

*Senate*  
*California Legislature*

**TOM HAYDEN**

SENATOR

TWENTY-THIRD DISTRICT

May 10, 1995

Mr. Arthur Levitt, Chairman  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20549

Mr. Christopher Taylor, Executive Director  
Municipal Securities Rulemaking Board  
1150 18th Street, NW, Suite 400  
Washington, D.C. 20036

VIA TELEFACSIMILE AND U.S. MAIL

Dear Sirs:

According to today's Los Angeles Times, California Governor and Presidential hopeful Pete Wilson has written a letter requesting to be exempted from the 1994 Securities and Exchange Commission rule banning bond firms from doing business with the state if they have contributed to the campaign of a state or local official with influence over municipal bond decisions.

Governor Wilson's press release of May 10, issued after the press reported the existence of Governor Wilson's letter, proposes that all Presidential candidates abide by the SEC rule to "level the playing field." If applying the SEC rule in a broader manner is indeed the Governor's main intention, I would agree. However, the Governor alternatively seeks to be exempted from the SEC rule. I am aware, however, that the SEC has deliberated on this question in the past and has decided that a sitting governor, if unsuccessful in his Presidential bid, may use his or her powers of office to reward contributors by influencing bond contract awards. Because of the potential conflicts of interest, Governor Wilson should not be exempted from the SEC rule.

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Please note that the Governor has not yet publicly released the six page letter to the MSRB from Wilson Campaign Chief Counsel Ben Ginsburg detailing the request for an exemption from the SEC rule. From Mr. Ginsburg's description of the letter (5/10 Los Angeles Times), the Governor believes that campaign finance laws adequately prevent Wall Street bond firms from exerting undue influence based on their contributions to elected officials. I emphatically reject this claim.

The Governor should have learned from the Orange County fiscal debacle the corrosive effects of contributions from bond firms on government decision making. In the last decade, \$185,000 in campaign contributions flowed from bond firms to local Orange County officials responsible for investing taxpayer money (this figure does not include contributions to state officials from Orange County). After sitting through months of investigative hearings in the State Senate and watching the former Treasurer of Orange County plead guilty to criminal charges, it has become quite clear that these contributions led to the climate which caused Orange County to declare bankruptcy.

I don't know what lessons the Governor or the nation has learned from the Orange County crisis. What I would recommend, however, is that the SEC rule not only be applied to all Presidential candidates, including President Clinton, but also be strengthened. Instead of asking for an exemption, I would hope that the Governor would warn the nation that there will be many more Orange Counties in our collective future if we do not reverse the tide of money flowing from bond houses to candidates and officeholders of both parties.

I urge you to reject Governor Wilson's request to be exempted from the SEC's conflict of interest rules. It is outrageous that Governor Wilson believes that he is deserving of an exemption from federal campaign law because he wishes to raise money from special interest groups that do business with the state. The SEC rule is essential to prevent state and local governments from falling prey to the power and influence of Wall Street. Allowing Governor Wilson to be exempted from the SEC rule would, in effect, be sanctioning the "pay to play" environment we desperately need to eradicate from politics.

Sincerely,

TOM HAYDEN