



# REPORT TO COUNCIL City of Sacramento

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Staff Report  
May 11, 2010

Honorable Mayor and  
Members of the City Council

**Title:** City Positions on June 2010 Statewide Ballot Measures

**Location/Council District:** Citywide

**Recommendation:** Adopt a **Resolution** approving City positions approved and forwarded by the Law & Legislation Committee for propositions on the June 2010 state ballot for consideration and action by the City Council.

**Contact:** Michelle Heppner, Special Projects Manager, 808-1226

**Presenters:** Michelle Heppner, Special Projects Manager

**Department:** City Manager's Office

**Division:** Legislative Affairs

**Organization No:** 09200

## Description/Analysis

**Issue:** The City's Law & Legislation Committee reviews and adopts positions on statewide ballot measures in advance of each election. These positions are forwarded to the City Council for consideration and possible action.

**Policy Considerations:** The recommended positions are consistent with the Council adopted legislative principles related to retaining local control over issues impacting the City and supporting opportunities for partnerships and additional revenues, as well ensuring the retention of existing state funds.

**Environmental Considerations:** None.

**California Environmental Quality Act (CEQA):** Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

**Sustainability Considerations:** Not Applicable.

**Commission/Committee Action:** The recommended positions were presented to the Law & Legislation Committee on April 22, 2010. Each measure was voted on separately. The committee voted to change staffs recommendation on Proposition 15 from a neutral position to a support position. The remaining staff recommendations were approved and forwarded to the full City Council.

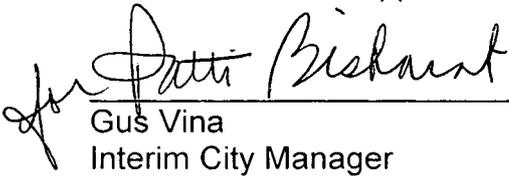
**Rationale for Recommendation:** The recommended positions were adopted by the Law & Legislation Committee on April 22, 2010 and are consistent with the Council adopted legislative principles related to retaining local control over issues impacting the City and supporting opportunities for partnerships and additional revenues, as well the Council adopted legislative platform establishing legislative priorities for the City.

**Financial Considerations:** None.

**Emerging Small Business Development (ESBD):** None

Respectfully Submitted by:   
Michelle Heppner, Special Projects Manager

Recommendation Approved:

  
Gus Vina  
Interim City Manager

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**Attachment 1****BACKGROUND**

Staff reviewed the ballot measures on the June 2010 statewide ballot. In developing recommendations on whether to support, oppose, be neutral, or take no position on the measures, staff considered whether the measures would directly affect City residents or its operations.

The following table summarizes the 5 state ballot measures, positions taken by the League of California Cities, staff recommendations and positions approved by the Law & Legislation Committee:

<b>Measure</b>	<b>Title</b>	<b>League of CA Cities Position</b>	<b>Staff Recommended City Position</b>	<b>Law &amp; Leg Approved Position</b>
Proposition 13	Limits on Property Tax Assessment. Seismic Retrofitting of Existing Buildings. Legislative Constitutional Amendment	No Position	Support	Support
Proposition 14	Primary Election Process Reform. Greater Participation in Elections	No Position	Neutral	Neutral
Proposition 15	California Fair Elections Act.	No Position	Neutral	Support
Proposition 16	Imposes New Two-Thirds Voter Approval Requirement for Local Public Electricity Providers. Initiative Constitutional Amendment	Oppose	Oppose	Oppose
Proposition 17	Allows Auto Insurance Companies to Base Their Prices in Part on a Driver's History of Insurance Coverage. Initiative Statute	No Position	Neutral	Neutral

The following is a brief summary and analysis of potential local impacts of each of the propositions:

**PROPOSITION 13 – LIMITS ON PROPERTY TAX ASSESSMENT. SEISMIC RETROFITTING OF EXISTING BUILDINGS**

Staff Recommendation: **SUPPORT**

L&L Committee Recommendation: **SUPPORT**

This measure is a legislative constitutional amendment to the State Constitution to (1) provide that construction to seismically retrofit existing buildings does not trigger a reassessment of property tax value, regardless of the type of building, (2) sets statewide standards for the types of seismic retrofit improvements exempt from reassessment, and (3) limits the exemption from reassessment to specific components of construction or reconstruction that qualify as seismic retrofit improvements by the Legislature.

**Local Impacts:**

With California being an earthquake vulnerable state, from a public safety perspective it is imperative for property owners to ensure their properties are sufficiently retrofitted to withstand a major disaster. Proposition 13 would incentivize property owners in need of seismic retrofitting to perform the repairs without the concern of increased taxes on their properties. In retrospect, the City may experience minor reductions in local property tax revenues related to the assessment of seismic upgrades.

**PROPOSITION 14 – CALIFORNIA TOP TWO CANDIDATES OPEN PRIMARY ACT**

Staff Recommendation: **NEUTRAL**

L&L Committee Recommendation: **NEUTRAL**

Proposition 14 reforms the primary election process for congressional, statewide, and legislative races. Allows all voters to choose any candidate regardless of the candidate's or voter's political party preference. This ballot ensures that the two candidates receiving the greatest number of votes will appear on the general election ballot regardless of party preference.

**Local Impacts:**

No significant net changes in the City's costs to administer elections.

**PROPOSITION 15 – CALIFORNIA FAIR ELECTIONS ACT**

Staff Recommendation: **NEUTRAL**

L&L Committee Recommendation: **SUPPORT**

Proposition 15 creates a voluntary system for candidates for Secretary of State to qualify for a public campaign grant if they agree to strict spending limits and no private contributions.

**Local Impacts:**

No impact to local government.

**PROPOSITION 16 – IMPOSES NEW TWO-THIRDS VOTER APPROVAL  
REQUIREMENT FOR LOCAL PUBLIC ELECTRICITY  
PROVIDERS. INITIATIVE CONSTITUTIONAL AMENDMENT**

Staff Recommendation: **OPPOSE**

L&L Committee Recommendation: **OPPOSE**

Proposition 16 would require two-thirds voter approval before local governments could provide electricity service to new customers or establish a community choice electricity program using public funds or bonds. Specifically this measure would prohibit any local government agency (including charter cities, special districts, agencies and joint power authorities) from incurring any bonded or other indebtedness or liability in any manner or use of any public funds for the construction or acquisition of facilities, works goods, commodities, products or services to establish or expand electric delivery service, or to implement a plan to become an aggregate electricity provider, without the assent of two-thirds of the voters within the jurisdiction of the local government and two-thirds of the voters within the territory to be served, if any, voting at an election to be held for the purpose of approving the use of any public funds, or incurring any liability, or incurring any bonded or other borrowing or indebtedness.

**Local Impacts:**

Electrical services are provided to City residents through the SMUD (Sacramento Municipal Utilities District). While this measure has no direct impact on the City, it infringes on local control as the City works with SMUD to provide the best service possible for constituents.

**PROPOSITION 17 – ALLOWS AUTO INSURANCE COMPANIES TO BASE THEIR  
PRICES IN PART ON A DRIVER'S HISTORY OF INSURANCE  
COVERAGE.**

Staff Recommendation: **NEUTRAL**

L&L Committee Recommendation: **NEUTRAL**

Proposition 17 changes current law to permit insurance companies to offer a discount to drivers who have continuously maintained their auto insurance coverage, even if they change their insurance company, and notwithstanding the ban on using the absence of prior insurance for purposes of pricing. This measure may allow insurance companies to increase the cost of insurance to drivers who do not qualify for discount and establishes that lapses in coverage due to nonpayment of premiums may prevent a driver from qualifying for discounts.

**Local Impacts:**

Proposition 17 has no direct impact on the City however it may significantly impact residents who have had lapses in their insurance coverage. With the downturn of the economy and the increasing rise in unemployment this measure would create an additional burden on residents trying to make ends meet.

**RESOLUTION NO.**  
Adopted by the Sacramento City Council

**POSITIONS ON THE NOVEMBER 4, 2008 STATE GENERAL ELECTION BALLOT**

**BACKGROUND**

- A. The State of California will hold a General Election Ballot on June 8, 2010.
- B. Twelve Propositions will be considered by California voters on June 8, 2010.
- C. The City of Sacramento Law and Legislation Committee reviewed the Propositions on April 22, 2010.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

Section 1. The City Council takes the following positions:

<b>Measure</b>	<b>Title</b>	<b>Approved Position</b>
Proposition 13	Limits on Property Tax Assessment. Seismic Retrofitting of Existing Buildings. Legislative Constitutional Amendment	Support
Proposition 14	Primary Election Process Reform. Greater Participation in Elections	Neutral
Proposition 15	California Fair Elections Act.	Support
Proposition 16	Imposes New Two-Thirds Voter Approval Requirement for Local Public Electricity Providers. Initiative Constitutional Amendment	Oppose
Proposition 17	Allows Auto Insurance Companies to Base Their Prices in Part on a Driver's History of Insurance Coverage. Initiative Statute	Neutral

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**Attachment 3**

June 2010 State Ballot Measures Proponents and Opponents (Partial List)

Measure	Proponents	Opponents
Proposition 13	Senator Roy Ashburn's Support Proposition 13 Committee	None
Proposition 14	Governor Arnold Schwarzenegger Senator Abel Maldonado Steve Westly, Former State Controller Bruce McPherson, Former California Secretary of State Jeannine English, California State President, AARP Carl Guardino, President & CEO, Silicon Valley Leadership Group Bill Hauck, President, California Business Roundtable Allan Zaremborg, President/CEO, California Chamber of Commerce	California School Employees' Association
Proposition 15	AARP American Federation of State, County, and Municipal Employees (AFSCME) California Clean Money Campaign California Coalition for Civil Rights California Common Cause California Labor Federation California Primary Care Association California Nurses Association Consumer Federation of California Equal Justice Society League of Women Voters of California Sierra Club	StopProp15.com, a coalition of taxpayers, governmental advocates, and small businesses
Proposition 16	Asian Business Association Los Angeles Bay Area Business Roundtable Bay Area Council Building Owners & Managers Association of California Building Owners & Managers Association of San Francisco California Business Properties Association California Metals Coalition Neighborhood Market Association Oakland Builders Alliance Redwood Empire Business Association San Francisco Committee on Jobs San Leandro African American Business Council San Leandro Industrial & Technology	League of CA Cities Taxpayers Against the PG&E Powergrab, Sponsored by Local Power, Inc. and The Utility Reform Network California Labor Federation SEIU – California State Council AFSCME California California Federation of Teachers California Nurses Association San Francisco Labor Council Professional and Technical Engineers, Local 21 California State Association of Counties League of California Cities Burbank Water & Power California Municipal Utilities Association (CMUA) Northern California Power Agency

<p>Proposition 16 Cont.</p>	<p>Roundtable San Mateo County Economic Development Association South &amp; West Area Business Association 23rd Street Merchants Association Black American Political Action Committee of Contra Costa County California Republican Assembly California Republican Party International Brotherhood of Electrical Workers (IBEW), Local 1245 The Coalition for Green Jobs California Alliance For Consumer Protection California State Conference NAACP <i>Including 53 local branches</i> Coalition of Labor, Agriculture &amp; Business (COLAB) Chinese Hospital Oakland Jobs and Housing Coalition Peninsula Coalition Sacramento County Law Enforcement Managers Association (LEMA) California Taxpayers' Association Alameda County Taxpayers Association California Taxpayer Protection Committee Contra Costa Taxpayers Association San Diego Tax Fighters Waste Watchers, Inc</p>	<p>Commission Southern California Public Power Authority California Special Districts Association City and County of San Francisco City of Alameda City of Berkeley City of Burbank City of Davis City of Glendale City of Gridley City of Healdsburg City of Larkspur City of Lemoore City of Lodi City of Palo Alto City of Pasadena City of Redding City of Roseville City of San Rafael City of Santa Clara City of Santa Rosa City of Sebastopol City of Tulare County of Marin East Bay Municipal Utility District (EBMUD) Imperial Irrigation District Marin County Council of Mayors and Councilmembers Marin Energy Authority Marin Municipal Water District The Modesto Irrigation District Sacramento Municipal Utility District Board of Directors San Joaquin Valley Power Authority San Francisco Local Agency Formation Commission South San Joaquin Irrigation District Town of Fairfax Town of Ross Town of Tiburon</p>
<p>Proposition 17</p>	<p>Californians for Fair Auto Insurance Rates and Mercury General Corporation and Affiliates</p>	

## PROPOSITION 13

This amendment proposed by Senate Constitutional Amendment 4 of the 2007–2008 Regular Session (Resolution Chapter 115, Statutes of 2008) expressly amends the California Constitution by amending a section thereof; 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

PROPOSED AMENDMENT TO  
SECTION 2 OF ARTICLE XIII A

SEC. 2. (a) The “full cash value” means the county assessor’s valuation of real property as shown on the 1975–76 tax bill under “full cash value” or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975–76 full cash value may be reassessed to reflect that valuation. For purposes of this section, “newly constructed” does not include real property that is reconstructed after a disaster, as declared by the Governor, where the fair market value of the real property, as reconstructed, is comparable to its fair market value prior to the disaster. ~~Also~~ *For purposes of this section, the term “newly constructed” does not include the that portion of an existing structure that consists of the construction or reconstruction or improvement to a structure, constructed of unreinforced masonry bearing wall construction, necessary to comply with any local ordinance relating to seismic safety during the first 15 years following that reconstruction or improvement of seismic retrofitting components, as defined by the Legislature.*

However, the Legislature may provide that, under appropriate circumstances and pursuant to definitions and procedures established by the Legislature, any person over the age of 55 years who resides in property that is eligible for the homeowner’s exemption under subdivision (k) of Section 3 of Article XIII and any implementing legislation may transfer the base year value of the property entitled to exemption, with the adjustments authorized by subdivision (b), to any replacement dwelling of equal or lesser value located within the same county and purchased or newly constructed by that person as his or her principal residence within two years of the sale of the original property. For purposes of this section, “any person over the age of 55 years” includes a married couple one member of which is over the age of 55 years. For purposes of this section, “replacement dwelling” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, and any land on which it may be situated. For purposes of this section, a two-dwelling unit shall be considered as two separate single-family dwellings. This paragraph shall apply to any

replacement dwelling that was purchased or newly constructed on or after November 5, 1986.

In addition, the Legislature may authorize each county board of supervisors, after consultation with the local affected agencies within the county’s boundaries, to adopt an ordinance making the provisions of this subdivision relating to transfer of base year value also applicable to situations in which the replacement dwellings are located in that county and the original properties are located in another county within this State. For purposes of this paragraph, “local affected agency” means any city, special district, school district, or community college district that receives an annual property tax revenue allocation. This paragraph ~~shall apply~~ *applies* to any replacement dwelling that was purchased or newly constructed on or after the date the county adopted the provisions of this subdivision relating to transfer of base year value, but ~~shall does~~ *does* not apply to any replacement dwelling that was purchased or newly constructed before November 9, 1988.

The Legislature may extend the provisions of this subdivision relating to the transfer of base year values from original properties to replacement dwellings of homeowners over the age of 55 years to severely disabled homeowners, but only with respect to those replacement dwellings purchased or newly constructed on or after the effective date of this paragraph.

(b) The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage, destruction, or other factors causing a decline in value.

(c) For purposes of subdivision (a), the Legislature may provide that the term “newly constructed” does not include any of the following:

(1) The construction or addition of any active solar energy system.

(2) The construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature, that is constructed or installed after the effective date of this paragraph.

(3) The construction, installation, or modification on or after the effective date of this paragraph of any portion or structural component of a single- or multiple-family dwelling that is eligible for the homeowner’s exemption if the construction, installation, or modification is for the purpose of making the dwelling more accessible to a severely disabled person.

~~(4) The construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies, that are constructed or installed in existing buildings after the effective date of this paragraph. The Legislature shall define eligible improvements. This exclusion does not~~

~~apply to seismic safety reconstruction or improvements that qualify for exclusion pursuant to the last sentence of the first paragraph of subdivision (a).~~

(5)

(4) The construction, installation, removal, or modification on or after the effective date of this paragraph of any portion or structural component of an existing building or structure if the construction, installation, removal, or modification is for the purpose of making the building more accessible to, or more usable by, a disabled person.

(d) For purposes of this section, the term "change in ownership" does not include the acquisition of real property as a replacement for comparable property if the person acquiring the real property has been displaced from the property replaced by eminent domain proceedings, by acquisition by a public entity, or governmental action that has resulted in a judgment of inverse condemnation. The real property acquired shall be deemed comparable to the property replaced if it is similar in size, utility, and function, or if it conforms to state regulations defined by the Legislature governing the relocation of persons displaced by governmental actions. ~~The provisions of this~~ *This subdivision shall be applied applies* to any property acquired after March 1, 1975, but ~~shall affect~~ *affects* only those assessments of that property that occur after the provisions of this subdivision take effect.

(e) (1) Notwithstanding any other provision of this section, the Legislature shall provide that the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, may be transferred to comparable property within the same county that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property.

(2) Except as provided in paragraph (3), this subdivision ~~shall apply~~ *applies* to any comparable replacement property acquired or newly constructed on or after July 1, 1985, and to the determination of base year values for the 1985-86 fiscal year and fiscal years thereafter.

(3) In addition to the transfer of base year value of property within the same county that is permitted by paragraph (1), the Legislature may authorize each county board of supervisors to adopt, after consultation with affected local agencies within the county, an ordinance allowing the transfer of the base year value of property that is located within another county in the State and is substantially damaged or destroyed by a disaster, as declared by the Governor, to comparable replacement property of equal or lesser value that is located within the adopting county and is acquired or newly constructed within three years of the substantial damage or destruction of the original property as a replacement for that property. The scope and amount of the benefit provided to a property owner by the transfer of base year value of property

pursuant to this paragraph shall not exceed the scope and amount of the benefit provided to a property owner by the transfer of base year value of property pursuant to subdivision (a). For purposes of this paragraph, "affected local agency" means any city, special district, school district, or community college district that receives an annual allocation of ad valorem property tax revenues. This paragraph ~~shall apply~~ *applies* to any comparable replacement property that is acquired or newly constructed as a replacement for property substantially damaged or destroyed by a disaster, as declared by the Governor, occurring on or after October 20, 1991, and to the determination of base year values for the 1991-92 fiscal year and fiscal years thereafter.

(f) For the purposes of subdivision (e):

(1) Property is substantially damaged or destroyed if it sustains physical damage amounting to more than 50 percent of its value immediately before the disaster. Damage includes a diminution in the value of property as a result of restricted access caused by the disaster.

(2) Replacement property is comparable to the property substantially damaged or destroyed if it is similar in size, utility, and function to the property that it replaces, and if the fair market value of the acquired property is comparable to the fair market value of the replaced property prior to the disaster.

(g) For purposes of subdivision (a), the terms "purchased" and "change in ownership" do not include the purchase or transfer of real property between spouses since March 1, 1975, including, but not limited to, all of the following:

(1) Transfers to a trustee for the beneficial use of a spouse, or the surviving spouse of a deceased transferor, or by a trustee of such a trust to the spouse of the trustor.

(2) Transfers to a spouse that take effect upon the death of a spouse.

(3) Transfers to a spouse or former spouse in connection with a property settlement agreement or decree of dissolution of a marriage or legal separation.

(4) The creation, transfer, or termination, solely between spouses, of any coowner's interest.

(5) The distribution of a legal entity's property to a spouse or former spouse in exchange for the interest of the spouse in the legal entity in connection with a property settlement agreement or a decree of dissolution of a marriage or legal separation.

(h) (1) For purposes of subdivision (a), the terms "purchased" and "change in ownership" do not include the purchase or transfer of the principal residence of the transferor in the case of a purchase or transfer between parents and their children, as defined by the Legislature, and the purchase or transfer of the first one million dollars (\$1,000,000) of the full cash value of all other real property between parents and their children, as defined by the Legislature. This subdivision ~~shall apply~~ *applies* to both voluntary transfers and transfers resulting from a court order or judicial decree.

(2) (A) Subject to subparagraph (B), commencing with purchases or transfers that occur on or after the date upon which the measure adding this paragraph becomes effective, the exclusion established by paragraph (1) also applies to a purchase or transfer of real property between grandparents and their grandchild or grandchildren, as defined by the Legislature, that otherwise qualifies under paragraph (1), if all of the parents of that grandchild or those grandchildren, who qualify as the children of the grandparents, are deceased as of the date of the purchase or transfer.

(B) A purchase or transfer of a principal residence shall not be excluded pursuant to subparagraph (A) if the transferee grandchild or grandchildren also received a principal residence, or interest therein, through another purchase or transfer that was excludable pursuant to paragraph (1). The full cash value of any real property, other than a principal residence, that was transferred to the grandchild or grandchildren pursuant to a purchase or transfer that was excludable pursuant to paragraph (1), and the full cash value of a principal residence that fails to qualify for exclusion as a result of the preceding sentence, shall be included in applying, for purposes of subparagraph (A), the ~~one-million-dollar~~ *one-million-dollar* (\$1,000,000) full cash value limit specified in paragraph (1).

(i) (1) Notwithstanding any other provision of this section, the Legislature shall provide with respect to a qualified contaminated property, as defined in paragraph (2), that either, but not both, of the following shall apply:

(A) (i) Subject to the limitation of clause (ii), the base year value of the qualified contaminated property, as adjusted as authorized by subdivision (b), may be transferred to a replacement property that is acquired or newly constructed as a replacement for the qualified contaminated property, if the replacement real property has a fair market value that is equal to or less than the fair market value of the qualified contaminated property if that property were not contaminated and, except as otherwise provided by this clause, is located within the same county. The base year value of the qualified contaminated property may be transferred to a replacement real property located within another county if the board of supervisors of that other county has, after consultation with the affected local agencies within that county, adopted a resolution authorizing an intercounty transfer of base year value as so described.

(ii) This subparagraph applies only to replacement property that is acquired or newly constructed within five years after ownership in the qualified contaminated property is sold or otherwise transferred.

(B) In the case in which the remediation of the environmental problems on the qualified contaminated property requires the destruction of, or results in substantial damage to, a structure located on that property, the term "new construction" does not include the repair of a substantially damaged structure, or the construction of a

structure replacing a destroyed structure on the qualified contaminated property, performed after the remediation of the environmental problems on that property, provided that the repaired or replacement structure is similar in size, utility, and function to the original structure.

(2) For purposes of this subdivision, "qualified contaminated property" means residential or nonresidential real property that is all of the following:

(A) In the case of residential real property, rendered uninhabitable, and in the case of nonresidential real property, rendered unusable, as the result of either environmental problems, in the nature of and including, but not limited to, the presence of toxic or hazardous materials, or the remediation of those environmental problems, except where the existence of the environmental problems was known to the owner, or to a related individual or entity as described in paragraph (3), at the time the real property was acquired or constructed. For purposes of this subparagraph, residential real property is "uninhabitable" if that property, as a result of health hazards caused by or associated with the environmental problems, is unfit for human habitation, and nonresidential real property is "unusable" if that property, as a result of health hazards caused by or associated with the environmental problems, is unhealthy and unsuitable for occupancy.

(B) Located on a site that has been designated as a toxic or environmental hazard or as an environmental cleanup site by an agency of the State of California or the federal government.

(C) Real property that contains a structure or structures thereon prior to the completion of environmental cleanup activities, and that structure or structures are substantially damaged or destroyed as a result of those environmental cleanup activities.

(D) Stipulated by the lead governmental agency, with respect to the environmental problems or environmental cleanup of the real property, not to have been rendered uninhabitable or unusable, as applicable, as described in subparagraph (A), by any act or omission in which an owner of that real property participated or acquiesced.

(3) It shall be rebuttably presumed that an owner of the real property participated or acquiesced in any act or omission that rendered the real property uninhabitable or unusable, as applicable, if that owner is related to any individual or entity that committed that act or omission in any of the following ways:

(A) Is a spouse, parent, child, grandparent, grandchild, or sibling of that individual.

(B) Is a corporate parent, subsidiary, or affiliate of that entity.

(C) Is an owner of, or has control of, that entity.

(D) Is owned or controlled by that entity.

If this presumption is not overcome, the owner shall not receive the relief provided for in subparagraph (A) or (B) of paragraph (1). The presumption may be overcome by presentation of satisfactory evidence to the assessor, who

shall not be bound by the findings of the lead governmental agency in determining whether the presumption has been overcome.

(4) This subdivision applies only to replacement property that is acquired or constructed on or after January 1, 1995, and to property repairs performed on or after that date.

(j) Unless specifically provided otherwise, amendments to this section adopted prior to November 1, 1988, ~~shall be~~ *are* effective for changes in ownership that occur, and new construction that is completed, after the effective date of the amendment. Unless specifically provided otherwise, amendments to this section adopted after November 1, 1988, ~~shall be~~ *are* effective for changes in ownership that occur, and new construction that is completed, on or after the effective date of the amendment.

## PROPOSITION 14

This amendment proposed by Senate Constitutional Amendment 4 of the 2009–2010 Regular Session (Resolution Chapter 2, Statutes of 2009) expressly amends the California Constitution by amending sections thereof; 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

First—This measure shall be known and may be cited as the “Top Two Candidates Open Primary Act.”

Second—The People of the State of California hereby find and declare all of the following:

(a) Purpose. The Top Two Candidates Open Primary Act is hereby adopted by the People of California to protect and preserve the right of every Californian to vote for the candidate of his or her choice. This act, along with legislation already enacted by the Legislature to implement this act, are intended to implement an open primary system in California as set forth below.

(b) Top Two Candidate Open Primary. All registered voters otherwise qualified to vote shall be guaranteed the unrestricted right to vote for the candidate of their choice in all state and congressional elections. All candidates for a given state or congressional office shall be listed on a single primary ballot. The top two candidates, as determined by the voters in an open primary, shall advance to a general election in which the winner shall be the candidate receiving the greatest number of votes cast in an open general election.

(c) Open Voter Registration. At the time they register, all voters shall have the freedom to choose whether or not to disclose their party preference. No voter shall be denied the right to vote for the candidate of his or her choice in either a primary or a general election for statewide constitutional office, the State Legislature, or the Congress of the United States based upon his or her disclosure or

nondisclosure of party preference. Existing voter registrations, which specify a political party affiliation, shall be deemed to have disclosed that party as the voter’s political party preference unless a new affidavit of registration is filed.

(d) Open Candidate Disclosure. At the time they file to run for public office, all candidates shall have the choice to declare a party preference. The preference chosen shall accompany the candidate’s name on both the primary and general election ballots. The names of candidates who choose not to declare a party preference shall be accompanied by the designation “No Party Preference” on both the primary and general election ballots. Selection of a party preference by a candidate for state or congressional office shall not constitute or imply endorsement of the candidate by the party designated, and no candidate for that office shall be deemed the official candidate of any party by virtue of his or her selection in the primary.

(e) Freedom of Political Parties. Nothing in this act shall restrict the right of individuals to join or organize into political parties or in any way restrict the right of private association of political parties. Nothing in this measure shall restrict the parties’ right to contribute to, endorse, or otherwise support a candidate for state elective or congressional office. Political parties may establish such procedures as they see fit to endorse or support candidates or otherwise participate in all elections, and they may informally “nominate” candidates for election to voter-nominated offices at a party convention or by whatever lawful mechanism they so choose, other than at state-conducted primary elections. Political parties may also adopt such rules as they see fit for the selection of party officials (including central committee members, presidential electors, and party officers). This may include restricting participation in elections for party officials to those who disclose a party preference for that party at the time of registration.

(f) Presidential Primaries. This act makes no change in current law as it relates to presidential primaries. This act conforms to the ruling of the United States Supreme Court in *Washington State Grange v. Washington State Republican Party* (2008) 128 S.Ct. 1184. Each political party retains the right either to close its presidential primaries to those voters who disclose their party preference for that party at the time of registration or to open its presidential primary to include those voters who register without disclosing a political party preference.

Third—That Section 5 of Article II thereof is amended to read:

SEC. 5. (a) *A voter-nomination primary election shall be conducted to select the candidates for congressional and state elective offices in California. All voters may vote at a voter-nominated primary election for any candidate for congressional and state elective office without regard to the political party preference disclosed by the candidate or the voter, provided that the voter is otherwise qualified to vote for candidates for the office in question. The*

*candidates who are the top two vote-getters at a voter-nominated primary election for a congressional or state elective office shall, regardless of party preference, compete in the ensuing general election.*

*(b) Except as otherwise provided by Section 6, a candidate for a congressional or state elective office may have his or her political party preference, or lack of political party preference, indicated upon the ballot for the office in the manner provided by statute. A political party or party central committee shall not nominate a candidate for any congressional or state elective office at the voter-nominated primary. This subdivision shall not be interpreted to prohibit a political party or party central committee from endorsing, supporting, or opposing any candidate for a congressional or state elective office. A political party or party central committee shall not have the right to have its preferred candidate participate in the general election for a voter-nominated office other than a candidate who is one of the two highest vote-getters at the primary election, as provided in subdivision (a).*

*(c) The Legislature shall provide for **primary** partisan elections for ~~partisan offices~~ presidential candidates, and political party and party central committees, including an open presidential primary whereby the candidates on the ballot are those found by the Secretary of State to be recognized candidates throughout the nation or throughout California for the office of President of the United States, and those whose names are placed on the ballot by petition, but excluding any candidate who has withdrawn by filing an affidavit of noncandidacy.*

*(b)*

*(d) A political party that participated in a primary election for a partisan office pursuant to subdivision (c) has the right to participate in the general election for that office and shall not be denied the ability to place on the general election ballot the candidate who received, at the primary election, the highest vote among that party's candidates.*

Fourth—That Section 6 of Article II thereof is amended to read:

SEC. 6. (a) All judicial, school, county, and city offices, *including the Superintendent of Public Instruction*, shall be nonpartisan.

*(b) No A political party or party central committee may endorse, support, or oppose shall not nominate a candidate for nonpartisan office, and the candidate's party preference shall not be included on the ballot for the nonpartisan office.*

Fifth—This measure shall become operative on January 1, 2011.

**PROPOSITION 15**

This law proposed by Assembly Bill 583 (Statutes of 2008, Chapter 735) is submitted to the people in accordance with the provisions of Article II, Section 10 of the California Constitution.

This proposed law adds sections to the Elections Code; adds and repeals sections of the Government Code; and adds and repeals sections of the Revenue and Taxation Code; therefore, 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**

SECTION 1. Chapter 7 (commencing with Section 20600) is added to Division 20 of the Elections Code, to read:

*CHAPTER 7. FAIR ELECTIONS FUND*

20600. *(a) Each lobbying firm, as defined by Section 82038.5 of the Government Code, each lobbyist, as defined by Section 82039 of the Government Code, and each lobbyist employer, as defined by Section 82039.5 of the Government Code, shall pay the Secretary of State a nonrefundable fee of seven hundred dollars (\$700) every two years. Twenty-five dollars (\$25) of each fee from each lobbyist shall be deposited in the General Fund and used, when appropriated, for the purposes of Article 1 (commencing with Section 86100) of Chapter 6 of Title 9 of the Government Code. The remaining amount of each fee shall be deposited in the Fair Elections Fund established pursuant to Section 91133 of the Government Code. The fees in this section may be paid in even-numbered years when registrations are renewed pursuant to Section 86106 of the Government Code.*

*(b) The Secretary of State shall biennially adjust the amount of the fees collected pursuant to this section to reflect any increase or decrease in the Consumer Price Index.*

SEC. 2. Section 85300 of the Government Code is repealed.

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

SEC. 3. Section 86102 of the Government Code is repealed.

~~86102.—Each lobbying firm and lobbyist employer required to file a registration statement under this chapter may be charged not more than twenty-five dollars (\$25) per year for each lobbyist required to be listed on its registration statement.~~

SEC. 4. Chapter 12 (commencing with Section 91015) is added to Title 9 of the Government Code, to read:

*CHAPTER 12. CALIFORNIA FAIR ELECTIONS ACT OF 2008*

*Article 1. General*

*91015. This chapter shall be known and may be cited as the California Fair Elections Act of 2008.*

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

(a) 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.

(b) The current campaign finance system diminishes the free speech rights of nonwealthy voters and candidates whose voices are drowned out by those who can afford to monopolize the arena of paid political communications.

(c) 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.

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

(e) 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.

(f) Citizens want to ensure the integrity of California's system of electronically reporting lobbyist contributions and the integrity of future Secretaries of State to administer lobbyist disclosure programs. Voters would like the opportunity to elect a Secretary of State who has not accepted any contributions from entities or individuals that employ lobbyists.

(g) In states where the fair elections full public financing laws have been enacted and used, election results show that more individuals, especially women and minorities, run as candidates and growth in overall campaign costs diminish.

91019. The people enact this chapter to establish a Fair Elections pilot program in campaigns for the office of Secretary of State to accomplish the following purposes:

(a) To reduce the perception of 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 permit candidates to pursue policy issues instead of being preoccupied with fundraising and allow officeholders more time to carry out their official duties.

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

(f) To reduce the perception of influence of lobbyist employers upon future Secretaries of State and their administration of the lobbyist disclosure program.

(g) To protect the public's fiscal interest by providing sufficient resources to make the public financing program a viable option for qualified candidates, while not wasting resources by providing candidates with an unnecessarily large initial grant of public funds.

91021. The people enact this chapter to further

accomplish the following purposes:

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

(b) To provide candidates who participated in the program with sufficient resources with which to communicate with voters.

(c) To increase the accountability of the Secretary of State to the constituents who elect him or her.

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

#### Article 2. Applicability to the Political Reform Act of 1974

91023. Unless specifically superseded by this act, the definitions and provisions of the Political Reform Act of 1974 shall govern the interpretation of this chapter.

#### Article 3. Definitions

91024. "Address" means the mailing address as provided on the voter registration form.

91025. For purposes of this chapter, "candidate" means, unless otherwise stated, a candidate for Secretary of State.

91027. A "coordinated expenditure" means a payment made for the purpose of influencing the outcome of an election for Secretary of State that is made by any 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) By a person for the dissemination, distribution, or republication, in whole or in part, of any broadcast or any written, graphic, or other form of campaign material prepared by a candidate, a candidate's controlled committee, or an agent of a candidate or a controlled committee.

(c) 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.

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

(e) By a person if the person making the payment has served in any formal policy or advisory position with the candidate's campaign or has participated in strategic or policymaking discussions with the candidate's campaign relating to the candidate's pursuit of nomination for election, or election, to the office of Secretary of State in the same primary and general election as the primary and

general election in which the payment is made.

(f) By a person if the person making the payment retains the professional services of an individual or person who, in a nonministerial capacity, has provided or is providing campaign-related services in the same election to a candidate who is pursuing the same nomination or election as any of the candidates to whom the communication refers.

91028. "Effective expenditures" for a nonparticipating candidate means the amount spent plus any independent electioneering expenditures intended to help elect the candidate minus any expenditure treated as an independent electioneering expenditure intended to defeat the candidate. For a participating candidate, it means the amount of Fair Elections funding the candidate has received plus any independent electioneering expenditures intended to help elect the candidate minus any expenditure treated as an independent electioneering expenditure intended to defeat the candidate.

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 Fair Elections funding amount available to a participating candidate running for the same office.

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.

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 who does not represent a political party that has been granted ballot status for the general election and who has qualified, or is seeking to qualify, to be on the general election ballot.

91039. "Independent electioneering expenditure" means any expenditure of two thousand five hundred dollars (\$2,500) or more made by a person, party committee, political committee or political action committee, or any entity required to file reports pursuant to Section 84605, during the 45 calendar days before a primary or the 60 calendar days before a general election, which expressly advocates the election or defeat of a clearly identified candidate or names or depicts clearly identified candidates.

91043. "Nonparticipating candidate" means a candidate who is on the ballot but has chosen not to apply for Fair Elections campaign funding or a candidate who is on the ballot and has applied but has not satisfied the requirements for receiving Fair Elections funding.

91045. "Office-qualified party" means a political party whose gubernatorial or Secretary of State nominee has received 10 percent or more of the votes at the last

election.

91046. "Office-qualified candidate" is a candidate seeking nomination from an office-qualified party.

91049. "Participating candidate" means a candidate who qualifies for Fair Elections campaign funding. These candidates are eligible to receive Fair Elections funding during primary and general election campaign periods.

91051. "Party candidate" means a candidate who represents a 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 either an office-qualified candidate or a candidate who has 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.

91055. "Petty cash" means cash amounts of one hundred dollars (\$100) or less per day that are drawn on the Fair Elections Debit Card and used to pay expenses of no more than twenty-five dollars (\$25) each.

91059. "Primary election campaign period" means the period beginning 120 days before the primary election and ending on the day of the primary election.

91061. "Qualified candidate" means a candidate seeking nomination 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 seeking to become eligible for Fair Elections campaign funding from a registered voter of the district in which the candidate is running for office.

91065. "Qualifying period" means the period during which candidates are permitted to collect qualifying contributions in order to qualify for Fair Elections funding. It begins 270 days before the primary election and ends 90 days before the day of the primary election for 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 California registered voter during the exploratory period.

#### Article 4. Fair Elections Eligibility

91071. (a) An office-qualified candidate 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, qualifying contributions, Fair Elections 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 candidate shall collect at least 7,500 qualifying contributions.

(B) Each qualifying contribution shall be acknowledged by a receipt to the contributor, with a copy submitted by the candidate to the county registrar of voters in the county where the candidate files his or her declaration of candidacy. The receipt shall include the contributor's signature, printed name, and 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 the purpose of the qualifying contribution is to help the candidate qualify for Fair Elections campaign funding, that the contribution is the only qualifying contribution the contributor has provided to a candidate for this office, and that the contribution is made without coercion or reimbursement.

(C) 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.

(D) 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.

(E) All qualifying contributions' signed receipts shall be sent to the county registrar of voters in the county where the candidate files his or her declaration of candidacy and shall be accompanied by a check or other written instrument from the candidate's campaign account for the total amount of qualifying contribution funds received for deposit in the Fair Elections Fund. This submission shall be accompanied by a signed statement from the candidate indicating that all of the information on the qualifying contribution receipts is complete and accurate to the best of the candidate's knowledge and that the amount of the enclosed check or other written instrument is equal to the sum of all of the five-dollar (\$5) qualifying contributions the candidate has received. County registrars of voters shall forward these checks or other written instruments to the commission.

(b) A candidate 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 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 party candidate 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.

91073. (a) A qualified candidate shall collect at least one-half of the number of qualifying contributions as required for an office-qualified candidate for the same office. A qualified candidate may show a greater base of support by collecting double the amount of qualifying contributions 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.

(b) An independent candidate who does not run in a primary may become a performance-qualified candidate by collecting twice as many qualifying contributions as required of an office-qualified candidate. The qualifying period for such candidates shall begin any time after January 1 of the election year and shall last 180 days, except that it shall end no later than 90 days before the general election. An independent candidate shall notify the commission within 24 hours of the day when the candidate has begun collecting qualifying contributions. The candidate shall also file a declaration with the commission that he or she has complied and will comply with all of the requirements of this chapter.

91075. During the first election that occurs after the effective date of this act, a candidate 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:

(a) Are returned to the contributor.

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

(c) Are submitted to the commission for deposit in the Fair Elections Fund.

91077. A participating candidate who accepts any benefits during the primary election campaign period shall comply with all of the requirements of this act through the general election campaign period whether the candidate continues to accept benefits or not.

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, Fair Elections benefits, shall not accept private contributions from any source other than the candidate's political party as specified in Section 91123.

(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, Fair Elections benefits shall

not solicit or receive contributions for any other candidate or for any political party or other political committee.

(c) No person shall make a contribution in the name of another person. A participating candidate who receives a qualifying contribution or a seed money contribution that is not from the person listed on the receipt required by subparagraph (D) of paragraph (2) of subdivision (a) of Section 91071 shall be liable to pay the commission the entire amount of the inaccurately identified contribution, 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 "Fair Elections Debit Card" issued by the commission, as authorized under Section 91137.

(e) Participating candidates shall furnish complete campaign records to the commission upon request. Candidates shall cooperate with any audit or examination by the commission, the Franchise Tax Board, or any enforcement agency.

91081. (a) During the primary election period and the general election period, each participating candidate shall conduct all campaign financial activities through a single campaign account.

(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 net debt outstanding 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. Those contributions shall only be raised during the six-month period following the date of the election.

91083. (a) Participating candidates shall use their Fair Elections funds only for direct campaign purposes.

(b) A participating candidate shall not use Fair Elections funds for any of the following:

(1) Costs of legal defense or fines resulting from 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) A contribution or loan to the campaign committee of another candidate for any elective office or to a party committee or other political committee.

(D) An independent electioneering expenditure.

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

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

91085. (a) Personal funds contributed as seed money by a candidate seeking to become eligible as a participating candidate or by adult members of the candidate's family 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 seeking to become eligible for Fair Elections funding shall accept, other than qualifying contributions and limited contributions from the candidate's political party as specified in Section 91123, are seed money contributions contributed by duly registered voters 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 seeking to become eligible for Fair Elections funding shall not exceed seventy-five thousand dollars (\$75,000).

(c) Receipts for seed money contributions shall include the contributor's signature, printed name, address, and ZIP Code. Receipts described in this subdivision shall be made available to the commission upon request.

(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, except when they overlap with the candidate's qualifying period. Any unspent seed money shall be turned over to the commission for deposit in the Fair Elections Fund.

(e) Within 72 hours after the close of the qualifying period, candidates seeking to become eligible for Fair Elections 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 Fair Elections Fund any seed money the candidate has raised during the exploratory period that exceeds the aggregate seed money limit.

91091. Participating candidates in contested races shall agree to participate in at least one public debate during a contested primary election and two public debates during a contested general election, to be conducted pursuant to regulations promulgated by the commission.

91093. (a) No more than five business days after a candidate applies for Fair Elections benefits, the county registrar of voters in the county where the candidate files his or her declaration of candidacy 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 all Fair Elections funds shall be repaid.

(b) The candidate's request for certification shall be

signed by the candidate and the candidate's campaign treasurer under penalty of perjury.

(c) The certification determination of the county registrar of voters is final except that it is subject to a prompt judicial review.

#### Article 5. Fair Elections Benefits

91095. (a) Candidates who qualify for Fair Elections funding for primary and general elections shall:

(1) Receive Fair Elections funding from the commission for each election in an amount specified by Section 91099. This funding may be used to finance campaign expenses during the particular campaign period for which it was allocated consistent with Section 91081.

(2) Receive, if a performance-qualified candidate, additional Fair Elections funding to match the effective expenditures of any candidates in the election that exceed the effective expenditures of the performance-qualified candidate.

(b) The maximum aggregate amount of funding a participating performance-qualified candidate shall receive to match independent electioneering expenditures and excess expenditures of nonparticipating candidates shall not exceed four times the base funding amount pursuant to Section 91099 for a particular primary or general election campaign period.

91095.5. (a) An expenditure by a candidate in a primary election against a candidate running for that office in another party's primary shall be treated as an independent electioneering expenditure against that candidate when that candidate's effective expenditures are less than those of the candidate making the expenditure for the purposes of Section 91095.

(b) The commission shall promulgate regulations allocating the share of expenditures that reference or depict more than one candidate for the purposes of Section 91095.

(c) Expenditures made before the general election period that consist of a contract, promise, or agreement to make an expenditure during the general election period resulting in an extension of credit shall be treated as though made at the beginning of the general election period.

91097. (a) An eligible qualified or performance-qualified candidate running in a primary election shall receive the candidate's Fair Elections funding for the primary election campaign period on the date on which the county registrar of voters certifies the candidate as a participating candidate or at the beginning of the primary election period, whichever is later.

(b) An eligible qualified or performance-qualified candidate shall receive the candidate's Fair Elections funding for the general election campaign period within two business days after certification of the primary election results.

91099. (a) For eligible candidates in a primary election:

(1) The base amount of Fair Elections funding for an eligible office-qualified candidate in a primary election is one million dollars (\$1,000,000).

(2) The amount of Fair Elections funding for an eligible qualified candidate in a primary election is 20 percent of the base amount that an office-qualified candidate would receive.

(b) For eligible candidates in a general election:

(1) The base amount of Fair Elections funding for a performance-qualified candidate in a general, special, or special runoff election is one million three hundred thousand dollars (\$1,300,000).

(2) The amount of Fair Elections funding for an eligible qualified candidate in a contested general election is 25 percent of the base amount a performance-qualified candidate would receive.

#### Article 6. Disclosure Requirements

91107. (a) If a nonparticipating candidate's total expenditures or promises to make campaign expenditures exceed the amount of Fair Elections funding allocated to the candidate's Fair Elections opponent or opponents, the candidate shall declare every excess expenditure amount which, in the aggregate, is more than five thousand dollars (\$5,000) to the commission online or electronically within 24 hours of the time the expenditure or promise is made, whichever occurs first.

(b) The commission may make its own determination as to whether excess expenditures have been made by nonparticipating candidates.

(c) Upon receiving an excess expenditure declaration or determining that an excess expenditure has been made, the commission shall immediately release additional Fair Elections funding to the opposing performance-qualified candidates pursuant to Section 91095.

91111. (a) In addition to any other report required by this chapter, a committee, including a political party committee, that is required to file reports pursuant to Section 84605 and that makes independent electioneering expenditures of two thousand five hundred dollars (\$2,500) or more during a calendar year in connection with a candidate for Secretary of State, shall file online or electronically a report with the Secretary of State disclosing the making of the independent electioneering expenditure. This report shall disclose the same information required by subdivision (b) of Section 84204 and shall be filed within 24 hours of the time the independent electioneering expenditure is made.

(b) The report to the Secretary of State shall include a signed statement under penalty of perjury by the person or persons making the independent electioneering expenditure identifying the candidate or candidates whom the independent electioneering expenditure is intended to help elect or defeat and affirming that the expenditure is independent and whether it is coordinated with a candidate or a political party.

(c) Any individual or organization that fails to file the

required report to the Secretary of State or provides materially false information in a report filed pursuant to subdivision (a) or (b) may be fined up to three times the amount of the independent electioneering expenditure, in addition to any other remedies provided by this act.

(d) The Secretary of State shall provide information received pursuant to subdivision (a) to the commission simultaneously upon receipt. Upon receiving a report that an independent electioneering expenditure has been made or obligated to be made, the commission shall immediately release additional Fair Elections funding pursuant to Section 91095.

91113. All broadcast and print advertisements placed by candidates or their committees shall include a clear written or spoken statement indicating that the candidate has approved of the contents of the advertisement.

#### Article 7. Legal Defense, Officeholder, and Inaugural Funds

91115. (a) Notwithstanding Section 85316, a Secretary of State or candidate for the office of Secretary of State 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 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 elected state officer's governmental activities and duties. These funds may be used only to defray those attorney's fees and other related legal costs.

(b) A Secretary of State may establish a separate account for expenses associated with holding office that are reasonably related to a legislative or governmental purpose as specified in this subdivision and in regulations of the commission. The total amount of funds that may be deposited in a calendar year into an account established pursuant to this subdivision shall not exceed fifty thousand dollars (\$50,000).

(c) A Secretary of State 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 inauguration of the Secretary of State.

(d) The maximum amount of contributions a candidate or elected state officer whose office is covered by these provisions may receive from a contributor in a calendar year for all of the accounts described in subdivisions (a), (b), and (c) combined is five hundred dollars (\$500). 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.

(e) Once the legal dispute is resolved, the candidate shall dispose of any funds remaining after all expenses associated with the dispute are discharged or after the elected state officer whose office is covered by these

provisions leaves office, for one or more of the purposes set forth in paragraphs (1) to (5), inclusive, of subdivision (b) of Section 89519.

#### Article 8. Restrictions on Candidates

91121. A nonparticipating candidate may accept an otherwise lawful contribution after the date of the election only to the extent that the contribution does not exceed net debts outstanding from the election.

91123. Participating candidates 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 equivalent of 5 percent of the original Fair Elections financing allotment for that office for that election. Such expenditures shall not count against the moneys spent by Fair Elections candidates.

#### Article 9. Ballot Pamphlet Statements

91127. The Secretary of State shall designate 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 those candidates who have voluntarily agreed to be participating candidates.

91131. (a) A candidate for Secretary of State who is a participating candidate may place a statement in the state ballot pamphlet 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 up to 10 endorsers for placement in the state ballot pamphlet or sample ballot, as appropriate. This statement and list of endorsers shall be submitted in accordance with timeframes and procedures set forth by the Secretary of State for the preparation of the state ballot pamphlets and by county elections officials for the preparation of sample ballots.

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

#### Article 10. Appropriations for the Fair Elections Fund

91133. (a) A special, dedicated, nonlapsing Fair Elections Fund is created in the State Treasury.

Commencing January 1, 2011, the funds collected pursuant to Section 20600 of the Elections Code shall, when appropriated by the Legislature, be available from the Fair Elections Fund to the commission for expenditure for the purpose of providing public financing for the election campaigns of certified participating candidates during primary and general campaign periods.

(b) Funding for the administrative and enforcement costs of the commission related to this act shall be from the Fair Elections Fund and shall be, for each four-year election cycle, no more than 10 percent of the total amount deposited in the Fair Elections Fund during the four-year election cycle.

91135. Other sources of revenue to be deposited in the Fair Elections 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.

(c) Unspent funds distributed to any participating candidate who does not remain a candidate until the primary or general election for which they were distributed, or funds that remain unspent by a participating candidate following the date of the primary or general election for which they were distributed.

(d) Voluntary donations made directly to the Fair Elections Fund.

(e) Other funds appropriated by the Legislature.

(f) Any interest generated by the Fair Elections Fund.

(g) Any other sources of revenue from the General Fund or from other sources as determined by the Legislature.

#### Article 11. Administration

91137. (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 "Fair Elections Debit Card," and a "line of debit" entitling the candidates and members of the candidate's staff to draw Fair Elections funds from a commission account to pay for all campaign costs and expenses up to the amount of Fair Elections 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 Fair Elections Debit Card.

(c) Cash amounts of one hundred dollars (\$100) or less per day may be drawn on the Fair Elections 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, upon request, made available to the commission.

91139. If the commission determines that there are insufficient funds in the program to fund adequately all

candidates eligible for Fair Elections funds, the commission shall reduce the grants proportionately to all eligible candidates. If the commission notifies a candidate that the Fair Elections funds will be reduced and the candidate has not received any Fair Elections funds, the candidate may decide to be a nonparticipating candidate. If a candidate has already received Fair Elections 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 Fair Elections funds that the candidate was entitled to receive had there been sufficient funds in the program less the amount of Fair Elections 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.

91140. The commission shall adjust the seed money limitations in subdivision (a) of Section 91085 and in subdivision (b) of Section 91087 and the Fair Elections Fund funding amounts in Section 91099 in January after the election of the Secretary of State to reflect any increase or decrease in the Consumer Price Index and the increase or decrease in the number of registered voters in California. The adjustments made pursuant to this section shall be rounded to the nearest ten dollars (\$10) for the seed money limitations and one thousand dollars (\$1,000) for the Fair Elections funding amounts.

#### Article 12. Enforcement

91141. (a) If a participating candidate spends or obligates to spend more than the Fair Elections funding the candidate is given, and if it is determined by the commission, subject to court review, not to be an amount that had or could have been expected to have a significant impact on the outcome of the election, then the candidate shall repay to the Fair Elections Fund an amount equal to the excess.

(b) If a participating candidate spends or obligates to spend more than the Fair Elections funding the candidate is given, and if that excess amount is determined by the commission, subject to court review, to be an amount that had or could have been expected to have a significant impact on the outcome of the election, then the candidate shall repay to the Fair Elections Fund an amount up to 10 times the value of the excess.

91143. It is unlawful for candidates to knowingly accept more benefits than those to which they are entitled, spend more than the amount of Fair Elections funding they have received, or misuse such benefits or Fair Elections funding.

91145. Any person 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 this section.

91147. Prosecution for a violation of any provision of this chapter shall be commenced within four years after the date on which the violation occurred.

91149. No person convicted of a misdemeanor under this chapter shall act as a lobbyist or state contractor, or run for elective state office, 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.

91157. This chapter shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

SEC. 5. Article 8.6 (commencing with Section 18798) is added to Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, to read:

*Article 8.6. Voters Fair Elections Fund*

18798. (a) An individual may designate on the tax return that a contribution in excess of the tax liability, if any, be made to the Voters Fair Elections Fund, pursuant to Section 18798.1.

(b) Contributions shall be in full dollar amounts and may be made individually by each signatory on a joint return.

(c) A designation under subdivision (a) shall be made for any taxable year on the individual return for that taxable year and, once made, shall be irrevocable. In the event that payments and credits reported on the return, together with any other credits associated with the individual's account, do not exceed the individual's liability, the return shall be treated as if no designation were made.

(d) The Franchise Tax Board shall revise the forms of the return to include a space labeled "Voters Fair Elections Fund" to allow for the designation permitted under subdivision (a). The forms shall also include instructions that the contribution may be in the amount of one dollar (\$1) or more and that the contribution will be used to provide public funding for the campaigns of qualified candidates for Secretary of State who agree to take no private moneys for their campaigns.

(e) Notwithstanding any other provision of law, a voluntary contribution designation for the Voters Fair Elections Fund shall not be added to the tax return until another voluntary contribution is removed.

(f) A deduction shall be allowed under Article 6 (commencing with Section 17201) of Chapter 3 of Part 10 for any contribution made pursuant to subdivision (a).

18798.1. There is hereby established in the State Treasury the Voters Fair Elections Fund to receive contributions made pursuant to Section 18798. The Franchise Tax Board shall notify the Controller of both the amount of moneys paid by taxpayers in excess of their tax liability and the amount of refund moneys which taxpayers have designated pursuant to Section 18798 to

be transferred to the Voters Fair Elections Fund. The Controller shall transfer from the Personal Income Tax Fund to the Voters Fair Elections Fund an amount not in excess of the sum of the amounts designated by individuals pursuant to Section 18798 for payment into that fund.

18798.2. All moneys transferred to the Voters Fair Elections Fund, upon appropriation by the Legislature, shall be allocated as follows:

(a) To the Franchise Tax Board and the Controller for reimbursement of all costs incurred by the Franchise Tax Board and the Controller in connection with their duties under this article.

(b) To the Fair Elections Fund established pursuant to Section 91133 of the Government Code.

18798.3. (a) Except as otherwise provided in subdivision (b), this article shall remain in effect only until January 1 of the fifth taxable year following the first appearance of the Voters Fair Elections Fund on the personal income tax return, and as of that date is repealed, unless a later enacted statute that is enacted before the applicable date deletes or extends that date.

(b) (1) By September 1 of the second calendar year, and by September 1 of each subsequent calendar year that the Voters Fair Elections Fund appears on a tax return, the Franchise Tax Board shall do all of the following:

(A) Determine the minimum contribution amount required to be received during the next calendar year for the fund to appear on the tax return for the taxable year that includes that next calendar year.

(B) Provide written notification to the Fair Political Practices Commission of the amount determined in subparagraph (A).

(C) Determine whether the amount of contributions estimated to be received during the calendar year will equal or exceed the minimum contribution amount determined by the Franchise Tax Board for the calendar year pursuant to subparagraph (A). The Franchise Tax Board shall estimate the amount of contributions to be received by using the actual amounts received and an estimate of the contributions that will be received by the end of that calendar year.

(2) If the Franchise Tax Board determines that the amount of contributions estimated to be received during a calendar year will not at least equal the minimum contribution amount for the calendar year, this article is repealed with respect to taxable years beginning on or after January 1 of that calendar year.

(3) For purposes of this section, the minimum contribution amount for a calendar year means two hundred fifty thousand dollars (\$250,000) for the second calendar year after the first appearance of the Voters Fair Elections Fund on the personal income tax return or the adjusted minimum contribution amount adjusted pursuant to subdivision (c).

(c) For each calendar year, beginning with the third calendar year after the first appearance of the Voters Fair Elections Fund on the personal income tax return, the

*Franchise Tax Board shall adjust, on or before September 1, the minimum contribution amount specified in subdivision (b) as follows:*

*(1) The minimum estimated contribution amount for the calendar year shall be an amount equal to the product of the minimum estimated contribution amount for the calendar year multiplied by the inflation factor adjustment as specified in subparagraph (A) of paragraph (2) of subdivision (h) of Section 17041, rounded off to the nearest dollar.*

*(2) The inflation factor adjustment used for the calendar year shall be based on the figures for the percentage change in the California Consumer Price Index received on or before August 1 of the calendar year pursuant to paragraph (1) of subdivision (h) of Section 17041.*

*(d) Notwithstanding the repeal of this article, any contribution amounts designated pursuant to this article prior to its repeal shall continue to be transferred and disbursed in accordance with this article as in effect immediately prior to that repeal.*

SEC. 6. The provisions of Section 81012 of the Government Code, which allow legislative amendments to the Political Reform Act of 1974, shall apply to all of the provisions of this act that are placed on the June 8, 2010, ballot, except that Section 91157 of the Government Code, and Article 8.6 (commencing with Section 18798) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, may be amended or repealed by a statute passed in each house of the Legislature, a majority of the membership concurring, and signed by the Governor.

SEC. 8. The section of this act that adds Chapter 12 (commencing with Section 91015) to Title 9 of the Government Code shall be deemed to amend the Political Reform Act of 1974 as amended and all of the provisions of the Political Reform Act of 1974 as amended that do not conflict with Chapter 12 shall apply to the provisions of that chapter.

## PROPOSITION 16

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

This initiative measure expressly amends the California Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

#### Section 1. FINDINGS AND DECLARATIONS

The People do find and declare:

(a) This initiative shall be known as “The Taxpayers Right to Vote Act.”

(b) California law requires two-thirds voter approval for tax increases for specific purposes.

(c) The politicians in local governments should be held to the same standard before using public funds, borrowing,

issuing bonds guaranteed by ratepayers or taxpayers, or obtaining other debt or financing to start or expand electric delivery service, or to implement a plan to become an aggregate electricity provider.

(d) Local governments often start or expand electric delivery service, or implement a plan to become an aggregate electricity provider, without approval by a vote of the people.

(e) Frequently the start-up, expansion, or implementation plan requires either construction or acquisition of facilities or other services necessary to deliver the electric service, to be paid for with public funds, borrowing, bonds guaranteed by ratepayers or taxpayers, or other debt or financing.

(f) The source of the public funds, borrowing, debt, and bond financing is generally the electricity rates charged to ratepayers as well as surcharges or taxes imposed on taxpayers.

(g) Such use of public funds and many forms of borrowing, debt or financing do not presently require approval by a vote of the people, and where a vote is required, only a majority vote may be required.

#### Section 2. STATEMENT OF PURPOSE

(a) The purpose of this initiative is to guarantee to ratepayers and taxpayers the right to vote any time a local government seeks to use public funds, public debt, bonds or liability, or taxes or other financing to start or expand electric delivery service to a new territory or new customers, or to implement a plan to become an aggregate electricity provider.

(b) If the start-up or expansion requires the construction or acquisition of facilities or services that will be paid for with public funds, or financed through bonds to be paid for or guaranteed by ratepayers or taxpayers, or to be paid for by other forms of public expenditure, borrowing, liability or debt, then two-thirds of the voters in the territory being served and two-thirds of the voters in the territory to be served, voting at an election, must approve the expenditure, borrowing, liability or debt. Also, if the implementation of a plan to become an aggregate electricity provider requires the use of public funds, or financing through bonds guaranteed by ratepayers or taxpayers, or other forms of public expenditure, borrowing, liability or debt, then two-thirds of the voters in the jurisdiction, voting at an election, must approve the expenditure, borrowing, liability or debt.

Section 3. Section 9.5 is added to Article XI of the California Constitution to read:

*SEC. 9.5. (a) Except as provided in subdivision (h), no local government shall, at any time, incur any bonded or other indebtedness or liability in any manner or use any public funds for the construction or acquisition of facilities, works, goods, commodities, products or services to establish or expand electric delivery service, or to implement a plan to become an aggregate electricity*

provider, without the assent of two-thirds of the voters within the jurisdiction of the local government and two-thirds of the voters within the territory to be served, if any, voting at an election to be held for the purpose of approving the use of any public funds, or incurring any liability, or incurring any bonded or other borrowing or indebtedness.

(b) "Local government" means a municipality or municipal corporation, a municipal utility district, a public utility district, an irrigation district, a city, including a charter city, a county, a city and county, a district, a special district, an agency, or a joint powers authority that includes one or more of these entities.

(c) "Electric delivery service" means (1) transmission of electric power directly to retail end-use customers, (2) distribution of electric power to customers for resale or directly to retail end-use customers, or (3) sale of electric power to retail end-use customers.

(d) "Expand electric delivery service" does not include (1) electric delivery service within the existing jurisdictional boundaries of a local government that is the sole electric delivery service provider within those boundaries, or (2) continuing to provide electric delivery service to customers already receiving electric delivery service from the local government prior to the enactment of this section.

(e) "A plan to become an aggregate electricity provider" means a plan by a local government to provide community choice aggregation services or to replace the authorized local public utility in whole or in part for electric delivery service to any retail electricity customers within its jurisdiction.

(f) "Public funds" means, without limitation, any taxes, funds, cash, income, equity, assets, proceeds of bonds or other financing or borrowing, or rates paid by ratepayers. "Public funds" do not include federal funds.

(g) "Bonded or other indebtedness or liability" means, without limitation, any borrowing, bond, note, guarantee or other indebtedness, liability or obligation, direct or indirect, of any kind, contingent or otherwise, or use of any indebtedness, liability or obligation for reimbursement of any moneys expended from taxes, cash, income, equity, assets, contributions by ratepayers, the treasury of the local government, or other sources.

(h) This section shall not apply to any bonded or other indebtedness or liability or use of public funds that (1) has been approved by the voters within the jurisdiction of the local government and within the territory to be served, if any, prior to the enactment of this section; or (2) is solely for the purpose of purchasing, providing or supplying renewable electricity from biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current, or providing electric delivery service for the local government's own end use and not for electric delivery service to others.

#### Section 4. CONFLICTING MEASURES

A. This initiative is intended to be comprehensive. It is the intent of the people that in the event that this initiative and another initiative relating to the same subject appear on the same statewide election ballot, the provisions of the other initiative or initiatives are deemed to be in conflict with this initiative. In the event this initiative shall receive the greater number of affirmative votes, the provisions of this initiative shall prevail in their entirety, and all provisions of the other initiative or initiatives shall be null and void.

B. If this initiative is approved by voters but superseded by law or by any other conflicting ballot initiative approved by the voters at the same election, and the conflicting law or ballot initiative is later held invalid, this initiative shall be self-executing and given full force of law.

#### Section 5. SEVERABILITY

The provisions of this initiative are severable. If any provision of this initiative or its application is held to be invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

### PROPOSITION 17

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 a section of, and adds a section to, the Insurance 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

##### SECTION 1. Title

This measure shall be known as the Continuous Coverage Auto Insurance Discount Act.

SEC. 2. The people of the State of California find and declare that:

(a) Under California law, the Department of Insurance regulates insurance rates and determines what discounts auto insurance companies can give drivers.

(b) However, an inconsistency in California's insurance laws allows insurers to provide a discount for drivers who continue with the same insurer, but prohibits them from offering this discount to new customers. Drivers who maintain insurance coverage are not able to keep a continuous coverage discount if they change insurers.

(c) This measure corrects that inconsistency and ensures that all drivers who continually maintain their automobile insurance are eligible for this discount even if they change their insurance company.

(d) This measure does not change the provisions in current law that require insurers to base their rates primarily on driving safety record, miles driven annually,

and driving experience. This measure simply allows all companies to offer the expanded continuous coverage discount to new applicants who have maintained their auto insurance.

(e) Extending the continuous coverage discount to people who change insurance companies will provide drivers with more options and choices, increase competition, and drive down rates for all responsibly insured drivers.

(f) The vast majority of states allow insurers to offer a discount to ALL drivers who maintain ongoing auto insurance. This measure will simply bring California into line with other states like Texas, New York, Oregon, Washington, and Florida.

#### SEC. 3. Purpose

The purpose of this measure is to provide an additional discount for drivers who are continuously insured for automobile liability coverage.

SEC. 4. Section 1861.024 is added to the Insurance Code to read:

*1861.024. (a) Notwithstanding subdivision (c) of Section 1861.02, and in addition to discounts permitted or required by law or regulation, an insurer may offer applicants or insureds an additional discount for a policy to which subdivision (a) of Section 1861.02 applies, applicable to each coverage provided by the policy, based on the length of time the applicant or insured has been continuously insured for bodily injury liability coverage, with one or more insurers, affiliated or not. The insurer may consider the years of continuous coverage preceding the policy effective or renewal date. This discount is called a continuity discount. Children residing with a parent may be provided the same discount based on their parents' eligibility for a continuity discount.*

*(b) The applicant or insured may demonstrate continuity of coverage, for a policy to which subdivision (a) of Section 1861.02 applies, by providing proof of coverage under the low-cost automobile insurance program pursuant to Article 5.5 (commencing with Section 11629.7) of Chapter 1 of Part 3 of Division 2, or by proof of coverage under the assigned risk plans pursuant to Article 4 (commencing with Section 11620) of Chapter 1 of Part 3 of Division 2, or by proof of coverage from the prior insurer or insurers or other objective evidence. Proof of coverage shall be copies of policies, billings, or other documents evidencing coverage, issued by the prior insurer or insurers or other objective evidence. Continuity of coverage shall be deemed to exist even if there is a lapse of coverage due to an applicant's or insured's absence from the United States while in military service, or if an applicant's or insured's coverage has lapsed for up to 90 days in the last five years for any reason other than nonpayment of premium. This subdivision does not limit an insurer's ability to offer additional grace periods for lapses.*

SEC. 5. Section 1861.02 of the Insurance Code is amended to read:

(a) Rates and premiums for an automobile insurance policy, as described in subdivision (a) of Section 660, shall be determined by application of the following factors in decreasing order of importance:

- (1) The insured's driving safety record.
- (2) The number of miles he or she drives annually.
- (3) The number of years of driving experience the insured has had.
- (4) Those other factors that the commissioner may adopt by regulation and that have a substantial relationship to the risk of loss. The regulations shall set forth the respective weight to be given each factor in determining automobile rates and premiums. Notwithstanding any other provision of law, the use of any criterion without approval shall constitute unfair discrimination.

(b) (l) Every person who meets the criteria of Section 1861.025 shall be qualified to purchase a Good Driver Discount policy from the insurer of his or her choice. An insurer shall not refuse to offer and sell a Good Driver Discount policy to any person who meets the standards of this subdivision.

(2) The rate charged for a Good Driver Discount policy shall comply with subdivision (a) and shall be at least 20% below the rate the insured would otherwise have been charged for the same coverage. Rates for Good Driver Discount policies shall be approved pursuant to this article.

(3) (A) This subdivision shall not prevent a reciprocal insurer, organized prior to November 8, 1988, by a motor club holding a certificate of authority under Chapter 2 (commencing with Section 12160) of Part 5 of Division 2, and which requires membership in the motor club as a condition precedent to applying for insurance from requiring membership in the motor club as a condition precedent to obtaining insurance described in this subdivision.

(B) This subdivision shall not prevent an insurer which requires membership in a specified voluntary, nonprofit organization, which was in existence prior to November 8, 1988, as a condition precedent to applying for insurance issued to or through those membership groups, including franchise groups, from requiring such membership as a condition to applying for the coverage offered to members of the group, provided that it or an affiliate also offers and sells coverage to those who are not members of those membership groups.

(C) However, all of the following conditions shall be applicable to the insurance authorized by subparagraphs (A) and (B):

(i) Membership, if conditioned, is conditioned only on timely payment of membership dues and other bona fide criteria not based upon driving record or insurance, provided that membership in a motor club may not be based on residence in any area within the state.

(ii) Membership dues are paid solely for and in consideration of the membership and membership benefits and bear a reasonable relationship to the benefits provided. The amount of the dues shall not depend on whether the

member purchases insurance offered by the membership organization. None of those membership dues or any portion thereof shall be transferred by the membership organization to the insurer, or any affiliate of the insurer, attorney-in-fact, subsidiary, or holding company thereof, provided that this provision shall not prevent any bona fide transaction between the membership organization and those entities.

(iii) Membership provides bona fide services or benefits in addition to the right to apply for insurance. Those services shall be reasonably available to all members within each class of membership.

Any insurer that violates clause (i), (ii), or (iii) shall be subject to the penalties set forth in Section 1861.14.

(c) ~~The absence of prior automobile insurance coverage, in and of itself, shall not be a criterion for determining eligibility for a Good Driver Discount policy, or generally for automobile rates, premiums, or insurability. However, notwithstanding subdivision (a), an insurer may use persistency of automobile insurance coverage with the insurer, an affiliate, or another insurer as an optional rating factor. The Legislature hereby finds and declares that it furthers the purpose of Proposition 103 to encourage competition among carriers so that coverage overall will be priced competitively. The Legislature further finds and declares that competition is furthered when insureds are able to claim a discount for regular purchases of insurance from any carrier offering this discount irrespective of whether or not the insured has previously purchased from a given carrier offering the discount. Persistency of coverage may be demonstrated by coverage under the low-cost automobile insurance program pursuant to Article 5.5 (commencing with Section 11629.7) and Article 5.6 (commencing with Section 11629.9) of Chapter 1 of Part 3 of Division 2, or by coverage under the assigned risk plans pursuant to Article 4 (commencing with Section 11620) of Chapter 1 of Part 3 of Division 2. Persistency shall be deemed to exist even if there is a lapse of coverage of up to two years due to an insured's absence from the state while in military service, and up to 90 days in the last five years for any other reason.~~

(d) An insurer may refuse to sell a Good Driver Discount policy insuring a motorcycle unless all named insureds have been licensed to drive a motorcycle for the previous three years.

(e) This section shall become operative on November 8, 1989. The commissioner shall adopt regulations implementing this section and insurers may submit applications pursuant to this article which comply with those regulations prior to that date, provided that no such application shall be approved prior to that date.

#### SEC. 6. Conflicting Ballot Measures

In the event that this measure and another measure or measures relating to continuity of coverage shall appear on the same statewide election ballot, the provisions of the other measures shall be deemed to be in conflict with this measure. In the event that this measure shall receive a

greater number of votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure or measures shall be null and void.

#### SEC. 7. Amendment

The provisions of this act shall not be amended by the Legislature except to further its purposes by a statute passed in each house by roll call vote entered in the journal, two-thirds of the membership concurring.

#### SEC. 8. Severability

It is the intent of the people that the provisions of this act are severable and that if any provision of this act, or the application thereof to any person or circumstance, is held invalid such invalidity shall not affect any other provision or application of this act which can be given effect without the invalid provision or application.