



AGENDA NO: 8.d

MEETING DATE: October 14, 2025

Staff Report

TO: Honorable Mayor and City Council **DATE:** October 7, 2025

FROM: Brian J. Stack, City Attorney
Dana Swanson, City Clerk

SUBJECT: Discussion and Request for Direction Regarding Potential to Establish Local Campaign Finance Contribution Limits

RECOMMENDED ACTION

Discuss and give direction to staff regarding the potential development and adoption of an Ordinance establishing local campaign finance contribution limits.

ALTERNATIVES

Do not take action to establish local campaign finance contribution limits.

FISCAL IMPACT

If the Council decides to pursue adoption of local campaign contribution limits, the initial preparation and adoption of an ordinance would be supported by the General Fund and expected to be absorbed under existing budget authority. However, administration and enforcement of any local campaign contribution rules would become the responsibility of the City and involve additional staff time reviewing campaign statements to ensure contribution limits are adhered to. Should violations occur, the Fair Political Practices Commission ("FPPC") would play no role in enforcement absent a separate agreement with the City. Costs for enforcement will vary depending on the enforcement procedures established, including whether the City contracts with the FPPC for enforcement services.

BACKGROUND

At its regular meeting on December 10, 2024, the Council requested a future discussion item regarding campaign contribution limits. During the previous general election in November 2024, a local initiative measure resulted in a large influx of cash and in-kind contributions. Prior to 2021, there were no campaign contribution limits on local political races unless the jurisdiction established their own limits. Like Morro Bay, many local jurisdictions did not have local contribution limits. In January 2021, AB 571 became effective which established default limits on contributions to candidates for local office. Local jurisdictions could still establish their own limits, but if they did not the state limits would apply by default.

DISCUSSION

State campaign contribution limits for City elected offices currently apply by default under [AB 571](#)

Prepared By: <u>DS/BS</u>	Dept Review: _____
City Manager Review: <u>AL</u>	City Attorney Review: <u>BS</u>

because the City has not established local campaign contribution limits. The default campaign contribution limit is updated biennially for inflation. For 2025-2026, the limit for local candidates is \$5,900 per election. This limit does not apply to a candidate's contribution of personal funds to their controlled committee because of First Amendment related concerns. There is a \$100,000 cap on personal loans from a candidate to their controlled committee, unless the local jurisdiction establishes their own contribution limits.

Local jurisdictions may establish campaign contribution limits for candidate-controlled committees but such limits must comply with constitutional protections under the First Amendment and applicable state constitutional provisions. Established case law allows for limitations on direct campaign contributions to further the governmental interest in preventing corruption or undue influence but prohibits limiting independent expenditures (i.e. contributions/spending not authorized by any candidate or committee) because of concerns related to the freedom of speech and right of association protected under the First Amendment. In addition, campaign finance requirements generally need to apply to residents and non-residents alike to avoid violations of the dormant commerce and equal protection clauses of the federal constitution.

While the City can enact campaign contribution limits for candidate controlled committees, established case law provides that contributions and expenditures made to or by committees formed to support or oppose local ballot measures generally cannot be limited because there is less compelling governmental interest in regulating such contributions to prevent actual or apparent corruption of candidates (i.e. pay-for-play) as there is with candidate controlled committees. Additionally, under California law, recall measures are considered to be ballot measures and, therefore, committees formed to support or oppose recalls may be considered ballot measure committees that are not subject to campaign contribution limits unless there is compelling governmental interest demonstrated to prevent pay-for-play related concerns similar to candidate committees.

Under state law, candidates for local elected office and committees supporting or opposing local ballot measures must file periodic campaign disclosure statements. There are also reporting requirements for independent expenditures, however established case law protects the right to speak anonymously, which includes the right to contribute funds to be used for speech anonymously. Reporting requirements may be simplified depending on the local contribution limit, for example, a contribution of \$1,000 or more require campaigns to file 24-hour contribution Form 497 reports and a contribution exceeding \$500 limit require candidate disclosure and recusal for pending land use entitlements under [Government Code section 84308](#).

Staff's research indicates, as of 2024, approximately 42 cities statewide have adopted local campaign contribution limits, most of them at \$500 or lower. In San Luis Obispo County, two cities have adopted local limits. The City of San Luis Obispo has a \$250 limit on campaign contributions to candidates. Pismo Beach adopted a local ordinance which places no limits on campaign contributions to candidates or ballot measures. For historical context, below is a chart showing the maximum monetary and in-kind contributions by a single contributor (not including candidate personal contributions) to a candidate-controlled committee in recent City elections.

Max monetary contribution by single contributor (excluding candidate's personal funds)	
Election Yr	Amount
2014	\$ 1,000
2016	\$ 500
2018	\$ 2,500
2020	\$ 1,999
2022	\$ 4,900
2024	\$ 5,000

Alternatives for Council consideration include:

1. Continue to operate under the default State limits established by AB 571; or
2. Direct staff to prepare an ordinance establishing campaign contribution limits for candidate-controlled committees, including direction on potential contribution limits and enforcement mechanisms and resources. Potential options for contribution limits include:
 - a. A limit below \$1,000 would simplify reporting requirements as there would be no need for treasurers to prepare, or the City to accept, 24-hour contribution reports (Form 497)
 - b. A limit below \$500 would avoid mandatory disclosure and recusal requirements related to land use entitlements under Government Code section 84308.
 - c. No campaign contribution limits apply to candidate controlled committees.

CONCLUSION/RECOMMENDATION

It is recommended that Council discuss and give direction to staff regarding the potential development and adoption of an Ordinance establishing local campaign finance contribution limits.

ATTACHMENTS

None