

California Public Funds Doctrine

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Public Funds Doctrine Overview

- * Article XVI, Section 6 of the California Constitution
- * Generally prohibits the giving or lending of public funds to any person or entity, public or private, subject to certain exceptions
- * “The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State, or of any county, city and county, city, township or other political corporation or subdivision of the State now existing, or that may be hereafter established, in aid of or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever”

Public Purpose Exception

- **Appropriation or expenditure of public funds not prohibited if made for a public purpose**
 - * Broad, judicially-established exception
 - * Courts defer to legislative determination of public purpose so long as there is a “reasonable basis” for such determination
 - * Courts can infer public purpose from legislative history or other context if unclear
 - * Expenditure by local government or agency only serves public purpose if there is a benefit to its own constituency
- **Incidental private benefit does not invalidate expenditure where there is a valid public purpose**

Constitutional Exceptions

- Aid pursuant to Article XVI Section 3
- Irrigation Districts
- Insurance pooling or JPAs
- Aid to veterans
- Disaster or emergency declaration
- Temporary transfers of funds

Some Notable Examples

- *White v. State of California* (2001, Cal. App. 4th Dist.) 88 Cal. App. 4th 298
- *Jordan v. Dept. of Motor Vehicles* (2002, Cal. App. 3d Dist.) 100 Cal. App. 4th 431
- *Sturgeon v. County of Los Angeles* (2008, Cal. App. 4th Dist.) 167 Cal. App. 4th 630

Other Examples:

- **School Funding**
- **Office Fundraisers**
- **Elections**

Summary

- **Broad rule, broad public purpose exception**
- **Several more narrow exceptions set forth in Constitution**
- **Incidental private benefit permitted**
- **Intersection with public school funding a frequent issue for city governments**