

# 2005

# COST INDEX REPORT

---

---



**December, 2004**



State of New Jersey

**ELECTION LAW ENFORCEMENT COMMISSION**

JERRY FITZGERALD ENGLISH  
Chair

PETER J. TOBER  
Vice Chair

ALBERT BURSTEIN  
Commissioner

THEODORE Z. DAVIS  
Commissioner

Respond to:  
P.O. Box 185  
Trenton, New Jersey 08625-0185

(609) 292-8700 or Toll Free Within NJ 1-888-313-ELEC (3532)

Website: <http://www.elec.state.nj.us/>

FREDERICK M. HERRMANN, Ph.D.  
Executive Director

JEFFREY M. BRINDLE  
Deputy Director

NEDDA G. MASSAR  
Legal Director

EVELYN FORD  
Compliance Director

JAMES P. WYSE  
Counsel

**December, 2004**

**Dear Members of the Legislature:**

This “2005 Cost Index Report” is presented to you in response to the Commission’s statutory responsibility to make inflationary adjustments to the limits and thresholds in the New Jersey Campaign Contributions and Expenditures Reporting Act, N.J.S.A. 19:44A-1 et seq., for gubernatorial and non-gubernatorial candidates and committees. The Commission therefore reports its calculation of the changes applicable to all candidates and committees for the four-year period beginning in 2005. The Commission is aware that legislation was recently enacted that altered some of the contribution limit increases described in this report.

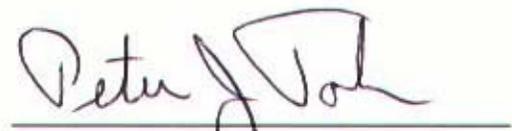
The Commission believes that the quadrennial campaign cost adjustment process is essential to ensure the continued viability of New Jersey’s gubernatorial Public Financing program and the ability of non-gubernatorial candidates and committees to be effective and active participants in elections.

The Commission is proud to again offer this report in its continuous effort to serve the citizens of New Jersey.

Respectfully,



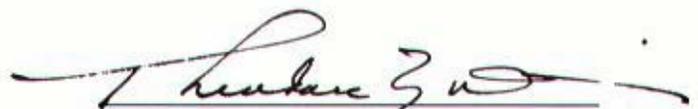
Jerry Fitzgerald English  
Chair



Peter J. Tober  
Vice Chair



Albert Burstein  
Commissioner



Theodore Z. Davis  
Commissioner

---

---

# ACKNOWLEDGEMENTS

Preparation of the 2005 Cost Index Report, the fourth presented by the Commission, rests upon past as well as current Commission efforts. The historical analysis by the Commission and the staff of the gubernatorial public financing program of gubernatorial elections from 1977 through 2001 is the necessary foundation for this work. The Commission therefore wishes to acknowledge the efforts of all those staff members, past and present, whose work is reflected here.

Director of Public Financing Amy Davis compiled this study. Her efforts to plan for the gubernatorial public financing program for 2005, including the preparation of this report, have been outstanding. The support provided by Legal Director Nedda G. Massar, who was responsible for administration of the program from 1989 through 2001, was of great assistance. The Cost Index Reports previously published by the Commission in 1992, 1996, and 2000, have contributed to the success of New Jersey's nationally acclaimed gubernatorial public financing law.

The Commission's 1988 "Gubernatorial Cost Analysis Report" prepared by Commission Deputy Director Jeffrey M. Brindle was the theoretical and analytical foundation for this document. His support and the review, editorial direction, and guidance provided by Executive Director Frederick M. Herrmann helped to make this latest report possible.

Economic data was graciously provided to the Commission by Robert Coen, Senior Vice President and Director of Forecasting of Universal-McCann, Inc.

Without the talents of Administrative Assistant Elbia Zeppetelli, this text could never have been produced in its polished, professional fashion.

For further information about gubernatorial public financing in New Jersey and related campaign finance issues, the Commission recommends the "COGEL Campaign Financing and Lobbying Bibliography" compiled by Executive Director Herrmann.

---

---

---

# TABLE OF CONTENTS

	Page No.
<b>INTRODUCTION.....</b>	<b>1</b>
Adjustments for Gubernatorial Public Financing Candidates .....	2
Adjustments for Non-gubernatorial Candidates and Committees .....	3
Adjusted Contribution Limits for Non-gubernatorial Candidates and Committees .....	4
<b>COMPONENTS OF THE 2005 NEW JERSEY CAMPAIGN COST INDEX.....</b>	<b>5</b>
Table I      Major Expenditure Components as a Percentage of Total Campaign Expenditures: 1973-2001 Gubernatorial General Elections .....	6
Table II     Comparison of Expenditures by Type of Expenditure for 1997 and 2001 General Election Gubernatorial Publicly-Funded Candidates .....	8
<b>MEASURING THE CHANGE IN COMMUNICATION COSTS .....</b>	<b>9</b>
Table III    Cost-Per-Thousand Mass Communication Percentage Increases.....	11
<b>MEASURING THE CHANGE IN OTHER CAMPAIGN COSTS .....</b>	<b>12</b>
Table IV    Consumer Price Index for All Urban Consumers: Monthly Index Number for December .....	13
<b>CALCULATION OF THE 2005 CAMPAIGN COST INDEX .....</b>	<b>14</b>
<b>PUBLIC COMMENT CONCERNING THE PROPOSED 2005 COST INDEX ADJUSTMENTS.....</b>	<b>19</b>
<b>COMMISSION RESPONSE TO THE PUBLIC COMMENT .....</b>	<b>20</b>
<b>CONCLUSION .....</b>	<b>20</b>
<b>APPENDIX – CONTRIBUTION LIMITS FOR NON-GUBERNATORIAL CANDIDATES AND COMMITTEES PURSUANT TO S-27.....</b>	<b>22</b>

---

## INTRODUCTION

The New Jersey Election Law Enforcement Commission (the Commission) has for the fourth time calculated the statutorily-required New Jersey Campaign Cost Index (NJCCI) which is used to adjust various limits and reporting thresholds contained in the New Jersey Campaign Contributions and Expenditures Reporting Act, N.J.S.A. 19:44A-1, et seq., (the Act). The Commission is statutorily mandated to “establish an index reflecting the changes occurring in the general level of prices of particular goods and services ... directly affecting the overall costs of election campaigning in this State”; see N.J.S.A. 19:44A-7.1b. The Commission must use that index to adjust on a quadrennial basis various limits and thresholds which apply to publicly-financed gubernatorial elections; see N.J.S.A. 19:44A-7.1c. Amendments to the Act enacted in 1993 require that the same cost index calculated for the gubernatorial public financing program be applied also to limits and thresholds applicable to non-gubernatorial candidates, candidate committees, joint candidates committees, political committees, continuing political committees, political party committees, legislative leadership committees, and other entities; see N.J.S.A. 19:44A-7.2.

The Commission is required to determine the cost index and make necessary adjustments no later than December 1st of a year preceding a gubernatorial general election. The Commission is also directed to report its adjustments to the Legislature not later than December 15th of the year preceding a gubernatorial general election. To fulfill its statutory obligation, the Commission applied the 2005 NJCCI to the provisions of the Act and proposed the adjustments as amendments to its regulations which were published in the New Jersey Register on September 7, 2004. The Commission conducted a public hearing on the Cost Index changes on September 22, 2004. This 2005 Cost Index Report will describe the derivation of the NJCCI, summarize public reaction to the 2005 NJCCI, and offer the Commission’s response.

The Commission notes that at the time of publication of this report, legislation was enacted that altered some of the increased contribution limits described in the following pages. The modified contribution limits are set forth in the Appendix to this report.

---

## 2005 Cost Index Report

---

As reported in the “1993 Gubernatorial Cost Index Report” (December, 1992), the Commission first conducted the statutory quadrennial cost adjustment process in preparation for the 1993 gubernatorial primary and general elections. By increasing the gubernatorial limits and thresholds in response to inflation, the Commission noted that “[t]he automatic adjustment process introduces certainty and financial responsiveness into the gubernatorial public financing cycle.”<sup>1</sup> The Commission believes that application of the cost adjustment process to non-gubernatorial candidates and committees, as required by the 1993 amendments to the Act, and first implemented in 1997, similarly permits those entities to participate as consumers in a constantly changing economy with increasing technological and other costs.

Pursuant to its statutory mandate, and using the methodology described in the “Gubernatorial Cost Analysis Report” of June, 1988, and applied in calculating the 1993, 1997, and 2001 cost adjustments for gubernatorial and non-gubernatorial candidates and committees, the Commission has calculated the 2005 NJCCI and has determined that the campaign cost multiplier is **1.1385**.

Applying the 2005 cost index to the various limits and thresholds in the Act and rounding the results as required by the law (N.J.S.A. 19:44A-7.1b) produces the following adjustments for the four-year period beginning in 2005:

### ADJUSTMENTS FOR GUBERNATORIAL FINANCING CANDIDATES

<b>Limit/Threshold</b>	<b>2001 Amount</b>	<b>2005 Amount</b>
<i>Contribution Limit</i>	\$2,600.00	\$3,000.00
<i>Qualification Threshold</i>	\$260,000.00	\$300,000.00
<i>Amount Not Matched</i>	\$84,000.00	\$96,000.00
<i>Primary Public Fund Cap</i>	\$2,300,000.00	\$2,700,000.00
<i>Primary Expenditure Limit</i>	\$3,800,000.00	\$4,400,000.00
<i>General Public Fund Cap</i>	\$5,600,000.00	\$6,400,000.00
<i>General Expenditure Limit</i>	\$8,400,000.00	\$9,600,000.00

---

## 2005 Cost Index Report

---

### ADJUSTMENTS FOR NON-GUBERNATORIAL CANDIDATES AND COMMITTEES

Limit/Threshold	2001 Amount	2005 Amount
<i>Political Committee Reporting Threshold</i>	\$1,500	\$1,800.00
<i>Continuing Political Committee Reporting Threshold</i>	\$3,700	\$4,300.00
<i>Contribution Reporting Threshold</i>	\$400	\$300.00 <sup>1</sup>
<i>48-Hour Notice/Contribution Threshold</i>	\$800	\$1,000.00
<i>48-Hour Notice/Expenditure Threshold</i>	\$800	\$1,000.00
<i>Joint Candidates Committee Thresholds</i>	\$5,800 \$8,500	\$6,700.00 \$9,700.00
<i>Form A-3 Threshold</i>	\$3,700	\$4,300.00
<i>Form A-1 Threshold &amp; School Board/Write-in Threshold</i>	\$3,000	\$3,500.00
<i>Independent Expenditure Threshold</i>	\$800	\$1,000.00
<i>Section 20.1 Penalties</i>	\$4,300/8,500	\$6,000.00 <sup>2</sup> \$12,000.00
<i>Section 22 Penalties</i>	\$4,300/8,500	\$6,000.00 <sup>2</sup> \$12,000.00
<i>Pro rata Return of Contributions</i>	\$400	\$300.00 <sup>3</sup>

<sup>1</sup> Change mandated by P.L.2004, c.28.

<sup>2</sup> Change mandated by P.L.2004, c.32.

<sup>3</sup> Change made to conform to statutory contribution reporting threshold; see P.L.2004, c.28.

## 2005 Cost Index Report

### ADJUSTED CONTRIBUTION LIMITS FOR NON-GUBERNATORIAL CANDIDATES AND COMMITTEES

#### Entities Making Contributions

#### Entities Receiving Contributions

	<u>Candidate Committee</u>	<u>Political Committee</u>	<u>Continuing Political Committee</u>	<u>Legislative Leadership Committee</u>	<u>State Political Party Committee</u>	<u>County Political Party Committee</u>	<u>Municipal Political Party Committee</u>
Individual to:	\$2,600 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$29,000 per year	\$43,000 per year	\$8,200 per year
Corporation or Union to:	\$2,600 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$29,000 per year	\$43,000 per year	\$8,200 per year
Association or Group to:	\$2,600 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$29,000 per year	\$43,000 per year	\$8,200 per year
Candidate Committee to: (see N.J.A.C. 19:25-11.3)	\$8,200 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$29,000 per year	\$43,000 per year	\$8,200 per year
Political Committee to:	\$8,200 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$29,000 per year	\$43,000 per year	\$8,200 per year
Continuing Political Committee to:	\$8,200 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$29,000 per year	\$43,000 per year	\$8,200 per year
Legislative Leadership Committee to:	*	*	*	NO LIMITS	*	*	*
State Political Party Committee to:	*	*	*	NO LIMITS	*	*	*
County Political Party Committee to:	NO LIMITS, except those set forth in N.J.A.C. 19:25-11.7.						
Municipal Political Party Committee to:	*	*	*	NO LIMITS	*	*	*
National Political Party Committee to:	\$8,200 per election	\$8,200 per election	\$8,200 per year	\$29,000 per year	\$82,000 per year	\$43,000 per year	\$8,200 per year

**COMPONENTS OF THE 2005 NEW JERSEY CAMPAIGN COST INDEX**

The Commission based its calculation of the first NJCCI in 1993 upon the assumption that a gubernatorial campaign is a consumer of goods and services whose purchases can be studied and quantified. As a consumer, a campaign is subject to changes in the economy including inflationary changes.

Expenditure data reported by publicly-financed gubernatorial campaigns since 1973 has enabled the Commission to examine spending patterns and to identify trends in the campaigns' behavior. Spending by the 1997 gubernatorial general election campaigns maintained the steady shift observed since 1973 to concentration of gubernatorial campaign spending on mass communications to voters and away from spending on administrative, travel, and fundraising goods and services (Table I below). Since 1985, the New Jersey gubernatorial campaign consumer has spent over 80 percent of its campaign dollars on efforts to communicate its message to voters. This trend was maintained for 2001 with the percentage of spending devoted to communication to voters increasing slightly between 1997 and 2001 from 82.5 percent to 82.8 percent (Table I).

---

## 2005 Cost Index Report

---

**TABLE I**

**Major Expenditure Components as a Percentage of  
Total Campaign Expenditures: 1973-2001 Gubernatorial General Elections**

	<b>1973</b>	<b>1977</b>	<b>1981</b>	<b>1985</b>	<b>1989</b>	<b>1993</b>	<b>1997</b>	<b>2001</b>
Mass communication Expenditures	53.1%	62.3%	76.0%	83.9%	81.9%	81.7%	82.5%	82.8%
Other Expenditures (Including Administration, Travel, and Fundraising)	46.9%	37.0%	24.3%	15.8%	18.0%	18.3%	17.5%	17.2%

NOTE: Percentages may not total 100.0 because of rounding.

SOURCE: New Jersey Election Law Enforcement Commission Data; New Jersey Election Law Enforcement Commission, "New Jersey Gubernatorial Public Financing Revised: 1989 and Beyond," Table X, p. 90; "New Jersey Public Financing: 1985 Gubernatorial Elections," Table K, p. 44; and "New Jersey Public Financing: 1981 Gubernatorial Elections," Table 6.1, p. 6.7.

---

## 2005 Cost Index Report

---

Of the 82.8 percent spent on mass communication to voters, 2001 gubernatorial general election campaigns spent 53.0 percent of total campaign dollars to purchase broadcast media time (Table II below). There was a marked increase in the amounts spent in 2001 on printing and mailing of campaign literature (Table II). Spending by the 2001 campaigns on printing and mailing of campaign literature (13.7 percent) significantly increased from 1997 (3.7 percent). The total amount spent on voter communication in 2001 again represented the lion's share of gubernatorial spending.

As Table II below demonstrates, the proportion of 2001 campaign dollars devoted to expenditures exempt from the expenditure limit (7.2 percent) and to administrative costs (10.0 percent) closely paralleled the amounts spent in 1997 (8.0 percent and 9.5 percent, respectively).

Expenditure data from the 2001 gubernatorial general election demonstrated the continued existence of the same two key campaign spending components identified in the earlier elections: mass communications and all other campaign costs. These components formed the basis of the campaign cost index weighted formula first proposed in the Commission's 1988 "Gubernatorial Cost Analysis Report,"<sup>2</sup> and therefore continue as the foundation of the 2005 cost index calculation.

---

## 2005 Cost Index Report

---

<b>TABLE II</b>				
<b>Comparison of Expenditures by Type of Expenditure (Net)</b>				
<b>For 1997 and 2001 General Election Gubernatorial Publicly-Funded Candidates</b>				
<b>Type of Expenditure</b>	<b>1997 General- Net</b>	<b>Total Net%</b>	<b>2001 General- Net</b>	<b>Total Net%</b>
<b>Expenditures Exempt from Limit:</b>				
Candidate Travel	\$215,905.74	1.4	\$173,999.45	1.0
Food and Beverage/Fundraising	258,409.43	1.7	\$478,484.78	2.6
Election Night Activities	154,961.93	1.0	107,689.13	0.6
Compliance-Legal/Accounting	616,341.73	3.9	551,144.84	3.0
<b>Total Expenditures Exempt from Limit:</b>	<b>\$1,245,618.83</b>	<b>8.0</b>	<b>\$1,311,318.20</b>	<b>7.2</b>
<b>Expenditures Subject to Limit:</b>				
<b>Administration:</b>				
Telephone	\$174,225.42	1.1	\$52,813.24	0.3
Personnel/Taxes	606,775.34	3.9	\$842,111.10	4.7
Other	703,980.84	4.5	\$905,940.40	5.0
<b>Total Administration</b>	<b>\$1,484,981.60</b>	<b>9.5</b>	<b>\$1,800,865.00</b>	<b>10.0</b>
<b>Communication:</b>				
Media Time	\$11,028,402.33	70.4	\$9,593,616.80	53.0
Advertising Production	1,296,178.01	8.3	\$2,027,477.10	11.3
Newspaper Advertising	15,105.70	0.1	\$852,611.32	4.8
Printing Literature	233,875.97	1.5	\$212,841.77	1.2
Mailing Literature	347,080.16	2.2	\$2,212,007.70	12.5
<b>Total Communication Expenditures</b>	<b>\$12,922,592.42</b>	<b>82.5</b>	<b>\$14,898,554.96</b>	<b>82.8</b>
Total Expenditures by Others <sup>1</sup>	\$7,300.85	0.0	\$6,195.05	0.0
<b>Total Expenditures Subject to Limit</b>	<b>\$14,414,874.87<sup>2</sup></b>	<b>92.0</b>	<b>16,705,614.75<sup>3</sup></b>	<b>92.8</b>
<b>Total Campaign Expenditures</b>	<b>\$15,660,493.70</b>	<b>100.0</b>	<b>\$18,016,932.95</b>	<b>100.0</b>

<sup>1</sup>“In-kind” contributions

<sup>2</sup>The 1997 general election expenditure limit was \$6,900,000.00 per candidate

<sup>3</sup>The 2001 general election expenditure limit was \$8,400,000.00 per candidate

Based upon the consistent spending behavior of the gubernatorial campaigns from 1985 through 2001, the Commission has assumed that the mix of the mass communication and non-communication expenditure components for 2005 campaigns will be similar. The Commission

---

## 2005 Cost Index Report

---

has therefore used as its basis for calculation of the 2005 NJCCI the mix of communication and non-communication expenditures exhibited in 2001:

Mass communications expenditures:	82.8 percent
Other campaign expenditures:	<u>17.2</u> percent
	100.0 percent

Repeating its 2001 methodology, the Commission relied upon Universal McCann (formerly McCann-Erickson) Media Cost Indexes and Consumer Price Index (CPI) data to measure the magnitude of the change in costs between the 2001 and 2005 elections in the two expenditure categories: communication costs and other campaign costs.

### **Measuring the Change in Communication Costs**

Of the total amount spent in 2001, 78 percent of the expenditures were devoted to mass communication, television and radio advertising and production, and direct mail expenses (Table II). Seventy-Eight percent of all 2001 campaign expenditures were made to purchase television and radio time, produce advertising, and send campaign literature. Newspaper advertising accounted for 4.8 percent of expenditures. In total, the 2001 general election publicly financed gubernatorial campaigns spent 82.8 percent of all campaign dollars on mass communications.

---

## 2005 Cost Index Report

---

Therefore, in order to determine the magnitude of change since 2001 in costs associated with the mass communication component of the campaign cost index, the Commission again examined media cost data compiled by Universal-McCann, Inc., New York City. Universal-McCann and its predecessor, McCann-Erickson, have since 1945 maintained and indexed media advertising costs, including costs for television, radio, newspapers, magazines, outdoor media, and direct mail. McCann-Erickson data was used by the Commission in its 1984<sup>3</sup> and 1988<sup>4</sup> gubernatorial campaign cost analyses and in calculation of the 1993<sup>5</sup>, 1997<sup>6</sup>, and 2001<sup>7</sup> campaign cost indices.

The Universal-McCann Media Cost-Per-Thousand (CPM) Composite measures change in the cost to reach an audience of 1,000 individuals in media relevant to statewide campaigns in New Jersey.<sup>8</sup> Further, its use is appropriate because it specifically includes data for the New York and Philadelphia media markets, the media markets in which New Jersey statewide candidates must make purchases of television and radio time.

The media cost-per-thousand composite for the period 2000 to 2004 rose by 13.5 percent, reflecting increases in the costs of both broadcast and print media (Table III, below).<sup>9</sup> Costs associated with broadcast media did not increase as much as between 2000 and 2004 as they had in the preceding four years. This situation may be attributable to general economic conditions which saw decreased advertising expenditures following September 11, 2001. Costs associated with direct mail increased at a faster pace between 2000 and 2004 than they had between 1996 and 2000.

---

**2005 Cost Index Report**

---

<b>TABLE III</b>		
<b>Cost-Per-Thousand</b>		
<b>Mass Communication Percentage Increases</b>		
<b>Media Type Percentage</b>	<b>1996-2000 Percentage Increase</b>	<b>2000-2004 Increase<sup>1</sup></b>
<u>Broadcast</u>		
Network TV	42.3	22.3
Spot TV	30.9	15.2
Network Radio	27.9	1.0
Spot Radio	37.1	2.1
Cable TV	50.2	11.0
<u>Print</u>		
Newspapers	18.1	1.0
Magazines	24.2	16.8
Direct Mail	3.9	11.7
<u>Composite<sup>2</sup></u>	23.8	13.5

<sup>1</sup>Based upon mathematically projected index numbers for 2004

<sup>2</sup>Based on national and local budgets in nine media, including cable TV

Source: Universal McCann Cost Indexes (May, 2000 and August, 2003) Table III, Media Cost-Per-Thousand Indexes

### Measuring the Change in Other Campaign Costs

As it did in its prior analyses of gubernatorial campaign costs, the Commission relied upon the Consumer Price Indexes (CPI), maintained by the United States Bureau of Labor Statistics (BLS), to measure changes in gubernatorial campaigns' non-communication costs. As defined by the BLS, the CPI measures the average change in prices over time for a fixed "market basket" of goods and services purchased either by urban wage earners and clerical workers (CPI-W) or by all urban consumers (CPI-U). The CPI-U, which covers approximately 80 percent of the total population, is more representative of price changes in New Jersey than is the CPI-W which only covers data for 32 percent of the total population.

CPI data relevant to New Jersey are incorporated by the BLS into statistics for two geographic regions, New York - Northern New Jersey (NY/NJ) and Pennsylvania - New Jersey (PA/NJ). In this report the Commission has again relied upon CPI data for the NY/NJ and PA/NJ regions to measure the change in the campaign cost index component for campaign expenditures other than communications.<sup>10</sup> The Commission used CPI data for 2001 through 2003 for the NY/NJ and PA/NJ regions and used mathematically projected index numbers for December of 2004 to determine the percent increase in consumer prices for the two regions which included New Jersey (Table IV below).

---

## 2005 Cost Index Report

---

**TABLE IV**  
**Consumer Price Index for All Urban Consumers:**  
**Monthly Index Number for December<sup>1</sup>**

	<b>New York/New Jersey<sup>2</sup></b>	<b>Pennsylvania/New Jersey<sup>3</sup></b>
December, 2000 <sup>4</sup>	184.8	179.7
December, 2001	187.3	179.9
December, 2002	193.1	185.3
December, 2003	199.3	189.0
December, 2004 <sup>5</sup>	213.2	207.9
Percentage Change: 2000 to 2004	15.4	15.7

1. United States Bureau of Labor Statistics, Monthly Index Numbers - All Urban Consumers, July 16, 2004.
2. Includes 12 New Jersey counties: Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union.
3. Includes 6 New Jersey counties: Burlington, Camden, Cumberland, Gloucester, Mercer, and Salem. Three counties are not included in any region: Atlantic, Cape May, and Warren. Since 1998, data for the Pennsylvania/New Jersey region are provided only on alternate months.
4. Mathematical projection based upon average monthly increases in 2000.
5. Mathematical projection based upon average monthly increase for January through June, 2004.

---

## 2005 Cost Index Report

---

The percentage change in the two regional numbers was then weighted at a ratio of two-to-one to reflect the larger population in the NY/NJ region. The 15.4 percent change in the Index Number for the period 2000 to 2004 for the New York/New Jersey region was multiplied by two and added to the 15.7 percent change in the Index Number for the same period in the Pennsylvania/New Jersey region. The result of 46.5 percent was divided by three (3) to yield the weighted CPI-U of 15.5 percent for all of New Jersey. The Commission therefore found that the resulting increase in the CPI-U in New Jersey for campaign costs other than mass communications was 15.5 percent.

### CALCULATION OF THE 2005 CAMPAIGN COST INDEX

Using the indexes described above to determine the magnitude of change in costs for the two components of gubernatorial campaign spending, the Commission calculated the 2005 campaign cost index by applying the formula reported in the “1993 Gubernatorial Cost Index Report” (December, 1992)<sup>11</sup> and described in the June, 1988 “Gubernatorial Cost Analysis Report”<sup>12</sup> as follows:

Step 1. The 13.5 percent increase in media costs was applied to the proportion of all 2001 general election expenditures on mass communications, or 82.8 percent, to yield a Campaign Cost Index communication cost component of 11.18 ( $.828 \times 13.5 = 11.18$ ).

---

## 2005 Cost Index Report

---

Step 2. The 15.5 percent increase in the CPI was applied to the proportion of all 2001 general election expenditures on other campaign items, or 17.2 percent, to yield a Campaign Cost Index component for other costs of 2.67 (.172 x 15.5 = 2.67).

Step 3. The components for mass communications (Step 1) and other costs (Step 2) were combined as follows to indicate that campaign costs in New Jersey increased by 13.85 percent:

### 2005 Campaign Cost Index (NJCCI) Calculation

<b>EXPENDITURE CATEGORY</b>	<b>% OF 2001 GENERAL ELECTION SPENDING</b>	<b>FOUR-YEAR CHANGE IN COSTS</b>	<b>COMPONENT OF CAMPAIGN INDEX*</b>
Mass communication costs	82.8%	13.5	11.18
Other campaign costs	17.2%	15.5	2.67
<b>Campaign Cost Increase</b>			<b>13.85</b>

\*% of 2001 general election spending multiplied by four-year change in costs

The Commission therefore reports that the cost index multiplier for the limits and thresholds applicable to both publicly-financed gubernatorial campaigns and non-gubernatorial candidates and committees in 2005 is **1.1385**. Applying the 1.1385 index to the various gubernatorial public financing thresholds and caps and to the reporting thresholds and limits applicable to non-gubernatorial candidates and committees, and rounding off the results as required by the formula contained in the statute (N.J.S.A. 19:44A-7.1b), produces the following statutorily required adjustments for 2005:

---

## 2005 Cost Index Report

---

### 2005 Gubernatorial Cost Index Adjustments

<b>Limit/Threshold</b>	<b>2001 Amount</b>	<b>Cost Index Multiplier</b>	<b>Sum</b>	<b>2005 Rounded Amount (pursuant to <u>N.J.S.A. 19:44A-7.1b</u>)</b>
<i>Contribution Limit</i>	\$2,600.00	1.1385	\$2,960.10	\$3,000.00
<i>Qualification Threshold</i>	\$260,000.00	1.1385	\$296,010.00	\$300,000.00
<i>Amount Not Matched</i>	\$84,000.00	1.1385	\$95,634.00	\$96,000.00
<i>Primary Public Fund Cap</i>	\$2,300,000.00	1.1385	\$2,618,550.00	\$2,700,000.00
<i>Primary Expenditure Limit</i>	\$3,800,000.00	1.1385	\$4,326,300.00	\$4,400,000.00
<i>General Public Fund Cap</i>	\$5,600,000.00	1.1385	\$6,375,600.00	\$6,400,000.00
<i>General Expenditure Limit</i>	\$8,400,000.00	1.1385	\$9,563,400.00	\$9,600,000.00

## 2005 Cost Index Report

### 2005 Adjustments for Non-Gubernatorial Candidates and Committees

Limit/Threshold	2001 Amount	Cost Index Multiplier	Sum	2005 Rounded Amount (pursuant to <u>N.J.S.A.</u> 19:44A-7.1b)
<i>Political Committee Reporting Threshold</i>	\$1,500	1.1385	\$1,707.75	\$1,800.00
<i>Continuing Political Committee Reporting Threshold</i>	\$3,700	1.1385	\$4,212.45	\$4,300.00
<i>Contribution Reporting Threshold</i>	\$400	N/A	N/A	\$300.00 <sup>1</sup>
<i>48-Hour Notice/Contribution Threshold</i>	\$800	1.1385	\$910.80	\$1,000.00
<i>48-Hour Notice/Expenditure Threshold</i>	\$800	1.1385	\$910.80	\$1,000.00
<i>Joint Candidates Committee Thresholds</i>	\$5,800 \$8,500	1.1385	\$6,603.30 \$9,677.25	\$6,700.00 \$9,700.00
<i>Form A-3 Threshold</i>	\$3,700	1.1385	\$4,212.45	\$4,300.00
<i>Form A-1 Threshold &amp; School Board/Write-in Threshold</i>	\$3,000	1.1385	\$3,415.50	\$3,500.00
<i>Independent Expenditure Threshold</i>	\$800	1.1385	\$910.80	\$1,000.00
<i>Section 20.1 Penalties</i>	\$4,300/8,500	N/A	N/A	\$6,000.00/ <sup>2</sup> \$12,000.00
<i>Section 22 Penalties</i>	\$4,300/8,500	N/A	N/A	\$6,000.00/ <sup>2</sup> \$12,000.00
<i>Pro rata Return of Contributions</i>	\$400	N/A	N/A	\$300.00 <sup>3</sup>

<sup>1</sup> Change mandated by P.L.2004, c.28.

<sup>2</sup> Change mandated by P.L.2004, c.32.

<sup>3</sup> Change made to conform to statutory contribution reporting threshold; see P.L.2004, c.28.

---

## 2005 Cost Index Report

---

### 2005 Non-Gubernatorial Contribution Limit Amount Adjustments

<b>2001 CONTRIBUTION AMOUNT</b>	<b>COST INDEX MULTIPLIER</b>	<b>SUM</b>	<b>2005 ROUNDED AMOUNT (pursuant to <u>N.J.S.A.</u> <u>19:44A-7.1b</u>)</b>
\$2,200	1.1385	\$2,183.76	\$2,600.00
\$5,900	1.1385	\$7,157.88	\$8,200.00
\$30,000	1.1385	\$36,396.00	\$29,000.00
\$59,000	1.1385	\$71,578.80	\$43,000.00
\$72,000.00	1.1385	\$81,972.00	\$82,000.00

**PUBLIC COMMENT CONCERNING THE PROPOSED  
2005 COST INDEX ADJUSTMENTS**

The Commission proposed the 2005 adjustments to the limits and thresholds in the Act in the form of amendments to its regulations. The 2005 proposed amendments represent the third time that the cost index changes affect non-gubernatorial candidates and committees and the fourth adjustment of the gubernatorial limits.

As part of the adoption process for the proposed regulations, the Commission conducted a public hearing on September 22, 2000, to provide an opportunity for public comment. The Commission received a written comment from then-Senator Richard J. Codey stating his intention to introduce legislation to freeze certain of the cost adjustments. He noted that the statutorily required adjustments have resulted “in New Jersey having some of the highest state campaign contribution limits in the nation.”<sup>13</sup> S-27 (Codey/Karcher) was introduced on September 27, 2004, and is awaiting further legislative action. A written comment was also received from Maureen Reid, a New Jersey citizen, who feels that campaign contributions are “out of hand” and that contribution limits should not be raised.<sup>14</sup>

**COMMISSION RESPONSE TO THE PUBLIC COMMENT**

The Commission wishes to thank Acting Governor and Senate President Richard J. Codey and Ms. Maureen Reid for their comments concerning adjustment of New Jersey contribution limits and for their interest in the Commission.

The Commission is required by law to adopt the statutorily-mandated campaign cost amendments to the various limits and thresholds in the New Jersey Campaign Contributions and Expenditures Reporting Act. N.J.S.A. 19:44A-7.1 and 7.2 require that the Commission determine the adjustments by December 1, 2004, and report the changes in the limits and thresholds to the Legislature by December 15, 2004. Therefore the Commission determined that the 2005 cost adjustment process must be implemented, absent the enactment of S-27 or other legislation to suspend or modify the process. Further, this report will serve as a mechanism to communicate to the Legislature Ms. Reid's concern about New Jersey's contribution limits.

**CONCLUSION**

The Commission recommends implementation of the 2005 campaign cost adjustments described in this report because they are statutorily mandated. Further, the adjustments introduce “certainty and financial responsiveness” into the gubernatorial election process<sup>13</sup> and now serve the same important goals for non-gubernatorial candidates and committees.

The Commission proposed the cost adjustment process as an improvement to New Jersey's nationally-recognized gubernatorial public financing program and lauded its expansion and application to non-gubernatorial candidates and committees. The quadrennial inflation adjustment process ensures the continued viability of New Jersey's gubernatorial public financing program and the ability of non-gubernatorial candidates and committees to be active participants in the election process. The Commission again welcomes the opportunity to offer this report and to continue its tradition of service to the citizens of New Jersey.

## NOTES

1. ELEC, “1993 Gubernatorial Cost Index Report,” (December, 1992), p. 3.
2. ELEC, “Gubernatorial Cost Analysis Report,” (June, 1988), p. 23.
3. ELEC, “Analysis of Costs of Election Campaigning and Recommendations for Altering Contribution and Expenditure Limits for Gubernatorial Elections,” (May, 1984) p. 7.
4. “1988 Cost Analysis Report,” p. 20.
5. “1993 Report,” p. 8.
6. ELEC, “1997 Cost Index Report,” (December, 1996), p. 7.
7. ELEC, “2001 Cost Index Report,” (December, 2000), p. 11.
8. “1993 Report,” pp. 8-9.
9. Universal McCann, Inc., New York City, New York, Media Cost Per Thousand Indexes Table III, August, 2003, pp 10-11.
10. United States Bureau of Labor Statistics Monthly Index Numbers – All Urban Consumers, New York, Northern New Jersey, and Long Island and Philadelphia, Wilmington, and Atlantic City, July 16, 2004.
11. “1993 Report,” pp. 12-13.
12. “1988 Cost Analysis Report,” p. 14.
13. Written comment from Honorable Richard J. Codey, Senate President, to the Commission, September 16, 2004.
14. Written comment from Ms. Maureen Reid to the Commission, September 28, 2004.

---

## 2005 Cost Index Report

---

### APPENDIX

#### CONTRIBUTION LIMITS FOR NON-GUBERNATORIAL CANDIDATES AND COMMITTEES PURSUANT TO S-27

Entities Making Contributions	Entities Receiving Contributions						
	<u>Candidate Committee</u>	<u>Political Committee</u>	<u>Continuing Political Committee</u>	<u>Legislative Leadership Committee</u>	<u>State Political Party Committee</u>	<u>County Political Party Committee</u>	<u>Municipal Political Party Committee</u>
Individual to:	\$2,600 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$25,000 per year	\$37,000 per year	\$7,200 per year
Corporation or Union to:	\$2,600 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$25,000 per year	\$37,000 per year	\$7,200 per year
Association or Group to:	\$2,600 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$25,000 per year	\$37,000 per year	\$7,200 per year
Candidate Committee to:	\$8,200 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$25,000 per year	\$37,000 per year	\$7,200 per year
Political Committee to:	\$8,200 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$25,000 per year	\$37,000 per year	\$7,200 per year
Continuing Political Committee to:	\$8,200 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$25,000 per year	\$37,000 per year	\$7,200 per year
Legislative Leadership Committee	*	*	*	NO LIMITS	*	*	*
State Political Party Committee to:	*	*	*	NO LIMITS	*	*	*
County Political Party to:	NO LIMITS, except those set forth in N.J.A.C. 19:25- 11.7 for a party committee.						
Municipal Political Party Committee to:	*	*	*	NO LIMITS	*	*	*
National Political Party Committee to:	\$8,200 per election	\$7,200 per election	\$7,200 per year	\$25,000 per year	\$72,000 per year	\$37,000 per year	\$7,200 per year