



Legislative Department Seattle City Council Memorandum

Date: April 23, 2013
To: All Councilmembers
From: Mike Fong and Tony Kilduff, Central Staff Analysts
Subject: **Campaign Public Financing – Overview and Issue Identification**

BACKGROUND

In December of 2012, Councilmembers Clark, Licata, O'Brien and Rasmussen sent a memo (Attachment A) to the Seattle Ethics and Elections Commission ("Commission") requesting an examination of campaign public financing and development of a potential program model for implementation. The Council convened a panel for a similar review in 2008 through Resolution 31061 following changes made by the State Legislature enabling local jurisdictions to adopt public financing if approved by a majority of voters. Over the last several months, concurrent with the Commission's review, the Council has convened two panel discussions with representatives from cities currently providing public financing to candidates for local office and researchers that have studied the impacts of these types of programs.

On March 28, the Commission concluded their review and forwarded their findings and recommendations to the Council (Attachment B). This memo will identify and frame a range of policy issues for consideration as Councilmembers consider next steps related to public financing.

PUBLIC FINANCING GOALS AND RESEARCH FINDINGS

A wide range of goals have been articulated for campaign public financing programs across the country. Likewise, a reasonable amount of research has been conducted in attempts to evaluate the effectiveness of the programs in meeting their stated goals. The memo sent to the Commission from Councilmembers articulated three specific goals of interest:

- Increase electoral competitiveness;
- Reduce financial barriers to entry for candidates; and
- Increase the role and emphasis of small donors in the electoral process.

Other goals often cited for public financing include an interest in minimizing the actual or perceived influence of money in politics, enhancing public confidence in government and minimizing the cost of campaigns. The Commission focused on the Council's narrower and

more focused set of goals and concentrated their review of various program models in meeting these three core objectives.

Central Staff has also reviewed some of the research literature, had discussions with Professor Kenneth Mayer from the University of Wisconsin-Madison—a noted scholar in the field—and examined in some detail electoral characteristics of a few cities with public financing to arrive at some observations. The following summarizes the key findings:

- 1) Research is at best inconclusive regarding the impact of public financing on competitiveness. Research on competitiveness generally focuses on three electoral metrics: margin of victory, whether races are contested and incumbency re-election rates. Central Staff has found no study that definitively attributes any reduction in incumbent re-election rates to public financing. There is some evidence to suggest that more incumbents are contested (rather than running completely unopposed) and margins of victory are somewhat narrower when public financing is available. Professor Mayer noted in his presentation to the Council that he found initial evidence supporting the conclusion that public financing increased competitiveness along each of these metrics in Maine and Arizona. However, he noted that subsequent reviews found that the effects had dissipated to the point where a reversal of his conclusions was warranted.
- 2) A comparative analysis of Seattle electoral competitiveness metrics to San Francisco, Los Angeles and Portland provides some interesting baseline information but little clarity on the impact of public financing (Attachment C). Without better data from the period of time before public financing was available in the peer cities examined, it is not possible to measure the full impact of public financing. However, a look at the typical metrics used to evaluate competitiveness reveals that, in Seattle, there are rarely completely uncontested seats and the margin of victory in races with incumbents is narrower and the incumbency re-election rate is slightly lower than for the peer cities. Central Staff would caution that this does not speak to how these metrics might change if public financing were available in Seattle.
- 3) Studies have shown more candidates appear to run for office when public funding is available. Assuming that more candidates running implies a lower barrier to entry, then Professor Mayer's 2005 study of Maine and Arizona legislative races found strong evidence of an increased pool of candidates to support this assertion. A subsequent review by Professor Michael Miller of the University of Illinois, found that instances of unopposed incumbents appear to have declined in both the House and Senate in Maine and Arizona after public financing was implemented.
- 4) Program design has the ability to change who is contributing. Programs that emphasize low-donor amounts that yield high matching rates of public funds appear not only to increase the number of small contributions to candidates but also to diversify who gives money. A study of New York's matching funds program by the Brennan Center for Justice and The Campaign Finance Institute found a much larger number of donations from economically disadvantaged neighborhoods in Council races with public financing available than in State Assembly races without public financing.

- 5) It is unlikely that replicating any program model alone will yield the same results.
There are simply too many variables that influence local electoral process, outcomes, and culture beyond the reach of public financing. The differences in local election rules in Maine, Arizona, New York, San Francisco, Los Angeles, Albuquerque and Portland render it extremely difficult to fully appreciate how public financing interacts with other factors such as district elections, higher or non-existent contribution limits, term-limits, rank-choice voting and run-off elections. All of which may impact competitiveness, entry, or donor emphasis. Moreover, recent court decisions have necessitated changes to public financing programs all across the country. It is not clear how those changes will impact the effectiveness of existing programs.
- 6) The larger the public subsidy, the higher likelihood of altered electoral effects.
Professors Mayer and Miller as well as public financing practitioners all uniformly find that inadequately funded programs where public grants are insufficient to mount a competitive campaign are ineffective. Researchers have found that small partial public financing programs in Hawaii, Minnesota, and Wisconsin have marginal effects at best on electoral process and outcomes. Although, as stated earlier, the degree of impact of larger subsidies (full financing) programs in Maine and Arizona also remains somewhat questionable.

Council Considerations:

- 1) Given the review by the Commission, Central Staff, and the two panel discussions convened earlier this year, does the Council believe there is sufficient public benefit to be achieved through public financing to continue developing program elements to present to voters as a ballot measure this year?
- 2) Do the original goals identified in December of last year remain the core objectives for advancing a proposal to voters? Are there new goals or modifications to the stated goals prior to proceeding?

PROGRAMMATIC ELEMENTS

If the Council is prepared to advance a measure for voter consideration, it will be necessary to outline the core characteristics for a local public financing program. State law is ambiguous as to the level of detail required for a ballot measure, and many technical and administrative aspects of the program could be delegated to the Commission as part of future implementation and modification. However, Central Staff recommends the following parameters be specified in the Council's proposal:

- 1) *What is an appropriate campaign spending cap for the office(s) in question for participants in the program, and what is the maximum available public money a candidate can secure (in the primary and in the general)?*

Once this question is addressed, the boundaries are set for other programmatic details (match rate, public funds available in the primary versus general, etc.) as well as for estimating the potential amount of funding necessary per election cycle.

- 2) *What is the qualifying threshold for the program—number of donors, amount of money raised, or some combination of the two?*

This may be the most important question of the entire program. How this is calibrated will determine the accessibility of the program to prospective candidates.

- 3) *Does the program provide:*
 - a. *matching funds after a candidate qualifies at a specific rate for private dollars raised?*
 - b. *a lump sum amount of money to run the campaign after qualifying?*
 - c. *a hybrid of lump sum for qualifying and matching funds going forward?*

This question gets into the heart of program design. Beyond the overarching goals discussed earlier in this memo, here is where more specific goals related to the characteristics of the donor pool can be influenced and defined.

The first three questions are necessary to establish a basic framework for the program. The following are additional policy questions where guidance will be needed from the Council.

- 4) *Should the program require that qualifying contributions be from people that live in Seattle or who are registered to vote in Seattle?*
- 5) *Should the spending cap for a participant be lifted if an opponent, or an independent entity supporting the opponent, exceeds the cap?*
- 6) *How much time should be allowed for candidates to qualify for the public financing program?*
- 7) *Should candidates participating in the public financing program be bound to a lower individual campaign contribution limit than the current \$700?*
- 8) *Should candidates be allowed to opt-out of the program after they have received public funds?*
- 9) *Should the program be funded from general revenues or should it be funded by a dedicated source such as a property tax levy?*

Council Considerations:

As the Council considers these programmatic questions, it might be useful to consider how the design will advance the high-level goals discussed earlier. The following are some potential program design tradeoffs:

- A low qualifying threshold would certainly minimize the barrier to entry for candidates. But what is the balance between allowing many candidates into the program while also ensuring that these campaigns demonstrate “viability” in order to received public taxpayer funds?
- If the qualifying threshold is low, the Council may want to consider continued effort on the part of the candidates to demonstrate broad public support. This interest would lean towards a modest matching rate that rewards ongoing fundraising efforts.
- Alternatively, the Council could set the bar high and require more candidate work up front to gain access into the program. At which point, given the greater amount of work done in advance of qualifying, the program could reward the candidate by minimizing the fundraising necessary going forward. This interest would favor a model that provides a high match rate, or even a lump sum of public funds, upon qualification for the program.
- How should “low” or “high” threshold be defined? Is it more important to show support by securing many small contributions from many individuals or is raising a certain amount of private money adequate to demonstrate viability? How much does the Council want to dictate the size of contributions that are matched?
- It is important to recognize the inherent balancing act necessary in creating a program that includes incentives that appeal to challengers and incumbents; and the grassroots or traditional candidate. The spending cap and the match-rate are key elements to finding that “sweet-spot”.
- There is also an inherent tension that results from a program that has a spending cap and limitations on the amount of overall public funds available. The higher the match rate, the faster a candidate reaches the spending limit. The faster that limit is met, the fewer donors needed. The Council must weigh the desire to enable candidates to meet their fundraising needs quickly against the interest of having many individual donors. There is some room to address this as part of the qualifying threshold.

Attachment D is a table that summarizes the program elements for New York, Los Angeles, San Francisco, Portland, Albuquerque and the Commission proposal for Seattle. You will find that each jurisdiction has addressed these design tradeoffs a little differently.

PROGRAM BUDGET AND FUNDING OPTIONS

Program Budget

For concreteness, this discussion of program costs assumes a model substantially the same as that proposed by the Commission (see Attachment B), although that should not be read as an assumption that the Council would adopt that model, or any model.

The Commission's model only applies to City Council races. It provides for a maximum match to qualifying candidates of \$90,000 in the primary and another \$90,000 in the general.

Assuming three participating candidates per seat there would be 27 participating candidates for each four-year Council election cycle. If all 27 participating candidates were to qualify for the maximum match for the primary, and 18 participating candidates (two for each seat) were to proceed to the general (and also qualify for the full match), the total cost of the program for the election cycle would be \$4,050,000, or about \$1,000,000 per year. (Four candidates per race yields a total of \$4,860,000, or \$1,215,000 per year.)

There is no way to know whether the assumptions made here about participation, and hence program budget (given the proposed match), will be borne out in practice. We have some data from Seattle's earlier experience with campaign financing. In 1979, with five Council seats open, there were 11 qualifying participants, and in 1991 (again with five seats open) there were 13. These suggest a participation rate for two to three candidates per race. However, the earlier experience may or may not be a good indicator. The earlier program only required 200 qualifying contributions in contrast to the 600 qualifying contributions in the Commission's proposal. On the other hand, the Commission's program is intentionally generous with the hope that it will encourage participation. The assumptions that participants qualify for the maximum match in both the primary and general elections are intended to ensure that the program cost estimate is conservative. Nonetheless, there is still a possibility that the program budget might not be sufficient.

There are several ways to deal with the possibility of oversubscription. They are not mutually exclusive and the best solution may be a mix of some or all of them.

- Plan for a higher program cost at the outset. Assuming four candidates instead of three, while not eliminating the possibility of a shortfall in funds available, would reduce the likelihood of it significantly. It would also reduce the size and frequency of shortfalls.
- In the event of a shortfall the General Fund (GF) could be used to fill the gap. However, it would require setting aside a contingency in the budget to meet the need, thus tying up scarce resources. If the funds set aside were not needed, they could be released after the election season. Reliance on the GF to cover shortfalls is less attractive if the program is also funded by the GF as it would further diminish the funds available to the City for other purposes.
- Another approach to oversubscription would be to reduce the maximum match for all candidates until the funding shortfall is eliminated. However, depending on how large the shortfall was, this might reduce the size of the match so much as to discourage

participation or make it difficult for participants to run a competitive campaign. Even the possibility of a reduced match (after the fact) may discourage participation.

- Yet another approach would be to filter qualified candidates in some way. For example, commit to fully funding candidates on a first in the program basis, offering partial matching to later candidates as funding allowed. Or, eliminating otherwise qualified candidates based on some measure of public support such as number of qualified donations.

Administration Costs

Based on the experience of both San Francisco and New York City the Commission estimates that the cost to oversee and administer the program would be on the order of 15% of the program cost, or about \$150,000 per year.

The Commission also used the staffing levels reported by New York and San Francisco to estimate that it takes one front-line staff position can oversee about nine campaigns. Assuming between 12 and 15 participating candidates (on the low end) in the Council-only races, the Commission would need at least one additional auditor position (\$114,000), leaving approximately \$35,000 remaining for seasonal hires as a contingency. Any funds unused by the Commission would be returned to the City at the end of each year.

There would also likely be a one-time expense of approximately \$100,000 to allow the Commission staff to move into a larger space to accommodate the additional staffing and effort.

Central Staff has assumed that regardless of the funding source for the program itself, the GF would cover the cost of administration since the added staff at the Commission would be available most of the time to work on other issues. Given that the 2014 Endorsed Budget is balanced, supporting a program will require finding an additional \$250,000 in revenues in 2014 or reducing already budgeted 2014 expenditures by \$250,000.

Funding Options

Central Staff has identified two viable funding options for a public financing program: the City's General Fund or a Property Tax Levy Lid Lift.

Lid Lift

A Lid Lift rate of \$0.008236 per \$1,000 of assessed value would be sufficient to raise \$1 million in 2014¹. The following table provided by Finance and Administrative Services shows the annual cost per household based on a range of assessed property values

Annual Cost Per Property	Property Assessed Value
\$2.47	\$300,000
\$2.88	\$350,000
\$3.29	\$400,000

¹ This rate can be scaled up or down to achieve any funding level; the impact on property owners scales accordingly.

\$3.71	\$450,000
\$4.53	\$550,000

There are two types of Levy Lid Lift for the Council to consider.

Type 1. This is the type used by the City in the past. It increases the amount of taxes that may be levied in the first year of the lift. Thereafter, the annual growth of property taxes, including the Lift, is limited to the lesser of 1% or inflation. This type of Levy Lid lift may be for any duration and for any purpose whether specified or not.

Type 2. There is a new type of Levy Lid Lift available as of 2009 that, while limited to six years in duration, allows the City to select a growth rate that exceeds 1% and that may be different for each year of the levy. This authority has not been tested yet in the state.

The City has typically proposed Lid Lifts of six or seven years in duration. However, as noted above, there is no legal impediment to a standing (regular) Lid Lift if the Council wished to establish a permanent funding source for the program. Of course, if the Council intends to revisit the program after a number of election cycles to assess its efficacy, it would probably make sense to propose a term-limited levy.

General Fund

Council could also choose to fund the program out of GF revenues. This is the approach taken by all the other cities reviewed. One million dollars is approximately one tenth of one percent of the City’s \$946.8 million adopted GF budget for 2013. As noted above, the 2014 Endorsed Budget is balanced so that a decision to fund a program through the GF would require additional revenues in 2014 or a reduction in expenditures already assumed in the Budget².

FUTURE MODIFICATIONS AND PROGRAM REVIEW

Modifications to the Program

One lesson learned by all the other cities that have implemented public financing programs is that they needed the flexibility to change the terms of the program to address unforeseen circumstances. Since it would be both expensive and cumbersome to return to the voters for every change to the program, the Council should consider how much discretion to build into the program at the beginning. For example,

- Should the program allow the Council to change the qualifying thresholds, spending caps, maximum match and match ratios? Possibly only with a super majority vote?
- Should the program allow the Council to delegate any or all of these changes to the Commission? If so, what elements?

² For context, here are some examples of what \$1 million would do: fund one police foot patrol 7 days a week; keep two community centers open for a year; provide shelter for 34 homeless families for a year; leverage enough resources to build 18-22 permanent low-income housing units.

- Should the program allow for the possibility of including the Mayoral and City Attorney races at some later date at the Council's discretion without returning to the voters? Should the funding anticipate that if the funding is through a Lid Lift?

While it is appealing to build in the flexibility deemed necessary to allow the Council and/or the Commission to tweak the program to make it work better, there is clearly a tension between offering the voters a well-defined program and retaining enough flexibility to ensure that the program, if approved, can be made to work as intended.

As already noted, State Law is silent on the issue of specificity and since the authority granted by the 2008 statute has not been tested, there is nothing extant to refer to. The Council will need to give consideration to the appropriate balance.

Evaluation of the Program

Central Staff recommends that the Council consider a process to evaluate the performance of the program relative to the goals. The Council should give consideration to a number of issues:

- What are realistic goals? It seems reasonably clear from the data available that public financing programs can be expected to increase
 - the amount of public participation in the political process,
 - the diversity of neighborhoods from which that participation comes, and
 - the number of candidates for office.

These might be reasonable goals to consider evaluating a program against.

- When should the program be evaluated? There is no obviously correct answer to this question but it seems reasonable to suppose that one full election cycle may not provide enough data to allow for a serious evaluation. On the other hand, more than two full cycles runs the risk of allowing an ineffective program to continue at public expense. To the extent these two propositions are compelling, evaluation after the second full cycle would seem appropriate.
- Who should perform the evaluation? The Commission is the obvious body within the City to perform the evaluation given its role in overseeing elections. There is, however, the question of who ultimately decides if the program should continue regardless of how well it performs. The question here is whether the voters should be asked to approve the program in perpetuity, leaving the decision to terminate it (or not) with the Council, or whether there should be an explicit commitment to return to the voters for re-affirmation of the program.

ATTACHMENT A

Request from Councilmembers to the Seattle Ethics and Elections Commission



Legislative Department Seattle City Council Memorandum

Date: December 14, 2012

To: Seattle Ethics and Elections Commission

From: Council President Sally Clark
Councilmember Nick Licata
Councilmember Mike O'Brien
Councilmember Tom Rasmussen

Subject: Request for evaluating campaign public financing models and recommending a proposal to the City Council

First of all, we want to thank the Commission for your careful consideration of regulatory changes related to surplus campaign funds and limiting the election cycle fundraising period. Your feedback and guidance was an important part of the Council's deliberations earlier this year. We appreciate that you share our ongoing interest in improving Seattle's electoral system.

You may recall that when we first initiated a discussion with the Commission on potential local campaign finance reforms, we articulated our vision for a broader conversation around what could be possible at the local level to address a growing concern about money in politics and other institutional barriers to more people choosing elected public service. We are now ready to have that broader discussion and would like to focus on a specific concept: public financing of campaigns.

In 2008, the Council convened an advisory committee, with participation of the SEEC, to examine public financing and propose possible models for implementation. This report provided a foundation for discussion later that year by the Full Council. Interest was strong to advance a proposal for consideration by Seattle's voters. However, with an emerging economic downturn that ultimately plunged the nation into recession and certainty that deep City budget cuts were on the horizon, Council decided to shelve consideration of public financing given other pressing priorities. Four years later, we are now ready to revisit the 2008 advisory committee proposals.

Policy Goals

For this new effort, we want to provide some clarity around our goals. The 2008 report highlighted a number of potential objectives but also provided additional insight as to the relative effectiveness of public financing to achieve those goals. We believe that any new proposal ultimately presented to the voters should reasonably achieve the following:

- 1. Increase electoral competitiveness.** The proposed public financing system should help increase the number of candidates running for local office. Given the electorate more choices is a positive outcome for the democratic process.
- 2. Reduce financial barriers to entry for candidates.** A corollary to goal one, the public financing model should reduce the current perception that it “costs too much” to run for office. The model should provide for a reasonable financial path to running a competitive campaign.
- 3. Increase the role and emphasis of small donors participating in the electoral process.** As stated in SMC 2.04.400, “the City finds it is in the public interest to encourage the widest participation of the public in the electoral process, to reduce the dependence of candidates on large contributions...” The public financing proposal should create an incentive for candidates to pursue small contributions from Seattle’s residents.

SEEC Review

This is a policy area where the ground is constantly shifting. Since 2008, new case law has narrowed what is legally permissible for public financing. We are also eager to learn if any local programs across the country have changed and whether new models are now in place as lessons have been learned. Furthermore, we are always open to hearing about new research, findings and perspectives that have emerged regarding public financing programs. For these reasons, we would like to call upon the Commission for your assistance once again. We are requesting that the Commission:

1. Review the 2008 report and examine the two models proposed by the Committee;
2. Examine the impact of new case law and noteworthy changes to existing programs from other local jurisdictions and any new programs that have emerged since 2008;
3. Explore any new research or findings related to the effectiveness of public financing programs in meeting stated goals;
4. Review new local election fundraising data since 2008 and any other data that would help inform the discussion; and
5. Recommend a Seattle specific public financing model and the reasons why the proposal best meets the stated goals for Council consideration.

We ask that the Commission give some consideration to the potential budget implications for funding the model proposed. Though the Council will make the ultimate decisions on funding, we encourage the SEEC to develop a preliminary cost estimate for the program (including potential administrative costs). The Council could choose to fund public financing through an existing City revenue source or ask voters to approve a tax levy. We welcome the Commission's thoughts on these and other funding approaches.

As the Commission begins its consideration, the Council intends to concurrently host a few "brown bag" panel discussions with public financing experts and administrators from across the country. We encourage the Commission to join us for these discussions to help inform your deliberations.

Finally, we recognize that the Commission has other matters and priorities on its 2013 work program. In order to allow for adequate time for the Council to thoroughly consider placing a public financing proposal before voters in 2013, we request that your report and recommendations be finalized and submitted to us no later than March 1. To assist you in your review, we have assigned Mike Fong from our Council Central Staff to join Director Barnett, his staff, and Jeff Slayton from the Office of the City Attorney to help provide analytical support to your efforts.

Again, thank you for your ongoing service on behalf of Seattle's residents. Your work is invaluable to the community as well as to the Council. Please do not hesitate to contact any of us if you have questions. We look forward to your final report.

ATTACHMENT B

Response of the Seattle Ethics and Elections Commission to the Councilmember's Request

March 28, 2013

BY E-MAIL

Council President Sally J. Clark
Councilmember Nick Licata
Councilmember Mike O'Brien
Councilmember Tom Rasmussen
City Hall
Seattle, WA 98104

Re: Request to Evaluate Local Campaign Finance Reform Measures

Dear Councilmembers:

On December 12, 2012, the four of you wrote to the Commission asking that it evaluate two potential campaign finance reforms. Over the last 100 days, the Commission worked diligently to study the issues and provide advice to the City Council.

The four of you articulated your goals as follows:

- 1. Increase electoral competitiveness.** The proposed public financing system should help increase the number of candidates running for local office. Given the electorate more choices is a positive outcome for the democratic process.
- 2. Reduce financial barriers to entry for candidates.** A corollary to goal one, the public financing model should reduce the current perception that it “costs too much” to run for office. The model should provide for a reasonable financial path to running a competitive campaign.
- 3. Increase the role and emphasis of small donors participating in the electoral process.** As stated in SMC 2.04.400, “the City finds it is in the public interest to encourage the widest participation of the public in the electoral process, to reduce the dependence of candidates on large contributions...” The public financing proposal should create an incentive for candidates to pursue small contributions from Seattle's residents.

Based on its review, the Commission offers the following comments on the ability of public financing to serve the goals outlined by the Council members:

1. **There is little academic support for the proposition that public financing increases competitiveness.** Professor Mayer’s research evidenced initial increases in competitiveness under public financing, with the effect dissipating over time. While there is evidence that public financing can attract more candidates, the races themselves do not appear to become more competitive. (Much of the literature on these programs characterizes a race as “competitive” when the successful candidate wins by fewer than 20 percentage points.)
2. **Public financing reduces barriers to entry.** As noted in the preceding paragraph, public financing does appear to lead to more candidates vying for office. The Commission expects that enabling candidates to compete while raising \$30,000 instead of \$250,000 will alter the decision-making of some prospective candidates.
3. **Public financing can draw new contributors into the political process.** Perhaps more than any other factor, the Commission was impressed by the potential for public financing, properly designed, to involve Seattleites in the political process who might otherwise not participate. There is research out of New York City showing that that City’s matching program is leading to contributions from individuals in different areas of the City – areas both more diverse and less wealthy – than existed prior to the introduction of that City’s 6:1 matching program. See Michael Malbin et al., *Donor Diversity Through Public Matching Funds*, available at <http://www.cfinst.org/pdf/state/NY/DonorDiversity.pdf>. According to Professor Mayer, contributing to a candidate correlates with other indicia of civic involvement, such as volunteering for that candidate and ultimately voting in the election.

Based on its deliberations, the Commission recommends that Council consider placing on the ballot a program with the following three key elements:

1. **Eligibility for the program should be contingent on candidates receiving a substantial number of contributions from Seattle residents in a relatively short period of time.** In order to qualify for the program, candidates will need to collect a minimum of 600 contributions from City residents in increments of \$10 or more between January 1 of the election year and the last day on which candidates can file for office. The Commission’s goal in crafting the eligibility threshold was to ensure that only candidates who demonstrated a strong base of support could qualify to receive public funds. In recent elections, approximately half of the candidates have garnered 600 contributions over the course of the entire election cycle.
2. **Once a candidate qualifies for the program, the City will match up to \$50 of each contribution with \$300, with up to \$90,000 available to candidates in the primary election and another \$90,000 available to candidates in the general election.** A significant match is designed to create incentives, or at a minimum reduce barriers, to candidates actively seeking small contributions. A fundraiser that costs \$200 to stage and garners only \$300 is of questionable value, while a fundraiser that costs \$200 to stage and garners \$2,100 seems a better investment of a campaign’s time and energy. There is evidence that New York City’s 6:1 match is changing the pool of contributors to New York City campaigns. See Michael

Malbin et al., *Donor Diversity Through Public Matching Funds*, available at <http://www.cfinst.org/pdf/state/NY/DonorDiversity.pdf>.

- 3. Program participants must agree to limit their spending to \$210,000.** Under the plan endorsed by the Commission, candidates who raise \$30,000 will have the opportunity to receive matching funds of up to \$180,000. The Commission believes that candidates should limit their spending to that \$210,000 in exchange for receiving public dollars. The Commission also endorsed the idea that in order to make the program attractive to candidates, it should be possible to lift or raise that cap under certain circumstances, such as when a participant's opponent spends in excess of \$210,000.

Here are some other notable facts about the plan:

- 1. The proposal crafted by the Commission would only fund City Council races.** The Commission wanted to see how public financing would work for City Council races before tackling the issue of public financing for mayoral or City Attorney candidates. In recent cycles, the mayor's race has attracted far more candidates, and public funding for such races would materially increase the cost of a program. Races for City Attorney have traditionally not been as expensive to wage as races for Mayor or City Council.
- 2. The proposal is expected to cost between \$1.16 million and \$1.4 million per year.** While it is impossible to know with any degree of certainty how many candidates will participate in the program, the Commission estimated the costs assuming three to four participating candidates for each of the nine positions. This estimate also assumes that it will cost the Commission 15 percent of program outlays to administer the program.

The Commission thanks the City Council for the opportunity to assist with this work, and commissioners look forward to providing whatever further assistance the City Council requires.

Very truly yours,

Wayne Barnett
Executive Director

cc: All other Councilmembers
Mayor Mike McGinn
City Attorney Peter Holmes

ATTACHMENT C

Electoral Competitiveness: Comparing Seattle to other West Coast Municipalities

Electoral Competitiveness Comparison - West Coast Municipalities

Criteria	Seattle	Portland	Los Angeles	San Francisco
Election Cycles Reviewed	9	7	8	7
Total Seats	42	16	62	46
"Incumbent" Seats	31 (74%)	11 (69%)	45 (73%)	28 (61%)
"Open" Seats	11 (26%)	5 (31%)	17 (27%)	18 (39%)
# of races where margin of victory less than 20% points (all seats)	14 (33%)	3 (19%)	15 (24%)	N/A
# of races where margin of victory less than 20% points (open seats only)	5 (46%)	2 (40%)	12 (71%)	N/A
# of races where incumbents lost re-election	5	0	1	4
Incumbent re-election rate	84%	100%	98%	86%
Completely uncontested races	1	1	14	4
Average candidates running per contest (all seats)	3.8	4.6	3.3	6.8
Average candidates running per contest (open seats only)	5.4	6.3	5.7	10.1
Most recent election "cost per vote" spent by winning candidates	\$1.96	\$2.11	\$37.92	\$13.72
District or At-large voter turnout (range)	160,000 - 200,000	100,000 - 135,000	10,000 - 30,000	20,000 - 30,000

Notes:

SF - Rank Choice Voting. Two 4-year term limits. Public financing in place during all cycles reviewed. District elections.

LA - Run-Off if no one gets 50% vote in Primary. Three 4-year term limits (since 2006), two 4-year term limits prior to 2006.

Public financing in place during all cycles reviewed. District elections.

Portland - Run-Off if no one gets 50% vote in Primary. Public financing in place for 2006, 2008 and 2010 election cycles only. At-large.

Prepared by: Mike Fong, Council Central Staff (2/13/2013)

ATTACHMENT D

Program Comparisons for Select Jurisdictions

	New York	San Francisco	Los Angeles	Albuquerque	Portland (ended in 2010)	SEEC Proposal for Seattle
Matching or Lump Sum	Matching: 6:1 up to \$175 individual contribution = \$1,050 in public funds per donor match	Hybrid: Lump sum initial payment if minimum threshold met. Then subsequent tiers of 2:1 and 1:1 matching	Matching: 2:1 in Primary and 4:1 in General (only for in-city limit contributions)	Lump Sum: \$1 for each registered voter in the district a candidate is running for. \$0.33 for each registered voter in the district if there is a runoff election.	Lump Sum: \$200,000 for Mayoral candidates and \$150,000 for Commissioner or Auditor candidates. "Rescue Matching Funds" available if participating candidate outspent by Independent Expenditure or Non-Participating candidate.	Matching: 6:1 up to \$50 individual contribution = \$300 per donor match
Threshold(s) for Eligibility	Mayor: \$250,000 raised/1,000 contributors Council: \$5,000 raised/75 contributors Public Advocate & Comptroller: \$125,000/500 contributors Borough President: \$10,000 - \$50,094/100 contributors	Mayor: raise \$50,000 in qualifying contributions = \$100,000 lump sum of public funds Candidate raises up to another \$425,000 = 2:1 match up to \$850,000 Candidate raises up to another \$25,000 = 1:1 match up to \$25,000 Board of Supervisors : raise \$10,000 in qualifying contributions = \$20,000 lump sum of public funds Candidate raises up to another \$50,000 = 2:1 match up to \$100,000 Candidate raises up to another \$35,000 (\$32,500 if incumbent) = 1:1 match up to \$35,000	Mayor: \$150,000 raised in individual contributions of \$500 or less to qualify City Attorney/Controller: \$75,000 raised of \$500 or less City Council: \$25,000 raised of \$250 or less	\$5 qualifying contributions and petition signatures. Mayor: 1% of all registered voters in the City (2009 = approx. 3,200 voters) must make \$5 contributions AND 2% of all registered voters in the City (2009 = approx. 6,500 voters) must sign petition. City Council: 1% of registered voters in the district must make \$5 contributions and 500 registered voters in the district must sign petition. Thresholds need to be met during the "qualifying period" (May 1 – May 31 for Council/Feb 16 – March 31 for Mayor)	Mayor: collect 1,500 \$5 contributions Commissioner: collect 1,000 \$5 contributions Auditor: collect 1,000 \$5 contributions Thresholds need to be met during the "qualifying period" (September 10, 2009 – January 29, 2010 for May 2010 Primary)	Council: collect 600 individual donations of at least \$10 Threshold needs to be met between January 1 and the campaign filing deadline of the year of the election.
Maximum Public Funds	Mayor: \$3,534,000 (2009) Council: \$92,400 (2009) Public Advocate/Comptroller: \$2,209,900 (2009) Borough President: \$795,300 (2009)	Mayor: \$900,000 (2011)* Board of Supervisors: \$89,000 (2010)* * Mechanism in place to increase this threshold by the Ethics Commission Director by a certain date. However, this may no longer exist as a result of ruling in Arizona court case.	Mayor: \$667,000/\$800,000(primary/general) City Attorney: \$300,000/\$350,000 Controller: \$267,000/\$300,000 City Council: \$100,000/\$125,000	Mayor: 2009 = approx. \$300,000 Council: 2011 = \$30-35,000 Formula = \$1 x total number of registered voters	Mayor: \$200,000/\$250,000 (primary/general) Commissioner and Auditor: \$150,000/\$200,000 Rescue matching funds available if participating candidate outspent by an non-participating candidate or an independent expenditure. Rescue funds cannot exceed \$150,000 per office in Primary and \$300,000 per office in General.	Council: \$90,000/\$90,000 (primary/general) \$15,000 raised in increments of \$50 or less would yield \$90,000 in public funds for the primary and again for the general
Spending Cap	Mayor: \$6,426,000 (per election: Primary/General) Council: \$168,000 Public Advocate/Comptroller: \$4,018,000 Borough President: \$1,446,000	Mayor: \$1,475,000* Board of Supervisors: \$250,000*	Mayor: \$2.8M/\$2.2M (primary/general) City Attorney: \$1.3M/980k Controller: \$1.1M/\$840k City Council: \$480k/\$400k	Cap is the amount distributed for each candidate for each race.	Cap is the amount distributed for each candidate for each race. (minor exceptions related to "seed money" during qualifying period and some in-kind donations permitted. Also, qualifying contributions are subtracted from allocation.)	Council: \$210,000 total combined for primary and general election Spending cap could be lifted if non-participating candidate opponent or IE expenditures exceed the cap.
Individual Contribution Limits (non-	Mayor/Public Advocate/Comptroller: \$4,950 Council: \$2,750	Mayor and Board of Supervisors: \$500**	City Council: \$700*** (each election) Mayor, City Attorney, Controller:	Mayor: \$5,200 (2013)**** City Council: \$875 (2013)****	Mayor/Commissioner/Auditor: No limit (apparent concerns regarding compatibility of limits with Oregon)	\$700 individual contribution limit (per SMC)

participating candidates)	Borough President: \$3,850	** A donor can only give \$500 x the number of positions up for election in any given year. Example: Mayor's race and 3 other seats up – than no one person can give more than \$500 x 4 = \$2,000 that cycle.	\$1,300*** (each election) *** Similar provision as San Francisco on individual donor aggregate total per election. 2013 max is \$9,500 per donor - all races. Unclear exactly what the formula is.	****Calculation is based on 5% of the current salary for each office.	Constitution)	
Jurisdiction Sizes – votes cast in races	Mayor 2009 turnout: 1,000,000 City Council 2009 turnout (Districts): 20-25,000 Public Advocate/Comptroller: 1,000,000 Borough President: 100-250,000 2012 Registered Voters: approx. 4.1M	Mayor 2011 turnout: 200,000 Board of Supervisors 2010 turnout (Districts): 20-30,000 No Primary Election – Just General 2012 Registered Voters: approx. 490,000	Mayor 2009 turnout: 274,000 (P) City Attorney 2009 turnout: 265,000 (P) Controller 2009 turnout: 257,000 (P) City Council (Districts): 7,000 - 32,000 (P) Note: General is for runoff only ≤ 50% in Primary 2012 Registered Voters: approx. 1.6M	Mayor 2009 turnout: 83,213 City Council (Districts): 5,000 – 11,000 Note: General is for runoff only ≤ 40% in Primary 2012 Registered Voters: approx. 300,000	Mayor, Commissioners and Auditor all elected citywide. 2010 turnout (no mayor's race):100,000 (P). 2012 turnout (mayor's race): 135,000 (P) Note: Spring Primary, General is for runoff only ≤ 50% in Primary 2008 Registered Voters: approx. 350,000	City Council 2009 turnout:
Program Budget	2009: \$27.9M (Mayoral race year) Non-Capital City General Fund Budget: \$40B Total City Budget: \$66B % of Non-Capital City Budget: .07% (election year) Mayor's race: \$3.7M in public funds Council races: \$11.4M in public funds (219 "participating candidates") Other races: \$12.8M	2011: \$4.7M (Mayoral race only) 2010: \$1.5M (Board of Supervisors only) 2008: \$1.3M (Board of Supervisors only) City General Fund Budget: \$3.2B % of General Fund Budget: .15% (mayoral year)	2013: \$12M of General Fund (for all races) projected for 2013 City General Fund Budget: \$4.4B % of General Fund Budget: .07% (annually) \$3.1M annual appropriation for 2013 – original \$2M mandated appropriation adjusted annually to CPI	2013: \$475,000 (annually) City General Fund Budget: \$475M % of General Fund Budget: .1% (annually) 1/10 th of 1% of annual General Fund by City Code 2007 actual: \$140,000 2009 actual: \$1.1M	2010: \$900,000 (annually) City General Fund Budget: \$450M (2010) % of General Fund Budget: .2% (annually) 2/10 th of 1% annual General Fund by City Code 2006 actual: \$400,000 2008 actual: \$1.2M 2010 actual: \$175,000	\$1.16 - \$1.4M per year + 15% administrative costs