

Senate Bill No. 42

CHAPTER 245

An act to amend Sections 85300 and 85320 of the Government Code, relating to the Political Reform Act of 1974.

[Approved by Governor October 2, 2025. Filed with Secretary
of State October 2, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 42, Umberg. Political Reform Act of 1974: public campaign financing: California Fair Elections Act of 2026.

Existing law, the Political Reform Act of 1974, prohibits a public officer from expending, and a candidate from accepting, public moneys for the purpose of seeking elective office.

This bill would remove prohibitions imposed on a public officer or candidate to expend or accept public funds, as defined, for the purpose of seeking elective office unless the funds are earmarked by a state or local entity for education, transportation, or public safety. The bill would require candidates to abide by specified expenditure limits and meet strict criteria, as defined, to qualify for public funds. The bill would prohibit public funds from being used to pay legal defense fees or fines or to repay personal loans to their campaign. The bill would permit a statute, ordinance, or charter to establish standards to increase the expenditure limits for each qualified, voluntarily participating candidate pursuant to a specified formula. The bill would provide that the Fair Political Practices Commission is not responsible for administering or enforcing a system of public funding of candidates established by a local governmental agency.

Existing law prohibits a foreign government or foreign principal, as defined, from making a contribution, expenditure, or independent expenditure in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office. Under existing law, a person who violates this prohibition is guilty of a misdemeanor and subject to a fine equal to the amount contributed or expended.

This bill would instead require that a person guilty of that misdemeanor, in addition to other penalties, be fined an amount at least equal to the amount contributed or expended, but not exceeding a maximum amount of 3 times the amount contributed or expended.

The Political Reform Act of 1974, an initiative measure, provides that the act may be amended by a statute that becomes effective upon approval of the voters.

This bill would require the Secretary of State to submit the provisions of the bill, as specified, to the voters for approval at the November 3, 2026,

statewide general election. This bill would incorporate additional changes to Section 85320 of the Government Code proposed by AB 953 to be operative pursuant to specified conditions.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited, as the California Fair Elections Act of 2026.

SEC. 2. The Legislature finds and declares all of the following:

(a) All citizens should be able to make their voices heard in the political process and hold their elected officials accountable.

(b) Elections for local or state elective office should be fair, open, and competitive.

(c) The increasing costs of political campaigns can force candidates to rely on large contributions from wealthy donors and special interests, which can give those wealthy donors and special interests disproportionate influence over governmental decisions.

(d) Such disproportionate influence can undermine the public's trust that public officials are performing their duties in an impartial manner and that government is serving the needs and responding to the wishes of all citizens equally, without regard to their wealth.

(e) Special interests contribute more to incumbents than challengers because they seek access to elected officials, and such contributions account for a large portion of the financial incumbency advantage, as confirmed by studies such as those published in the Journal of Politics in 2014 and Political Research Quarterly in 2016.

(f) Citizen-funded election programs, in which qualified candidates can receive public funds for the purpose of communicating with voters rather than relying exclusively on private donors, are currently operative in five charter cities in California, as well as numerous other local and state jurisdictions.

(g) Citizen-funded election programs encourage competition by reducing the financial advantages of incumbency and making it possible for citizens from all walks of life, not only those with connections to wealthy donors or special interests, to run for office, as confirmed by studies such as those published in State Politics and Policy Quarterly in 2008, and by the Campaign Finance Institute in 2015, the National Institute on Money in State Politics in 2016, and the State Politics and Policy Quarterly in 2022.

(h) By reducing reliance on wealthy donors and special interests, citizen-funded election programs inhibit improper practices, protect against corruption or the appearance of corruption, and protect the political integrity of our governmental institutions.

(i) In *Johnson v. Bradley* (1992) 4 Cal.4th 389, the California Supreme Court highlighted the Court of Appeal's observation that "it seems obvious that public money reduces rather than increases the fund raising pressures

on public office seekers and thereby reduces the undue influence of special interest groups.”

(j) In *Buckley v. Valeo* (1976) 424 U.S. 1, the United States Supreme Court recognized that “public financing as a means of eliminating the improper influence of large private contributions furthers a significant governmental interest.”

(k) In *Arizona Free Enterprise v. Bennett* (2011) 564 U.S. 721, the United States Supreme Court acknowledged that public financing of elections “can further ‘significant governmental interest[s]’ such as the state interest in preventing corruption,” quoting *Buckley v. Valeo*.

(l) In *Buckley v. Valeo*, the United States Supreme Court further noted that citizen-funded elections programs “facilitate and enlarge public discussion and participation in the electoral process, goals vital to a self-governing people.”

(m) The absolute prohibition on public campaign financing allows special interests to gain disproportionate influence and unfairly favors incumbents. An exception should be created to permit citizen-funded election programs so that elections may be conducted more fairly.

SEC. 3. Section 85300 of the Government Code is amended to read:

85300. (a) A public officer shall not expend, and a candidate shall not accept, any public funds for the purpose of seeking elective office if the funds are earmarked by any state or local entity for education, transportation, or public safety.

(b) Candidates shall abide by expenditure limits and meet strict criteria to qualify for public funds.

(c) Public funds shall not be utilized to pay legal defense fees or fines.

(d) (1) A candidate shall not, at any time, use public funds to repay a personal loan to their campaign.

(2) A candidate who receives public funds for their campaign shall not, after their campaign ends, use any source of funds to repay a personal loan to their campaign.

(e) For purposes of this section, the following definitions apply:

(1) “Available candidate funds” means the candidate’s expenditure limit or the sum of all contributions and public funds received by the candidate’s controlled committee for the elective office, whichever is less.

(2) “Expenditure limits” means voluntary spending limits established by statute, ordinance, or charter that qualified, voluntarily participating candidates must abide by to receive public funds.

(3) “Independent expenditures against” means the sum of any expenditures made or expenses incurred by any person or persons for the purpose of making independent expenditures in opposition to a specific candidate.

(4) “Independent expenditures in support” means the sum of any expenditures made or expenses incurred by any person or persons for the purpose of making independent expenditures in support of a specific candidate.

(5) “Net supportive funds” means the sum of available candidate funds, plus the independent expenditures in support of that candidate, minus the independent expenditures against that candidate.

(6) “Public funds” means any moneys provided to a candidate by a state or local governmental entity for the purpose of seeking elective office.

(7) (A) “Strict criteria” means the requirements set by statute, ordinance, or charter that candidates must meet to receive public funds. These criteria shall require candidates to demonstrate broad-based support in their district, such as by requiring candidates to receive small-dollar contributions or vouchers from a specified number of voting-age residents.

(B) (i) If a statute, ordinance, or charter requires a minimum number of individuals making small-dollar contributions pursuant to subparagraph (A), the largest contribution the statute, ordinance, or charter may require for a contributor to be counted is ten dollars (\$10).

(ii) For purposes of this subparagraph, a statute, ordinance, or charter may allow a contribution larger than the small-dollar contribution amount required pursuant to subparagraph (A) to be counted as a contribution equal to the small-dollar contribution amount required pursuant to subparagraph (A).

(C) “Strict criteria” shall not include requirements that candidates receive a specified number of signatures or raise a specified total dollar amount of more than ten dollars (\$10) per contributor.

(f) (1) A statute, ordinance, or charter may increase the expenditure limits for each qualified, voluntarily participating candidate.

(2) An increased limit pursuant to this subdivision shall not exceed an amount equal to the highest dollar amount of net supportive funds of any other candidate for the same office, plus the dollar amount of independent expenditures against the qualified, voluntarily participating candidate, minus the dollar amount of independent expenditures in support of the qualified, voluntarily participating candidate.

(g) Public funding statutes, charters, ordinances, and resolutions shall not discriminate based on party or according to whether a candidate is a challenger or an incumbent.

(h) The Commission is not responsible for the administration or enforcement of a system of public funding of candidates established by a local governmental agency.

(i) Subdivisions (e), (f), and (h) of this section may be amended by statute pursuant to subdivision (a) of Section 81012. The remaining subdivisions of this section may be amended only by a statute that complies with subdivision (b) of Section 81012.

SEC. 4. Section 85320 of the Government Code is amended to read:

85320. (a) A foreign government or foreign principal shall not make, directly or through any other person, a contribution, expenditure, or independent expenditure in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office.

(b) A person or a committee shall not solicit or accept a contribution from a foreign government or foreign principal in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office.

(c) For the purposes of this section, a “foreign principal” includes the following:

(1) A foreign political party.

(2) A person outside the United States, unless either of the following is established:

(A) The person is an individual and a citizen of the United States.

(B) The person is not an individual and is organized under or created by the laws of the United States or of any state or other place subject to the jurisdiction of the United States and has its principal place of business within the United States.

(3) A partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.

(4) A domestic subsidiary of a foreign corporation if the decision to contribute or expend funds is made by an officer, director, or management employee of the foreign corporation who is neither a citizen of the United States nor a lawfully admitted permanent resident of the United States.

(d) This section shall not prohibit a contribution, expenditure, or independent expenditure made by a lawfully admitted permanent resident.

(e) (1) Any person who violates this section shall be guilty of a misdemeanor.

(2) In addition to other penalties, a person who violates this section shall be fined an amount at least equal to the amount contributed or expended, but not exceeding an amount equal to three times the amount contributed or expended.

SEC. 4.1. Section 85320 of the Government Code is amended to read:

85320. (a) A foreign government, foreign principal, or foreign national shall not make, directly or through any other person, a contribution, expenditure, or independent expenditure in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office.

(b) A person or a committee shall not solicit or accept a contribution from a foreign government, foreign principal, or foreign national in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office.

(c) For the purposes of this section, the following terms have the following meanings:

(1) (A) “Foreign national” means a person who is not a citizen of the United States and who is not a lawfully admitted permanent resident.

(B) “Foreign national” does not include a person who has been granted deferred action, and whose deferred action has not expired, under the federal

Deferred Action for Childhood Arrivals (DACA) program, as described in guidelines issued by the United States Department of Homeland Security.

(2) “Foreign principal” includes any of the following:

(A) A foreign political party.

(B) A person outside the United States, unless either of the following is established:

(i) The person is an individual and a citizen of the United States.

(ii) The person is not an individual and is organized under or created by the laws of the United States or of any state or other place subject to the jurisdiction of the United States and has its principal place of business within the United States.

(C) A partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.

(D) A domestic subsidiary of a foreign corporation if the decision to contribute or expend funds is made by an officer, director, or management employee of the foreign corporation who is neither a citizen of the United States nor a lawfully admitted permanent resident of the United States.

(d) This section shall not prohibit a contribution, expenditure, or independent expenditure made by a lawfully admitted permanent resident.

(e) (1) Any person who violates this section shall be guilty of a misdemeanor.

(2) In addition to other penalties, a person who violates this section shall be fined an amount at least equal to the amount contributed or expended, but not exceeding an amount equal to three times the amount contributed or expended.

SEC. 5. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 6. (a) Sections 1 to 4.1, inclusive, of this act shall become effective only when submitted to and approved by the voters at the November 3, 2026, statewide general election, as specified in this section.

(b) Notwithstanding Section 9040 of the Elections Code or any other law, the Secretary of State shall, pursuant to subdivision (b) of Section 81012 of the Government Code, submit the specified sections of the act to the voters for approval at the November 3, 2026, statewide general election, as follows:

(1) If Assembly Bill 953 is not enacted or does not become effective on or before January 1, 2026, the Secretary of State shall submit Sections 1, 2, 3, and 4 of this act to the voters for approval at the November 3, 2026, statewide general election, in which case Section 4.1 of this act shall not become operative.

(2) If Assembly Bill 953 is enacted and becomes effective on or before January 1, 2026, and it amends Section 85320 of the Government Code, the Secretary of State shall submit Sections 1, 2, 3, and 4.1 of this act to the

voters for approval at the November 3, 2026, statewide general election, in which case Section 4 of this act shall not take effect.

(c) (1) Section 4.1 of this act incorporates amendments to Section 85320 of the Government Code proposed by both this bill, subject to voter approval at the November 3, 2026, statewide general election, and Assembly Bill 953. Section 4.1 of this bill shall only take effect if all of the following conditions are satisfied:

(A) Both bills are enacted on or before January 1, 2026.

(B) Each bill amends Section 85320 of the Government Code.

(C) The Secretary of State submits Section 4.1 to the voters pursuant to subdivision (a).

(D) Section 4.1 of this act is approved by voters at the November 3, 2026, statewide general election.

(2) (A) If Assembly Bill 953 is enacted on or before January 1, 2026, and amends Section 85320 of the Government Code, that section, as amended by Assembly Bill 953, shall become operative on January 1, 2026.

(B) (i) If Section 4.1 of this act takes effect pursuant to paragraph (1), Section 85320 of the Government Code, as amended by Assembly Bill 953, shall remain operative only until Section 4.1 takes effect.

(ii) If Section 4.1 of this act does not take effect, Section 85320 of the Government Code, as amended by Assembly Bill 953, shall remain operative.