

Small Donor Public Financing played a role in electing New York's most diverse City Council ever. photo: Sludge, Dec. 2, 2021

Introduction

With so many recent developments, it's already time for an update to last year's review of publicly funded campaign finance.¹ There is still a demonstrated need in Ontario's municipalities for a solution to the influence of big money and corporate donations, to encourage candidates to fundraise among small donors and to improve citizen engagement. *(For examples of undue corporate influence in Ontario's municipal politics, see Appendix 1.)*

When combined with donations transparency, small donor systems can shift fundraising away from special interests and towards grassroots communities. Why should we care about the sources of donations in political campaigns? In the words of Common Cause.org, "Politics costs money. Runaway campaign spending blocks better government policies because candidates turn to the wealthy and industry for support. The support comes with strings because big spenders are investing in policy outcomes."²

This report looks at the effects of small donor public funding in the most recent U.S. election campaigns in Seattle, Portland, Connecticut, D.C., Santa Fe, Berkeley, Los Angeles and New York City.

¹ A Review of Publicly Funded Campaign Finance Systems

² commoncause.org

Donations Transparency

Ontario elections law requires the reporting of donations information within six months after Voting Day³ - far too late to be of benefit to voters. In New York City elections all candidates, including those not participating in the matching funds program, are required to file frequent disclosure statements during the campaign period and "to make daily disclosures of contributions and expenditures (in excess of a certain threshold) during the two weeks leading up to an election".⁴ Contributors must disclose name, address, occupation, employer and contribution amount.

New York and most other jurisdictions reviewed here provide a database of contributions which is searchable during the campaign.⁵

Small Donor Public Funding

Small donor programs can increase the diversity and number of donors and candidates. They can reconnect City government with residents, thereby creating space for policies that favour the public interest. And by reducing the maximum contribution amount, they can help prevent government capture by the wealthy.

In the U.S., at last count there were 27 states, counties and municipalities using public funding to finance campaigns.⁶ Most small donor programs share these characteristics:

- *qualifying thresholds:* to ensure that only serious, competitive candidates have access to public funds, all candidates must first demonstrate public support for their campaign by collecting a minimum number and dollar amount of donations.
- reduced contribution limits: candidates who choose to participate in a small donor funding
 program must agree to limit the maximum size of contribution they will accept, to keep the
 big money out.
- *a cap on public funds:* each participating candidate can earn public funds up to a limit, but can continue raising private funds thereafter.

Democracy Vouchers in Seattle

2021 was the third election cycle for Seattle's program which is unique across the country. Each resident voter gets four \$25 vouchers. This year is the first that vouchers are being used by mayoral candidates, who were held out of the program in 2017.

"The purposes of the program are to get more candidates and to get more contributors, and on each of those counts, we saw positive results," said the commission's executive director Wayne Barnett.⁷ The percentage of Seattle residents who donate to campaigns tripled in 2017 and almost doubled again in 2019 to 7%.⁸

"Council candidates using vouchers can accept up to \$300 in cash per donor, while those not in the program can accept up to \$550 in cash per donor."9

³ Elections Ontario CFO Handbook for Candidates 2022, pg. 67

⁴ <u>"Small Donor Matching Funds: The NYC Election Experience", pg. 7</u>

⁵ Databases for: <u>Seattle</u>, <u>Connecticut</u>, <u>DC</u>, <u>Berkeley</u>, <u>Maryland</u>, <u>California</u>, <u>NYC</u>, <u>FEC</u>

⁶ <u>Demos, 2017</u>

⁷ Urban League

⁸ Fels Institute of Government, Summer 2020

⁹ Seattle Times Sept. 6, 2021

"Honestly, without democracy vouchers, I don't think I would have a campaign," said Thomas Kennedy, a former public defender. "I don't have any money ... I know very few people with money." Voucher donations have allowed Kennedy to hire campaign workers, buy merchandise and send mailers to voters about her ideas, she said.¹⁰

According to Ballotpedia.org, the 2019 municipal races in Seattle saw a record-breaking \$4.2 million in outside spending. In 2015—the last time the seven City Council seats were open—external spending only totalled \$785,000.¹¹ But even in the six races with heavy outside spending, publicly funded candidates won four.¹² Democracy vouchers allowed the grassroots to defeat \$4M spent by Amazon in the elections.¹³

Dollar Matching in Portland, OR

In 2020, Portland instituted a Small Donor Elections (SDE) program which "seeks to reduce the influence of money in politics and encourage election of people to City office who are reflective of and accountable to all Portlanders".¹⁴ This was a 6:1 dollar matching program (changed to 9:1 for the 2022 elections)¹⁵. Candidates for mayor had to qualify by raising donations of \$5 to \$250 from at least 750 Portland donors. The first \$50 of each contribution was matched by the City at six-to-one. "Candidates must report their contributions and expenditures … monthly, and then weekly during the final 42 days before an election".¹⁶ After the 2020 elections, Portland's Open and Accountable Elections Commission reviewed the SDE program performance and reported that:

- "Smaller contributions now dominate campaign fundraising. The average contribution per donor fell from \$1,221 in 2016 to \$81 in 2020, and the median contribution plummeted from \$250 per donor to \$50 per donor. Candidates were far less reliant on big donations from wealthy donors. This helped to boost the public's confidence in the integrity of local government."
- "Contributors are more evenly spread across the City. Data showed that lower-income and more diverse neighbourhoods gave more than they had in previous elections. Donors living in North, Northeast, and East Portland were more represented in campaign giving, and a far higher percentage of donors were everyday individuals--as opposed to special interests. A majority reported that they had never given to a candidate for City office before. Open and Accountable Elections successfully broadened our democracy and brought more first-time donors from marginalized communities into local politics."
- "SDE experienced a high participation rate, suggesting that it was designed to enable candidates to be competitive. Candidates wanted to participate. Two-thirds of competitive candidates opted to run under small donor matching. Six of the seven candidates who either won or made it to the runoff, and all three new City Commissioners, joined SDE. The program is well-designed and helps candidates succeed."¹⁷

¹⁰ ibid.

¹¹ ibid.

¹² Brennan Center for Justice report Public Campaign Financing Is a Bright Spot in the Shadow of Citizens United

¹³ The American Prospect: Grassroots Money Beats Amazon in Seattle, Nov. 15, 2019

¹⁴ Portland.gov

 ¹⁵ portland.gov
 ¹⁶ Portland Small Donor Elections/How To Run

¹⁷ Portland Elections Commission 2020 Report

Grants in Connecticut

A 2020 study by Common Cause found that 85% of candidates for Connecticut's General Assembly had opted to join the Citizens' Election Program and use public funds in their 2018 campaigns. For the 2022 elections, a grant for a primary campaign ranges from \$13,270 for State Representative to \$1.6M for Governor.¹⁸ Inaugurated in 2008, the Citizens' Election Program's growth has "encouraged lawmakers to tackle issues they otherwise would have avoided."¹⁹

"In 2018, an extraordinary 99% of the campaign funds used by legislative candidates came from individuals. This stands in sharp contrast to pre-program practices when less than half of the contributions made to political candidates came from individuals. For example, in 2006, nearly half of the \$9.3 million raised by candidates came from lobbyists, PACS and other entities."²⁰

The program's fund receives most of its funding from the sale of abandoned property. Candidates qualify for public funds by first raising seed money in small increments, between \$5 and \$250, from individuals. "The \$27 million in public funds spent on state elections in 2018 – \$12.8 million on legislative races and \$14.2 million on gubernatorial and other statewide contests – represents 1/7th of 1% of all General Fund spending that year."

More importantly, advocates of the system say, as lobbyists' influence over campaigns has dropped, legislators and governors have been more willing to revisit corporate and other business tax breaks. "Connecticut had corporate tax credits and exemptions worth \$556 million per year on the books in 2008 when public financing began. Adjusted for inflation that represents a present-day cost of \$682.9 million. And many of those breaks, once established, had not been re-evaluated for years or decades. But that pool of tax breaks has been tightened considerably since then, and currently is worth \$312 million."¹⁹

Besides reducing the clout of special interests, the Citizens' Election Program has allowed more women and minorities to run for state office, creating a more diverse General Assembly.

A hybrid program combines grants with dollar matching in Washington, D.C.

Washington's voluntary Fair Elections Program took effect for the elections of 2020. Donations to participating candidates who qualified were matched at 5:1 with public funds. To qualify, candidates must raise a designated number and dollar amount of donations. Upon qualifying, participating Council candidates also receive a grant of \$40,000 that provides seed money for their campaigns. As a result of the program, "more than 13,700 District of Columbia residents contributed to a candidate running for a seat on the Council — more than double the number of donors in previous election cycles."²¹

In this cycle, 76% of donors to candidates participating in the Fair Elections program were new donors who hadn't previously contributed to a recent political candidate. Also, half of the candidates elected to Council participated in the program. "A new and diverse class of candidates - including many first-time candidates and people of colour - was empowered to run for Council through the Fair Elections Program."²²

¹⁸ <u>SEEC Citizens' Election Program</u>

¹⁹ the CT mirror, Sept.14, 2020

²⁰ Common Cause

²¹ Georgetown U. McCourt School of Public Policy, Sept. 19, 2021

²² Campaign Legal Center report "Democratizing The District: D.C.'s Fair Elections Program in 2020"

Prior to the program taking effect, there was a problem of big money flooding into DC from outside its borders, with more than 60% of donations coming from non-residents of D.C. In 2020, 30% of donors were non-resident.²³

By more than doubling the number of political donors, motivating many new donors, diversifying the pool of candidates and halving the out-of-jurisdiction money, Washington's Fair Elections program can be judged a success.

A hybrid system in Santa Fe, NM:

Public funding of Santa Fe campaigns for mayor and city council consists of a grant plus 1:1 dollar matching. "Mayoral candidates will see their potential campaign war chest capped at \$120,000 (the \$60,000 disbursement plus \$30,000 in donations and a \$30,000 city match) and council candidates at \$22,500 (the \$15,000 disbursement plus \$3,750 in private funds and a \$3,750 match). Private donations to publicly funded candidates cannot exceed \$100 from any one donor."

"The intent of the reform, backers said, is to encourage office-seekers to opt for the public money and disincentivize a private fundraising arms race, such as the 2018 mayoral contest, when Mayor Alan Webber raised a record-breaking sum of more than \$315,000 and his rivals were unable to keep pace."²⁴

"City Council candidates seeking \$15,000 in public campaign funds must collect 150 contributions of \$5 each and signatures from half a percent of the registered voters in their district."²⁵

In the 2021 races, four of nine council candidates and none of the three mayoral candidates participated in the public financing program.²⁶

In one of the four races for Council, Candidate Lee Garcia's publicly funded \$22,500 campaign edged out his opponent Roman Abeyta's privately funded campaign which had twice the war chest.²⁷

In the three-way race for Mayor, where the big spending is, Alan Webber secured a second term with a privately funded \$461,000 campaign, defeating his closest rival, Vigil Coppler, who had spent \$153,378. Had Webber opted for a publicly funded campaign, his spending would have been capped at \$120,000.

Based on 2018 and 2021 campaign spending, it seems clear that additional public funds - certainly for the Mayoral race and perhaps also for Council campaigns - will be needed in Santa Fe, if public funding is to have the impact seen in D.C. Another factor here is the lack of a mechanism for donations transparency, however Common Cause New Mexico is working to restore New Mexico's Campaign Reporting Act.²⁸

²³ Expanding Donor Participation in the District, Sept. 2021

²⁴ Santa Fe New Mexican, Dec.13, 2018

²⁵ Santa Fe New Mexican, Aug. 7, 2021

²⁶ Santa Fe Reporter, Aug.3, 2021

²⁷ Santa Fe Reporter, Nov. 3, 2021

²⁸ Common Cause New Mexico

Dollar matching in Berkeley, CA

"Berkeley's Public Financing Program allows certified candidates for Mayor and City Council seats to receive a 6-to-1 match on qualifying contributions of up to \$50 from Berkeley residents, to a maximum of \$43,000 for City Council candidates and \$129,000 for mayoral candidates."²⁹ With a population of just 124,000, Berkeley is the smallest municipality reviewed here, yet per capita program cost was kept to four dollars.³⁰

The system worked as designed in its 2018 debut, cutting down the influence of big money and boosting competitiveness in the City Council elections, according to MapLight, a nonprofit organization that follows the influence of money in politics.

"Fourteen people ran for the Berkeley council in 2018, the highest number since the start of the decade, and 10 of them agreed to adhere to contribution limits in return for public matching funds. The winners of all four seats came from that group."³¹

"Outside influences were also deterred by the public financing system. In both the 2014 and 2016 elections, businesses and political committees gave about \$10,000 combined to council candidates. This fell to just \$4,500 (in 2018), with most going to one of the non-participating (and losing) candidates. In addition, the election saw fewer donations from outside of Berkeley and out of state."³²

Dollar matching in Los Angeles

Candidates can qualify for a \$6 to \$1 public match for campaign contributions up to \$114 from individuals residing in the city. The city does not match non-individual contributions. The matching funds program requires a candidate to attend at least one debate and limits the amount a candidate can spend. The expenditure ceiling for mayoral candidates stands at \$3,329,000 for the primary election and \$2,662,000 for the general election.

All mayoral candidates must adhere to an aggregate limit on the amount they can raise from non-individuals, which includes "businesses, corporations, labor unions, and political committees." The limit is currently set at \$1,444,400. Contributions from individuals are capped at \$1,500 per person.³³

Candidates for City Council must observe an aggregate limit on contributions from nonindividuals of \$240,700. Contributions from individuals are capped at \$800 per person.³⁴

LA's dollar matching program enjoys a high rate of participation among Council candidates and most successful candidates have used the program to attain office. In both 2017 and 2020, every Council seat saw contributions from individuals more than double funds from Independent spenders (PACs and SuperPACs).

The role of dollar matching in LA's last two Mayoral elections, however, was mixed. Eric Garcetti won both contests. In 2013, matching funds played a pivotal role in allowing him to outspend his runoff competition, who received far more contributions from Independents. Yet in 2017 Garcetti retained the Mayor's seat, vastly outspending his nearest rival while choosing

²⁹ City of Berkeley

³⁰ Ballotpedia,org

³¹ The Fulcrum, Dec.20, 2019

³² The Fulcrum, Dec.20, 2019

³³ Open Secrets

³⁴ LA Ethics Commission

not to participate in the dollar matching program.³⁵ In addition to limiting his spending, LA's program would have required him to participate in a debate, sometimes a strategic disadvantage for incumbents. We might call this the Bloomberg Effect. When an incumbent Mayor foresees a marked fundraising advantage over their nearest opponent using private money, a dollar matching program can hold less appeal.

For details of LA's Council and Mayoral elections in 2015, 2017 and 2020, see Appendix 2.

Dollar Matching in New York City

In 2021, "New York City voters ... elected a record number of women to the City Council, increasing the number of women to 29 of the legislature's 51 members, up from 14 currently. The incoming City Council class also features a record number of people of colour, with 35 members identifying as such, up from 26." A new report from the Brennan Center for Justice finds that the share of women on the City Council will surpass the 52% of the city's population made up by women, and people of colour on the Council will nearly match their share of 68% of city residents.³⁶

"97% of the women and people of colour who won Council seats raised money through the program... We have seen more candidates running, more contributions collected, and more public funds paid to more candidates than in any previous election cycle," said Matt Sollars, CFB's director of public relations.

"The analysis also found that the system produced race and gender equity in fundraising across every competitive contest in primary elections... This cycle, the data showed, women and people of colour slightly out-raised men and white candidates—women by 4%, candidates of colour by 2%".

"The program resulted in office seekers being matched so fairly, through campaign funding unlocked by small donations from city residents, that even in districts where the top two primary candidates were a man and a woman, or a white candidate facing off with a person of colour, they had nearly the same amount to spend through the June 22 primary date."³⁷

For details of NYC's Mayoral and Council elections in 2017 and 2021, see Appendix 3.

Conclusion

Democracy vouchers allowed Seattle's grassroots campaigns to defeat \$4M in spending by Amazon. Grants lead Connecticut to cut in half its burdensome corporate tax breaks. A hybrid system reduced undue influence by non-resident contributors in D.C.'s City Council. Dollar matching in New York made possible record numbers of women and people of colour elected to City Council. In any of these forms, small donor public funding is worthy of consideration for municipal elections in Ontario.

Guy Talevi Ottawa April 18, 2022

³⁵ LA Ethics Commission

³⁶ Sludge, Dec. 2, 2021

³⁷ <u>ibid.</u>

For a study on the implementation of New York's Matching Funds Program in Ontario's municipal elections, see <u>"New York City's Campaign Finance System: A Comparative Study"</u>.

Appendix 1- Undue Corporate Influence In Ontario

Election Reports

- Ottawa's 2018 Election³⁸
- Toronto's 2014 Election³⁹
- 2014 Elections in Aurora, Barrie, Brock, Bradford West Gwillimbury, East Gwillimbury, Georgina, Innisfil, King, Newmarket, Orillia, Oro-Medonte, Ramara and Whitchurch-Stoufville⁴⁰
- Ottawa's 2010 Election⁴¹
- Ottawa's 2006 Election⁴²
- 2006 Elections In Simcoe County⁴³
- Ottawa's 2003 Election⁴⁴

Special Interests and Government

- How Corporate And Union Donations Affect Municipal Elections⁴⁵
- Ottawa Planning Committee Needs More Than A Change Of Leadership⁴⁶
- 'Developers Control City Hall', City Councillor Charges⁴⁷
- Shifting Urban Boundary 'Makes Millionaires', Planning Prof Says⁴⁸
- Council Approves Major Expansion Of City's Suburbs⁴⁹
- Who's Who In Hamilton's Urban Boundary Debate⁵⁰
- Students Gather Shoes For Pickering Wetlands Protest⁵¹
- The Money Trail: Developers Who Donated To Ontario Proud...⁵²
- Investigation: Developers With Ties To Ford Government Stand To Cash In On Hwy. 413⁵³

- ⁴² The Need For Reform: A Report On The 2006 Municipal Election In Ottawa
- 43 Campaign Lake Simcoe, 2010
- ⁴⁴ Cullen Report On Municipal Campaign Financing In Ottawa, 2005
- ⁴⁵ CBC News, May 19, 2016
- ⁴⁶ Ottawa Citizen, July 2, 2021
- ⁴⁷ <u>CBC News, June 29, 2019</u>
- ⁴⁸ CBC News, May 26, 2020
- ⁴⁹ CBC News, May 27, 2020
- ⁵⁰ CBC News, Nov. 8, 2021
- ⁵¹ National Observer, Feb. 25, 2021
- ⁵² National Observer, Feb. 17, 2021
- ⁵³ National Observer, Apr. 3, 2021

³⁸ Horizon Ottawa, 2020

³⁹ Toronto Star, Apr. 9, 2016

⁴⁰ Campaign Fairness Ontario, 2016

⁴¹ Cullen Report 2010

Appendix 2 - Dollar Matching in Los Angeles

For the 2015 City Council race, public funds were offered at a dollar matching ratio of 4:1. There were 34 serious candidates (i.e. raised at least \$1,000) contesting seven council seats. 32 serious candidates participated in the matching funds program and five of the seven seats were won by program participants.

For the 2017 City Council elections, the dollar matching rate was increased to 6:1. There were 36 serious candidates contesting eight council seats. All serious candidates participated in the matching funds program and all seats were won by program participants.

Elections were then switched to even years to coincide with presidential and gubernatorial elections. For the 2020 City Council elections, dollar matching remained at 6:1. There were 33 serious candidates contesting seven council seats. 26 serious candidates participated in the matching funds program and four of the seven seats were won by program participants.

In the 2020 City Council elections, Independent Spending (from PACs and SuperPACs) was \$3M, vs. \$8M in contributions to candidates and \$2M in matching funds.⁵⁴

For the 2017 Mayor's race, there were ten serious candidates (i.e. raised at least \$1,000). Seven serious candidates participated in the matching funds program. Eric Garcetti, the winner, elected not to participate in the matching funds program. He received \$3.9M in donations and 81% of the vote. The runner-up, Mitchell Schwartz, received \$300,000 in matching funds and \$460,000 in donations, not enough to overcome Garcetti's fundraising advantage.

In the 2017 election for Mayor, Independent Spending (from PACs and SuperPACs) was \$57K, vs. \$4.4M in contributions to candidates and \$300K in matching funds.⁵⁵ The next election for Mayor is this year (2022).

⁵⁴ LA Ethics Commission

⁵⁵ <u>ibid.</u>

Appendix 3 - Dollar Matching in New York City

In the 2017 Citywide elections,

- Small-dollar contributors (those who gave \$175 or less) played a larger role than in either the 2009 or 2013 elections.
- More candidates conducted small-dollar fundraising online via the web, social media, and email.
- For the second election cycle in a row, both major party nominees for mayor participated in the matching funds program. To qualify, a candidate for Mayor must raise at least 1,000 contributions totalling at least \$250,000 from NYC residents.⁵⁶
- City Council candidates received more than 50 percent of their funds from the public match. To qualify, a Council candidate had to raise at least 75 contributions totalling at least \$5,000 from residents of the district they were contesting.

The next Citywide elections for Mayor and City Council were to be held in November of 2021. Preparatory to those elections, in 2019 NYC increased its dollar matching ratio from 6:1 to 8:1. The amount eligible for matching is \$250 for Mayoral candidates and \$175 for Council candidates.⁵⁷

Contribution limits for participating candidates were lowered to \$2,100 for Mayor and reduced by two thirds to \$1,050 for Council candidates. Maximum public funds available from the program were increased to \$7M per election (Primary and General) for Mayor and \$184,000 per election for City Council.

Ranked-choice voting was enacted, seeking to reduce the effectiveness of negative campaigns and create "new norms of campaigning as candidates seek second-choice votes from voters who may support their opponents."⁵⁸ Also, term limits created "wide-open races for mayor... and most of the City Council."

In 2021, Eric Adams won the Democratic mayoral primary vote. Adams and six of the seven other highest spending mayoral candidates participated in the matching funds program.⁵⁹ In November, Adams went on to win the mayoral general election.

Every Mayor except Michael Bloomberg has participated in the dollar matching program since it began in 1989.⁶⁰ In the 2021 Mayor's race, independent spending (from PACs and SuperPACs) of \$32M was overwhelmed by \$42M in contributions to candidates and \$47M in matching funds. There was a similar effect on City Council elections, where independent spending of \$7M was overwhelmed by \$16M in contributions to candidates and \$39M in matching funds.

⁵⁶ New York City Campaign Finance Board

⁵⁷ <u>ibid.</u>

⁵⁸ <u>ibid</u>

⁵⁹ Ballotpedia.org

⁶⁰ New York City Campaign Finance Board

Appendix 4 - Further Reading

- Citizens United explained⁶¹
- It was still the wild west in New York State elections last year.⁶²
- Can public campaign finance systems empower small donors?⁶³
- 2020 Dollar Matching in San Francisco⁶⁴
- 2018 Dollar Matching in Berkeley⁶⁵
- 2018 Dollar Matching in Montgomery County⁶⁶
- Dollar Matching in Denver⁶⁷
- Dollar Matching Program Announced For New York State⁶⁸
- Dollar Matching in Suffolk County, NY⁶⁹
- Dollar Matching in Howard County, MD⁷⁰
- Dollar Matching in Prince George's, MD⁷¹
- Video Breaking Down Barriers: The Faces of Small Donor Public Financing⁷²

⁶¹ Brennan Center

⁶² The City

⁶³ International Business Times

⁶⁴ Ethics Commission of San Francisco

⁶⁵ MapLight News Archive: 2018 Fair Elections in Berkeley

⁶⁶ Maryland PIRG

⁶⁷ Westword: Fair Elections Could Level the Denver Field in 2023

⁶⁸ Brennan Center for Justice Guide: New York State's New Small Donor Financing Program

⁶⁹ Suffolk County, NY Legislature Resolution 1975-2017

⁷⁰ The Baltimore Sun, Howard County Council Passes Small Donor Finance System...June 6, 2017

⁷¹ The Washington Post, Prince George's approves matching funds...Oct. 24, 2018

⁷² Brennan Center For Justice Video, June 8, 2016