



# Do Contribution Limits Increase IEs?

## *State Regulation of Local Campaign Finance and its Impact on Independent Expenditures*

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Prepared for California Common Cause  
December 14, 2023



### Executive summary

This report analyzes the impacts of Assembly Bill 571, which set default contribution limits for all local elections in California. We compare campaign spending during the 2018 and 2022 elections to evaluate whether the new limits caused an increase in independent expenditures. Looking at a sample of large- and medium-population cities in California, we find no evidence that independent expenditures have increased among cities affected by AB 571. At the same time, a comparison group of cities that were unaffected by AB 571 did see an increase in independent spending. These findings suggest that the new contribution limits have not led to a change in independent expenditures, though the sample size is small.

### Background

Before 2021, local governments in California set their own campaign contribution limits for local political races. Many did not set any limits at all. As of 2016, less than a quarter of cities (109 cities) had limits on contributions, with per-election amounts ranging from \$100 to \$4,200.<sup>1</sup>

In 2019, the California state legislature adopted Assembly Bill 571 (Stats. 2019, Ch. 556, AB 571 Mullin), which set “default” contribution limits for local elections. In all cities and counties where there was not already a local contribution limit, donors would be restricted to a maximum of \$4,700 per candidate per election.<sup>2</sup> Cities that

<sup>1</sup> Nicolas Heidorn, “No Limits: Campaign Contributions in Local Elections” (Common Cause), accessed October 1, 2023, <https://www.commoncause.org/california/wp-content/uploads/sites/29/2018/06/CA-Contribution-Limits-Report-Apr-2016.pdf>.

<sup>2</sup> This amount is the same as the contribution limit for candidates in state legislative races. It adjusts biennially to the consumer price index. <https://www.fppc.ca.gov/learn/campaign-rules/state-contribution-limits.html>

already had their own contribution limits were not affected.<sup>3</sup> The bill went into effect in January 2021.

While contribution limits enjoy broad support among the public, critics have raised concerns about their potential unintended consequences, arguing that limits on contributions simply lead donors to funnel their money into independent spending. Unlike contributions, independent expenditures cannot be legally limited or prohibited according to U.S. Supreme Court precedent. Such spending is often considered to be less accountable and less transparent than contributions to and spending by candidates.<sup>4</sup>

## Methodology

In order to analyze the impact of AB 571, we track election spending in California cities between the 2018 elections and the 2022 elections, the first election after the law went into effect.<sup>5</sup> We compare the trend in cities affected by AB 571 to the trend in cities unaffected by AB 571 to ensure that any changes were not caused by unrelated factors like statewide political trends.

Due to the challenges of collecting data about local campaign finance, we focused data collection on the largest cities, where we would most expect to see the impacts of the new limits. The sample includes cities with a population of over 150,000 where data was available<sup>6</sup>, as well as a sample of cities with populations between 50,000 and 150,000.

For each city in the sample, we matched a “control city” with similar government structure (at-large vs. district elections, strong mayor vs. council-manager system), population size, and level of independent expenditures per candidate at baseline. These control cities had contribution limits in affect both before and after the passage of AB 571, with amounts ranging from \$250 to \$1,650 per election, and were unaffected by its passage.

We collected data from publicly available Fair Political Practices Commission filings, recording the amount of spending or contributions for the calendar year that included the election.<sup>7</sup> A full list of the matched sample cities and descriptive statistics can be found in the Appendix.

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3 The bill does not preempt cities from setting their own limits that are lower or higher than that statewide default. After the passage of AB 571, 33 cities subsequently passed ordinances setting their own campaign finance limits (17 with higher or no limits, the rest with lower limits). These cities have been excluded from analysis.

4 *For example:* Ben Christopher and Sameea Kamal, “A Gusher of Campaign Cash: Industry Groups Give Big in California Legislative Races,” *CalMatters*, November 3, 2022, <http://calmatters.org/politics/2022/11/california-campaign-finance-industry-legislature/>.

5 A few cities use off-year elections for city positions. For these cities, we collected data for the 2017/2021 election and for the 2019/2023 elections.

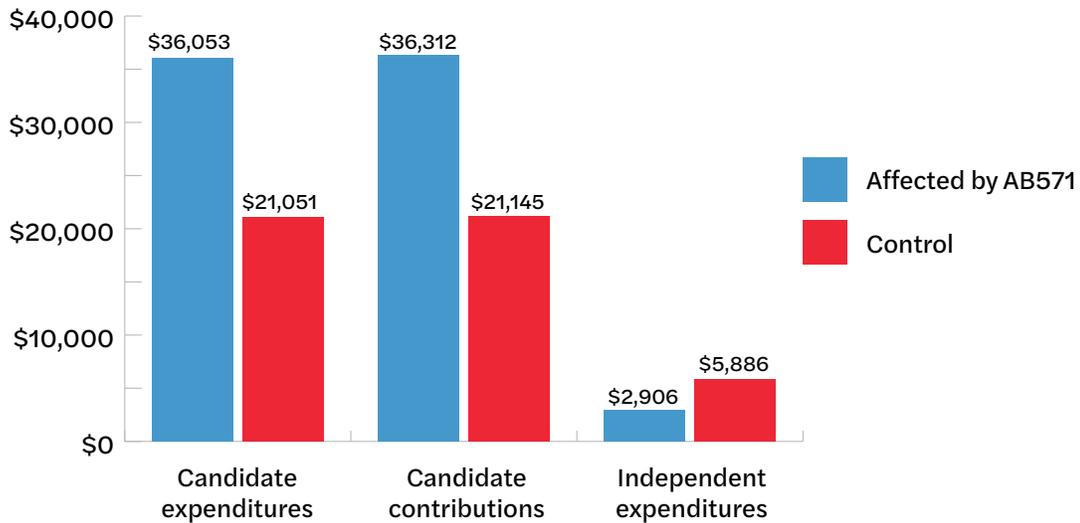
6 Starting in 2021, cities were required to post campaign finance forms on their website (Stats. 2020, Ch. 214, AB 2151 Gallagher). However, posting campaign finance information from prior elections remains optional, and we were unable to collect data from cities without forms from the 2018 election.

7 We used data only from races that recurred across both election years (e.g., money spent running for the Council District 1 seat in 2018 and 2022).

## Descriptive statistics

**Average spending and contributions.** Across the two election periods, the average candidate spent about \$28,552, while there was an average of \$4,396 per candidate in independent expenditures. The cities that were affected by AB 571 had higher candidate contributions and expenditures over the two years. This difference may be explained by the fact that the control cities had stricter contribution limits in place during both election cycles, but could also reflect differences in political culture or election competitiveness between the two groups of cities.

Average Campaign Spending and Contributions (matched sample)



**Spending across cities and elections.** The amount of independent expenditures varied widely. Nearly half of all races (46%) had no independent expenditures at all. Every election, with the exception of Lake Forest in 2018, had more candidate spending than independent expenditures. (For a complete list of cities in this study, see this report’s Appendix.)

### City Elections with Highest Independent Expenditures per Candidate

City	Election year	Number of candidates	IEs per candidate	Ratio of IEs to candidate spending
Chula Vista	2022	20	\$56,194	0.88
Sacramento	2022	13	\$28,821	0.29
Lake Forest	2018	5	\$23,877	2.29
Encinitas	2018	6	\$8,466	0.47
San Bernardino	2022	15	\$7,763	0.11
Chula Vista	2018	14	\$7,498	0.23
Alameda	2022	9	\$7,365	0.35
Oceanside	2022	10	\$6,639	0.32
West Covina	2022	12	\$5,087	0.57
Encinitas	2022	10	\$4,730	0.26

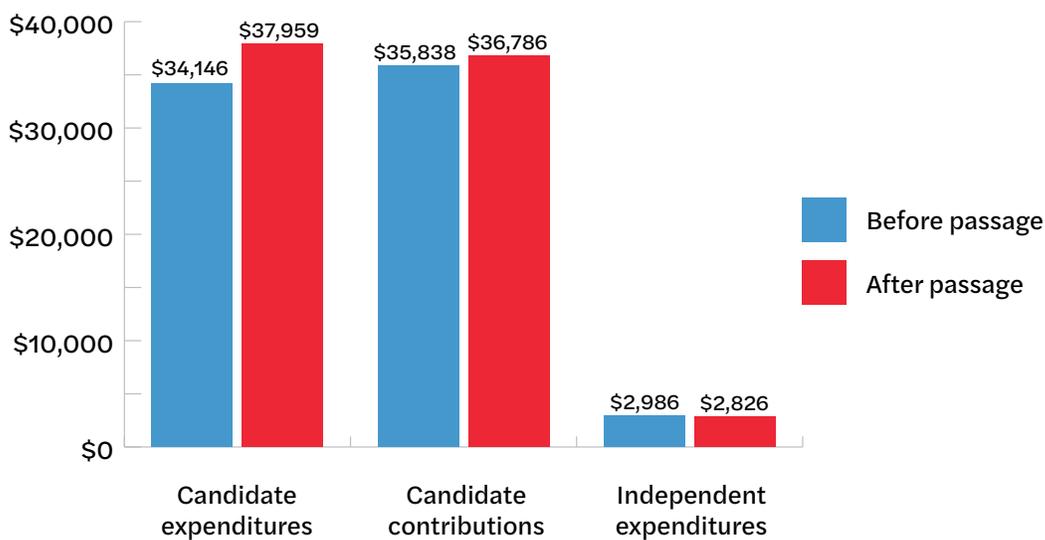
The number of candidates per election ranged from two to twenty. On average, the cities affected by AB 571 and the control cities had about the same number of candidates per open seat (2.9). However, the control cities had more seats open for election (3.3 vs. 2.5).

The elections with the highest independent expenditures per candidates also tended to have high numbers of candidates running for office, probably reflecting that these elections were more competitive. Because there was variation in the number of candidates and the number of seats up per election, the analysis below discusses the amount of spending or contributions per candidate to allow for direct comparison.

## Impacts of AB 571

**Independent expenditures changed very little among cities affected by AB 571.** In the election before the passage of AB 571, committees in treated cities spent an average of \$2,986 per candidate in independent expenditures. After the law went into effect, they spent an average of \$2,826. The chart below shows spending and contributions before and after the passage of AB 571 in these cities.

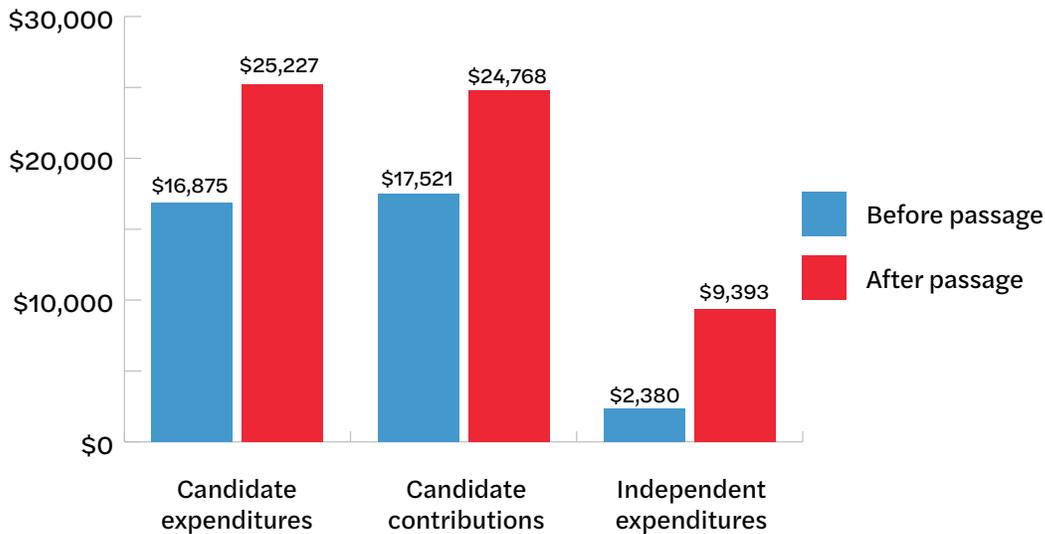
Change in Spending and Contributions (affected cities)



Candidate contributions and expenditures among cities affected by AB 571 also stayed relatively steady, though expenditures appear to have gone up slightly. This may suggest that the new contribution limit is not binding for most contributors in these cities, since we might expect to see a reduction in contributions if donors were changing their behavior in response. However, more analysis with contributor-level data would be required to draw conclusions about how AB 571 affected individual contributions.

**Cities not affected by AB 571 did see an increase in independent expenditures.** Before the passage of AB 571, committees in cities that already had contribution limits spent an average of \$2,380 per candidate, which more than doubled to \$9,383 per candidate in the following election. These cities also saw candidate contributions and expenditures increasing, so this may suggest a larger trend of more competitive elections among these cities.

## Change in Spending and Contributions (control cities)



### Discussion

This analysis suggests that new local contribution limits have not led to an increase in independent expenditures among large cities in California. Cities affected by the new limits saw no increase in independent spending. There were increases in independent spending only among cities unaffected by AB 571.

There are several sources of uncertainty in this data. This is a small sample size (n=22) due to the lack of available data for many cities, and most of the differences displayed in this report do not reach statistical significance. However, expanding the sample would require including cities with smaller populations, which may be even less likely to see impacts from AB 571 limits.

In addition, these conclusions may not generalize to elections with lower contribution limits. The limits imposed by AB 571 are relatively high—a donor giving the \$4700 maximum to the average candidate in this data would be funding about a quarter of their total campaign budget—and may not be binding for many contributors. It is not clear that the same would be true for elections with stricter contribution limits. More analysis would be required to understand how AB 571 affected individual donors and how lower limits may operate in other contexts.

## Appendix

### Cities Included in Matched Sample

<b>Affected by AB 571</b>	<b>Control cities</b>
Alameda	Dublin
Bakersfield	Sacramento
Chino Hills	Watsonville
Eastvale	Santee
Lake Forest	Encinitas
Oceanside	Santa Rosa
Rancho Cucamonga	Fremont
San Bernardino	Chula Vista
Santa Barbara	Redondo Beach
Sunnyvale	West Covina
Tracy	Milpitas

### Matched City Sample Descriptive Statistics

	<b>Affected by AB 571 (n=11)</b>	<b>Control cities (n=11)</b>
Mean population (2020)	147,623	156,149
Mean IEs per candidate at baseline	\$2,986	\$2,326
Mean races per year	2.5	3.3
Mean percentage white (2020)	36.0%	36.5%
Mean percentage Hispanic (2020)	35.0%	31.0%
Mean median income (2019)	\$92,883	\$99,112
Proportion in northern California	27%	45%