

The

CALIFORNIA DREAM

*Using Public Financing of Elections
to Build an Inclusive and Multi-Racial Democracy
Powered by Small Donors*



California



**Common
Cause**

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I hope you enjoy reading this report *half* as much as I enjoyed writing it, because I had a blast. Cheers to expanding a small donor democracy in California!

–Noah Cole

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EXECUTIVE SUMMARY

This report begins with a statement of the problem: Big money has too much influence in California's democracy, which drowns out the influence of small donors and makes policymakers disproportionately responsive to monied interests. One potential solution to the influence of wealthy special interests and millionaire donors in our politics is the one focused on here: providing public funding to candidates through (1) small donor matching funds or (2) democracy dollars, also known as democracy vouchers. These systems have the power to build a more equitable and more representative political system, and to get us closer to the goal of a fully participatory multi-racial democracy. Currently, California's constitution prohibits the use of public funds in state and some local elections, because of Proposition 73 (1988). This report envisions a world in which that prohibition is repealed, and state-level public financing programs can be pursued.

The report then transitions to the considerations section, which provides recommendations around costs, policy design, and implementation of the two policy programs, informed by existing research and interviews with program administrators, researchers, political consultants, and candidates.

The comparative analysis section analyzes how matching funds programs and democracy voucher programs have affected donor diversity, donor participation, candidate diversity, and candidate participation in Los Angeles, San Francisco, Berkeley, and Seattle, and also includes a cost estimate for both programs if they were scaled to the state of California.

Finally, the report provides two recommendations for building a small donor democracy in California. First, a pilot public financing system should be passed and implemented. Different systems have varying impacts on the four objectives of interest. Second, the state must highly prioritize diversity, equity, and inclusion in the policy development and implementation process to ensure that Black, brown, and low-income communities who are currently underrepresented in the political and donor system are engaged in the program.

This report is intended for use by policymakers, activists, and researchers interested in designing and implementing publicly financed elections at the state level in California. But although the report is framed to inform a policy campaign for providing public funds to candidates for California legislative offices, the report can also be used by City Councilmembers, local advocacy groups, and City Attorneys interested in implementing public financing on the local level.

MONEY IN CALIFORNIA POLITICS

A major issue in the state of political giving today is how the most frequent, high dollar contributors are disproportionately made up of corporations, interest groups, and wealthy individuals – not the everyday people who are most impacted by policies passed by the State Legislature.

Wealthy donors consistently pour millions of dollars into California legislative elections, using that money to buy access and influence, while non-wealthy individuals and communities are left without voice. (See **Figure 1.**)

FIGURE 1
Big money involved in California’s 2020 election

In 2020 alone, over \$31 million in unrestricted political spending was pumped into races for the Assembly and Senate from corporations and unions through independent expenditures.¹ The top industries that gave to legislative candidates were Oil and Gas (\$7.2 million), Prison Guards (\$3.7 million), Health Care (\$2.8 million), Teachers Unions (\$2.4 million), Realtors (\$2.3 million), and Tech (\$2.1 million).

Each of these industries had business in the 2021 legislative session that immediately followed. The oil lobby (Chevron, Valero, Phillips, and PG&E) was interested in blocking legislation on electric vehicles, fracking, and the banning construction of oil wells across from schools and playgrounds. The prison lobby (California Correctional Peace Officers Association) was interested in blocking legislation on the closure of prisons in Southern California and criminal justice reform.



SOURCE: CAL MATTERS

[HTTPS://CALMATTERS.ORG/POLITICS/CALIFORNIA-ELECTION-2020/2020/10/CALIFORNIA-LAWMAKERS-BIG-DONORS-SPECIAL-INTEREST-INDEPENDENT-EXPENDITURES/](https://calmatters.org/politics/california-election-2020/2020/10/california-lawmakers-big-donors-special-interest-independent-expenditures/)

¹ Christopher, B., & Rosenhall, L. (2020, October 27). Cash blitz: Who’s spending the most to influence your vote for California’s Legislature? CalMatters. <http://calmatters.org/politics/california-election-2020/2020/10/california-lawmakers-big-donors-special-interest-independent-expenditures/>.

FIGURE 1 (CONTINUED)

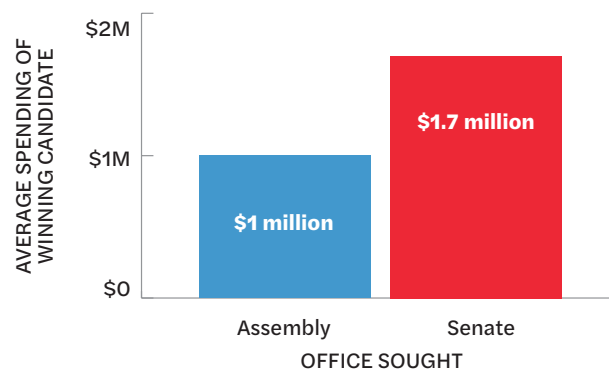
The realtor lobby (California Association of Realtors) was interested in blocking legislation on rent moratoriums and eviction moratoria. The tech lobby (Uber, Lyft, Silicon Valley Jobs PAC) spent more than \$2.5 million to support a Democratic candidate who supported the rideshare labor bill sponsored by Uber and Lyft.²

The donations that these large industries make has the power to influence the political agenda of state lawmakers who serve as beneficiaries of their funds.

California candidates must raise large sums of money to be successful.³ In 2018 and 2020, successful Assembly candidates raised on average \$1,044,452 for their campaigns—\$1,430 per day during the two-year election cycle.⁴ On average, successful State Senate candidates raised \$1,761,915 for their campaigns or \$2,413 per day during the 2020 cycle.⁵

The evidence is clear: Running for office in California costs over \$1 million for a seat in the Assembly and over \$1.7 million for a seat in the Senate, for winning candidates.⁶ (See **Figure 2**.) This exorbitant cost contributes to the money-in-politics problem in our state politics. Reliance on large donations creates the risk that lawmakers will become beholden to or extra responsive to the policy or personal preferences of special interests and wealthy donors, and the risk that their engagement with everyday working Californians will be disproportionately low.⁷

FIGURE 2
Cost of running for California legislature



2 (Ibid)

3 Lagos, M. (n.d.). The Cost of a Seat: California Legislators Raise More than \$1,000 a Day. KQED. Retrieved April 28, 2022, from <https://www.kqed.org/news/10574253/the-cost-of-a-seat-california-legislators-raise-more-than-1000-a-day>.

4 Total amount raised by Assembly candidates in 2018 (\$84,802,650.26) divided by 80 (the total number of winning candidates) plus total amount raised by Assembly candidates in 2020 (\$82,309,733.91) divided by 80 (the total number of winning candidates) divided by 2. For access to data used to estimate cost of running for office, contact Noah Cole.

5 Total amount raised by Senate candidates in 2018 (\$30,452,842.016) divided by 20 (the total number of winning candidates) plus total amount raised by Assembly candidates in 2020 (\$40,023,754.53) divided by 20 (the total number of winning candidates) divided by 2.

6 Total amount raised by Senate candidates in 2018 (\$30,452,842.016) divided by 20 (the total number of winning candidates) plus total amount raised by Assembly candidates in 2020 (\$40,023,754.53) divided by 20 (the total number of winning candidates) divided by 2.

7 Prokop, Andrew, "Study: Politicians listen to rich people, not you." Vox. Retrieved Jan. 10, 2023, from <https://www.vox.com/2014/4/18/5624310/martin-gilens-testing-theories-of-american-politics-explained>.

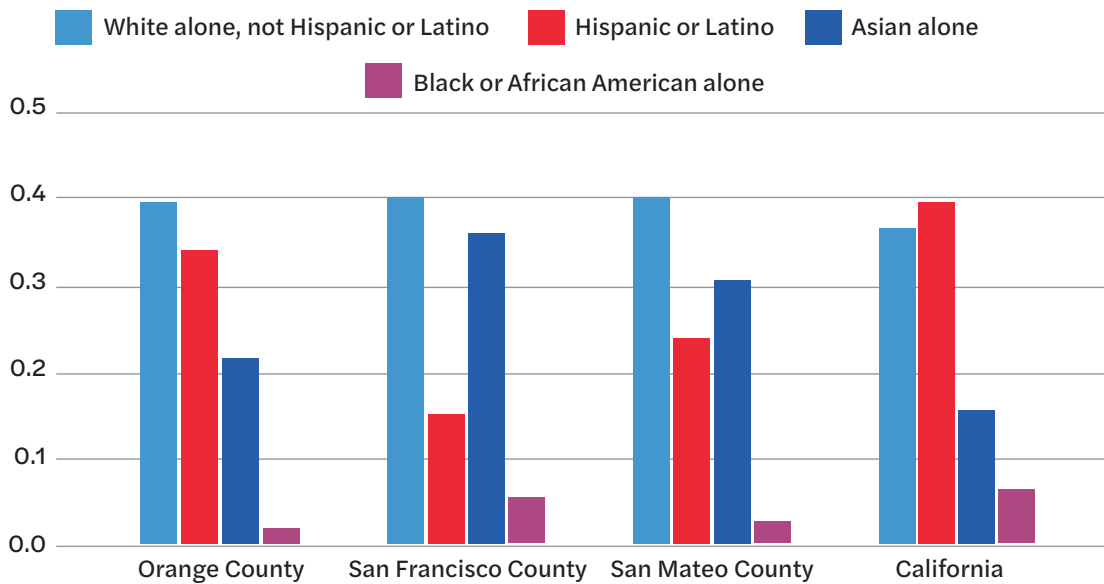
There are racial equity impacts of the money in politics problem as well. California’s donor population does not remotely reflect the diversity of the state’s overall population (see **Figure 3**), meaning the high cost of running could contribute to the lack of diversity in the Legislature (see **Figure 4**). In order for California’s democracy to reflect its voters and their increasing diversity, it must expand its small donor base. With greater representation among communities of color and low-income Californians in the donor pool, the state can be one step closer to being a democracy in which all communities can expect authentic representation and responsive, accountable elected representatives.

FIGURE 3
California’s donor population does not reflect California’s overall population

Very few individual donors give to state elections in California, and those individual donors tend to be unrepresentative of the geographical, socioeconomic, and racial diversity of the state.

For example, the zip codes with donors who contributed most frequently to legislative candidates in the 2020 election came from three counties: Orange County, San Francisco, and San Mateo County.⁸ Compared to the state, these counties are generally more affluent, older, and less diverse.

Demographics of counties with most donors to legislative elections compared to statewide demographics



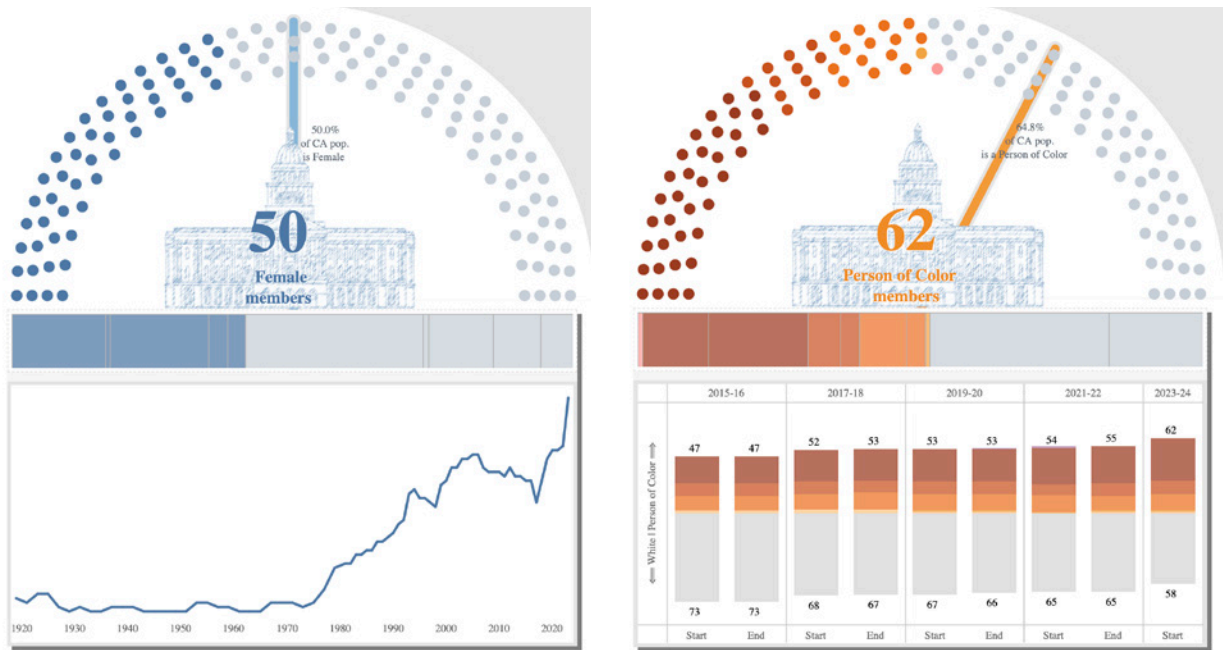
⁸ Calculated by filtering to all individual donors to 2020 standard elections and finding the most common zip codes through <https://onlinetoolz.net/mode>. Began with 39,349 values—92660 (Orange County), 94114 (San Francisco County), and 94010 (San Mateo County) most common values

FIGURE 4
The high cost of running could contribute to the lack of diversity in the legislature

A 2006 study found that candidates of color raised 47 percent less than white candidates in state legislative races.⁹

In California’s legislative 2023-2024 session, women made up just 42% of California’s legislature despite making up 50% of the California population.¹⁰ People of color made up 53% of California’s legislature despite making up 63.5% of the population.¹¹

While the Legislature’s gender and racial representation has increased over the years, and has reached its most diverse point ever in 2023, California’s legislature is still not representative of the diverse population of the state.¹² Who does and does not have access to individual wealth, family wealth, networks of wealth, and large campaign donors likely contributes to this problem.



California's Legislative Demographics, 2023-24 General Election Results (left) by sex/gender; (right) by race/ethnicity

SOURCE: CALIFORNIA RESEARCH BUREAU

<https://public.tableau.com/views/LegislativeDemographics2021-22/MainView?:showvizhome=no>

9 Lioz, A. (2015). *Stacked Deck: How the Racial Bias in Our Big Money Political System Undermines Our Democracy and Our Economy*. Demos. <https://www.demos.org/research/stacked-deck-how-racial-bias-our-big-money-political-system-undermines-our-democracy-and>

10 D’Agostino, J.O., Kamal, S., Gans, A. (2023, January 4). *How much does the Legislature look like California?* CalMatters. <https://calmatters.org/multimedia/interactives/2023/01/california-legislature-legislators-like-you/>

11 Ibid.

12 Ibid.

A POTENTIAL SOLUTION: PUBLICLY FINANCED ELECTIONS

Publicly financed elections are a key solution that can make our state and local democracy more robust, fair, equitable, and inclusive.

Publicly financed elections provide public funds to candidates running for office in an effort to reduce reliance on wealthy donors and to diminish the influence of big money in politics. They may take the form of matching fund programs, democracy voucher programs, tax credits, or block grants. Currently, at least 14 states and 19 municipalities across the U.S have adopted such programs.¹³ These programs are generally funded by dedicated tax revenue or by general funding from local or state budgets.

The two programs of particular interest within this report aim to amplify the influence of small donors who give to political campaigns: **Matching Funds** programs and **Democracy Voucher** programs.

Matching fund programs

Matching fund programs use public funds to match small-dollar donations to candidates who voluntarily opt into the program. If a candidate who qualifies for the program solicits a small donation from a voter, that donation is amplified through a multiplied match with public funding. Some of the key provisions of a matching fund program include:

- A match rate that multiplies a small donation with public funds (some programs have a 4:1 match rate, where a \$25 donation would be matched with \$100 in public funding for a total donation of \$125; match rates rise to even 6:1 or 8:1 rates).
- Limitations on the maximum amount of contributions that could be matched. Under existing public financing systems, total contributions that can be matched vary between \$5 and \$250.¹⁴

What the candidates have to say

We interviewed candidates for California's legislature about the fundraising process. Here is what they had to say:

"I raised over \$400,000 and I still did not have the actual funds to send a single mailer. Especially one that would make an impact of reaching half a million people. [My opponent's campaign and Independent Expenditures on her behalf] on the other hand probably sent 15, 20 mailers per person...I was wiped out."

– Janani Ramachandran, Candidate for Special Election Assembly District 18 (2021)

"Much of my time running for Assembly was spent raising money. I was calling my family, calling my friends, calling acquaintances, calling different groups who often give to legislative candidates throughout the state...I did that for...almost two years... it was challenging."

– Andrew Rodriguez Candidate for Assembly District 55 (2020)

"It's difficult to raise money until you're a legitimate candidate. But It's difficult to get legitimate until you have the money..."

Communication is really, really expensive and it's impossible to contact even a small fraction of the entire districts in a campaign without money." – Kipp Mueller, Candidate for Assembly District 21 (2020)

¹³ Millard, H., & Paez, M. (2022, April 12). *How Public Campaign Financing Empowers Small Donors Nationwide*. Brennan Center for Justice. <https://www.brennancenter.org/our-work/analysis-opinion/how-public-campaign-financing-empowers-small-donors-nationwide>

¹⁴ For example, in New York City Council races, only the first \$175 of a donation is eligible to be matched, even though donations can go up to the contribution limit of \$1,050 per contributor.

- Candidates voluntarily opt into the program, which upholds the constitutionality of the program and allows the administering agency to set special conditions for participating candidates (e.g. mandatory participation in public debates).
- Candidates' retain ability to raise donations above the match limit so as not to prohibit large donations in a way that could be interpreted by the courts as restricting free speech, thus upholding the constitutionality of the program.
- Candidates are required to raise a set number of small donations from the community before they are able to qualify for matching funds, to prove credibility and viability.

Matching funds have been tested and proven effective in California cities and states across the U.S. Cities like New York City, Berkeley, Los Angeles, and San Francisco have successfully enacted matching funds programs for local elections. The impact of these programs depends on the specific program design – some programs have a larger match ratio, and some focus on only small dollar matches.

Democracy voucher/democracy dollars program

Democracy voucher programs, also known as democracy dollars programs, provide vouchers to residents that can be used to donate to political campaigns within the jurisdiction administering the program. Democracy vouchers have only been implemented in the City of Seattle, where residents are mailed four \$25 vouchers that they can use to donate to one or multiple candidates for city office. A similar system is slated for implementation in Oakland in 2024. Some of the key provisions of the democracy voucher program include:

- Community members need zero discretionary funds out of their own pocket to become campaign contributors.
- Residents are able to donate their vouchers online in addition to through the mail and in person, creating accessibility for those donors who do not have access to a consistent mailbox and those donors who do not have access to reliable internet.
- Candidates voluntarily opt into the program, which upholds the constitutionality of the program and allows the administering agency to set special conditions for participating candidates, such as lower spending or contribution limits.
- Candidates are able to raise funds from sources outside of vouchers so as not to prohibit large donations in a way that could be interpreted by the courts as restricting free speech, thus upholding the constitutionality of the program.
- Candidates are required to raise a set number of small donations from the community before they are able to qualify for voucher funds, to prove credibility and viability.

Democracy vouchers have been tested and proven effective in Seattle, the one city that as of 2022 has implemented such a program. Seattle's voucher program has been implemented in the 2017, 2019, and 2021 city elections. The impact of the program on increasing the number and diversity of small donors to local elections has been extremely promising.¹⁵ The voucher program has also been shown to increase voter turnout among low-turnout voters.¹⁶

15 Heerwig, J & McCabe, B. (2022). *Broadening Donor Participation in Local Elections Results from the Seattle Democracy Voucher Program in 2021*, Retrieved from https://mccourt.georgetown.edu/wp-content/uploads/2022/08/Broadening-Donor-Participation-in-Local-Elections_Report_2022.pdf.

16 Sridhar, K., & Langelier, C. (2021). *Honest Elections Seattle Initiative Democracy Voucher Usage and Low-Turnout Voter Engagement, Evaluation in 2017 and 2019*. WinWin Network. Retrieved April 28, 2022, from <https://drive.google.com/file/d/1mkMHuGrajpOLu2lkBxay-vOH-Ucrpr-JC/view>

Replicating the successful adoption of Seattle’s program has been uneven. South Dakota and Washington state have unsuccessfully attempted to pass similar programs for state elections, as have the cities of Austin and Albuquerque. But Oakland voters approved a democracy vouchers system as part of Measure W, the Oakland Fair Elections Act, with 74% support on the November 2022 ballot. San Jose and San Diego are in the process of examining voucher programs.

The Impact of Matching Funds and Democracy Voucher Programs

The Brennan Center for Justice highlighted the strengths of matching funds programs and Seattle’s democracy voucher program in an April 2022 public financing analysis, demonstrated in **Table 1**.¹⁷

The outcomes in Table 1 are not chance outcomes with respect to each program, as the table below might suggest. The effectiveness is determined by specific program design choices, which some cities get right and others get wrong.

Table 1. Impact of matching funds and democracy voucher programs, Brennan Center for Justice analysis

	Greater small donor participation	Greater small donor diversity	Greater candidate participation	Greater candidate diversity
Berkeley (matching funds)	✓			
Washington, DC (matching funds)	✓	✓		✓
New York City (matching funds)			✓	✓
Seattle (democracy vouchers)	✓	✓		

Good government provisions are essential to both programs

Public financing programs usually require participating candidate to adhere to additional “good government” requirements intended to promote good governance, clean elections, and greater interactions with small donors, including but not limited to:

- Participating in one or more public debates or town halls,
- Prohibiting corporate and special interest contributions,
- Complying with frequent campaign finance disclosure reporting,
- Submitting to campaign audits,
- Limiting the use of public financing dollars to legitimate campaign expenses and not personal use, and
- Limiting how much of a participating candidates’ own money they can contribute or loan to their political campaign.¹⁸

¹⁷ Millard, H., & Paez, M. (2022, April 12). *How Public Campaign Financing Empowers Small Donors Nationwide*. Brennan Center for Justice. <https://www.brennancenter.org/our-work/analysis-opinion/how-public-campaign-financing-empowers-small-donors-nationwide>

¹⁸ New York City Campaign Finance Board. *How It Works*. Retrieved May 7, 2022, from <https://www.nycctfb.info/program/how-it-works; Matching-Funds-FAQs.pdf>. Retrieved May 7, 2022, from <https://ethics.lacity.org/wp-content/uploads/Matching-Funds-FAQs.pdf>.

Several of these requirements, in a vacuum, would be considered unconstitutional under the campaign finance jurisprudence of the Roberts Court. They are permissible, however, as conditions of voluntary participation in a public financing system.

SETTING UP A PUBLIC FINANCING PROGRAM IN YOUR CITY OR STATE: COSTS, POLICY DESIGN, AND IMPLEMENTATION

Policymakers and advocacy groups interested in launching a small donor democracy program in California must take into account a number of considerations when aiming to design a program that effectively increases the influence and diversity of small donors.

Below, **financing considerations** describe the options for funding a program and the expected costs of setting up and implementing a program; **policy design considerations** describe the policy details that shape a public financing program; **program implementation considerations** cite the challenges of and opportunities for implementing a program at scale, and **communications considerations** describe the successful communications strategies used for campaigns advocating for publicly financed elections.

Financing a public financing program

Costs

The primary costs for a public financing program include funds for disbursements to candidates and funds for administrative costs.

The highest cost for public financing programs comes in the disbursement of public funds made to candidates. For a matching funds program, this cost is most affected by the match rate, the number of participating candidates, the number of participating donors, and the maximum public funds available to candidates. For a voucher program, the cost of disbursements is most impacted by the amount of each voucher, the number of participating candidates, and the cap on the amount each candidate can receive in voucher funds.

Administrative costs for public financing programs primarily go to personnel costs (staffing), mailers (particularly for the voucher program), and public education.

Funding Source

Some public financing programs, including Berkeley, Los Angeles, and San Francisco, are funded through city general funds, the primary fund used by a government entity, while others, like Seattle, are funded through a dedicated tax. The state has more funding mechanisms than cities, which provides several funding options for a state-level public financing program.

California's General Fund, which is made up of personal income tax, sales tax, and bank and corporation taxes, makes up 75 percent of California's budget. The General Fund is estimated in the 2022-23 fiscal year to include roughly \$235 billion in spending; reserves are projected to be nearly \$28 billion at the end of the

2022-2023 fiscal year.¹⁹ Our projection is that a public financing program (see more below in comparative analysis section) would cost 0.01-0.06% of the General Fund.

Other funding sources in states and municipalities include the use of unspent public financing dollars from candidates who drop out from the race, fines against candidates for violation of campaign finance and election laws, tax check offs, and the sale of abandoned property; all of which are appropriate sources but would likely only *partially* fund public financing programs.



Key tips for financing a public financing pilot program:

- Make fewer offices eligible for public financing (limiting a statewide program to just Assembly and Senate offices or limiting a local program to just City Council offices) during a pilot program to help manage costs.
- Incorporate administrative and disbursement costs into the cost estimate for the program to get a realistic sense of the program's overall budget.
- Consider some amount of increased candidate participation and increased small donor participation as a result of the public financing program in the cost estimate for a program.
- Whether funding from the general fund or via a new tax, ensure that there is a permanent/binding funding source.

Designing policy for a public financing program

In designing public financing programs, advocates and administrators must consider the qualification requirements that candidates must fulfill to receive funds, the limitations that participating candidates and donors must adhere to regarding contributions and spending, and the maximum funding available to candidates through the program, among several other considerations.

Qualification requirements

A program may impose qualification requirements to ensure that candidates who receive public funding have a minimum level of credibility and popular support before receiving public funds. Fundraising qualification requirements typically include a combination or at least one of the following components: A set number of very small (e.g. \$10) donations that candidates must raise (commonly referred to as “qualifying contributions”), a set amount of money that candidates must raise from small donors; and/or a set number of signatures that candidates must collect from community members.²⁰

Researchers and administrators emphasize the need to balance two competing priorities when designing qualification requirements – the fundraising and signature requirements should be high enough to prevent non-serious candidates from earning public funds but should not be so high as to serve as a barrier to entry

19 Legislative Analyst's Office, The 2022-23 Budget, Overview of the Spending Plan, Retrieved January 9, 2023 from <https://lao.ca.gov/Publications/Report/4616>.

20 Additionally, some jurisdictions include geographic requirements for qualifying contributions. These programs require that a candidate receive a certain number of contributions and/or an amount of contributions from within the jurisdiction/district the candidate seeks to represent, or restrict those qualifying contributions to only in-district contributions of the political subdivision. Requiring in-district geographic requirements for candidates has been found to have a positive effect on donor diversity, and, not surprisingly, increases the number of donors candidates raise money from in the district they wish to represent. Malbin, M & Parrott, M. (2017). *Small Donor Empowerment Depends on the Details: Comparing Matching Fund Programs in New York and Los Angeles*. (n.d.). Retrieved May 7, 2022, from <https://www.degruyter.com/document/doi/10.1515/for-2017-0015/html?lang=en>.

for new candidates with grassroots support.²¹ Additionally qualifying requirements should not be too strict or confusing or they will result in less candidate participation; grassroots candidates and first-time candidates, who the program is meant to empower, often cannot afford campaign treasurers or compliance counsel and will be the first to be deterred by heavy paperwork burdens, for example.

Contribution limits

A contribution limit is a cap on how much money a donor can give a candidate during an election cycle. The contribution limit for legislative offices in California is very high -- \$4,900 for both the general and primary elections, meaning a donor can give a candidate almost \$10,000 in a single year. To incentivize greater engagement with more small donors and less engagement with wealthy individual donors, public financing programs often require participating candidates to agree to lower contribution limits in exchange for being eligible to receive public funds.

The match rate – a key matching funds policy design choice

For matching funds programs, match rates refer to the multiplier used when matching a small dollar donation with public funds. The match rate has a significant impact on the amount of public funding provided to participating candidates, and a larger match ratio both incentivizes candidates to reach out to more small donors and decreases dependency on large dollar donations from wealthy donors and special interests.

Research shows that match rates need to be robust (4:1, 6:1, or higher; often referred to as a “supermatch”) to have any impact on increasing donor diversity and donor participation.¹ Program administrators and advocates in San Francisco determined the 6:1 match rate based on comparisons to other jurisdictions, the amount of funding available, and a result of the political process – any match rate lower than 4:1 would likely not have support among proponents of the program while any match rate greater than 6:1 may be too high for many people to support, for cost reasons.²

Match rate example

Match Rate	Matching Funds + Original Contribution = Total Raised
2:1	\$50 + \$25 = \$75
4:1	\$100 + 25 = \$125
6:1	\$150 + 25 = \$175

1 *Small Donor Empowerment Depends on the Details: Comparing Matching Fund Programs in New York and Los Angeles.* (n.d.). Retrieved May 7, 2022, from <https://www.degruyter.com/document/doi/10.1515/for-2017-0015/pdf>.

2 Interview with campaign finance expert Patrick Ford (San Francisco Ethics Commission).

21 Malbin, M. J., & Glavin, B. (n.d.). *Small-Donor Matching Funds for New York State Elections*: 28.

Voucher value – a key democracy vouchers policy design choice

The voucher value refers to the value of democracy vouchers sent to each resident. In Seattle, residents are sent four vouchers worth \$25 each for a total of \$100 worth of vouchers. Vouchers have no monetary value and can only be donated to candidates and campaigns, not political action committees or parties. Oakland will mimic this approach in 2024.

The voucher value in Seattle was decided using research on candidate spending as well as some educated estimates for what would work well to engage small donors and incentivize candidates to participate in the program.¹

Program administrators and policymakers in Seattle have expressed an interest in potentially decreasing the number of vouchers given to residents or decreasing the value of vouchers.² Participating candidates in Seattle who earn high public support tend to hit their maximum funding in vouchers quickly. Vouchers that are assigned to candidates who have already hit their max funding (which community members are unlikely to know) are rendered invalid and cannot be reused. Lowering the value of vouchers would allow more small donors to use their vouchers, as candidates would not hit their max funding limit so quickly. Most residents in Seattle end up giving their vouchers to a single candidate, so giving Californians one to two vouchers valued at \$25 (for two vouchers) or \$50 (for one voucher) could be more efficient and practical.³

The downside to lowering the voucher value to \$50 is that it may not feel significant for first-time contributors, since it may feel less motivating to give one or two vouchers (even if to the same candidate) than to give four. Also, a lowered voucher amount may do less to shift the public's perception that they are gaining more control over our politics and that the influence of big money is being reduced.

1 Interview with Alan Durning (Sightline).

2 Interviews with Alan Durning (Sightline) and Rene LeBeau and Annie Tran (Seattle Ethics and Elections Commission).

3 Interview with Alan Durning (Sightline).

Several program administrators cautioned against lowering contribution limits too much because doing so could result in fewer candidates opting into the program.²² One potential solution to this issue is to institute contribution limits as a condition of participation in the public financing program while allowing candidates to be released from those contribution limits if they are competing against a candidate in the general election who is not participating in the program.

22 Interview with Alan Durning (Sightline).

Spending/Expenditure Limits

Spending limits (also known as expenditure limits) refer to limitations on the total amount that candidates can spend during an election cycle, inclusive of public and private financing. Spending limits on their own are generally viewed by the courts as unconstitutional limitations on candidates' free speech but are permitted when chosen voluntarily by candidates in exchange for some benefit, e.g. participation in a public financing program. The voluntary spending limits for legislative offices in California are \$649,000 for Assembly seats and \$973,000 for Senate seats; when observed, these spending limits come with placement in the voter guide.²³

Program administrators, policymakers, and candidates have expressed that spending limits placed on candidates are a great point of frustration and cause for lower candidate participation in public financing programs.²⁴ Some candidates are wary of participating in programs that require spending limits because they could potentially not compete effectively with a candidate who does not participate in the public financing system or a candidate who is supported by an independent expenditure committee, which has no spending limits per Supreme Court case law.²⁵

Maximum funding

Since an unlimited amount of public funds cannot be made available to candidates, each program sets a maximum amount of public funds each candidate may receive based on the funding that is available, the size of the jurisdiction, and the office being sought. If the maximum funding offered to candidates is set too low, fewer candidates will participate in the program. But if the maximum funding offered to candidates is set too high, the program may carry a huge price tag, may face opposition, and may not get approved. (Candidates can of course raise and spend more than the maximum received in public funding, up to the spending/expenditure limit, discussed above.)

One method for determining the appropriate maximum funding offered to each candidate is to average out candidate spending in competitive races and to adjust this value for inflation over time.²⁶ Using our analysis of spending in the 2018 and 2020 elections, we are able to identify the average spending for winning Assembly candidates as \$1,044,452.40.²⁷ If the goal of a pilot program is to help candidates raise half of their funds through matching funds, the maximum funding available to candidates would be \$522,226.20. We would recommend rounding down and beginning with maximum funding of \$500,000 per candidate for legislative candidates for the pilot program, to be mindful of costs in the short term. This amount could be adjusted for inflation or as needed by the Fair Political Practices Commission if campaign spending increases over time.

23 Candidates who accept spending limits are designated in the voter information portion of the sample ballot and may purchase space in the sample ballot to place a statement. *State Contribution Limits and Voluntary Expenditure Ceilings*. (n.d.). Retrieved May 7, 2022, from <https://www.fppc.ca.gov/learn/campaign-rules/state-contribution-limits.html>.

24 Interviews with Alex Koren (Campaign manager, Seattle Mayoral race), Alan Durning (Sightline), Janani Ramachandran (AD-18 Candidate), Patrick Ford (San Francisco Ethics Commission).

25 Interview with Janani Ramachandran (AD-18 Candidate).

26 Interview with Brendan Glavin (Campaign Finance Institute).

27 $\$1,060,033.13$ (2018) + $\$1,028,871.67$ (2020) divided by two.



Key tips for designing policy for a public financing pilot program:

- Require candidates to raise at least 150-200 donations of \$10 or more to qualify for public funds for a state pilot program.²⁸
- Require lower contribution limits for candidates participating in the public financing program by studying cities with public financing programs that have contribution limits (Berkeley, Seattle) and scaling to California contribution limits.
- Do not set spending limits on participating candidates so low that candidates are incentivized to not opt into the program.
- Set a maximum amount of public dollars an Assembly candidate may receive via matching funds or democracy vouchers of \$500,000, and consider setting a higher maximum of \$850,000 for State Senate candidates. These amounts roughly correlate to half the amount of a winning campaign.
- Set a 6:1 match rate for participating candidates for a matching funds pilot program and consider increasing the match rate in the long term.
- Set voucher values at \$25 for a democracy voucher pilot program and only distribute two vouchers per resident for a total of \$50 vouchers for each California.

Implementing a public financing program

Candidate education and campaign compliance

Educating candidates on how public financing programs work from a compliance perspective is highly important to ensuring high candidate participation.

Two key parts of having a quality candidate education system is having appropriate staffing and a robust training program. The Seattle Ethics & Election Commission has an internal campaign trainer and auditor who is dedicated to showing candidates how to run in the City of Seattle and stay in compliance with general campaign finance rules and democracy voucher program requirements. The training specific to the voucher program includes an hour-long session where deadlines and qualification requirements are made clear to candidates at the start of the election cycle. Program administrators in Seattle acknowledged that candidate training was difficult at the onset of the program, and they had to make a concerted effort to guide candidates through the process so that they understood how the program worked.²⁹

Underscoring the lessons from Seattle's compliance and education program, program administrators in San Francisco noted that improving the quality and detail of compliance materials sent to candidates led to fewer enforcement appeals from campaigns that were confused by the qualification process.³⁰

28 These two figures were determined by examining qualification requirements in cities with public financing programs including Los Angeles, Seattle, Berkeley, and San Francisco. Each of these cities determine \$10 to be the lowest qualifying contribution (with the exception Los Angeles City Council- \$5) and require a range of total qualifying contributions from 30 individuals (Berkeley) to 150 (Seattle). Los Angeles and San Francisco, the two most populous of the five cities, require contributions from 100 individuals for a candidate to qualify. Given the larger jurisdictions for California Senate and Assembly races, we determined a range of 150 – 200 donors to be appropriate to qualify for public financing. It will likely be easier for Senate candidates to qualify as compared to Assembly candidates (Senate districts are much larger), so future iterations of the program should examine if requirements need to be adjusted for Assembly versus Senate districts. City and county jurisdictions seeking to implement a public financing program should consider looking at current match ratios, rules of existing programs, and candidate spending in their own jurisdictions to inform their program.

29 Interview with Rene LeBeau and Annie Tran (Seattle Ethics & Elections Commission).

30 Interview with Patrick Ford (San Francisco Ethics Commission).

Public education and outreach

In addition to candidate education, the state would need to conduct considerable public education efforts to ensure high participation amongst eligible donors, especially in low-income communities and communities of color that typically have lower rates of candidate contributions.

In cities with public financing programs, candidates and political operatives have expressed that the general community either does not know about the programs or they are confused about the specific details of how the programs work.³¹ In Seattle specifically, a lack of awareness across all communities meant voucher users in the 2017 and 2019 elections skewed older, whiter, and more affluent³² and many residents were unaware of the existence of an online portal for redeeming vouchers in the period shortly after it launched.³³ More must be done to engage communities of color, young people, and lower income communities to be aware of and participate in public financing programs; after the first cycle of democracy vouchers in Seattle, this became a high priority of the Seattle Ethics & Elections Commission.

One successful method for educating the public about the voucher program in Seattle was to start off with something akin to a basic civics lesson before diving into the details of the voucher program. Program administrators in Seattle mentioned that this was a particularly effective method for engaging with communities of color and low-income communities currently underrepresented in the donor pool because many were wary of engaging with politics. By beginning with a breakdown of basic information on elections and local government before explaining the program (i.e., What are elections? What does a mayor do in Seattle? How do elected officials impact day to day life for residents in the city?), the city was able to build trust and understanding with the community before explaining the details of the program.³⁴

Additionally, after underwhelming participation in democracy voucher's first election cycle, Seattle program administrators contracted with community-based organizations to do community outreach for them, with an emphasis on increasing awareness of the program in communities underrepresented in the donor pool.³⁵ Seattle leaders report this to be hugely successful. Additionally, the city conducted presentation-style meetings with boards and commissions, nonprofit leadership boards, and community councils; administrators utilized existing leadership in the community and had them leverage their connections to communities underrepresented in the donor pool.³⁶ Some of the content in the workshops to community-based organizations included information on how to use vouchers and how to run for office.

Communicating for a public financing program campaign

Campaign communications

Since a public campaign may be necessary for passing a public financing program, there must be a strategy for engaging a coalition of citizens, advocates, and lawmakers to support the initiative.

31 Interviews with Cyndi Otteson (LA City Council Candidates 2020) and Riall Johnson (Prism West).

32 McCabe, B. J., & Heerwig, J. A. (2020). *Building a More Diverse Donor Coalition*. Georgetown University. Retrieved May 7, 2022, from <https://georgetown.app.box.com/s/r2skgxfnc230ukkb3dfqgm4576phzabd>, and Interview with Alex Koren (M. Lorena Gonzalez Mayoral Campaign).

33 Interview with Riall Johnson (Prism West).

34 Interview with Rene LeBeau and Annie Tran (SEEC).

35 Interview with Rene LeBeau and Annie Tran (SEEC).

36 Interview with Rene LeBeau and Annie Tran (SEEC).

Findings from speaking with the head of communications for the Honest Elections Seattle campaign for the democracy voucher program provide the following insights around campaigning:³⁷

Residents were most compelled by messaging related to the impact of the program, not on the details of the program, which often confused people.³⁸ The most effective messaging included messages regarding how the program would strengthen the voice of everyday people in government and how the program would reduce the influence of big money interests. The least effective messaging included messages regarding how the program would encourage more diverse candidates to run. This message was more effective among advocacy groups and coalition members, but not members of the community.

The most common points of opposition that campaigners should be prepared for, based on the Honest Election Seattle campaign, include:³⁹ 1) Public financing is “welfare for politicians” that tax dollars should not support, 2) the program won’t work because of how it is designed, 3) campaign finance reform is not an urgent need, and 4) the program would push more money into independent expenditure campaigns, as big money would stop giving money to candidates and would start pouring money into advertising of their own. In the Oakland context, opponents of the democracy dollars program claimed that the system would only serve to benefit certain candidates, i.e. incumbents.

Lastly, a successful campaign should prioritize underrepresented communities by translating proposals and communications into languages other than English and making sure they are culturally competent.⁴⁰



Key tips for implementing a public financing pilot program:

- Hire staff for compliance and candidate education immediately; include budgeting for staff to oversee compliance and education at least one year before the implementation of the program.
- Create high-quality training materials around qualification requirements and compliance; gear these materials toward newcomers who may be unfamiliar with running for office, raising funds, and public financing.
- Initiate a public education campaign before the launch of the program to educate residents on the details of the program, including informational mailers sent out both before the program is implemented and during the election cycle, online advertising using social media ads to connect with younger communities, and workshops and community events.
- Incorporate community-based organizations into advising around the implementation and public education process. The state should prioritize younger, low-income, communities of color for public education and create partnerships with existing community leadership and organizations for outreach.
- Focus on the program’s impact in messaging, avoid focusing too much on the details of the program. Note that increasing candidate diversity appears to resonate more with professional advocates than with the public.
- Create culturally and linguistically competent outreach materials to reach communities underrepresented in the political and donor system.

37 Interview with Spencer Olson (Honest Elections Seattle).

38 Interview with Spencer Olson (Honest Elections Seattle).

39 Interview with Spencer Olson (Honest Elections Seattle) and Alan Durning (Sightline Institute).

40 Interview with Spencer Olson (Honest Elections Seattle).

COMPARATIVE ANALYSIS

Public financing programs are designed in part to increase the influence of small donors, diversify the donor and candidate pools, and lower the financial barriers to run for office for new candidates and community-backed candidates.

To evaluate the potential impact of a statewide voucher or matching funds program in California, we analyzed the ability of existing public financing programs to meet these goals, and thus looked at trends in the number of new small donors, the racial, ethnic, and gender diversity of new small donors and candidates, the number of candidates running for office, and the overall cost of the program.

On the next page, you will find the results of our analysis, which also identifies areas of opportunity to improve program results. The methodology and data sources for the analysis can be found in the analysis document and resources folder in the appendix.

Overall, it is not clear that one program would be overwhelmingly more effective than the other when considering all five metrics of interest. The matching funds program could have a slightly more significant impact on donor participation and candidate diversity when compared to the voucher program, at a lower cost.⁴¹ The voucher program could have a slightly more significant impact on donor diversity (given that mobilization may be easier, and the program design is more equitable since a disposable income is not needed to participate) and candidate participation (higher opt-in rates). From a political feasibility lens, the matching funds program may engender more support among legislators since there is precedent for the program in cities across the state. On the other hand, the voucher program may be easier to communicate to community members relative to a matching funds program since it is conceptually easier to understand.

Since both programs generally demonstrated positive impact in the cities studied, deciding which program is most appropriate for the state of California depends largely on how much the decision-makers building the campaign in the state weigh each of the five criteria and priorities of interest.

41 If the program effect on candidate diversity analysis is found to be causal in each case.

TABLE 2

Comparative Impact Analysis: Matching Funds vs Democracy Voucher Program¹

	Donor Participation	Donor Diversity	Candidate Participation	Candidate Diversity	Cost
Matching Funds Based on Los Angeles, Berkeley, San Francisco analysis	+Increase in number of small donors per candidate (5x) ² +Increase in proportion of small donors to large donors per candidate (1.6x) ³ +Increase in proportion of small contributions to large contributions per candidate (2-3x) ⁴	+Increase in small donations from lower income neighborhoods ⁵ -Underrepresentation from small donors in Hispanic/Latino neighborhoods ⁵ -Overrepresentation from small donors in higher income, White, and Asian neighborhoods ⁷	+Increase in number of candidates running for office in some cities (Berkeley) ⁸ +High candidate opt-in rate (60-80%) ⁹ +Increase in proportion of candidates opting into the program over time	+Increase in proportion of candidates of color (Berkeley, San Francisco) ¹⁰ +Slight increase in proportion of women candidates (Berkeley, San Francisco)	All leg. offices statewide - \$100m ¹¹ Assembly only - \$82m Senate only - \$34m
Democracy Vouchers Based on Seattle analysis	+Increase in number of small donors per candidate (4x) ¹² +Slight increase in proportion of small donors to large donors per candidate (1.3x) ¹³ +Increase in proportion of small contributions to large contributions per candidate (3x) ¹⁴	+Increase in donor participation among communities of color and low-income communities, especially compared to cash donors—but not reflective of diversity of overall population (2019) ¹⁵ +Slight overrepresentation of lower income population among voucher users (2021) ¹⁶ + Large participation increases for people of color and younger residents (2021) ¹⁷	+Increase in number of candidates running ¹⁸ +High candidate opt-in rate (80%+)	Unable to determine, data unavailable on Seattle candidate demographics	10% of registered CA voters use \$50 vouchers - \$152M 7% of registered CA voters use vouchers - \$119m 4% of registered CA voters use vouchers - \$86m

Table 2 Notes

- 1 Full methodology and available datasets available at https://docs.google.com/document/d/1A6e7tAmPx5DBN4_f82BJLQQdFVBazhK-2cFESTFMqtHU/edit#heading=h.7sp5u5yfvvvt
- 2 Comparing Los Angeles Area Assembly District elections (without matching funds) to Los Angeles City Council elections (with matching funds).
- 3 Comparing proportion of small donors below \$250 and below \$114 in Los Angeles Area Assembly District elections (without matching funds) to Los Angeles City Council elections (with matching funds), when using a 6:1 match rate.
- 4 Comparing proportion of small contributions to large contributions in Los Angeles Area Assembly District elections (without matching funds) to Los Angeles City Council elections (with matching funds), when using a 4:1 and 6:1 match rate.
- 5 Comparing census block group demographics of donor addresses Los Angeles Area Assembly District elections (without matching funds) to Los Angeles City Council elections (with matching funds).
- 6 Comparing census block group demographics of donor addresses Los Angeles Area Assembly District elections (without matching funds) to Los Angeles City Council elections (with matching funds).
- 7 Comparing census block group demographics of donor addresses Los Angeles Area Assembly District elections (without matching funds) to Los Angeles City Council elections (with matching funds).
- 8 Before and after matching funds were implemented. Los Angeles and San Francisco did not see increases in candidates running for office in the elections immediately before and after implementation.
- 9 In elections with match rates of 4:1 or greater,
- 10 Compared to candidates who were not people of color; using FairVote's fully public Ranked Choice Voting Elections Database,
- 11 For disbursement costs, we took the maximum funding available of \$500,000 (recommended in the policy design section) and multiplied it by half the average number of legislative candidates who ran for office in 2018 and 2020 in California plus 50 for expected new candidates (50% of candidates opting into the program and qualifying would be a particularly high participation rate- so we are likely providing an overestimate of the cost). We replicated this but with fewer candidates for the assembly only and senate only estimates.
- 12 Comparing average number of small donors below \$200 and below \$100 per candidate for open seats to the city council in the elections before and after vouchers were implemented.
- 13 Comparing average proportion of small donors below \$200 and below \$100 to large donors per candidate for open seats to the city council in the elections before and after vouchers were implemented.
- 14 Comparing average proportion of small contributions below \$200 and below \$100 to large contributions per candidate for open seats to the city council in the elections before and after vouchers were implemented.
- 15 McCabe, B. J., & Heerwig, J. A. (2020). Building a More Diverse Donor Coalition. Georgetown University. Retrieved May 7, 2022, from <https://georgetown.app.box.com/s/r2skgxfnc230ukkb3dfqgm4576phzabd>,
- 16 Compared to registered voters in 2021 election-- Heerwig, J & McCabe, B. (2022). Broadening Donor Participation in Local Elections Results from the Seattle Democracy Voucher Program in 2021, Retrieved from https://mccourt.georgetown.edu/wp-content/uploads/2022/08/Broadening-Donor-Participation-in-Local-Elections_Report_2022.pdf.
- 17 Heerwig, J & McCabe, B. (2022). Broadening Donor Participation in Local Elections Results from the Seattle Democracy Voucher Program in 2021, Retrieved from https://mccourt.georgetown.edu/wp-content/uploads/2022/08/Broadening-Donor-Participation-in-Local-Elections_Report_2022.pdf.
- 18 In elections where similar number of seats are up for election.

FINAL RECOMMENDATIONS

→ 1. Adopt a pilot public financing program for California elections⁴²

Either a matching funds program or a democracy vouchers program would positively impact participation among small donors in California but would have varying degrees of success in other areas of interest. Rather than offering a strict endorsement of one program over another, we recommend that advocates weigh the tradeoffs of both programs to ultimately determine which program would be most effective for the moment.

A pilot program would be most appropriate in the state of California since public financing has yet to be implemented at scale for a state as geographically large and populous as California. By piloting the program for fewer offices (such as Senate offices initially before including Assembly offices) or during a primary election cycle, the state can examine the results to assess policy design and implementation before scaling to more offices. The long term goal is for a permanent public financing program to be implemented for all legislative offices in California and to potentially expand eligibility to statewide offices such as Secretary of State, Attorney General, and Governor.

Below, we have outlined the overall value and tradeoffs of both programs:

1.1 Matching funds program

For an estimated cost of \$2.16 per resident in California, a price tag lower than the democracy voucher program cost, a matching funds program would see candidates raising money from 4-5 times more small donors, and could see more candidates running for office including more people of color and women candidates.

Additionally, there is precedent for matching funds programs passing and succeeding on the local level in California, which may make matching funds an easier initiative to find allies for in the state legislature. As of this writing, democracy vouchers are not in use anywhere in California, though they passed on the ballot in Oakland in November 2022 and should be in use in 2024.

The matching funds program would not have a guaranteed positive impact on donor diversity if it is not accompanied by a targeted outreach program to communities of color and low-income communities. It is also a relatively less equitable program compared to the voucher program because it requires small donors to have some disposable income to participate in the program.

1.2 Democracy voucher program

For an estimated cost of \$3.16 per resident in California, a democracy voucher program would also see a substantial increase in the number of small donors to campaigns and more candidates running for office. The program would also likely be easier to engage community members with, as it is less complicated to explain compared to a matching funds program. The voucher program is slightly more equitable than the matching funds program because it does not require participants to have more disposable income to participate.

As is the case with the matching funds program, greater donor diversity is not guaranteed if targeted outreach to communities of color and low-income communities is not prioritized. The

⁴² Public financing would have to be adopted after repealing the ban on public financing in Proposition 73 (1988).

voucher program also did not demonstrate as great of an impact on small donor participation compared to the matching funds program, although there are very few elections and only one city with voucher programs to use as a basis of comparison to provide a precise estimate. For these same reasons, the overall demonstrated impact of the program is less certain compared to the matching funds program impact. Lastly, the voucher program would be more costly to the state and taxpayers than a matching funds program.

In sum, both programs dramatically increase the number of small donors and carry the potential to increase the diversity of donors. The matching funds program has more precedent and more data available to prove impact and likely costs less. The democracy voucher program may be more equitable and could be more effective, but greater data and research is needed to demonstrate the precise impact of the program on donor participation.

→ **2. Prioritize diversity, equity, and inclusion in the policy development and implementation process to ensure that Black, brown, and low-income communities who are currently underrepresented in the political and donor system are engaged in the program.**

A commonly stated goal of public financing programs is to increase the diversity of the small donor base in the jurisdiction where the program exists. Despite this goal, both the democracy voucher program and the matching funds program (in our analysis, specifically the Los Angeles program) have shown only small increases in attaining participation in low-income, Black, and brown communities that is reflective of their representation within each city.

For this reason, we have identified recommendations around diversity, equity, and inclusion throughout this report for the consideration by advocates interested in mobilizing support for, designing, and implementing a public financing program. We summarize those here:

- 2.1 Begin community education and outreach efforts as early as possible to ensure that communities are informed before vouchers are mailed to residents or before matching funds can be used.**
- 2.2 Incorporate community-based organizations into advising around the implementation and public education process. Grant outreach funds to community-based organizations.**
- 2.3 Create linguistically and culturally competent outreach materials to reach communities underrepresented in the political and donor system.**
- 2.4 Create candidate training materials and programs so first-time candidates, young candidates, and candidates without a history of political involvement are able to take advantage of the program.**
- 2.5 Require qualifying contributions to come from within the legislative district that a participating candidate is seeking to represent.**
- 2.6 Create an online portal for both donors to contribute and for candidates to receive electronic access to funds and require that the portal includes multiple languages to increase accessibility.**
- 2.8 Consider engagement strategies beyond community outreach. This could include focus groups with communities of color and low-income residents to understand how to increase engagement, digital advertising campaigns, and building democracy voucher education into public benefits programs and other community/government services, similar to the state's "You Call the Shot California" COVID-19 vaccination campaign.**