## STAFF REPORT

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| **Agenda Item:** |  | **Name:** | Brandi Vena |
| **Proposed No**.: |  | **Date:** | Updated February 6, 2019 |

**SUBJECT**

Public Financing of Campaigns.

**BACKGROUND**

In November 2015 Seattle voters approved Initiative 122 which enacted campaign finance reforms and created the Democracy Voucher Program. This program was the first of its kind in the United States[[1]](#footnote-1). Since that time other municipalities have researched the viability of implementing similar programs in their jurisdictions, however no other municipality has yet done so. There are, however, 27 public financing programs for electoral campaigns currently in use across the country by states, counties, and cities that vary in scope and structure. Types of programs used are tax credits or refunds, grant programs providing lump sums from a public fund, and small-donor matching programs. The City of Seattle’s voucher program is included as a program in the list[[2]](#footnote-2).

In 2017 two property owners brought a lawsuit against the city claiming the voucher program violated their constitutional rights to free speech by forcing them to support candidates they didn’t like via their tax payments. King County Superior Court initially found against the petitioners but, after they appealed the ruling, the Washington State Court of Appeals sent the issue straight to the Washington State Supreme Court. That court agreed to the review the case and the results are pending[[3]](#footnote-3).

**SUMMARY**

***Program Structure***:

Under the program instituted by the City of Seattle, the city sends paper vouchers to Seattle voters in odd-numbered years when city candidates appear on the ballot[[4]](#footnote-4). Seattle residents can assign each voucher, of which there are four and each worth $25, to any participating City Council candidate, including candidates within or outside their respective council districts. Residents assign vouchers by writing in the eligible candidates' name, the date the voucher was assigned, and signing the voucher[[5]](#footnote-5). The city automatically mails the vouchers to registered voters, but any City of Seattle resident can use them; if a resident is not registered to vote he or she can apply to receive the vouchers[[6]](#footnote-6).

Candidates who wish to receive funds through the program must go through a qualifying process which entails collecting at least 150 qualifying contributions of at least $10 each, as well as signatures from Seattle residents, 75 of which must come from the candidate’s district. They must also sign a pledge agreeing to adhere to program rules which include campaign spending limits and a requirement to participate in at least three public debates or similar events, among others[[7]](#footnote-7).

***Use of the program:***

The University of Washington Center for Studies in Demography & Ecology did a study assessing the impact of Seattle’s Democracy Voucher Program. The study found that the number of Seattle residents participating campaign contributions increased after implementation of the Democracy Voucher Program, but that historically underrepresented groups were less likely to participate[[8]](#footnote-8). Specifically, the study found:

* 20,727 Seattle residents used their democracy vouchers to donate to a candidate in 2017;
* Older residents in Seattle were three times more likely to participate than younger residents. More than 6 percent of Seattle residents over the age of 60 returned their vouchers, but only 2 percent of residents between the ages of 18-29 did so;
* More than 4 percent of white Seattle residents returned their vouchers but only 2.4 percent of black residents participated;
* More than 5 percent of individuals with an annual income above $75,000 participated in the Democracy Voucher program, but only about 2 percent of individuals with an annual income below $30,000 participated in the program; and
* Citizens who were already engaged in the political system by regularly voting in general elections were much more likely to return their vouchers than those who voted infrequently or not at all[[9]](#footnote-9).

When comparing voucher users to cash donors, the study found:

* 36 percent of voucher users were 60 years old or older compared to slightly more than 33 percent of cash donors;
* A slightly higher percentage of donors under the age of 30 participated in the voucher program than participated in the pool of cash donors;
* White residents comprise a disproportionate share of both voucher users and cash contributors. While 79 percent of registered voters in Seattle are white, whites comprise 86 percent of participants in the Democracy Voucher program and 87 percent of cash contributors;
* Individuals with an income of $100,000 or more make up 24 percent of cash donors, but they comprise only 16 percent of voucher users. On the other hand, only 4 percent of voucher users – and 2 percent of cash donors – have an income below $30,000; and
* Voucher users were slightly more likely to come from poor neighborhoods – and slightly less likely to come from wealthy ones – than cash donors[[10]](#footnote-10).

***Fiscal range of the program:***

When City of Seattle voters approved the program in 2015 they also approved a property tax of $3 million per year to fund the program for 10 years. The tax is levied on commercial, business, and residential properties. The average homeowner pays $8.00 per year[[11]](#footnote-11). Implementation and administration of the program cost the city approximately $1.6 million for the following items:

* Translating 21 pages of materials into 15 languages;
* Fielding calls to a Democracy Voucher Hotline;
* Purchasing advertisements on social media to disseminate information to Seattle residents;
* Technology related to voucher tracking;
* Printing and mailing of more than 500,000 voucher packets;
* Office construction for increase in staffing and space needs related to the program; and
* Two-year staffing costs for the program[[12]](#footnote-12).

The Charter Review Commission for the City of Austin in Texas, which is considering implementing a similar voucher program, estimates that launching the program there will cost $400,000 and $1.55 million annually for voucher and administrative costs[[13]](#footnote-13).

***Similar programs in other jurisdictions:***

The City of Austin, Texas charter review commission has recommended implementation of a program based on the City of Seattle program in time for 2022 elections. The city council will take up issue in 2019[[14]](#footnote-14). Commissioners representing Bernalillo County, New Mexico voted against allowing the question of implementing “democracy dollars” to go on the November general election ballot in 2018[[15]](#footnote-15).

On the federal level, Congressional Democrats have introduced legislation that would create a pilot voucher program and select up to three states to participate in the pilot. The pilot program would allow a resident of a pilot state to request a $25 voucher from the state which the resident could then allocate to candidates in $5 increments[[16]](#footnote-16).

***Updates since January 23, 2018 meeting:***

The King County Charter Review Commission has the following options going forward:

1. Take no action with regards to public financing of campaigns;
2. Direct staff to draft a ballot proposition that would amend the county charter by creating a program to publicly finance campaigns similar to the Democracy Voucher program created by the City of Seattle;
3. Direct staff to draft a ballot proposition that would amend the county charter by creating another form of publicly financed campaign program; or
4. Direct staff to draft a ballot proposition that would amend the county charter by giving the King County council the option of putting forth an ordinance to create a program for publicly financing campaigns.
1. URL: <https://www.seattle.gov/democracyvoucher/about-the-program> [↑](#footnote-ref-1)
2. *Public Funding for Electoral Campaigns: How 27 States, Counties, and Municipalities Empower Small Donors and Curb the Power of Big Money in Politics*, 1-2, 2017, available at [https://www.demos.org/sites/default/files/publications/Public\_Financing\_Factsheet\_FA[5].pdf](https://www.demos.org/sites/default/files/publications/Public_Financing_Factsheet_FA%5B5%5D.pdf) [↑](#footnote-ref-2)
3. Daniel Beekman, *Washington’s Supreme Court agrees to review case against Seattle’s ‘democracy vouchers*,’ The Seattle Times, December 21, 2018, available at <https://www.seattletimes.com/seattle-news/politics/washingtons-supreme-court-agrees-to-review-case-against-seattles-democracy-vouchers/> [↑](#footnote-ref-3)
4. *Democracy Voucher Program Biennial Report 2017*, 8, available at <http://www.seattle.gov/Documents/Departments/EthicsElections/DemocracyVoucher/Final%20-%20Biennial%20report%20-%2003_15_2018.pdf> [↑](#footnote-ref-4)
5. URL: <http://www.seattle.gov/democracyvoucher/about-the-program> [↑](#footnote-ref-5)
6. *Democracy Voucher Program Biennial Report 2017*, 8. [↑](#footnote-ref-6)
7. *Id*., 18-19. [↑](#footnote-ref-7)
8. Jennifer Heerwig and Brian J. McCabe, *Expanding Participation in Municipal Elections: Assessing the Impact of Seattle’s Democracy Voucher Program*, April 2018, available at <https://csde.washington.edu/wp-content/uploads/2018/04/Seattle-Voucher-4.03.pdf> [↑](#footnote-ref-8)
9. *Id*. [↑](#footnote-ref-9)
10. *Id*. [↑](#footnote-ref-10)
11. URL: <https://www.seattle.gov/democracyvoucher/about-the-program> [↑](#footnote-ref-11)
12. *Democracy Voucher Program Biennial Report 2017*, 9-12. [↑](#footnote-ref-12)
13. Emma Feer, *Austin weighs $1.5 million Democracy Dollars voucher program*, Community Impact Newspaper, October 24, 2018, available at <https://communityimpact.com/austin/central-austin/economic-development/2018/10/24/austin-weighs-1-5-million-democracy-dollars-voucher-program/> [↑](#footnote-ref-13)
14. *Id*. [↑](#footnote-ref-14)
15. Steve Knight, *BernCo again denies Democracy Dollars initiative*, Albuquerque Journal, August 21, 2018, available at <https://www.abqjournal.com/1211663/bernco-commission-denies-democracy-dollars-initiative-for-second-time.html> [↑](#footnote-ref-15)
16. H.R. 1, §§ 5001 – 5104, available at <https://democracyreform-sarbanes.house.gov/sites/democracyreformtaskforce.house.gov/files/HR%201_TheForthePeopleAct_FINAL.pdf> [↑](#footnote-ref-16)