

February 7, 2005

Steven Russo  
Chief of Enforcement  
Fair Political Practices Commission  
428 J Street, Suite 620  
Sacramento, CA 95814

Dear Mr. Russo:

I am the Director of TheRestOfUs.org, a nonprofit organization dedicated to raising awareness of the role of big money in politics. In the course of my duties I have been following the role of a so-called "independent" political committee that is working with Governor Arnold Schwarzenegger to promote the Governor's agenda with certain ballot measures likely to be voted on later this year. I believe the committee is being used by the Governor and his agents to illegally bypass the FPPC's rules restricting campaign contributions to candidate-controlled ballot measure committees. Specifically, I allege that the Citizens to Save California Committee is, both in fact and for purposes of the Fair Political Practices Act and the Regulations of the Fair Political Practices Commission, controlled by Governor Arnold Schwarzenegger; and is raising contributions in amounts greater than the \$22,300 allowed under FPPC regulation 18530.9 for a candidate-controlled ballot measure committee. Please consider this a formal request that the Fair Political Practices Commission investigate these allegations pursuant to FPPC regulation 18360(b).

Governor Schwarzenegger has a re-election committee, [Californians for Schwarzenegger – 2006, registration no. 1261585](#). This committee raised \$1.38 million in 2004. He also has a candidate-controlled ballot measure committee, Governor Schwarzenegger's [California Recovery Team, registration no. 1261406](#). Both these committees are subject to a contribution limit of \$22,300.

[Citizens to Save California \(CSC\) is a general purpose recipient committee, registration no. 1273022](#). Its board members include Allan Zaremborg, president of the California Chamber of Commerce; R. William Hauck, president of the California Business Roundtable; Joel Fox, the former chief policy consultant to Arnold Schwarzenegger's 2003 gubernatorial campaign and president of the Small Business Action Committee; and Jon Coupal, president of the Howard Jarvis Taxpayers Association.

In its fundraising literature, CSC has described itself as "an independent committee supporting Governor Schwarzenegger's reform agenda." ([LATimes, 2/4/2005](#) - <http://www.latimes.com/news/local/la-me-money4feb04,1,5534881.story>) In press accounts, its political consultant, Rick Claussen, has stated that "(T)he governor laid out an agenda in the State of the State speech" and that CSC's "desire is to help him achieve that agenda." ([LATimes, 1/12/2004](#) - <http://www.latimes.com/news/local/la-me-money12jan12,1,4619679.story>)

Governor Schwarzenegger has announced his intention to pursue a series of ballot measures if the state legislature does not take sufficient action on his agenda. This agenda includes action on redistricting, state spending, state pension plans, and merit-based pay for teachers. ([OCRegister 2/3/2005](#) - [http://www.ocreger.com/ocr/2005/02/03/sections/region\\_state/region\\_state/article\\_396725.php](http://www.ocreger.com/ocr/2005/02/03/sections/region_state/region_state/article_396725.php)) These initiatives would be on the ballot in a special election in November 2005. ([San Diego Union Tribune, 1/28/2005](#) - [http://www.signonsandiego.com/uniontrib/20050128/news\\_1n28arnold.html](http://www.signonsandiego.com/uniontrib/20050128/news_1n28arnold.html) )

These initiatives are being prepared and filed by CSC. The initiatives deal with redistricting (Zaremborg), state spending (Hauck and Zaremborg), state pension plans (Coupal), and one to increase the power of the governor to reorganize and streamline the executive branch (Fox). These and other facts about the CSC can be found on the Chamber of Commerce website, at <http://www.calchamber.com/headlines/index.cfm?id=507&action=detail&navid=269> . The Chamber has stated it will pursue those measures that best advance the Governor's agenda.

Governor Schwarzenegger has announced his intention to raise \$50 million to pursue his ballot agenda. ([LATimes 1/29/2005](http://www.latimes.com/news/local/la-me-arnold29jan29,0,1699289.story) - <http://www.latimes.com/news/local/la-me-arnold29jan29,0,1699289.story>, Orange County Register 2/3/2005) He has also indicated that he will pursue these donations from around the country, and that likely donors would include people who could “contribute \$10,000 or \$20,000 or \$50,000 or be in charge of raising \$500,000 from smaller donors.” (LATimes 1/29/2005) The Governor has indicated that he considers himself part of the CSC by his statement that ““I feel it’s wise not to just rely on the same people that we normally go to.” (LA Times 1/29/05, emphasis added.)

The governor has already begun these fundraising efforts, speaking at a series of fundraising lunches around the state at which William Zarembeg has also spoken. The official invitation for at least one of these fundraisers was issued on Schwarzenegger campaign stationery. (LATimes 2/4/2005) Although the invitations are careful to state that the CSC is not “controlled” by the Governor, the Governor has been quoted as stating that he “will help them with fundraising, and I will help them to endorse it and to do TV campaigns, because it is according to my agenda.” ([SJ Mercury News 2/5/2005](http://www.mercurynews.com/mld/mercurynews/news/10824985.htm) - <http://www.mercurynews.com/mld/mercurynews/news/10824985.htm>)

Jon Coupal has said that the CSC will take guidance about what the Governor wants through signals he has sent in the legislature and in his speeches. (LA Times 2/4/05) Joel Fox has said that the CSC will “certainly talk to the governor’s office. We can get a feel of where the governor is going to go. He’s the big king on the chessboard. Wherever he moves, a lot of things move with him.” (LA Times 1/12/05) These statements clearly indicate that Arnold Schwarzenegger is controlling CSC.

The Governor also has stated that he is abiding by the letter of the law, though whether he is abiding by its spirit is “a matter of opinion.” (SJ Mercury News 2/5/2005) However, we believe he is failing to abide by the letter of the law, as well as its spirit. A candidate controls a ballot measure committee if he or his staff participate in decisions regarding its fundraising methods, its strategy decisions, its decisions regarding what measures the committee will support or oppose, and development of communications. (*Ferguson* Advice Letter, FPPC no. A-86044; *Trimbur* Advice Letter, FPPC no. A-00-067.) There is no doubt here that CSC is coordinating with the Governor’s office on strategy decisions and fundraising.

Surely the FPPC will not allow the Governor to undermine completely the regulation on candidate-controlled ballot measure committees by having an “independent” group glued to his hip, telling the group publicly everything he wants them to do, and procuring the funding for them to do his bidding. The fact that much of this is being played out in public does not make it any less nefarious. Moreover, we as citizens have no access now to the records of the CSC’s expenditures, and no way of knowing whether spending decisions, like those for fundraising, are being coordinated with the Governor’s office. Nor do we have access to other documents that may uncover further evidence of control.

CSC has indicated that it can raise money in unlimited amounts to pursue the governor’s agenda. (LATimes 2/4/2005) Governor Schwarzenegger has announced his intention to raise money in amounts of at least \$50,000. The actions and statements of Governor Schwarzenegger and CSC demonstrate that despite its protestations of independence, CSC is controlled by Governor Schwarzenegger. By pursuing and collecting contributions in amounts greater than that allowed for a candidate or candidate-controlled committee, CSC and Governor Schwarzenegger have violated section 18530.9 of the regulations of the Fair Political Practices Commission.

I look forward to a prompt and thorough investigation of this matter.

Sincerely,

Derek Cressman

