



Political Law Alert

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California Treasurer Announces New Pay-to-Play Policy for Municipal Bond Underwriters

California State Treasurer John Chiang has adopted a new pay-to-play policy for firms participating in the state's underwriter pool. By August 31, 2016, firms will need to certify that they will abide by the policy, or risk being dropped from the pool. Prohibited contributions also may result in the firm being removed from the pool. Under the policy, which is extremely broad, covered donors are prohibited from directly or indirectly contributing to any California bond campaign or ballot measure, or providing Bond Campaign Services in connection with such a bond campaign or ballot measure.

Covered Donors

- company
- officer
- director
- partner
- co-partner
- shareholder
- owner
- employee

Covered Recipients

It is important to note that although the treasurer's initiative targets pay-to-play practices regarding bond ballot campaigns, the wording of the certification is significantly broader and covers any ballot measure in California — even one that is completely unrelated to the issuance of municipal securities.

Bond Campaign Services

This term includes fundraising, polling, election strategy and management, organization of campaign volunteers, get-out-the-vote services, and development of campaign literature and advocacy materials. It does not include advice and support related to the preparation of tax rate statements and other materials that are included in the official voter pamphlet prepared by the county registrar. It also does not include polling or

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other services to evaluate the potential for adopting the measure conducted before the governing body takes any action to place the measure before the electorate.

Given how broadly the certification is written, and the absence of any *de minimis* exemption, compliance may be a challenge for many affected firms.

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