



STATE OF CALIFORNIA  
**FAIR POLITICAL PRACTICES COMMISSION**  
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**To:** Chair Germond, Commissioners Cardenas, Hatch, and Hayward

**From:** Dave Bainbridge, General Counsel  
Sara Puricelli, Commission Counsel

**Subject:** **Cost of Living Adjustment (“COLA”) to Contribution Limits, Voluntary Expenditure Ceilings and Gift Limit**  
Adoption of Amendments to the following Regulations:  
18545. Campaign and Voluntary Expenditure Ceiling Amounts.  
18700. Basic Rule and Guide to Conflict of Interest.  
18730. Provisions of Conflict of Interest Codes.  
18940.2. Gift Limit Amount.

**Date:** November 5, 2018

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## I. Overview

### A. COLA adjustments to the Political Reform Act<sup>1</sup> statutory limitations

Government Code Sections 83124, 85316(b)(4), and 89503(f) charge the Commission with making COLA adjustments to reflect changes in the Consumer Price Index (“CPI”), in January of every odd-numbered year, to the following statutory limits:

- Contribution limits and voluntary expenditure ceilings applicable to candidates for elective state office (Sections 85301, 85302, 85303, and 85400);
- State Officeholder account contribution limits (Section 85316(b)); and
- Gift limits (Section 89503).

### B. Proposed commission action and staff recommendation

Adopt the proposed amendments to Regulations 18545, 18700, 18730, and 18940.2 to make COLA adjustments required by the Act.

## II. Background on the COLA Process

Section 82001 defines the COLA adjustment as follows:

“Adjusting an amount for cost-of-living changes” means adjusting the amount received the previous year by an amount determined at the beginning of each fiscal

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to this source, unless otherwise indicated.

year by the Director of Finance corresponding to amounts authorized from the salary and price increase items as set forth in the Budget Act and other cost-of-living adjustments on the same basis as those applied routinely to other state agencies.

Regulation 18544 sets forth three formulas used to make the COLA adjustments to the contribution, voluntary expenditure, and state officeholder account limits found in Sections 85301, 85302, 85303, 85400, and 85316(b), respectively. Each formula multiplies the initial limit (according to the year each limitation was enacted), by the quotient of the updated annual CPI divided by the base annual CPI (for enactment year). Equations for each formula are provided below.

Regulation 18544(c) specifies the source for the CPI figure as follows:

The adjustments shall be based upon the September forecast of U.S. Bureau of Labor Statistics California Consumer Price Index for All Urban Consumers for the calendar year immediately preceding the year in which the adjustment is to take effect.

Under this regulation, the Commission’s adjustment uses the CPI figure obtained from the California Department of Finance (“DOF”), which bases its CPI calculations on Bureau of Labor Statistics figures. The DOF Consumer Price Index Forecast, May Revise (dated April 2018) states that the applicable forecast annual 2018 California CPI is “271.0.”<sup>2</sup>

### **III. Amendments to Regulation 18545: Contribution Limit, Voluntary Expenditure Ceilings, State Officeholder Account Limit Adjustments, and Effective Dates**

#### **A. Contribution limits and voluntary expenditure ceilings applicable to candidates for elective state office (Sections 85301, 85302, 85303, and 85400)<sup>3</sup>**

##### 1. COLA formula for contribution limits, Sections 85301, 85302, and 85303

Regulation 18544(a)(1) states:

The contribution limitations in Government Code Sections 85301, 85302 and 85303 shall be adjusted biennially by the Commission to reflect changes in the California Consumer Price Index (CPI). The adjustments shall be made using the following formula: the contribution limit amount in effect January 1, 2001, multiplied by the annual CPI, divided by the base CPI from 2000, rounded to the nearest one hundred dollars (\$100). (*fn.omitted.*) The resulting figure shall be the adjusted contribution limitation in effect for all state elections held until the next odd numbered year.

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<sup>2</sup> A forecast annual CPI is used because the actual CPI for a given year is not available until mid-January of the following year. See [http://www.dof.ca.gov/Forecasting/Economics/Eco\\_Forecasts\\_US\\_Ca/index.html](http://www.dof.ca.gov/Forecasting/Economics/Eco_Forecasts_US_Ca/index.html), CPI-U all items for 2018, for the relevant CPI figure.

<sup>3</sup> These limits were added under the “Campaign Contributions and Spending Limits Act of 2000,” approved by voters as Proposition 34, Stats. 2000, c. 102. Section 85301 limits contributions from persons; Section 85302 limits contributions from small contributor committees; Section 85303 limits contributions to committees and political parties; and Section 85400 sets voluntary expenditure ceilings. Base year figures for these limitations are from the year 2000.

The above language is expressed as the following equation:

$$\begin{array}{rcccl} & & 271.0 \text{ (2018 Annual CPI)*} & & \\ \text{Applicable Limit} & & & & \\ \text{2001} & \times & \frac{\quad}{174.8 \text{ (CPI from 2000)}} & = & \text{2019 limit**} \end{array}$$

\* As forecast in the DOF Consumer Price Index Forecast, May Revise, dated April 2018.

\*\* Rounded to the nearest \$100 for contribution limits

## 2. COLA formula for voluntary expenditure ceilings limits, Section 85400

Regulation 18544(a)(2) states:

The voluntary expenditure ceilings in Government Code Section 85400 shall be adjusted biennially by the Commission to reflect changes in the California Consumer Price Index. The adjustment shall be made using the following formula: the voluntary expenditure ceiling amount in effect January 1, 2001, multiplied by the annual CPI, divided by the base CPI from 2000, rounded to the nearest one thousand dollars (\$1,000). (*fn. omitted.*) The resulting figure shall be the adjusted voluntary expenditure limitation in effect for all state elections held until the next odd numbered year.

The above language is expressed as the following equation:

$$\begin{array}{rcccl} & & 271.0 \text{ (2018 Annual CPI)*} & & \\ \text{Applicable Limit} & & & & \\ \text{2001} & \times & \frac{\quad}{174.8 \text{ (CPI from 2000)}} & = & \text{2019 limit**} \end{array}$$

\* As forecast in the DOF Consumer Price Index Forecast, May Revise, dated April 2018.

\*\* Rounded to the nearest \$1,000 for expenditure ceilings.

## **B. State officeholder account contribution limits (Section 85316(b))<sup>4</sup>**

Regulation 18544(b) states:

For purposes of Government Code Section 85316(b), beginning the year 2006 the cost of living adjustment shall be calculated as follows.

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<sup>4</sup> Subdivision (b) of Section 85316, allowed the establishment of a separate officeholder account for officeholder expenses subject to calendar year contribution limits, to be given a COLA adjustment in odd-numbered years to reflect changes in the CPI. This subdivision added by Stats. 2006, c. 624. Base year figures for these limitations are from year 2006.

(1) The contribution limitation shall be adjusted biennially by the Commission to reflect changes in the California Consumer Price Index (CPI). The adjustment shall be made using the following formula: the contribution limit amount in effect January 1, 2007, multiplied by the annual CPI, divided by the base CPI from 2006, rounded to the nearest one hundred dollars (\$100). The resulting figure shall be the adjusted contribution limitation in effect for all state officeholders until the next odd numbered year.

The above language is expressed as the following equation:

Applicable Limit 2007	<b>X</b>	$\frac{271.0 \text{ (2018 Annual CPI)*}}{210.5 \text{ (CPI from 2006)}}$	=	2019 limit**
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\* As forecast in the DOF Consumer Price Index Forecast, May Revise, dated April 2018.

\*\* Rounded to the nearest \$100.

**C. Regulation 18545. Current per year contribution limits and voluntary expenditure ceiling amounts.**

Regulation 18545 states the current per year contribution limits and voluntary expenditure ceiling amounts and applicable time period. Proposed Regulation 18545 amends these limits and amounts to reflect the required cost of living adjusted limits for calendar years 2019 to 2020. Proposed language also updates the applicable time periods.

Using the above formulas and CPI figure, the COLA adjusted amounts are summarized in the following tables:

Campaign Contribution Limits	2001 Limit	Existing Amount	Adjusted Amount 2019-2020
Assembly, Senate, CalPERS/CALSTRS	\$3,000	\$4,400	\$4,700
Statewide, other than Governor	\$5,000	\$7,300	\$7,800
Governor	\$20,000	\$29,200	\$31,000

Small Contributor Committee* Limits <small>*defined in Section 85203</small>	2001 Limit	Existing Limit	Adjusted Limit 2019-2020
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Assembly, Senate, CalPERS/CALSTRS	\$6,000	\$8,800	<b><i>\$9,300</i></b>
Statewide, other than Governor	\$10,000	\$14,600	<b><i>\$15,500</i></b>
Governor	\$20,000	\$29,200	<b><i>\$31,000</i></b>
PAC for State Candidates Section 85303(a)	\$5,000	\$7,300	<b><i>\$7,800</i></b>
Political Party Committees for State Candidates Section 85303(b)	\$25,000	\$36,500	<b><i>\$38,800</i></b>

<b>Voluntary Expenditure Ceilings</b>	<b>2001 Limit</b>	<b>Existing Limit</b>	<b>Adjusted Limit 2019-2020</b>
Assembly, Primary	\$400,000	\$584,000	<b><i>\$620,000</i></b>
Assembly, General	\$700,000	\$1,021,000	<b><i>\$1,085,000</i></b>
Senate, Primary	\$600,000	\$875,000	<b><i>\$930,000</i></b>
Senate, General	\$900,000	\$1,313,000	<b><i>\$1,395,000</i></b>
Board of Equalization, Primary	\$1,000,000	\$1,459,000	<b><i>\$1,550,000</i></b>
Board of Equalization, General	\$1,500,000	\$2,188,000	<b><i>\$2,326,000</i></b>
Other Statewide, Primary	\$4,000,000	\$5,835,000	<b><i>\$6,201,000</i></b>
Other Statewide, General	\$6,000,000	\$8,753,000	<b><i>\$9,302,000</i></b>
Governor, Primary	\$6,000,000	\$8,753,000	<b><i>\$9,302,000</i></b>
Governor, General	\$10,000,000	\$14,588,000	<b><i>\$15,503,000</i></b>

<b>Officeholder Account Contribution Limits</b>	<b>2007 Limit</b>	<b>Existing Limit</b>	<b>Adjusted Limit 2019-2020</b>
Assembly, Senate	\$3,000	\$3,600	<b><i>\$3,900</i></b>
Statewide, other than Governor	\$5,000	\$6,000	<b><i>\$6,400</i></b>
Governor	\$20,000	\$24,200	<b><i>\$25,700</i></b>

<b>Aggregate* Officeholder Contribution Limits</b> <small>*Total amount of contributions allowed from all sources per Section 85316(b).</small>	<b>2007 Limit</b>	<b>Existing Limit</b>	<b>Adjusted Limit 2019-2020</b>
Assembly, Senate	\$50,000	\$60,600	<b><i>\$64,400</i></b>
Statewide, other than Governor	\$100,000	\$121,100	<b><i>\$128,700</i></b>
Governor	\$200,000	\$242,300	<b><i>\$257,500</i></b>

#### IV. Amendments to Regulations 18700, 18730, and 18940.2: Gift Limit Adjusted to \$500<sup>5</sup>

Section 89503(f) charges the Commission with adjusting the gift limitation, and states:

(f) Beginning on January 1, 1993, the Commission shall adjust the gift limitation in this section on January 1 of each odd-numbered year to reflect changes in the Consumer Price Index, rounded to the nearest ten dollars (\$10).

Regulation 18940.2(a) states the gift limit amount and the applicable time period:

(a) For purposes of Section 89503, the adjusted annual gift limit amount in effect for the period January 1, 2017, to December 31, 2018, is \$470.

The following formula is used to calculate the adjusted gift limit:

$$\begin{array}{rcccl} \text{Applicable Limit} & & 271.0 \text{ (2018 Annual CPI)*} & & \\ \text{1990} & \times & \frac{\quad}{\quad} & = & \text{2019 limit**} \\ \text{(\$250)} & & 135 \text{ (CPI from 1990)} & & \end{array}$$

\* As forecast in the DOF Consumer Price Index Forecast, May Revise, dated April 2018.

\*\* Rounded to the nearest \$10.

Using the above formula, and the Department of Finance 2018 estimated CPI figure, the gift limitation amount for January 1, 2019 through December 31, 2020 will be \$500. This is an increase of \$30 from the prior two-year period. Regulations 18700, 18730, and 18940.2 are amended to reflect the adjusted gift limit with approval of this item.

Attached Proposed Amendments:

- Regulation 18545
- Regulation 18700
- Regulation 18730
- Regulation 18940.2

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<sup>5</sup> Section 89503, gift limits, was originally added by Stats. 1990, c. 84. The base year figure for this limitation is from year 1990.