

## **LEGISLATIVE DIGEST**

[Campaign and Governmental Conduct Code - Campaign Public Financing Expenditure Ceilings and Reporting Requirements, and Campaign Contribution Limits]

**Ordinance amending the Campaign and Governmental Conduct Code to modify the public financing program for candidates for Mayor and Board of Supervisors by replacing the current process of continuous adjustments of individual expenditure ceilings to a “one-and-done” approach in which the ceiling is removed for all candidates within the race once certain spending reaches a specified amount, and adjusting reporting requirements; raise the campaign contribution limit from \$500 to \$1,000 and authorize the Ethics Commission to adjust the contribution limit going forward for changes in the Consumer Price Index; and allow the Ethics Commission to designate the website to be used in campaign advertisement disclaimers.**

### **Existing Law**

San Francisco implemented a limited public campaign financing program after the 2000 election to address concerns about the role of money in campaigns and politics. Under the program administered by the Ethics Commission, candidates for the Office of Mayor and the Board of Supervisors who qualify and meet program eligibility requirements may receive public funds. To participate, candidates must agree to adhere to campaign spending limits. The initial individual expenditure ceiling (IEC) for Supervisorial candidates is \$350,000, and the initial IEC for Mayoral candidates is \$1.7 million. These initial IEC levels have not been adjusted since 2019. The ceilings, however, may be incrementally raised during the course of a campaign to allow candidates subject to the limit to respond when independent expenditures and opponent fundraising exceed the candidate’s current IEC. This process of incrementally adjusting each candidate’s IEC can continue indefinitely, requiring ongoing reporting by candidates and ongoing adjustments by Ethics Commission auditors.

As permitted under the California Political Reform Act, San Francisco has adopted by ordinance a local contribution limit of \$500. This limit has remained unchanged since 2000.

Campaign and Governmental Conduct Code Sections 1.161 and 1.162 require campaign advertisements to contain a disclaimer with the language “Financial disclosures are available at sfethics.org.”

### **Amendments to Current Law**

These amendments adopt a “one-and-done” mechanism to adjust the expenditure ceiling, similar to that applied in other comparable jurisdictions. To trigger the lifting of the applicable expenditure ceiling, non-participating candidates would be required to file a notice with the Ethics Commission within one business day of receiving contributions, or making

expenditures, that aggregate to 75 percent or more of the applicable expenditure ceiling total. Additionally, Staff would monitor the level of independent expenditures made in a race to determine when independent spending exceeds 75 percent of the current ceiling. Lifting the applicable ceiling when these 75 percent thresholds are passed will allow participating candidates to have sufficient lead time before they are surpassed by independent expenditures or spending by non-participating candidates. Once a 75 percent specified threshold has been passed that indicates a change to an expenditure ceiling is warranted, all candidates in the race would be permanently released from the applicable expenditure ceiling for the remainder of the election. In conjunction with these changes, the existing threshold reporting requirements would be adjusted to reflect that this ongoing reporting is no longer necessary.

This amendment will also adjust the contribution limit from \$500 to \$1,000 to reflect changes to the California Consumer Price Index, and will add a mechanism for the Ethics Commission to regularly adjust the limit to the nearest \$100, similar to how the State makes periodic adjustments to its limit.

Finally, this amendment updates the disclaimer requirements in anticipation of the transition to a different web domain for the Ethics Commission to comply with 2023 state legislation requiring that cities and counties must maintain websites that utilize a “.gov.” or “.ca.gov” domain by January 1, 2029.

### Background Information

The proposed amendments to the Campaign and Governmental Conduct Code must be approved by the Ethics Commission by a supermajority vote of at least four members of the Commission, and approved by a supermajority vote of at least eight members of the Board of Supervisors.

In its current form, the IEC mechanism has been found to be ineffective at limiting candidate spending, while imposing high administrative costs on Ethics Commission Staff and participating committees. There is strong evidence that the current model of perpetual IEC raising does not significantly limit candidate spending, as candidates are frequently able to spend all their available funds, without ever hitting against their IEC. For the 2024 election, there were 295 IEC increases — of which only 12 impacted a candidate’s ability to make expenditures. In all other instances, spending by opponents and third parties entitled candidates to an IEC increase even though they had not yet raised sufficient funds to be able to make expenditures up to their current IEC level.

Given that the current IEC mechanism is not achieving its intended purpose, and in line with feedback received from candidates and their treasurers, Ethics Commission Staff have determined that the burden it imposes on participating candidates is not justified. In line with those findings, Ethics Commission Staff proposed changes to the current program to reflect a shift to a “one and done” expenditure ceiling model similar to those used in other jurisdictions.

San Francisco's current contribution limit of \$500 was set in 2000 and has not been adjusted since (Ord. 71-00). Given that adjustments for inflation allow for an accurate understanding of the current real value of money and the rising costs of campaigns means that candidates need to raise more funds to achieve their campaign goals, it is an appropriate time to adjust the City's limits for inflation. Increasing the City's limit from \$500 to \$1,000 would keep it comparable to other local jurisdictions, such as Los Angeles, which recently increased its limit to \$1,000. In 2024, the average contribution limit among California cities with their own local contribution limits was \$777. The new amount of \$1,000 would also still be significantly less than the current State limit of \$5,900.

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