



JUDICIAL COUNCIL OF CALIFORNIA

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Administrative Director
Judicial Council

March 30, 2022

Ms. Cara L. Jenkins
Legislative Counsel
1021 O Street, Suite 3210
Sacramento, California 95814

Ms. Erika Contreras
Secretary of the Senate
State Capitol, Room 3044
Sacramento, California 95814

Ms. Sue Parker
Chief Clerk of the Assembly
State Capitol, Room 319
Sacramento, California 95814

Re: Report required under Code of Civil Procedure section 703.150(c)

Dear Ms. Jenkins, Ms. Contreras, and Ms. Parker:

The Judicial Council respectfully submits this report as required by Code of Civil Procedure section 703.150(d). That statute provides that at three-year intervals beginning on April 1, 2013, the Judicial Council shall submit to the Legislature the amount by which the dollar amounts of the homestead exemptions in effect immediately before that date as provided in section 704.730(a) may be increased under the formula set forth in section 703.150(e), should the Legislature approve such an adjustment. The council notes, however, that it is no longer clear how to make that calculation and, even if it were, the adjusted dollar amounts no longer seem to be needed in light of recent legislation that provides for automatic adjustments of the homestead exemption amounts.

Since the Judicial Council last reported on potential adjustments to dollar amounts of homestead exemptions in 2019, the Legislature amended section 704.730. (See Assem. Bill 1885; Stats. 2020, ch. 94.) The Legislature substantially increased the amounts of the homestead

exemption effective January 1, 2021, and included in the amended statute provisions by which the amounts of the exemption automatically adjust every year based on changes in the California Consumer Price Index, starting January 1, 2022. (Code Civ. Proc. § 704.730(b).)

Although the adjustments have now been made automatic, the Legislature did not, when amending section 704.730, eliminate the provision for triannual reports for potential adjustments. If the Legislature should continue to want the council to calculate and report on such adjustments, however, it is unclear how to calculate the requested dollar amounts, because the formula for annual adjustments in section 704.730(b) regarding homestead exemptions is different than the formula for triannual adjustments for other exemptions set forth in section 703.150(e).

- Section 703.150(e) requires the Judicial Council to calculate an adjustment based on the change in the annual California Consumer Price Index for All Urban Consumers (CCPI) for the *prior three-year period* ending December 31, to the dollar amount of exemptions “in effect immediately before” April 1 of every third year.
- Section 704.730(b) provides that, as of January 1, 2022, the amount of the homestead exemptions shall adjust *annually* based on the change in the annual CCPI for the prior *fiscal year*, published by the Department of Industrial Relations.

To adjust the dollar amounts of the homestead exemptions in effect immediately before April 1, 2022 (as required under section 703.150(e)), the council must first determine what those amounts are. Although section 704.730(b) provides that the amounts adjusted as of January 1, 2022 are based on the change in CCPI over the prior *fiscal year*, it is unclear what that change is. The Department of Industrial Relations updates the CCPI every two months, and provides an annual average for the calendar year, but does not publish a fiscal year CCPI. There is no definition of fiscal year in the Code of Civil Procedure; there is one in the Government Code, with the fiscal year beginning July 1 through June 30. However, because the Department of Industrial Relations does not publish a CCPI amount for July (it only publishes amounts for even numbered months), even using that definition does not clarify exactly how to calculate the adjusted amount. The dollar amounts of the homestead exemptions in section 704.730 could, as of January 1, 2022, be adjusted by 4.4% or 4.7%, or something else altogether, depending on what figures from the Department of Industrial Relations are considered to constitute CCPI for the prior fiscal year.¹

¹ Assuming the fiscal year is from July 1 to June 30, the change could be measured using the change in the figures published for June 2020 and June 2021 (4.4%) or for August 2020 (the first CCPI published in that fiscal year) and August 2021 (4.7%). Other options exist, such as the change in figures published for August 2020 and June 2021 (the last CCPI during that fiscal year, but only 11 months later, with a 3.9% change). Calculating an annual CPI for

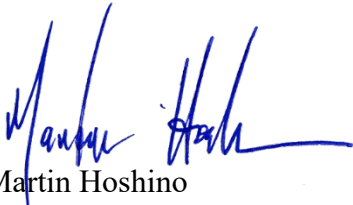
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Moreover, once the current homestead exemption amounts are calculated, applying the adjustments required in section 703.150 would result in duplicative adjustments because, unlike the other exemptions to which that section applies, the homestead exemptions have already been increased twice during the three-year period that is considered under 703.150, with one of the increases based directly on changes in CCPI within that period.

For the above reasons, the council has not included specific dollar amounts in this report. However, the council reports that, should the Legislature decide to adjust the current homestead exemptions in section 704.730 based on the provisions for adjusting exemption amounts under section 703.150(e), the current dollar amounts of the homestead exemptions would be increased by 9.123%. The calculation for making the adjustments is attached.

If you have any questions related to this report, please contact Deborah Brown, Chief Counsel, at 415-865-7667, deborah.brown@jud.ca.gov.

Sincerely,



Martin Hoshino
Administrative Director
Judicial Council of California

MH/AMR
Attachment

Links: Code Civ. Proc., § 703.150:

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=703.150.&lawCode=CCP

Code Civ. Proc., § 704.730:

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=704.730.&lawCode=CCP

each of those periods (which is not a figure published by Department of Industrial Relations), and comparing it to an annual CPI from the prior fiscal year, could result in yet different percentages.

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cc: Eric Dang, Counsel, Office of Senate President pro Tempore Toni G. Atkins
Alf Brandt, Senior Counsel, Office of Assembly Speaker Anthony Rendon
Shaun Naidu, Policy Consultant, Office of Assembly Speaker Anthony Rendon
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Cory T. Jaspersen, Director, Governmental Affairs, Judicial Council
Jenniffer Herman, Administrative Coordinator, Governmental Affairs, Judicial Council

Attachment 1

Calculation of Potential Increases to Dollar Amounts Under Code of Civil Procedure Section 704.730 (for April 1, 2022)

Formula

Under Code of Civil Procedure section 703.150(d) and (e), the potential adjustments to the dollar amount of the exemptions in sections 704.730 would be calculated as follows:

$$\text{Adjusted dollar amount} = \left[\frac{\text{annual CCPI (2021)} - \text{annual CCPI (2018)}}{\text{annual CCPI (2018)}} + 1 \right] \times \text{Previous dollar amount}$$

Definition

“CCPI” means the California Consumer Price Index for All Urban Consumers published by the Department of Industrial Relations, Division of Labor Statistics.

Calculation (as of April 1, 2022)

The calculation for potential adjustments to the dollar amounts in Code of Civil Procedure sections 704.730 et seq. is based on the following formula:

$$\text{Adjusted dollar amount} = \left[\frac{297.371 - 272.51}{272.51} + 1 \right] \times \text{Previous dollar amount} = 1.09123 \times \text{Previous dollar amount}$$

The adjusted amounts for each of the exemption amounts in section 703.740 would be calculated by increasing the individual dollar amounts by 9.123 percent with each adjusted amount rounded to the nearest \$25. (See Code Civ. Proc., § 703.150(e).)