1 2 3 4 5 6 7	Thomas W. Hiltachk (SBN 131215)  tomh@bmhlaw.com Brian T. Hildreth (SBN 214131)  bhildreth@bmhlaw.com BELL, McANDREWS & HILTACHK, LLP  455 Capitol Mall, Suite 600 Sacramento, California 95814 Telephone: (916) 442-7757 Facsimile: (916) 442-7759  Attorneys for Plaintiffs Jon Coupal and Howard JaTaxpayers Association  SUPERIOR COURT OF THE	
8	COUNTY OF SACRAMENTO	
9 10 11	HOWARD JARVIS TAXPAYERS ASSOCIATION, and JON COUPAL, an individual;	Case No.  VERIFIED COMPLAINT FOR INJUNCTIVE AND DECLARATORY RELIEF
12	Plaintiffs	
<ul><li>13</li><li>14</li><li>23</li><li>16</li></ul>	v.  ALEX PADILLA, in his official capacity as the Secretary of State of California: and DOES 1-25.  Defendants.	[Code of Civil Procedure §§ 526a, 1060; Public Contract Code § 10421]
17 18 19 20 21	taxpayer funds using the services of a partisan political consulting firm. As indicated more fully below, PADILLA is proceeding:  (i) In secret;  (ii) Without budgetary authority to fund the \$35 million state advertising contract;  (iii) Even after the State Controller's office told PADILLA that he had no budget authority; and  (iv) In violation of the Public Contract Code.  Upon proof that Defendants in their individual capacity spent taxpayers' funds without	
22 23 24 25 26 27		
28	due care, Plaintiffs may seek to amend this comple	aint to obtain the personal reimbursement of the

on a proposed \$35 million advertising contract for voter outreach and public education. The invitations were directed only at partisan political consulting firms – not traditional non-partisan advertising agencies. The "invitation" did not comply with the Public Contract Code as it was not publicly noticed.

- 8. The State frequently awards advertising contracts for a variety of public education efforts under provisions of the Public Contract Code (e.g. anti-tobacco campaign, recycling campaigns, don't text while driving campaigns). Many non-partisan professional advertising agencies bid on these contracts.
- 9. Plaintiffs are informed and believe, and on that basis allege that <u>none</u> of the traditional advertising agencies that would typically bid on and have been awarded these types of contracts by other State agencies were "invited" to bid on Defendant SOS's proposed contract. In fact, some of those advertising agencies became aware of the proposed contract and inquired of the SOS for an opportunity to bid, but they were informed that it was a "closed invitation only" bid.
- 10. In connection with its invitation, Defendant SOS prepared a document captioned "scope of work." A true and correct copy of that document is attached hereto as **Exhibit A**. It directs the bidding political consulting firm to focus on several key points in its submitted proposal. For example, the scope of work states that the consultant must "include a GOTV ("getout-the-vote") targeting expert." The contractor is to "review and utilize data from VoteCal, the statewide voter registration database, to inform outreach efforts." Indeed, the SOS states his goal of "reaching our various target audiences such as inactive voters, first time voters, in-language voters, student voters, etc." The scope of work requires the bidder to create and implement "targeted" messaging by using all forms of media, including television, digital, and social media.
- 11. By focusing (i.e. "targeting") the voter outreach, the political consulting firm can and will necessarily affect voter turnout of certain types of voters more than others and in some parts of the State more than others. This can and will affect the outcomes of elections indeed that is what targeted GOTV is intended to achieve.

///

- 12. At least three of the invited firms submitted written proposals and were asked to participate in a formal presentation with SOS staff. All three firms are partisan with deep ties to the State and national Democratic party, Democratic candidates and Democratic causes.
- 13. One of the firms is called SKDKnickerbocker ("SKDK"). Its website prominently states that it is on "Team Biden." Indeed, one of its principals is a spokesperson for the 'Biden for President' campaign. The same website homepage accuses the President of being a racist. In its written proposal, it identifies the individuals that will work on the project. The bios for them prominently note their personal connection to Democratic politics. A true and correct copy of the SKDK proposal is attached hereto as **Exhibit B**.
- 14. Not surprisingly, the SKDK proposal responded to the SOS's scope of work stating that it would use its expertise and experience taking "a close look at historical turnout and devote more resources to education and GOTV in lower-performing counties such as Imperial County or those in the Central Valley."
- 15. Plaintiffs have no objection with any general GOTV effort. However, "targeted" GOTV is designed to increase voter participation among certain voter groups or in certain regions and that is to obtain an electoral advantage.
- 16. Plaintiffs are informed and believe that this targeted GOTV program could, and likely will, affect the outcome of Proposition 15 and other important state and local races. Secretary of State PADILLA has publicly supported Proposition 15.
- 17. Almost no one was aware of the Secretary of State's plan until news of the awarded contract to SKDK was broken by the Sacramento Bee on August 28, 2020. A true and correct copy of the Sacramento Bee story is attached hereto as **Exhibit C**.
- 18. Following the Sacramento Bee article of August 28, 2020, Plaintiffs and others began to look for the SOS' budget authority for a \$35 million advertising contract. The 2020-21 Budget Bill was enacted by Senate Bill 74 ("SB 74") in mid-June. A true and correct copy of the budget appropriations sections for the SOS in SB 74 are attached hereto as **Exhibit D**. Shortly thereafter, AB 89 was passed by the Legislature and signed by the Governor and amended several provisions of the SOS's budget appropriation.

19.

27

- 21. State Controller Betty Yee was notified by a letter dated September 3, 2020 alerting her to the appropriation issue. That letter included a reference to Government Code section 12440 which prohibits the Controller from issuing a warrant (i.e. making a payment) to the SOS without a lawful appropriation to the SOS for that purpose. A true and correct copy of that letter is attached hereto as **Exhibit F**.
- 22. Thereafter, a flurry of emails with Yee's Chief Counsel took place over several days. First, Yee stated that she had been told by the SOS that he was now asserting that its budget authority was not AB 89. Rather, SOS was asserting the budget authority was found in the original Budget Bill (SB 74) under item 0890-101-0890. That item is an appropriation of Federal Trust Fund monies to the SOS. The SOS also pointed to another "budget" document specifically identifying \$36.5 million in Federal CARES Act funds for COVID-19 election related expenses.
- 23. Plaintiffs are informed and believe, and on that basis allege that the CARES Act prohibits the use of such funds for GOTV and increasing voter turnout. Thus, use of CARES Act money would violate Federal law. Moreover, the Legislature, in SB 74, required Department of Finance and Joint Legislative Budget Committee consent before that money could be used for any purpose other than as provided for in a spending plan that had long been submitted and approved by the Department of Finance. As reported by the Sacramento Bee on September 29, 2020, the Department of Finance has not provided SOS with consent.
- 24. Plaintiffs are informed and believe, and on that basis allege that after learning that his program could not be funded with CARES Act money and without Department of Finance and legislative consent, the SOS changed his story again, returning to AB 89, but with a twist. In an email to the Controller's office the SOS stated the following:

The contract specifies that the agreement is entered into on behalf of all of California's 58 counties pursuant to State Contracting Manual to ensure safe and secure voting during the COVID-19 pandemic in the November 3 election. Entering into the contract on behalf of all 58 counties was essential to maximize statewide reach and consistent messaging across all media markets for all Californians. Specifically, the contract provides:

Pursuant to State Contracting Manual Volume 1 Section 3.17 ("SUBVENTION AND LOCAL ASSISTANCE CONTRACTS"):

1

This agreement will be entered into on behalf of the counties of California by the State for voter outreach and a public education services, to ensure during the COVID-19 pandemic all eligible Californian's are able to register and vote safely, securely, and accessibly in the November 3, 2020 Statewide General Election. We have contacted counties who expressed an inability to administer funds directly, lacking resources and expertise to coordinate outreach and education funds. This is consistent with Section 3.17, parts A and B, which contemplate 'agreements providing assistance to local governments directly or through an intermediary....' Furthermore, this is in-line with current practices for purchases and contracts related to providing personal protection equipment (PPE) to the counties for the November 3, 2020 Statewide General Election. Additionally, the Secretary of State has contracted on the behalf of the counties in the past utilizing local assistance funding for contracted services related to County's elections management systems, voter registration systems, and implementation of the Voters Choice Act. [i.e. translations and printed materials]

- 25. This email was sent to the Controller on September 11, 2020. Plaintiffs are informed and believe, and on that basis allege that on that date few, if any, of the 58 counties were contacted and agreed to forego their portions of the \$35 million in State funds under AB 89, nor did the counties authorize the SOS to spend their funds on the SKDK contract.
- 26. The Controller's Chief Counsel, upon learning of the latest SOS story stated: "Trying to get a definitive answer is a little like catching a greased pig."
- 27. Plaintiffs are informed and believe, and on that basis allege, that this change in direction set off a whirlwind of activity at the SOS, having told the Controller that it had the counties' approval to use their money for the SKDK contract, the SOS needed to find a way to accomplish this. The SOS set about asking the various counties to retro-actively approve use of the AB 89 money.
- 28. Despite this fact, on September 24, 2020, the SOS announced that the project was going forward with SKDK. Plaintiffs are further informed and believe, and on that basis allege that the public "campaign" under the contract began, including broadcast television, digital and other very expensive advertising.
- 29. The Public Contract Code applies to consulting and advertising contracts of the type proposed to be executed between the State and SKDK (See, Pub. Contracts Code §§ 10335, et. seq.). The Public Contract Code requires an open, public process, including bidding, a

presumption that the award should go to the lowest bidder, and importantly it requires Department of General Services approval, among other requirements. The SOS's story about its non-compliance with the Public Contract Code has varied over time.

- 30. In the original Sacramento Bee story, the SOS stated that there was no "lowest" bidder for the contract because the amount of the contract was set at \$35 million. But the contract amount is not the issue with respect to "lowest bidder." The lowest bidder would be the agency proposing to charge the least amount of fees and/or commission. Here, the SOS's scope of work stated that the commission amount would be no more than 10%. (i.e. \$3.5 million on a \$35 million advertising budget). Thus, the SOS immediately eliminated judgment based on the cost of service to the State from the bidding process. Would any of the bidders have proposed a lower commission? Indeed, Plaintiffs are informed and believe, and on that basis allege that smaller advertising contracts issued by other agencies are negotiated at rates much less than 10% commission. Moreover, the SOS reportedly alleged it was exempt from the Public Contract Code because the contract was an "emergency." It was not.
- 31. After seeing a posting of a vendor named SKDK for the SOS on the Department of General Services website, a copy of the contract was requested of the Department of General Services under the Public Records Act. A true and correct copy of that contract is attached hereto as **Exhibit H.** On September 15, 2020, the Department stated that there was no contract with the agency. A copy of that letter dated September 15, 2020 is attached as **Exhibit G**.
- 32. All State contracts require Department of General Services approval. Plaintiffs are informed and believe, and on that basis allege that a contract was, in fact, submitted to the Department for approval.
- 33. Later, it was confirmed by the Department's Chief Counsel that the SOS had voluntarily pulled the contract from Department of General Services for approval, stating that it would re-submit it in the coming days or weeks.
- 34. On September 24, 2020, Plaintiffs were informed that the SOS was proceeding to spend money under the SKDK contract without the Department's approval citing Public Contract Code section 10371(d). In other words, SOS went back to the "emergency" excuse. In fact,

despite repeated efforts by the Sacramento Bee to obtain a copy of the contract, Defendant SOS declined to provide a copy to anyone.

- 35. An email to both the Department of General Services and Controller Yee, through their respective Chief Counsels, was sent objecting to the SOS's assertion that he can proceed without an approved contract and without budgetary authority and demanding that they take action to stop the SOS.
- 36. Finally, on Friday, October 2, 2020, PADILLA presented a contract to both the Department of General Services and the State Controller's office -- almost six weeks after the first news broke that a contract had been made between PADILLA and SKDK. The contract is dated September 22, 2020. On the first page of the contract, the SOS finally settled on a claim of budgetary authority he now cites both appropriations discussed above. A true and correct copy of the contract is attached hereto as **Exhibit H**.
- 37. The contract includes an odd provision. Under a provision entitled "Budget Contingency Clause" the contract states:

It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.

38. After consideration of the contract, Plaintiffs were informed by the Controller's Chief Counsel that their office had concluded that neither cited reference provides PADILLA budget authority for this contract. Plaintiffs were also told that the SOS was told this on the morning of Monday, October 5, 2020, during a conference call between staff of both offices. On October 7, 2020 the Sacramento Bee reported confirmation that the Controller's office had rejected the cited budget authority. A true and correct copy of the October 7, 2020 Sacramento Bee story is attached hereto as **Exhibit I.** 

///

///

- 39. Despite the conveyance of this information, PADILLA has not stopped State spending. Indeed, the Sacramento Bee story quotes the SOS indicating that the campaign will continue.
- 40. On October 6, Plaintiffs sent a demand letter to PADILLA seeking confirmation that he would cease all State spending under the unlawful contract. PADILLA did not respond to Plaintiffs' demand letter. A true and correct copy of the demand letter is attached hereto as **Exhibit J**.
- 41. Time of the essence, as the SOS is committing taxpayer resources that he does not have under a contract that has not been approved and will never be approved because there is no lawful appropriation to pay for the contracted services and it does not comply with the Public Contract Code.

## FIRST CAUSE OF ACTION FOR DECLARATORY RELIEF AGAINST DEFENDANT PADILLA, in his Official Capacity (Code Civ. Proc. §§ 526a, 1060)

- 42. Plaintiffs hereby incorporate paragraphs 1 through 41 of this Verified Petition.
- 43. As indicated, the contract entered into by PADILLA was and is without budget authority and all expenditures made or that will be made are unlawful. Declaratory relief is authorized under the Code of Civil Procedure sections 526a and 1060.
- 44. A present and actual controversy exists between Plaintiffs and Defendants concerning the right of Defendants to spend \$35 million of taxpayer dollars without the necessary budget authority. Plaintiffs contend that Defendants are illegally spending millions of taxpayer dollars on the SKDK contract without any budget authority to do so. Defendants dispute Plaintiffs' contentions.
- 45. Plaintiffs require a judicial determination and declaration of Plaintiffs' and Defendants' rights under Code of Civil Procedure Section 1060. Such a declaration is necessary and appropriate at this time because without such a judicial determination Defendants will continue to illegally expend up to \$35 million of taxpayer dollars. Unless Defendants are restrained and enjoyed from this illegal activity, they will continue to make these illegal payments of taxpayer dollars to SKDK. No adequate remedy at law exists by which the rights and duties of

1	the parties may be determined.		
2 3	SECOND CAUSE OF ACTION FOR TEMPORARY AND PERMANENT INJUNCTION AGAINST DEFENDANT PADILLA, in his Official Capacity (Code Civ. Proc. § 526a)		
4	46. Plaintiffs hereby incorporate paragraphs 1 through 45 of this Verified Complaint.		
5	47. It is well-settled that an action may be maintained pursuant to Code of Civil		
6	Procedure section 526a against officers of the State government, notwithstanding the fact that the		
7	statute appears more limited on its face. (Hooper v. Deukmejian (1981) 122 Cal.App.3d 987,		
8	1018-19; Serrano v. Priest (1971) 5 Cal.3d 584, 618, fn. 38; Los Altos Property Owners Assn. v.		
9	Hutcheon (1977) 69 Cal.App.3d 22, 27.)		
10	48. "If a taxpayer can demonstrate that a State official did authorize the improper		
11	expenditure of public funds, the taxpayer will be entitled, at least, to a declaratory judgment to that		
12	effect; if he establishes that similar expenditures were threatened in the future, the plaintiff would		
13	be entitled to declaratory and injunctive relief." (Hooper v. Deukmejian, supra, 122 Cal.App.3d at		
14	1019.)		
15	49. Here, not only are the past expenditures unlawful because they were made with no		
16	budget authorization to pay for them, but PADILLA is also presently and continuously expending		
17	more taxpayer funds under the unlawful contract.		
18	50. Plaintiffs have no other speedy or adequate remedy at law and the continued illegal		
19	expenditure of taxpayer funds causes significant taxpayer harm and waste.		
20			
21	FOR TEMPORARY AND PERMANENT INJUNCTION		
22	AGAINST DEFENDANT PADILLA, in his Official Capacity (Pub. Contract Code § 10421)		
23	51. Plaintiffs hereby incorporate paragraphs 1 through 50 of this Verified Petition		
24	52. The contract entered into by PADILLA with SKDKnickerbocker is invalid		
25	because of the numerous violations of the Public Contract Code. Section 10421 of the Code		
26	provides for injunctive relief to prohibit performance and payment under an unlawful contract.		
27	///		
28	///		
	10		
	VERIFIED COMPLAINT FOR INJUNCTIVE AND DECLARATORY RELIEF		

## RELIEF REQUESTED 1 WHEREFORE, Plaintiffs pray that this Court: 2 Issue a preliminary injunction preventing Defendant PADILLA from spending any further 1. 3 taxpayer funds, including federal trust funds, on the SKDKnickerbocker contract; 4 2. Issue a permanent injunction prohibiting Defendant PADILLA from spending any further 5 taxpayer funds, including federal trust funds, on the SKDKnickerbocker contract; 6 3. Grant declaratory relief that the SKDKnickerbocker contract is invalid and void for lack 7 of budget authorization and/or non-compliance with the Public Contract Code; 8 5. Award Plaintiffs' attorneys' fees and costs incurred in connection with this matter; and 9 6. Grant other such and further relief as the Court may deem necessary. 10 11 Dated: October 8, 2020 Respectfully Submitted, BELL, McANDREWS, & HILTACHK, LLP 12 13 By: THOMAS W. HILTACHK 14 Attorney for Plaintiffs Jon Coupal and 15 Howard Jarvis Taxpayers Association 16 17 18 19 20 21 22 23 24 25 26 27 28

## **VERIFICATION**

I, Jon Coupal, declare that I am the individual Plaintiff herein.

I am also President of Plaintiff Howard Jarvis Taxpayers Association.

I have read the foregoing VERIFIED COMPLAINT FOR INJUNCTIVE AND DECLARATORY RELIEF and know of the contents thereof. The same is true of my own knowledge, except as to those matters that are herein alleged on information and belief, and as to those matters, I believe them to be true. If called as a witness, I could and would testify competently thereto.

Executed under penalty of perjury under the laws of the State of California this A day of October at Sacramento, California.

Jon Coupal