by a nonparticipating candidate, as disclosed pursuant to Section 91107, provided that the dollar value of the excess expenditure amount, combined with the amount spent by any independent expenditure exceeds, the initial amount of Clean Money funding received by the participating candidate.

(3) Receive, if an office-qualified candidate or a performance-qualified candidate showing a broad base of support, additional Clean Money funding to match any excess independent expenditure made in opposition to their candidacies or in support of their opponents' candidacies, as disclosed pursuant to Section 91109, provided that the dollar value of the expenditure, combined with the amount raised or received thus far by any opposing candidate who benefits from the independent expenditure exceeds, the initial amount of Clean Money funding received by the participating candidate.

(b) The maximum aggregate amount of funding a participating office-qualified candidate or a performance-qualified candidate showing a broad base of support shall receive to match independent expenditures and excess expenditures of nonparticipating candidates shall be no more than five times the amount of Clean Money funding allocated to a participating candidate pursuant to Section 91099 for a particular primary or general election campaign period, except that for the office of Governor, the amount shall be no more than four times the amount of Clean Money funding allocated to a participating

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candidate pursuant to Section 91099.

91095.5. (a) Independent expenditures against a participating candidate shall be treated as expenditures of each opposing candidate for the purposes of Section 91095.

(b) Independent expenditures in favor of one or more non-participating opponents of a participating candidate shall be treated as expenditures of those non-participating candidates for the purpose of Section 91095.

(c) Independent expenditures in favor of a participating candidate shall be treated, for every opposing participating candidate, as though the independent expenditures were an expenditure of a nonparticipating opponent, for purpose of Section 91095.

(d) The Commission shall promulgate regulations relating to independent expenditures that reference or depict more than one candidate for the purposes of Section 91095.

91097. (a) A qualified or office-qualified candidate for elective state office shall receive the candidate's Clean Money funding for the primary election campaign period on the date on which the Commission certifies the candidate as a participating candidate. This certification shall take place no later than five days after the candidate has submitted the required number of qualifying contribution receipts, a check for the total amount of qualifying contributions collected, and a declaration stating that the candidate has complied with all other requirements for eligibility as a participating candidate, but no earlier than the beginning of the primary election campaign period.

(b) A qualified or performance-qualified candidate for elective state office shall receive the candidate's Clean Money funding for the general election campaign period within two business days after certification of the primary election results.

(c) A participating candidate for Legislature running in the primary of the dominant party in a one-party dominant district may choose to reallocate a portion of the Clean Money funding amount from the general election period to the primary period. The candidate shall make this choice in a writing submitted to the Commission with the materials specified in subdivision (a) at the close of the qualifying period. The participating candidate who makes such a choice shall receive an additional amount equal to 25 percent of the amount specified for the general election for the appropriate office as set forth in subdivision (b) of Section 91099. The amount a participating candidate who makes such a choice shall receive at the beginning of the general election period shall be reduced by 25 percent. The choice may also affect the amount at which an opposing candidate may be considered to have exceeded the amount of Clean Money funding available to the participating candidate. If a competing participating candidate transfers funds pursuant to this subdivision from the general to the primary election by the close of the qualifying period, any other participating candidates in the same election may transfer

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the same amount of funds from the general to the primary election by notifying the commission in writing within five days of the close of the qualifying period. The Commission shall promulgate regulations that require notification of such transfers to the Commission and to affected candidates.

¶ **91099.** (a) For candidates in a primary election for elective state office or for performance-qualified candidates for elective state office in a special or special runoff election:

¶ (1) The amount of Clean Money funding for an office-qualified party candidate in a primary, special, or special runoff election is:

¶ (A) Two hundred fifty thousand dollars ($250,000) for a candidate running for the office of Member of the Assembly.

¶ (B) Five hundred thousand dollars ($500,000) for a candidate running for the office of Member of the State Senate.

¶ (C) Two hundred fifty thousand dollars ($250,000) for a candidate running for the office of member of the State Board of Equalization.

¶ (D) Two million dollars ($2,000,000) for a candidate running for a statewide office other than Governor.

¶ (E) Ten million dollars ($10,000,000) for a candidate running for Governor.

¶ (2) The amount of Clean Money funding for a performance-qualified candidate in a primary or special election is 20 percent of the amount an office-qualified party candidate running for the same office could receive. The amount of Clean Money funding for a performance-qualified candidate in a special runoff election is 50 percent of the amount an office-qualified candidate running for the same office would receive.

¶ (3) The Clean Money funding amount for a participating candidate in a primary election where no other candidates are running in the same party primary for that seat is 10 percent of the amount provided in a contested primary election.

¶ (b) For candidates for elective state office in a general election:

¶ (1) The amount of Clean Money funding for an office-qualified candidate in a contested general election is:

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(A) Four hundred thousand dollars ($400,000) for a candidate running for the office of Member of the Assembly.

(B) Eight hundred thousand dollars ($800,000) for a candidate running for the office of Member of the State Senate.

(C) Four hundred thousand dollars ($400,000) for a candidate running for the office of member of the State Board of Equalization.

(D) Two million dollars ($2,000,000) for a candidate running for a statewide office other than Governor.

(E) Fifteen million dollars ($15,000,000) for a candidate running for Governor.

(2) The amount of Clean Money funding for a performance-qualified candidate in a contested general election is 50 percent of the amount an office-qualified candidate running for the same office could receive.

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(3) The amount of Clean Money funding for a qualified candidate in a contested general election is 25 percent of the amount an office-qualified candidate running for the same office could receive.

Article 6. Restrictions on Nonparticipating Candidates, Political Parties, and Independent Expenditure Committees

91101. (a) A person, other than a small contributor committee or political party committee, shall not make to any nonparticipating candidate or candidates, and a nonparticipating candidate shall not accept from a person other than a small contributor committee or a political party committee, any contribution totaling more than five hundred dollars ($500) per election, if a candidate for the legislature or for the State Board of Equalization, or more than one thousand dollars ($1,000) if a candidate for statewide office. Contributions pursuant to section 91115 are not subject to this requirement.

(b) The provisions of this section do not apply to a nonparticipating candidate's contributions of personal funds to the candidate's own campaign.

91103. A small contributor committee shall not make to any nonparticipating candidate, and a nonparticipating candidate shall not accept from a small contributor committee, any contribution totaling more than two thousand five hundred dollars ($2,500) per election.

91105. (a) A person shall not make to any independent expenditure committee, and a

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committee shall not accept from a person, contributions totaling more than one thousand dollars ($1,000) per calendar year for the purpose of making expenditures in support of the election or defeat of a candidate, or candidates for elective state office.

(b) A person may not make to any committee, other than a political party committee, and a committee other than a political party committee may not accept, any contribution totaling more than one thousand dollars ($ 1,000) per calendar year for the purpose of making contributions to any committees, including ballot measure committees, controlled by candidates for elective state office.

(c) A person may not make to any political party committee, and a political party committee may not accept, any contribution totaling more than seven thousand five-hundred dollars ($ 7,500) per calendar year for the purpose of making contributions for the support or defeat of candidates for elective state or for the purpose of making contributions to any committees, including ballot measure committees, controlled by candidates for elective state office. Notwithstanding Section 85312, this limit applies to contributions made to a political party used for the purpose of making expenditures at the behest of a candidate for elective state office for communications to party members related to the candidate's candidacy for elective state office.

(d) Nothing in this chapter limits a nonparticipating candidate for elective state office from transferring contributions received by the candidate in excess of any amount necessary to defray the candidate's expenses for election related activities or holding office to a political party committee, provided those transferred contributions are used for purposes consistent with paragraph (4) of subdivision (b) of Section 89519.

(e) An elected state officer, nonparticipating candidate, legal defense account, political party committee, or independent expenditure committee shall not solicit or accept a contribution from a registered state lobbyist or lobbying firm, or from a state contractor, if the lobbyist or employee or principal of the lobbying firm is registered to lobby, or if the state contractor has present or potential future business with, the governmental agency for which the candidate is seeking election or the governmental agency of the elected state officer.

(f) No committee controlled by a candidate or officeholder, shall make any contribution to any other candidate running for state office or his or her controlled committee.

(g) No person shall contribute in the aggregate more than seven thousand five hundred dollars ($7,500) to all candidates for elective state offices and their controlled committees, political party committees, and any other committees, in any calendar year, for the purpose of making contributions to candidates for elective state office or independent expenditures to support or oppose candidates for elective state office;

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Provided, however, that a person may contribute up to an additional seven thousand five hundred dollars ($7,500) in a calendar year to independent expenditure committees that support or oppose candidates for elective state office.

(h) A controlled committee of a candidate shall not make independent expenditures and shall not make contributions to another committee which makes independent expenditures to support or oppose other candidates.

Article 6.5.

Applicability of limits to special elections and special runoff elections

91106. The contribution and expenditure limits and restrictions of this chapter apply to special elections and apply to special runoff elections. A special election and a special runoff election are separate elections for purposes of the contribution and expenditure provisions set forth in this chapter.

Article 7. Disclosure Requirements

91107. (a) A nonparticipating candidate shall notify the Commission online or electronically on the same day that the candidate spends or incurs expenditures in excess of the initial amount of Clean Money funding allocated to the candidate's Clean Money opponent or opponents pursuant to Section 91099. The notification shall include the excess amount spent or incurred as of that date. Upon receiving notification from a nonparticipating candidate, the Commission shall immediately notify all other candidates in that election.

(b) A nonparticipating candidate that spends or incurs expenditures in excess of the initial amount of Clean Money funding actually received by the candidate's Clean Money opponent or opponents, shall notify the Commission online or electronically within 24 hours each time the candidate's committee makes or incurs cumulative expenditures of five thousand dollars ($5,000) or more in excess of the amount(s).

(c) In the event a nonparticipating candidate fails to timely notify the Commission in accordance with subdivisions (a) and (b), the Commission may make its own determination as to whether excess expenditures have been made or incurred by nonparticipating candidates.

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(d) Upon receiving an excess expenditure notification or determining that an excess expenditure has been made, the Commission shall release additional Clean Money funding to the opposing participating performance-qualified and office-qualified candidates within one business day. The amount released shall be equal to the excess amount spent or incurred by the nonparticipating candidate subject to the limits set forth in Section 91095(b). subdivision (b) of

91107.5. (a) No candidate for elective state office shall expend or contribute more than $25,000 in personal funds in connection with his or her campaign so as to make the total amount contributed from all sources aggregate more than the amount set forth in Section 91099 for the office for which they are running unless and until the conditions in subdivisions (b) and (c) are met.

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(b) Notice of the candidate's intent to so expend or contribute shall be provided online, electronically, by facsimile, or personal delivery, to all opponents and to the Commission within 15 days of the decision to expend or contribute, specifying the amount intended to be expended or contributed.

(c) All personal funds to be expended or contributed by the candidate pursuant to subdivision (a) shall first be deposited in the candidate's campaign contribution checking account at least 15 days before the election. Such deposited funds shall be considered an expenditure made by the candidate and shall trigger matching funds pursuant to Section 91095.

(d) In the event that the candidate contributes or expends more in personal funds than provided by this section, the matching fund limit set forth in Section 91095(b) shall be doubled for all opposing participating candidates. subdivision (b) of

91109. (a) In addition to any other report required by this chapter, a committee, including a political party committee, that makes independent expenditures of one thousand dollars ($1,000) or more during an election cycle to support or oppose a candidate, shall file a report with the Commission disclosing the independent expenditure within 24 hours of the time the independent expenditure is made or incurred. This report shall disclose the same information required by subdivision (b) of Section 84204 and shall be filed online or electronically if the committee is required to file reports pursuant to Section 84605, and by facsimile, personal delivery or by such other means as determined by the Commission for committees that do not file reports electronically.

(b) An expenditure may not be considered independent, and shall be treated as a

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contribution from the person making the expenditure to the candidate on whose behalf, or for whose benefit, the expenditure is made, if the expenditure is made under any of the following circumstances:

(1) The expenditure is made with the cooperation of, or in consultation with, the candidate on whose behalf, or for whose benefit, the expenditure is made, or any controlled committee or any agent of the candidate.

(2) The expenditure is made in concert with, or at the request or suggestion of, the candidate on whose behalf, or for whose benefit, the expenditure is made, or any controlled committee or any agent of the candidate.

(3) The expenditure is made under any arrangement, coordination, or direction with respect to the candidate or the candidate's agent and the person making the expenditure.

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(c) The report to the Commission shall include a signed statement under penalty of perjury by the person or persons making the independent expenditure identifying the candidate or candidates supported or opposed by the independent expenditure, and affirming that the expenditure is independent and not coordinated with a candidate or a political party.

(d) Any committee that fails to file the required report to the Commission or that knowingly provides materially false information in a report filed pursuant to subdivisions (a) or (b), may be fined up to three times the amount of the independent expenditure, in addition to any other remedies provided by this act.

(e) Upon receiving a report that an independent expenditure has been made or incurred, the Commission shall immediately notify all candidates in that election and release additional Clean Money funding, pursuant to Section 91095, within one business day to all participating candidates in that specific primary or general election whom the Commission determines were not beneficiaries of the independent expenditure, subject to the limits in Section 91095(b). subdivision (b) of

91113. (a) In addition to other disclosure provisions contained in this Code, all broadcast and print advertisements paid for by a candidate for elective state office or committee controlled by a candidate for elective state office shall include a disclosure statement indicating that the candidate has approved of the contents of the advertisement.

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(b) The disclosure statement required by subdivision (a) that is included in a broadcast advertisement shall be spoken so as to be clearly audible and understood by the intended public and otherwise appropriately conveyed for the hearing impaired.

(c) The disclosure statement required by subdivision (a) that is included in a print advertisement shall be printed clearly and legibly in no less than 10-point type and in a conspicuous manner as defined by the Commission.

(d) For purposes of this section, "advertisement" means any general or public advertisement which is authorized and paid for by a candidate or committee controlled by a candidate for the purpose of supporting or opposing a candidate for elective state office, but does not include a campaign button smaller than 10 inches in diameter, a bumper sticker smaller than 60 square inches, or other advertisement as determined by regulations of the Commission.

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Article 8. Ballot Access, Recount, Legal Defense, Officeholder, and Inaugural Funds

91115. (a) A candidate for elective state office or elected state officer may establish a separate account to defray attorney's fees and other related legal costs incurred for the candidate's or elected state officer's expenses in any litigation over ballot access, qualifications or designations, election recounts and contests, or in connection with any legal defense if the candidate or elected state officer is subject to one or more civil or criminal proceedings or administrative proceedings arising directly out of the conduct of an election campaign, the electoral process, or the performance of the officer's governmental activities and duties. These funds may be used only to defray those attorney's fees and other related legal costs.

(b) An elected state officer who accepted Clean Money benefits in the election shall receive $50,000 annually from the Clean Money Fund, if a member of the Legislature, or $100,000 annually for all statewide offices to defray officeholder expenses. Any such elected state officer shall not accept private contributions from any source for his or her officeholder account for the currently held office unless such officer raises private contributions for a campaign account in excess of the amounts set forth in Sec. 91087. In the event that such elected officer raises private contributions for a campaign account in excess of the amounts set forth in Sec. 91087, he or she shall no longer receive money for an officeholder account as of the start of the next calendar year and may raise private contributions for an officeholder account pursuant to Section 91115(c).

subdivision (c) of

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(c) An elected state officer who did not accept Clean Money benefits in the election for his or her current office may establish a separate account to defray officeholder expenses that are set forth by the Commission. No funds from this account shall be used for a mass mailing. The aggregate amount contributed to any officeholder account shall not exceed fifty thousand dollars ($50,000) annually for any legislative officer or one hundred thousand ($100,000) for any statewide officer.

(d) A Governor, Lieutenant Governor, or other statewide officer may establish an inaugural account to cover the cost of events, celebrations, gatherings, and communications that take place as part of, or in honor of, the officer's inauguration. No inaugural account may exceed $500,000 cumulatively.

(e) A candidate or officer may receive contributions of up to five hundred dollars ($500) per person per year in the aggregate for accounts in subdivisions (a), (c), and (d). All contributions, whether cash or in-kind, shall be reported in a manner prescribed by the Commission. Contributions to such funds shall not be considered campaign contributions.

(f) A candidate or elected state officer who has established a legal account pursuant to subdivision (a) shall dispose of all leftover funds once the legal dispute is resolved and all expenses are discharged. The candidate or elected state officer shall dispose of the excess funds consistent with for one or more of the purposes set forth in paragraphs (1) to (5), inclusive, of subdivision (b) of Section 89519.

(g) An elected state officer who has established an officeholder account pursuant to subdivision (b) shall return to the state Clean Money fund all leftover funds once the officer leaves and all expenses are discharged.

(h) An elected state officer who has established an officeholder account pursuant to subdivision (c) shall dispose of all leftover funds once the officer leaves office and all expenses are discharged. The elected state officer shall dispose of the excess funds consistent with for one or more of the purposes set forth in paragraphs (1) to (5), inclusive, of subdivision (b) of Section 89519.

Article 9. Restrictions on Candidates

91117. A candidate for elective state office or any committee controlled by the candidate shall not receive any contributions prior to the beginning of the exploratory period.

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91119. A nonparticipating candidate may transfer campaign funds from one controlled committee to a controlled committee for elective state office of the same nonparticipating candidate. Contributions transferred shall be attributed to specific contributors using a "last in, first out" or "first in, first out" accounting method, and these attributed contributions when aggregated with all other contributions from the same contributor shall not exceed the limits set forth in Section 91101, 91103 or 91105.

91121. A nonparticipating candidate may accept a contribution after the date of the election only to the extent that the contribution does not exceed net debts outstanding from the election and the contribution does not otherwise exceed the applicable contribution limit for that election. All debts shall be repaid or written off no later than 90 days after the general election. The Commission may extend this deadline for up to an additional 90 days upon a finding of good cause for the extension based on facts and circumstances presented by the candidate.

91123. Candidates for elective state office may accept monetary or in-kind contributions from political parties provided that the aggregate amount of such contributions from all political party committees combined does not exceed the following amounts:

(a) The aggregate amount of monetary or in kind contributions from all political party committees combined for each participating and non-participating candidate in a primary, special, or special runoff election is:

(1) Twelve thousand five-hundred dollars ($12,500) for a candidate running for the office of Member of the Assembly.

(2) Twenty-five thousand dollars ($25,000) for a candidate running for the office of Member of the State Senate.

(3) Twelve thousand five hundred dollars ($12,500) for a candidate running for the office of member of the State Board of Equalization.

(4) One hundred thousand dollars ($100,000) for a candidate running for a statewide office other than Governor.

(5) Five hundred thousand dollars ($500,000) for a candidate running for

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Governor.

(b) The aggregate amount of monetary or in kind contributions from all political party committees combined for each participating and non-participating candidate in a contested general election is:

(1) Twenty thousand dollars ($20,000) for a candidate running for the office of Member of the Assembly.

(2) Forty thousand dollars ($40,000) for a candidate running for the office of Member of the State Senate.

(3) Twenty thousand dollars ($20,000) for a candidate running for the office of member of the State Board of Equalization.

(4) Two hundred thousand dollars ($200,000) for a candidate running for a statewide office other than Governor.

(5) Seven hundred fifty thousand dollars ($750,000) for a candidate running for Governor.

Such contributions shall not count against the Clean Money funding amounts available to participating candidates and funds may be spent directly by participating candidates without using a Clean Money Debit Card.

Article 10. Voter Pamphlet Statements

91127. The Secretary of State shall designate in the state ballot pamphlet those candidates who have voluntarily agreed to be participating candidates.

91131. (a) A candidate who is a participating candidate may place a statement in the state ballot pamphlet and on any Internet Web site listing of candidates maintained by any government agency including, but not limited to, the Secretary of State, that does not exceed 250 words. The statement shall not make any reference to any opponent of the candidate. The candidate may also provide a list of ten endorsers for placement in the ballot pamphlet. This statement and list of endorsers shall be submitted in accordance

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with timeframes and procedures set forth by the Secretary of State for the preparation of the state ballot pamphlets.

(b) A nonparticipating candidate may pay to place a statement in the appropriate ballot pamphlet or voter information portion of the sample ballot that does not exceed 250 words, and may pay the price to place a list of up to 10 endorsers in the ballot pamphlet. The statement shall not make any reference to any opponent of the candidate. The statement shall be submitted in accordance with timeframes and procedures set forth by the Secretary of State for the preparation of the state ballot pamphlets. The nonparticipating candidate shall be charged the pro rata cost of printing, handling, translating, and mailing any campaign statement and list of endorsers provided pursuant to this subdivision.

Article 10.5. Voter Education and Outreach

91132. The Secretary of State shall, using the funds provided by Section 91134(a)(3), conduct voter education and outreach efforts throughout the state regarding the public campaign funding system established by this chapter and, specifically, the meaning behind the statements included in the ballot, as provided in Section 13207(a)(2)(A). Such efforts shall include public service announcements in radio, television, or print media that are disseminated in a manner consistent with the language assistance requirements of the Voting Rights Act, 42 U.S.C. Sec. 1973aa-1. Public announcements disseminated by television, radio, or print media must not feature the voice, name, still or video image of the Secretary of State.

Article 11. Appropriations for the Clean Money Fund

91133. A special, dedicated, nonlapsing Clean Money Fund is created in the State Treasury. The Franchise Tax Board shall deposit into the Clean Money Fund fees generated from the following assessments:

(a) an increase of 0.2 in the rate for amounts paid on taxable income as provided in Section 23151(g) of the Revenue and Taxation Code [from 8.84 percent to 9.04 percent];

(b) an increase of 0.2 in the rate for amounts paid on taxable income as provided in Section 23186(b) of the Revenue and Taxation Code [from 10.84 percent to 11.04 percent]; and

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(c) an increase in the tax imposed on passive investment income under Section 23811 of the Revenue and Taxation Code from 1.5 percent to 1.66 percent of annual net passive investment income for corporations with over $50 million in total receipts.

91134.(a) The Franchise Tax Board shall administer the collection of the Clean Money Fees described herein, including any penalties and interest. The Clean Money Fund is established for the following purposes:

(1) Providing public financing for the election campaigns of certified participating candidates during primary and general campaign periods.

(2) Paying for the administrative and enforcement costs of the Commission related to this chapter. The Commission shall annually be appropriated at least three million dollars ($3,000,000), adjusted for cost-of-living changes as provided in Section 82001, to administer this act.

(3) Paying for the voter education and outreach efforts as provided in Section 91132, except that the annual amount of funds available for these efforts shall be no more than five percent (5%) of the amount specified in subdivision (a) for the each of the first two years after implementation of this chapter in which there are elections, and no more than one percent (1%) every year thereafter in which there are elections. Funds unused by the Secretary of State shall revert to the Clean Money Fund, annually.

(b) Funds collected pursuant to this section shall first be collected in the 2007-08 fiscal year and in each subsequent fiscal year.

91135. Other sources of revenue to be deposited in the Clean Money Fund shall include all of the following:

(a) The qualifying contributions required of candidates seeking to become certified as participating candidates and candidates' excess qualifying contributions.

(b) The excess seed money contributions of candidates seeking to become certified as participating candidates.

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(c) Unspent or uncommitted funds shall be returned no later than thirty days following the date of the close of the primary election period or the general election for which they were distributed. The Commission shall promulgate regulations in furtherance of this subdivision.

(d) Fines levied by the Commission against candidates for violation of election laws.

(e) Voluntary donations made directly to the Clean Money Fund.

(f) Any interest generated by the Clean Money Fund.

91136. The amount of money in the Clean Money Fund shall not exceed four times the amount of six dollars ($6.00) times the number of California residents. Any funds that, if deposited in the Clean Money Fund, would cause the balance in the fund to exceed this amount shall be irrevocably transferred to the General Fund.

Article 12. Limits on Contributions to Candidate-Controlled Ballot Measures

§ 91137. Limits on Contributions to Candidate-Controlled Ballot Measure Committees.

(a) A ballot measure committee not controlled by a candidate for elective state office or an elected state officer is not subject to the provisions of this section. A ballot measure committee becomes subject to the provisions of this section once it becomes controlled by one or more candidates for elective state office, as defined in Section 82016. However, a ballot measure committee controlled by an individual who ceases to be a candidate as defined in Government Code Section 82007 is no longer subject to the provisions of this section.

(b) No person shall make a contribution or contributions totaling in excess of ten thousand dollars ($10,000) to any committee that is established for the purpose of supporting or opposing a state or local ballot measure and that is controlled by a candidate for elective state office or an elected state officer. This contribution limit shall apply as an aggregate limit upon all contributions made by any person to all ballot measure committees controlled by the same candidate for elective state office or the same elected state officer, even if those committees are established for the purpose of

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supporting or opposing different state or local ballot measures, and even if one or more of those ballot measure committees are controlled by more than one candidate for elective state office or elected state officers.

(c) A ballot measure committee that is primarily formed to support or oppose a ballot measure or measures and that is controlled by a candidate for elective state office or an elected state officer is subject to the post-election fundraising limitations of Section 85316. A general purpose ballot measure committee is not subject to the post-election fundraising limitations of Government Code Section 85316.

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Article 13. Limits on Contributions or Independent Expenditures by Corporations in Connection with State Candidate Elections

§ 91138. Limits on Contributions or Independent Expenditures by Corporations in Connection with State Candidate Elections

(a) Except as provided in subdivision (c) of this section, and except for direct contributions pursuant to subdivision (a) of section 91101(a), it is unlawful for any national or state bank or for any corporation incorporated under the laws of this or any other state or any foreign country, to make a contribution or expenditure in connection with the election of any candidate for elective state office. It shall likewise be unlawful for any candidate, committee, or other person knowingly to accept or to receive any contribution prohibited by this section, or for any officer or any director of any corporation or of any national or state bank to consent to any contribution or expenditure by the corporation or national or state bank, as the case may be, prohibited by this section.

(b) For purposes of this section, the term "contribution or expenditure" includes a contribution, expenditure or independent expenditure, as those terms are defined in Sections 82015, 82025 and 82031, and also includes any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value provided to any candidate or committee (including any political party committee) in connection with any election for elective state office, except that nothing in this section shall prohibit (1) a loan of money by a national or state bank made in accordance with the applicable banking laws and regulations and in the ordinary course of business; or (2) the payment or receipt of interest earnings, stock or other dividends on investments where the interest or dividends are received in accordance with the applicable banking laws and in the ordinary course of business.

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(c) For purposes of this section, the term "contribution or expenditure" shall not include

(1) communications by a bank or corporation to its stockholders and executive or administrative personnel and their immediate families on any subject;

(2) nonpartisan registration and get-out-the-vote campaigns by a bank or corporation aimed at its stockholders and executive or administrative personnel and their immediate families; and

(3) the establishment, administration, and solicitation by a bank or corporation of contributions to a separate segregated fund to be utilized for making political contributions or expenditures, provided that the fund may consist only of voluntary contributions solicited from individuals who are either stockholders, members or employees of the bank or corporation, and their immediate families.

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paragraph (3).

(d) It shall be unlawful for any separate segregated fund established in accordance with subdivision (c)(3) to make a contribution or expenditure by utilizing money or anything of value secured by physical force, job discrimination, financial reprisals, or the threat of force, job discrimination, or financial reprisal; or by dues, fees, or other funds required as a condition of employment; or by funds obtained in any commercial transaction. It shall be unlawful for any person soliciting an employee for a contribution to any separate segregated fund (1) to fail to inform ~~such~~ the employee of the political purposes of ~~such~~ the fund at the time of ~~such~~ the solicitation; and (2) to fail to inform ~~such~~ the employee, at the time of ~~such~~ the solicitation, of his or her right to refuse to so contribute without any reprisal.

(e) This section shall not prevent a trade association or a separate segregated fund established by a trade association from soliciting contributions from the stockholders and executive or administrative personnel of the member corporations of ~~such~~ the trade association and the immediate families of ~~such~~ the stockholders or personnel to the extent that ~~such~~ the solicitation of ~~such~~ the stockholders and personnel, and their immediate families, has been separately and specifically approved by the member corporation involved, and ~~such~~ the member corporation does not approve any such solicitation by more than one such trade association in any calendar year.

(f) For purposes of this section, the term "executive or administrative personnel" means individuals employed by a corporation who are paid on a salary, rather than hourly, basis and who have policymaking, managerial, professional, or supervisory responsibilities.

(g) The Commission shall promulgate regulations implementing the requirements of this section and governing the administration and solicitation of contributions to separate

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segregated funds established in accordance with subdivision (c)~~(3) of this section~~. The Commission's regulations shall conform to the intent of the voters in adopting this section and shall, to the maximum extent practicable, be consistent with the regulations adopted by the Federal Election Commission interpreting and implementing the comparable provisions of the Federal Election Campaign Act.

Article 14. Limits on Contributions or Expenditures by Corporations in Connection with State Ballot Measure Elections

§ 91139. Limits on Contributions or Expenditures by Corporations in Connection with State Ballot Measure Elections

(a) Except as provided in subdivision (c) of this section, it is unlawful for any national or state bank or for any corporation incorporated under the laws of this or any other state or any foreign country, to make contributions or expenditures to support or oppose the qualification, passage or defeat of a state ballot measure that in the aggregate exceed $10,000 for or against any statewide ballot measure. It shall likewise be unlawful for any candidate, committee, or other person knowingly to accept or to receive any contribution prohibited in excess of the limits established by this section, or for any officer or any director of any corporation or of any national or state bank to consent to any contribution or expenditure by the corporation or national or state bank, as the case may be, prohibited by this section.

(b) For purposes of this section, the term "contribution or expenditure" includes a contribution, expenditure or independent expenditure, as those terms are defined in Sections 82015, 82025 and 82031, and also includes any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value provided to any candidate or committee (including any political party committee) to support or oppose the qualification, passage or defeat of a state ballot measure, except that nothing in this section shall prohibit (1) a loan of money by a national or state bank made in accordance with the applicable banking laws and regulations and in the ordinary course of business, or (2) the payment or receipt of interest earnings, stock or other dividends on investments where the interest or dividends are received in accordance with the applicable banking laws and in the ordinary course of business.

(c) For purposes of this section, the term "contribution or expenditure" shall not include (1) communications by a bank or corporation to its stockholders and executive or administrative personnel and their immediate families on any subject, (2) nonpartisan registration and get-out-the-vote campaigns by a bank or corporation aimed at its

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stockholders and executive or administrative personnel and their immediate families; and or (3) the establishment, administration, and solicitation by a bank or corporation of contributions to a separate segregated fund to be utilized for making political contributions or expenditures, provided that the fund may consist only of voluntary contributions solicited from individuals who are either stockholders, members or employees of the bank or corporation, and their immediate families. shall

paragraph (3) of

(d) It shall be unlawful for any separate segregated fund established in accordance with subdivision (c)(3) to make a contribution or expenditure by utilizing money or anything of value secured by physical force, job discrimination, financial reprisals, or the threat of force, job discrimination, or financial reprisal; or by dues, fees, or other funds required as a condition of employment; or by funds obtained in any commercial transaction. It shall be unlawful for any person soliciting an employee for a contribution to any separate segregated fund (1) to fail to inform such the employee of the political purposes of such the fund at the time of such the solicitation; and (2) to fail to inform such the employee, at the time of such the solicitation, of his or her right to refuse to so contribute without any reprisal.

(e) This section shall not prevent a trade association or a separate segregated fund established by a trade association from soliciting contributions from the stockholders and executive or administrative personnel of the member corporations of ~~such~~ the trade association and the immediate families of ~~such~~ the stockholders or personnel to the extent that ~~such~~ the solicitation of ~~such~~ the stockholders and personnel, and their immediate families, has been separately and specifically approved by the member corporation involved, and ~~such~~ the member corporation does not approve any such solicitation by more than one such trade association in any calendar year.

(f) For purposes of this section, the term "executive or administrative personnel" means individuals employed by a corporation who are paid on a salary, rather than hourly, basis and who have policymaking, managerial, professional, or supervisory responsibilities.

(g) The Commission shall promulgate regulations implementing the requirements of this section and governing the administration and solicitation of contributions to separate segregated funds established in accordance with subdivision (c)(3) ~~of this section~~ paragraph (3) of The Commission's regulations shall conform to the intent of the voters in adopting this section and shall, to the maximum extent practicable, be consistent with the regulations adopted by the Federal Election Commission interpreting and implementing the comparable provisions of the Federal Election Campaign Act.

Article 15. Nonprofit Corporation Exemption

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§ 91140. Nonprofit Corporations Exempt from Prohibitions and Limits on Political Contributions or Expenditures

(a) The prohibitions and limits on contributions or expenditures set forth in Sections 91138 and 91139 shall not apply to a qualified nonprofit corporation that has all of the following characteristics:

(1) It does not qualify as or engage in any of the activities of a business entity, as defined in Section 82005;

(2) It has:

(A) No shareholders or other persons, other than employees and creditors with no ownership interest, affiliated in any way that could allow them to make a claim on the organization's assets or earnings; and

(B) No persons who are offered or who receive any benefit that is a disincentive for them to disassociate themselves with the corporation on the basis of the corporation's position on a political issue.

(3) It:

(A) Was not established by a business entity;

(B) Is not "affiliated" with a business entity within the meaning of Section 150 of the Corporations Code;

(C) Is not composed of members that are business entities or that engage in the activities of a business entity;

(D) Does not directly or indirectly accept donations of anything of value from business entities; and

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subparagraph (D) of

(4) If unable, for good cause, to demonstrate through accounting records that paragraph (3)(D) of this subdivision is satisfied, has a written policy against accepting donations from business entities; and

(5) It is described in 26 U.S.C. § 501(a) and (c).

¶ (b) Whenever a qualified nonprofit corporation solicits donations, the solicitation shall inform potential donors that their donations may be used for political purposes.

¶ (c) Qualified nonprofit corporations possessing all of the characteristics enumerated in subdivision (a) of this section remain subject to all other applicable requirements and limitations of this title, including those provisions requiring disclosure of any contributions or expenditures permitted by this section.

italic

Article 16. Administration

¶ **91141.** (a) Upon a determination that a candidate has met all the requirements for becoming a participating candidate as provided for in this act, the Commission shall issue to the candidate a card, known as the "Clean Money Debit Card," and a "line of debit" entitling the candidates and members of the candidate's staff to draw Clean Money funds from a Commission account to pay for all campaign costs and expenses up to the amount of Clean Money funding the candidate has received.

¶ (b) Neither a participating candidate nor any other person on behalf of a participating candidate shall pay campaign costs by cash, check, money order, loan, or by any other financial means other than the Clean Money Debit Card, except for contributions received from political party committees in accordance with Section 91123.

¶ (c) Cash amounts of one hundred dollars ($100) or less per day may be drawn on the Clean Money Debit Card and used to pay expenses of no more than twenty-five dollars ($25) each. Records of all such expenditures shall be maintained and reported to the Commission.

¶ **91142.** If the Commission determines that there are insufficient funds in the program to fund adequately all candidates eligible for Clean Money funds, the Commission shall reduce the grants proportionately to all eligible candidates. If the Commission notifies a

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candidate that the Clean Money funds will be reduced and the candidate has not received any Clean Money funds, the candidate may decide to be a nonparticipating candidate. If a candidate has already received Clean Money funds or wishes to start receiving such funds, a candidate who wishes to collect contributions may do so in amounts up to the contribution limits provided for nonparticipating candidates but shall not collect more than the total of Clean Money funds that the candidate was entitled to receive had there been sufficient funds in the program less the amount of Clean Money funds that will be or have been provided. If, at a later point, the Commission determines that adequate funds have become available, candidates, who have not raised private funds, shall receive the funds owed to them.

italic

¶ **91143.** (a) At the end of the primary election period, a participating candidate who has received funds pursuant to article 5 ~~of this chapter~~ shall return to the fund all funds in the candidate's campaign account above an amount sufficient to pay any unpaid bills for expenditures made during the primary election period and for goods or services directed to the primary election.

¶ (b) At the end of the general election period, a participating candidate shall return to the fund all funds in the candidate's campaign account above an amount sufficient to pay any unpaid bills for expenditures made before the general election and for goods or services directed to the general election.

¶ (c) A participating candidate shall pay all uncontested and unpaid bills referenced in this section no later than thirty days after the primary or general election. A participating candidate shall make monthly reports to the commission concerning the status of the dispute over any contested bills. Any funds in a candidate's campaign account after payment of bills shall be returned promptly to the fund.

¶ (d) If a participating candidate is replaced, and the replacement candidate files an oath with the Secretary of State certifying that he or she shall assume all responsibility for compliance with the provisions of this chapter concerning the current status and ongoing administration of the campaign account, and further certifying that he or she will faithfully comply will all provisions of this chapter applicable the participating candidate status he or she is assuming as a replacement candidate, the campaign account of the participating candidate shall be transferred to the replacement candidate and the commission shall certify the replacement candidate as a participating candidate with the same status, rights and obligations as the replaced candidate. If the replacement candidate does not file such an oath, the campaign account shall be liquidated and all remaining funds returned to the fund.

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Article 17. Cost of Living

91144. The Commission shall adjust the contribution limitations, spending limits, seed money provisions, funding amounts provided and the Clean Money Fund provisions in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index and the increase in registered voters. Those adjustments shall be rounded to the nearest ten dollars ($10) for the seed money provisions, one hundred dollars ($100) for the limitations on contributions, and one thousand dollars ($1,000) for the Clean Money provisions.

91145. On or before December 6 of each year ending in one, the commission shall prepare and provide to each Member of the Legislature and to the standing committees in the Assembly and the Senate with jurisdiction over elections a report containing a review and analysis of the functioning of the Clean Money Fund and the commission's recommendations as to whether additional cost of living adjustments, beyond those specified in section 91144 should be made to the spending limits, seed money provisions, funding amounts provided and the Clean Money Fund provisions of this chapter, and suggesting other changes that are advisable to further the purpose of this act. The commission's recommendations shall be based upon an analysis of the disclosures of campaign contributions and expenditures made by non-participating candidates in the preceding decade and other campaign financing information available, and this analysis shall be set forth in detail in the report. Amendments to this chapter made in accordance with the Commission's recommendation may be adopted by a vote of 55% of the Legislature.

Article 18. Enforcement

91146. (a) It is unlawful for participating candidates or their agents to knowingly accept more Clean Money benefits than those to which they are entitled, spend more than the amount of Clean Money funding they have received, or misuse such benefits or Clean Money funding.

(b) Any person, including an individual specified in Section 91115, who knowingly or willfully violates any provision of this chapter is guilty of a misdemeanor. Any person who knowingly or willfully causes any other person to violate any provision of this chapter, or who aids and abets any other person in the violation of any provision of this chapter, shall be liable under the provisions of this article.

(c) Prosecution of violation of any provision of the chapter shall be commenced within

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four years after the date of the violation.

91147. (a) No person convicted of a misdemeanor under this chapter shall act as a lobbyist, state contractor, run for elective office, or be eligible for appointed office or commission appointment for a period of five years following the date of the conviction unless the court at the time of sentencing specifically determines that this provision shall not be applicable. Non-candidate persons convicted for violations of this chapter shall be prohibited from receiving compensation for any electioneering activities or from firms that receive compensation for election activities for a period of five years following the date of conviction unless the court at the time of sentencing specifically determines that this provision shall not be applicable.

(b) If the court determines that the violation was intentional and involved an amount that had or could have been expected to have a material effect on the outcome of the election, the candidate may be fined up to twenty-five thousand dollars ($25,000), or imprisoned for up to five (5) years, or both. Any person who is found guilty of any criminal violation of this act shall be sentenced to at a minimum of at least one day and one night in jail.

italic

(1) If a candidate is convicted of a misdemeanor violation of any provision of this chapter, the court shall make a determination as to whether the violation had a material effect on the outcome of the election. If the court finds such a material effect, or that a participating candidate spent or incurred more than ten percent (10%) above the Clean Money funding the candidate received from the Clean Money Fund, in addition to any fines specified in ~~subsection (b)~~, the candidate shall repay to the Clean Money Fund an amount up to ~~ten (10)~~ 10 times the value of the excess, and:

this subdivision

(A) if ~~such~~ the conviction becomes final before the date of the election, the votes for ~~such~~ the candidate shall not be counted, and the election shall be determined on the basis of the votes cast for the other candidates in that race;

(B) if ~~such~~ the conviction becomes final after the date of the election, and if ~~such~~ the candidate was declared to have been elected, then ~~such~~ the candidate shall not assume office, the office shall be deemed vacant and shall be filled as otherwise provided by law;

(C) if ~~such~~ the conviction becomes final after the candidate has assumed office, then the candidate shall be removed from office, the office shall be deemed vacant and shall be filled as otherwise provided by law; and

(D) the person convicted shall be ineligible to run for any office for a period of five years after the date of ~~such~~ the conviction.

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(2) If a participating candidate spends or incurs more than the Clean Money funding the candidate is given, and if it is determined by a court not to be an amount that had or could have been expected to have had a material effect on the outcome of the election, then the candidate shall repay to the Clean Money Fund an amount equal to the excess.

(c) The same penalties as provided in subdivision (b) of Section 91146 (b) and Section 91147 shall apply for determinations made by the Commission, subject to court review.

SEC~~TION~~ 2. Section 13207 of Article 1, Chapter 3 of Division 13 of the Elections Code is amended to read:

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DKH

13207. (a) There shall be printed on the ballot in parallel columns all of the following:

(1) The respective offices.

(2) The names of candidates with sufficient blank spaces to allow the voters to write in names not printed on the ballot.

(A) Underneath the name of each candidate shall state either: "This candidate is a participant in the public campaign funding system." or "This candidate is not a participant in the public campaign funding system."

(B) The Fair Political Practices Commission shall determine which candidates in every election covered by the Chapter 12 (commencing with Section 91015) of the Government Code) are participating or non-participating candidates. The Fair Political Practices Commission shall provide to the Secretary of State the information necessary to satisfy the requirements of ~~subsection (a)~~ this paragraph (2) in a manner that will permit the timely preparation and printing of the ballot. The Secretary of State shall then immediately transmit the information to county election officials.

italic - NO Underscore

(3) Whatever measures have been submitted to the voters.

(b) In the case of a ballot which is intended for use in a party primary and which carries both partisan offices and nonpartisan offices, a vertical solid black line shall

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divide the columns containing partisan offices, on the left, from the columns containing nonpartisan offices, on the right.

(c) The standard width of columns containing partisan and nonpartisan offices shall be three inches, but an elections official may vary the width of these columns up to 10 percent more or less than the three-inch standard. However, the column containing presidential and vice presidential candidates may be as wide as four inches.

(d) Any measures that are to be submitted to the voters shall be printed in one or more parallel columns to the right of the columns containing the names of candidates and shall be of sufficient width to contain the title and summary of each measure. To the right of each title and summary shall be printed, on separate lines, the words "Yes" and "No."

SEC~~TION~~ 3. Section 82016 of the Government Code is amended to read:

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§ 82016. Controlled Committee italic

(a) "Controlled committee" means a committee that is controlled directly or indirectly by a candidate or state measure proponent or that acts jointly with a candidate, controlled committee, or state measure proponent in connection with the making of expenditures. A candidate or state measure proponent controls a committee if he or she, his or her agent, or any other committee he or she controls has a significant influence on the actions or decisions of the committee.

(b) Notwithstanding subdivision (a), a political party committee, as defined in Section 85205 5/6 ✓ 91057, is not a controlled committee. italic

(c) For purposes of Section 91137, a candidate shall be deemed to control a ballot measure committee if any of the following conditions are met:

(1) decisions on how the committee's funds are to be expended are effectively directed by or coordinated with the candidate or his or her agent;

(2) the candidate personally solicits contributions to the committee, either telephonically or through direct oral communications with donors; or

italic - NO underscore

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(3) the candidate appears in broadcast advertisements paid for by the committee at the candidate's behest.

italic - No underscore

SECTION 4. Section 82025 of the Government Code is amended to read:

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§ 82025. Expenditure italic

italic + no underscore

(a) "Expenditure" means a payment, a forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment, unless it is clear from the surrounding circumstances that it is not made for political purposes.

(b) "Expenditure" includes any monetary or nonmonetary payment made by any person that is used:

(1) for any communications that expressly advocate the nomination, election or defeat of a clearly identified candidate or candidates, or the qualification, passage or defeat of a clearly identified ballot measure or measures; or

(2) for any broadcast, cable, or satellite communications that (A) refer to a clearly identified candidate for elective state office or to a state ballot measure that has qualified to appear on the ballot, (B) are made within 30 days before a primary election or 60 days before a general, special, or special runoff election for the office sought by the candidate or at which the state ballot measure will be voted on, and (C) can be received by 50,000 or more persons in the electoral jurisdiction in which the candidate or ballot measure will be voted on. A candidate is "clearly identified" within the meaning of this subdivision if the communication states his or her name, makes unambiguous reference to his or her office or status as a candidate, or unambiguously describes him or her in any manner. A state ballot measure is "clearly identified" within the meaning of this subdivision if the communication states a proposition number, official title, or popular name associated with the measure, or if the communication refers to the specific subject matter of the measure and either states or refers to the fact that the measure is before the people for a vote.

italic - no underscore

subdivision (b)

(c) Notwithstanding ~~subsections (b)(1) and (b)(2), the term~~ "expenditure" does

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not include the costs for: (A) a communication appearing in a bona fide news story, commentary, or editorial distributed through the facilities of any regularly published newspaper, magazine, periodical of general circulation, or broadcasting station, unless ~~such~~ the facilities are owned or controlled by any political party, committee, or candidate; (B) a communication which constitutes a candidate debate or forum, or ~~which~~ solely promotes such a debate or forum, and is made by or on behalf of the person or entity sponsoring the debate or forum; (C) a communication in a regularly published newsletter or regularly published periodical, whose circulation is limited to an organization's members, employees, shareholders, other affiliated individuals, and those who request or purchase the publication; or (D) any other communications exempted under such regulations as the Commission may promulgate to ensure the appropriate implementation of this section consistent with the requirements of this subdivision.

italic-no underscore

italic-no underscore

(d) "Expenditure" does not include a candidate's use of his or her own money to pay for either a filing fee for a declaration of candidacy or a candidate statement prepared pursuant to Section 13307 of the Elections Code.

(e) An expenditure is made on the date the payment is made or on the date consideration, if any, is received, whichever is earlier.

¶ **SEC~~TION~~ 5.** Section 82031 of the Government Code is amended to read:

¶ **§ 82031.** Independent Expenditure — italic

italic no underscore

¶ "Independent expenditure" means an expenditure, as defined in Section 82025, subdivision (b), made by any person but which is not made to, or at the behest of, or in coordination with the affected candidate or committee.

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italic comma-no underscore

¶ **SECTION 6.** The following sections of the Government Code are repealed:

~~Section 85203, Section 85205, Section 85206, Section 85300, Section 85302, Section 85303, Section 85304, and Section 85305.~~

S/O

~~82031. "Independent expenditure" means an expenditure made by any person~~ in connection with a communication which expressly advocates the election or defeat of a clearly identified candidate or the qualification, passage or defeat of a clearly identified measure, or taken as a whole and in context, unambiguously urges a particular result in an election ~~but which is not made to or at the behest of the affected candidate or committee.~~

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SEC. 6.

A Section 85203 of the Government Code is repealed.

85203. "Small contributor committee" means any committee that meets all of the following criteria:

(a) The committee has been in existence for at least six months.

(b) The committee receives contributions from 100 or more persons.

(c) No one person has contributed to the committee more than two hundred dollars ($200) per calendar year.

(d) The committee makes contributions to five or more candidates.

S/O

~~85204. "Election cycle" for purposes of Sections 85309 and 85500, means the period of time commencing 90 days prior to an election and ending on the date of the election.~~

~~85204.5. With respect to special elections, the following terms have the following meanings:~~

~~(a) "Special election cycle" means the day on which the office becomes vacant until the day of the special election.~~

~~(b) "Special runoff election cycle" means the day after the special election until the day of the special runoff election.~~

(2000 102 DKA)

85205. "Political party committee" means the state central committee or county central committee of an organization that meets the requirements for recognition as a political party pursuant to Section 5100 of the Elections Code.

85206. "Public moneys" has the same meaning as defined in Section 426 of the Penal Code.

S/O

SEC. 6.2.

A Section 85206 of the Government Code is repealed.

SEC. 6.1.

A Section 85205 of the Government Code is repealed.

SEC. 6.3.

A Section 85300 of the Government Code is repealed.

A 85300. No public officer shall expend and no candidate shall accept any public moneys for the purpose of seeking elective office.

S/O

(prop 73 6-7-88 DKA)

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SEC. 6.4.

Section 85302 of the Government Code is repealed.

85302. (a) A small contributor committee may not make to any candidate for elective state office other than a candidate for statewide elective office, and a candidate for elective state office, other than a candidate for statewide elective office may not accept from a small contributor committee, any contribution totaling more than six thousand dollars ($6,000) per election.

(b) Except to a candidate for Governor, a small contributor committee may not make to any candidate for statewide elective office and except for a candidate for Governor, a candidate for statewide elective office may not accept from a small contributor committee, any contribution totaling more than ten thousand dollars ($10,000) per election.

(c) A small contributor committee may not make to any candidate for Governor, and a candidate for governor may not accept from a small contributor committee, any contribution totaling more than twenty thousand dollars ($20,000) per election.

S/O

(2000/102) DKA

SEC. 6.5.

Section 85303 of the Government Code is repealed.

85303. (a) A person may not make to any committee, other than a political party committee, and a committee other than a political party committee may not accept, any contribution totaling more than five thousand dollars ($5,000) per calendar year for the purpose of making contributions to candidates for elective state office.

(b) A person may not make to any political party committee, and a political party committee may not accept, any contribution totaling more than twenty-five thousand dollars ($25,000) per calendar year for the purpose of making contributions for the support or defeat of candidates for elective state office. Notwithstanding Section 85312, this limit applies to contributions made to a political party used for the purpose of making expenditures at the behest of a candidate for elective state office for communications to party members related to the candidate's candidacy for elective state office.

(c) Except as provided in Section 85310, nothing in this chapter shall limit a person's contributions to a committee or political party committee provided the contributions are used for purposes other than making contributions to candidates for elective state office.

(d) Nothing in this chapter limits a candidate for elected state office from transferring contributions received by the candidate in excess of any amount necessary to defray the candidate's expenses for election related activities or holding office to a political party committee, provided those transferred contributions are used for purposes consistent with paragraph (4) of subdivision (b) of Section 89519.

S/O

(2001/241) DKA

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SEC. 6.6.

¶ Section 85304 of the Government Code is repealed.

election related activities or holding office to a political party committee, provided those transferred contributions are used for purposes consistent with paragraph (4) of subdivision (b) of Section 89519.

SEC. 30. Section 85304 of the Government Code, as added by Proposition 73 at the June 7, 1988, statewide primary election, is repealed.

SEC. 31. Section 85304 of the Government Code, as added by Proposition 208 at the November 5, 1996, statewide general election, is repealed.

SEC. 32. Section 85304 is added to the Government Code, to read:

85304. (a) A candidate for elective state office or an elected state officer may establish a separate account to defray attorney's fees and other related legal costs incurred for the candidate's or officer's legal defense if the candidate or officer is subject to one or more civil or criminal proceedings or administrative proceedings arising directly out of the conduct of an election campaign, the electoral process, or the performance of the officer's governmental activities and duties. These funds may be used only to defray those attorney fees and other related legal costs.

(b) A candidate may receive contributions to this account that are not subject to the contribution limits set forth in this article. However, all contributions shall be reported in a manner prescribed by the commission.

(c) Once the legal dispute is resolved, the candidate shall dispose of any funds remaining after all expenses associated with the dispute are discharged for one or more of the purposes set forth in paragraphs (1) to (5), inclusive, of subdivision (b) of Section 89519.

S/O

(2000 / 102 NICK)

SEC. 33. Section 85305 of the Government Code, as added by Proposition 73 at the June 7, 1988, statewide primary election, is repealed.

SEC. 34. Section 85305 of the Government Code, as added by Proposition 208 at the November 5, 1996, statewide general election, is repealed.

SEC. 35. Section 85305 is added to the Government Code, to read:

85305. A candidate for elective state office or committee controlled by that candidate may not make any contribution to any other candidate for elective state office in excess of the limits set forth in subdivision (a) of Section 85301.

S/O

SEC. 36. Section 85306 of the Government Code, as added by Proposition 73 at the June 7, 1988, statewide primary election, is repealed.

SEC. 37. Section 85306 of the Government Code, as added by Proposition 208 at the November 5, 1996, statewide general election, is repealed.

SEC. 38. Section 85306 is added to the Government Code, to read:

SEC. 6.7.

¶ Section 85305 of the Government Code is repealed.

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SEC~~TION~~ 5 7. Section 85306 of the Government Code is amended to read:

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§ 85306. Transfer of Funds from One Controlled Committee to Controlled Committee of Same Candidate; Attribution to Specific Contributors; Funds in Possession Before Specified Dates

italic

~~(a) A candidate may transfer campaign funds from one controlled committee to a controlled committee for elective state office of the same candidate. Contributions transferred shall be attributed to specific contributors using a "last in, first out" or "first in, first out" accounting method, and these attributed contributions when aggregated with all other contributions from the same contributor may not exceed the limits set forth in Section 85301 or 85302.~~

italic-no underscore

~~(b) Notwithstanding subdivision (a), a~~ (a) A candidate for elective state office, other than a candidate for statewide elective office, who possesses campaign funds on January 1, 2001, may use those funds to seek elective office without attributing the funds to specific contributors.

italic-no underscore

~~(c) Notwithstanding subdivision (a), a~~ (b) A candidate for statewide elective office who possesses campaign funds on November 6, 2002, may use those funds to seek elective office without attributing the funds to specific contributors.

(c) Notwithstanding Section 91137, a candidate may transfer funds without limitation from one ballot measure committee controlled by the candidate to another ballot measure committee controlled by the same candidate.

SECTION 8. The following sections of the Government Code are repealed:

~~Section 85314, Section 85317, Section 85318, Section 85400, Section 85401,~~ Section 85402, Section 85403, Section 85501, Section 85600, Section 85601, and Section 85702.

SEC. 8.

Section 85314 of the Government Code is repealed.

85314. The contribution limits of this chapter apply to special elections and apply to special runoff elections. A special election and a special runoff election are separate elections for purposes of the contribution and voluntary expenditure limits set forth in this chapter.

S/O (2000/102)

SEC. 8.1.

Section 85317 of the Government Code is repealed.

85317. Notwithstanding subdivision (a) of Section 85306, a candidate for elective state office may carry over contributions raised in connection with one election for elective state office to pay campaign expenditures incurred in connection with a subsequent election for the same elective state office.

S/O (01/241)

SEC. 8.2.

Section 85318 of the Government Code is repealed.

85318. A candidate for elective state office may raise contributions for a general election prior to the primary election, and for a special general election prior to a special primary election, for the same elective state office if the candidate sets aside these contributions and uses these contributions for the general election or special general election. If the candidate for elective state office is defeated in the primary election or special primary election, or otherwise withdraws from the general election or special general election, the general election or special general election funds shall be refunded to the contributors on a pro rata basis less any expenses associated with the raising and administration of general election or special general election contributions. Notwithstanding Section 85201, candidates for elective state office may establish separate campaign contribution accounts for the primary and general elections or special primary and special general elections.

(01/241)

S/O

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SEC. 83.

Section 85400 of the Government Code is repealed.

85400. (a) A candidate for elective state office, other than the Board of Administration of the Public Employees' Retirement System, who voluntarily accepts expenditure limits may not make campaign expenditures in excess of the following:

(1) For an Assembly candidate, four hundred thousand dollars ($400,000) in the primary or special primary election and seven hundred thousand dollars ($700,000) in the general or special general election.

(2) For a Senate candidate, six hundred thousand dollars ($600,000) in the primary or special primary election and nine hundred thousand dollars ($900,000) in the general or special general election.

(3) For a candidate for the State Board of Equalization, one million dollars ($1,000,000) in the primary election and one million five hundred thousand dollars ($1,500,000) in the general election.

(4) For a statewide candidate other than a candidate for Governor or the State Board of Equalization, four million dollars ($4,000,000) in the primary election and six million dollars ($6,000,000) in the general election.

(5) For a candidate for Governor, six million dollars ($6,000,000) in the primary election and ten million dollars ($10,000,000) in the general election.

(b) For purposes of this section, "campaign expenditures" has the same meaning as "election-related activities" as defined in clauses (i) to (vi), inclusive, and clause (viii) of subparagraph (C) of paragraph (2) of subdivision (b) of Section 82015.

(c) A campaign expenditure made by a political party on behalf of a candidate may not be attributed to the limitations on campaign expenditures set forth in this section.

S/O (01/241) pm

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SEC. 8.4.

Section 85401 of the Government Code is repealed.

85401. (a) Each candidate for elective state office shall file a statement of acceptance or rejection of the voluntary expenditure limits set forth in Section 85400 at the time he or she files the statement of intention specified in Section 85200.

(b) A candidate may, until the deadline for filing nomination papers set forth in Section 8020 of the Elections Code, change his or her statement of acceptance or rejection of voluntary expenditure limits provided he or she has not exceeded the voluntary expenditure limits. A candidate may not change his or her statement of acceptance or rejection of voluntary expenditure limits more than twice after the candidate's initial filing of the statement of intention for that election and office.

(c) Any candidate for elective state office who declined to accept the voluntary expenditure limits but who nevertheless does not exceed the limits in the primary, special primary, or special election, may file a statement of acceptance of the expenditure limits for a general or special runoff election within 14 days following the primary, special primary, or special election.

(d) Notwithstanding Section 81004.5 or any other provision of this title, a candidate may not change his or her statement of acceptance or rejection of voluntary expenditure limits other than as provided for by this section and Section 85402.

S/O

(04/207) DKH

SEC. 8.5.

Section 85402 of the Government Code is repealed.

85402. (a) Any candidate for elective state office who has filed a statement accepting the voluntary expenditure limits is not bound by those limits if an opposing candidate contributes personal funds to his or her own campaign in excess of the limits set forth in Section 85400.

(b) The commission shall require by regulation timely notification by candidates for elective state office who make personal contributions to their own campaign.

S/O

(00/102) DKH

85403. Any candidate who files a statement of acceptance pursuant to Section 85401 and makes campaign expenditures in excess of the limits shall be subject to the remedies in Chapter 3 (commencing with Section 83100) and Chapter 11 (commencing with Section 91000).

S/O

SEC. 8.6.

Section 85403 of the Government Code is repealed.

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SEC. 8.7.

A Section 85501 of the Government Code is repealed,

85501. A controlled committee of a candidate may not make independent expenditures and may not contribute funds to another committee for the purpose of making independent expenditures to support or oppose other candidates. S/O

(01/241) DKA

SEC. 8.8.

A Section 85600 of the Government Code is repealed,

85600. The Secretary of State shall designate in the state ballot pamphlet those candidates for statewide elective office, as defined in Section 82053, who have voluntarily agreed to the expenditure limitations set forth in Section 85400. Local elections officers shall designate in the voter information portion of the sample ballot those candidates for State Senate and Assembly who have voluntarily agreed to the expenditure limitations set forth in Section 85400. S/O

~~SEC. 15. Section 85601 of the Government Code is amended to read:~~

(01/241) DKA

85601. (a) A candidate for statewide elective office, as defined in Section 82053, who accepts the voluntary expenditure limits set forth in Section 85400 may purchase the space to place a statement in the state ballot pamphlet that does not exceed 250 words. The statement may not make any reference to any opponent of the candidate. The statement shall be submitted in accordance with timeframes and procedures set forth by the Secretary of State for the preparation of the state ballot pamphlets.

(b) Notwithstanding subdivision (e) of Section 88001 of this code or subdivision (e) of Section 9084 of the Elections Code, on and after November 6, 2002, the Secretary of State may not include in the state ballot pamphlet a statement from a candidate who has not voluntarily agreed to the expenditure limitations set forth in Section 85400.

(c) A candidate for State Senate or Assembly who accepts the voluntary expenditure limits set forth in Section 85400 may purchase the space to place a statement in the voter information portion of the sample ballot that does not exceed 250 words. The statement may not make any reference to any opponent of the candidate. The statement shall be submitted in accordance with the timeframes and procedures set forth in the Elections Code for the preparation of the voter information portion of the sample ballot. S/O

SEC. 8.9.

A Section 85601 of the Government Code is repealed.

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SEC. 8.10.

Section 85702 of the Government Code is repealed.

85702. An elected state officer or candidate for elected state office may not accept a contribution from a lobbyist, and a lobbyist may not make a contribution to an elected state officer or candidate for elected state office, if that lobbyist is registered to lobby the governmental agency for which the candidate is seeking election or the governmental agency of the elected state officer.

S/O

(00/102 DKA)

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45 E

¶ Section 23151 of the Revenue and Taxation Code is amended to read:

¶ SEC~~TION~~ 9. Article 2, Chapter 2 of Part 11 of Division 2 of the Revenue and Taxation Code Sections 23151, 23181, 23183, 23501, and 23811 are amended to read:
of the Revenue and Taxation Code

¶ § 23151. Imposition of privilege tax; Rates — italic

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DKa

(a) With the exception of banks and financial corporations, every corporation doing business within the limits of this state and not expressly exempted from taxation by the provisions of the Constitution of this state or by this part, shall annually pay to the state, for the privilege of exercising its corporate franchises within this state, a tax according to or measured by its net income, to be computed at the rate of 7.6 percent upon the basis of its net income for the next preceding income year, or if greater, the minimum tax specified in Section 23153.

(b) For calendar or fiscal years ending after June 30, 1973, the rate of tax shall be 9 percent instead of 7.6 percent as provided by subdivision (a).

(c) For calendar or fiscal years ending in 1980 to 1986, inclusive, the rate of tax shall be 9.6 percent.

(d) For calendar or fiscal years ending in 1987 to 1996, inclusive, and for any income year beginning before January 1, 1997, the tax rate shall be 9.3 percent.

(e) For any income year beginning on or after January 1, 1997, the tax rate shall be 8.84 percent. The change in rate provided in this subdivision shall be made without proration otherwise required by Section 24251.

(f)(1) For the first taxable year beginning on or after January 1, 2000, the tax imposed under this section shall be the sum of both of the following:

(A) A tax according to or measured by net income, to be computed at the rate of 8.84 percent upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

(B) A tax according to or measured by net income, to be computed at the rate of 8.84 percent upon the basis of the net income for the first taxable year beginning on or after January 1, 2000, but not less than the minimum tax specified in Section 23153.

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(2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2000, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 8.84 percent upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

¶ (g)(1) For the first taxable year beginning on or after January 1, 2007, the tax imposed under this section shall be the sum of both of the following:

¶ (A) A tax according to or measured by net income, to be computed at the rate of 9.04 percent upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

¶ (B) A tax according to or measured by net income, to be computed at the rate of 9.04 percent upon the basis of the net income for the first taxable year beginning on or after January 1, 2007, but not less than the minimum tax specified in Section 23153.

¶ (2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2007, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 9.04 percent upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

italic - no underscore

SEC. 9.1.

¶ Section 23181 of the Revenue and Taxation Code is amended to read:

¶ § 23181. Annual tax on banks - italic

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(a) Except as otherwise provided herein, an annual tax is hereby imposed upon every bank doing business within the limits of this state according to or measured by its net income, upon the basis of its net income for the next preceding income year at the rate provided under Section 23186.

(b) If a bank commences to do business and ceases doing business in the same taxable year, the tax for such taxable year shall be according to or measured by its net income for such year, at the rate provided under Section 23186.

(c) With respect to a bank, other than a bank described in subdivision (b), which ceases doing business after December 31, 1972, the tax for the taxable year of cessation shall be:

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(1) According to or measured by its net income for the next preceding income year, to be computed at the rate prescribed in Section 23186, plus

(2) According to or measured by its net income for the income year during which the bank ceased doing business, to be computed at the rate prescribed in Section 23186.

(d) In the case of a bank which ceased doing business before January 1, 1973, but dissolves or withdraws on such date or thereafter, the tax for the taxable year of dissolution or withdrawal shall be according to or measured by its net income for the income year during which the bank ceased doing business, unless such income has previously been included in the measure of tax for any taxable year, to be computed at the rate prescribed under Section 23186 for the taxable year of dissolution or withdrawal.

(e) Commencing with income years ending in 1980, every bank shall pay to the state a minimum tax (determined in accordance with Section 23153) or the measured tax imposed on its income, whichever is greater.

(f)(1) For the first taxable year beginning on or after January 1, 2000, the tax imposed under this section shall be the sum of both of the following:

(A) A tax according to or measured by net income, to be computed at the rate provided under Section 23186 upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

(B) A tax according to or measured by net income, to be computed at the rate provided under Section 23186 upon the basis of the net income for the first taxable year beginning on or after January 1, 2000, but not less than the minimum tax specified in Section 23153.

(2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2000, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate provided under Section 23186 upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

<u>(g)(1) For the first taxable year beginning on or after January 1, 2007, the tax imposed under this section shall be the sum of both of the following:</u>

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(A) A tax according to or measured by net income, to be computed at the rate of 11.04 percent upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

(B) A tax according to or measured by net income, to be computed at the rate of 11.04 percent upon the basis of the net income for the first taxable year beginning on or after January 1, 2007, but not less than the minimum tax specified in Section 23153.

(2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2007, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 11.04 percent upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

italic - no underscore

SEC. 9.2.

Section 23183 of the Revenue and Taxation Code is amended to read:

§ 23183. Financial corporations; Annual tax; Measurement by income; Rate

italic

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(a) For taxable years beginning before January 1, 2000, an annual tax is hereby imposed upon every financial corporation doing business within the limits of this state and taxable under the provisions of Section 27 of Article XIII of the Constitution of this state, for the privilege of exercising its corporate franchises within this state, according to or measured by its net income, upon the basis of its net income for the next preceding income year at the rate provided under Section 23186.

(b) For purposes of this article, the term "financial corporation" does not include any corporation, including a wholly owned subsidiary of a bank or bank holding company, if the principal business activity of such entity consists of leasing tangible personal property.

(c)(1) For the first taxable year beginning on or after January 1, 2000, the tax imposed under this section shall be the sum of both of the following:

(A) A tax according to or measured by net income, to be computed at the rate provided under Section 23186 upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

(B) A tax according to or measured by net income, to be computed at the rate provided under Section 23186 upon the basis of the net income for the first taxable year beginning on or after January 1, 2000, but not less than the minimum tax specified in Section 23153.

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(2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2000, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate provided under Section 23186 upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

(d)(1) For the first taxable year beginning on or after January 1, 2007, the tax imposed under this section shall be the sum of both of the following:

(A) A tax according to or measured by net income, to be computed at the rate of 11.04 percent upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

(B) A tax according to or measured by net income, to be computed at the rate of 11.04 percent upon the basis of the net income for the first taxable year beginning on or after January 1, 2007, but not less than the minimum tax specified in Section 23153.

italic - no underscore

SEC. 913.

(2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2007, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 11.04 percent upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

¶ Section 23501 of the Revenue and Taxation Code is amended to read:

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¶ § 23501. Annual tax imposed; Rates ital

(a) There shall be imposed upon every corporation, other than a bank, for each taxable year, a tax at the rate of 7.6 percent upon its net income derived from sources within this state on or after January 1, 1937, other than income for any period for which the corporation is subject to taxation under Chapter 2 (commencing with Section 23101), according to or measured by its net income.

(b) For calendar or fiscal years ending after June 30, 1973, the rate of tax shall be 9 percent instead of 7.6 percent as provided by subdivision (a).

(c) For calendar or fiscal years ending after December 31, 1979, the rate of tax shall be the rate specified for those years by Section 23151.

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(d) For calendar or fiscal years ending after December 31, 2006, the rate of tax shall be the rate specified for those years by Section 23151. italic - no underscore

SEC. 9.4. ¶ Section 23811 of the Revenue and Taxation Code is amended to read:

¶ § 23811. Tax on passive investment income attributable to California sources italic

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Except as otherwise provided in this section, there is hereby imposed a tax on passive investment income attributable to California sources, determined in accordance with the provisions of *Section 1375 of the Internal Revenue Code*, relating to tax imposed on passive investment income, as modified by this section. For taxable years beginning on or after January 1, 2007, the tax imposed on passive investment income shall be increased from 1.5 percent to 1.66 percent of taxable net passive investment income for the next preceding income year for corporations with over $50 million dollars in total receipts. italic - no underscore

(a) The tax imposed under this section may not be imposed on an "S corporation" that has no excess net passive income for federal income tax purposes determined in accordance with *Section 1375 of the Internal Revenue Code*. Roman

(b)(1) The rate of tax shall be equal to the rate of tax imposed under Section 23151 in lieu of *Section 11(b) of the Internal Revenue Code*. Roman

(2) In the case of an "S corporation" that is also a financial corporation, the rate of tax specified in paragraph (1) shall be increased by the excess of the rate imposed under Section 23183 over the rate imposed under Section 23151.

Roman

(c) *Section 1375(c)(1) of the Internal Revenue Code*, relating to credits, is modified to provide that the tax imposed under subdivision (a) may not be reduced by any credits allowed under this part.

Roman

(d) The term "subchapter C earnings and profits" or "accumulated earnings and profits" as used in *Section 1375 of the Internal Revenue Code* shall mean the "subchapter C earnings and profits" of the corporation attributable to California sources determined under this part, modified as provided in subdivision (e).

(e)(1) In the case of a corporation that is an "S corporation" for purposes of this part for its first taxable year for which it has in effect a valid federal S election, there shall be allowed as a deduction in determining that corporation's "subchapter C earnings and profits" at the close of any taxable year the amount of any consent dividend (as provided

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in paragraph (2)) paid after the close of that taxable year.

(2) In the event there is a determination that a corporation described in paragraph (1) has "subchapter C earnings and profits" at the close of any taxable year, that corporation shall be entitled to distribute a consent dividend to its shareholders. The amount of the consent dividend may not exceed the difference between the corporation's "subchapter C earnings and profits" determined under subdivision (d) at the close of the taxable year with respect to which the determination is made and the corporation's "subchapter C earnings and profits" for federal income tax purposes at the same date. A consent dividend must be paid within 90 days of the date of the determination that the corporation has "subchapter C earnings and profits." For this purpose, the date of a determination means the effective date of a closing agreement pursuant to Section 19441, the date an assessment of tax imposed by this section becomes final, or the date of execution by the corporation of an agreement with the Franchise Tax Board relating to liability for the tax imposed by this section. For purposes of Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), and this part, a corporation must make the election provided in *Section 1368(e)(3) of the Internal Revenue Code*. Roman

(3) If a corporation distributes a consent dividend, it shall claim the deduction provided in paragraph (1) by filing a claim therefor with the Franchise Tax Board within 120 days of the date of the determination specified in paragraph (2).

(4) The collection of tax imposed by this section from a corporation described in paragraph (2) shall be stayed for 120 days after the date of the determination specified in paragraph (2). If a claim is filed pursuant to paragraph (3), collection of that tax shall be further stayed until the date the claim is acted upon by the Franchise Tax Board.

(5) If a claim is filed pursuant to paragraph (3), the running of the statute of limitations on the making of assessments and actions for collection of the tax imposed by this section shall be suspended for a period of two years after the date of the determination specified in paragraph (2).

¶ **SEC~~TION~~ 10.** Section 24586 is added to ~~Chapter 11.7 of Part 11 of Division 2 of~~ the Revenue and Taxation Code, to read

¶ **24586.** (a) The Franchise Tax Board shall annually determine the total amount of the fees generated by increases in the tax rates for tax years beginning January 1, 2007, and thereafter pursuant to Revenue and Taxation Code Sections 23151, 23181, 23183, 23501, and 23811, ~~as amended~~, and notify the Controller of that amount. italic

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(b) The Controller shall transfer the amount determined under subdivision (a), less the direct, actual costs of the Franchise Tax Board and the Controller for the collection and administration of funds under this article, to the California Clean Money Fund, established pursuant to Section 91133 of the Government Code, for use in funding clean and fair elections for non-federal statewide and state legislative elections. Upon appropriation by the Legislature, the Controller shall transfer the amount of reimbursement for direct actual costs incurred by the Franchise Tax Board and the Office of the Controller in the administration of this fund.

(c) All funds deposited in the California Clean Money Fund, shall be allocated in accordance with Section 91133 of the Government Code, to the Fair Practices Political Commission for disbursement for the purposes and in the manner described in Section 91133 of the Government Code.

(d) This section shall remain in effect so long as Chapter 12 (commencing with Section 91015) of Title 9 of the Government Code, ~~commencing with Section 91013~~ also known as the California Clean Money and Fair Elections Act of 2006, requires the establishment and maintenance of the California Clean Money Fund.

SEC~~TION~~ 11. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that maybe incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC~~TION~~ 12. This chapter shall be deemed to amend the Political Reform Act of 1974 as amended and all of its provisions that do not conflict with this chapter shall apply to the provisions of this chapter.

SEC~~TION~~ 13. Severability

(a) The provisions of this Act are severable. If any provision or portion of provision of this Act or the application of any provision of this Act to any person or circumstance is held to be invalid by a court of competent jurisdiction, that invalidity shall not affect other provisions or applications of the Act that can be given effect without the invalid provision or application.

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(b) In adopting this measure, the People specifically declare that the provision of this Act ~~enacting Government Code~~ Section 91139 shall be severable from the remainder of this Act, and the People specifically declare their desire and intent to enact the remainder of this Act even if that provision were not to be given full or partial effect. The People recognize that a Montana law prohibiting corporate contributions or expenditures in connection with a ballot measure election was invalidated in 2000 by a divided panel of the Ninth Circuit Court of Appeals in *Montana Chamber of Commerce v. Argenbright*, but believe that the majority opinion in that case incorrectly interpreted relevant decisions of the United States Supreme Court in this area and that more recent decisions of the Supreme Court support the People's rationale for limiting corporate campaign spending in order to eliminate the distorting effects of corporate wealth on the electoral process. Moreover, the People are adopting the prohibitions in this Act based upon an evidentiary record and history of California ballot measure elections that compellingly demonstrates the need for the narrowly tailored restrictions contained herein.

SEC~~TION~~ 14. Construction and Amendment

This Act shall be broadly construed to accomplish its purposes. This Act may be amended to further its purposes by statute, passed in each house by roll call vote entered in the journal, two-thirds of the membership concurring and signed by the Governor, if at least 12 days prior to passage in each house the bill in its final form has been delivered to the California Fair Political Practices Commission for distribution to the news media and to every person who has requested the Commission to send copies of such bills to him or her. Any such amendment must be consistent with the purposes and must further the intent of this Act. Notwithstanding this provision, amendments to adjust for changes in the cost of living may be made pursuant to section 91145.

SEC~~TION~~ 15. Effective Date

This Act shall become effective immediately upon its approval by the voters and shall apply to all elections held on or after January 1, 2007.

SEC~~TION~~ 16. Conflicting Ballot Measures

(a) If a conflict exists between the provisions of this measure and the provisions of any other measure approved by the voters at the same election, the provisions of this measure shall take effect except to the extent that they are in direct and irreconcilable conflict with the provisions of such other measure and the other measure receives a greater number of

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affirmative votes.

(b) If any provisions of this measure are superseded by the provisions of any other conflicting ballot measure approved by the voters and receiving a greater number of affirmative votes at the same election, and the conflicting ballot measure is subsequently held to be invalid, the provisions of this measure shall be self-executing and shall be given full force of law.

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