



Background Materials

Prepared by the
Los Angeles City Ethics Commission
May 2006

(213) 978-1960
<http://ethics.lacity.org>

...preserving the public trust

City Ethics Commission

Gil Garcetti
President
Bill Boyarsky
Vice President
Dr. Uri Herscher
Sean Treglia
Robert M. Saltzman

City of Los Angeles

CALIFORNIA



LeeAnn M. Pelham
Executive Director

CITY ETHICS COMMISSION
200 N. Spring Street
City Hall – 24th Floor
Los Angeles, Ca 90012
(213) 978-1960
(213) 978-1988 Fax
<http://ethics.lacity.org>

May 30, 2006

Dear Friend,

Thank you for your interest in the work of the City Ethics Commission and for taking the time to be a part of tonight's Town Hall forum.

Since 1990, when City voters first enacted comprehensive campaign finance reform for City candidates, Los Angeles has been a laboratory for reform. As the semi-independent body charged by the City's voters to help shape, and to administer and enforce those reforms, the City Ethics Commission voted in March to support expanding the current system of *partial* public financing to a *full* public financing system for City races.

To help ensure that any new system for funding City campaigns is as strong and effective as possible, the Commission is very interested in your comments and feedback. Toward that end, for your reference, we have prepared the attached discussion guide on the issue, and set of summary data on City campaigns that we excerpted from our most recent post-election analysis, *Investing in the Public Trust: Campaign Finance Reform in the City of Los Angeles 15 Years After Proposition H*. We hope you find these materials of use as these important discussions about ways to improve the City's comprehensive reforms continue to evolve in the coming weeks and months.

If you have questions or would like other information about the Commission's activities -- including future public hearings it holds on the campaign financing issue, or to sign up for our electronic newsletter -- please feel free to call us, or visit us as <http://ethics.lacity.org>. We look forward to hearing from you.

LeeAnn

LeeAnn M. Pelham
Executive Director



**Discussion Guide on
Developing a Full Public Financing System for City Campaigns**



TOPIC: What steps should be taken to structure a full public financing system for City races?

THE PROCESS: ENGAGING THE PUBLIC

Enacting a full public financing system for City campaigns will require Los Angeles voters to amend the City Charter to authorize and fund that system. Engaging the public, former candidates, treasurers, legal experts and others in that policy making process is critical. Their active participation in shaping the new system will help assure that it is tailored most effectively to succeed in meeting both the public policy goals it is designed to achieve as well as voters' expectations for the program. Key dates likely to that process of engagement are:

September 6, 2005	18-month pre-election fundraising window opened for 2007 Council candidates.
May, 2006	Town hall forums sponsored by Council Districts Two, Eleven and Thirteen on public financing anticipated to occur in various regions of the city.
June, 2006	Possible session by CA Clean Money Campaign on public financing at congress of Neighborhood Councils.
July 19, 2006	Deadline for Council to request City Attorney to draft a ballot measure resolution for November 7, 2006 state general election ballot.
August 4, 2006	Deadline for Council to adopt ballot measure resolution for November 7, 2006 state general election ballot.
Nov. 15, 2006	Deadline for Council to request City Attorney to draft ballot measure resolution for March 6, 2007 city primary election ballot.
December 1, 2006	Deadline for Council to adopt ballot resolution for March 6, 2007 city primary election ballot.
March, 2007	24-month pre-election fundraising window (under current law) opens for 2009 Citywide candidates.

Discussion Points:

What additional avenues are desirable to solicit broad and constructive input and help identify the most effective approaches to key program components?

In which City elections should a new system of full public financing first be implemented?

**THE GOAL:
A NEW AND IMPROVED SYSTEM
TO BETTER ACHIEVE CRITICAL OUTCOMES**

Competitive City campaigns that give voters real choices among candidates	Broad candidate and voter participation in the electoral process	City campaigns that engage voters and promote discussion of important issues	The prevention of corruption and the appearance of corruption in City government
---	--	--	--

**THE STRUCTURE:
THE ‘MOVING PARTS’
OF A FULL PUBLIC FINANCING SYSTEM**

I. Funding

Based on estimates from the California Clean Money Campaign, to provide full public financing for all campaigns for elective City office could require funding of \$7 million to \$9 million per fiscal year.

A Charter change would be required to amend the existing partial public financing system to authorize and appropriate the use of city funds for full public financing of qualified city campaigns.

Discussion Point:

What revenue sources should be used to fund the program?

II. What Are the Program’s General Requirements?

Candidates who wish to participate in the program would be required to agree in writing to abide by certain fundamental requirements as a condition of receiving full public funding for their campaigns. Those provisions would include, for example, the following;

- (1) a candidate must agree to limit his or her campaign spending to no more than the amounts established in the law;
- (2) a candidate must agree to limit the use of personal funds in the campaign to no more than the amounts established in the law;

- (3) a candidate must agree to debate his or her opponents;
- (4) candidates agree to raise only small amounts of seed money to raise limited contributions to qualify for public funding;
- (5) candidates agree to turn money raised to qualify over to the city’s Public Financing Trust Fund to help fund the distribution of public funds to qualified candidates;
- (6) candidates would be required to forfeit office if they:
 - a. exceeded the spending limits for their race or receive impermissible contributions (other monetary or in-kind) outside of the public funding they received; or
 - b. are found to have coordinated an independent expenditure in connection with their campaign.

Discussion Points:

What spending limit and personal funds use limits should apply for participating candidates?

What constitutes a “debate” and how many times should participating candidates be required to square off against each other?

To provide every incentive for candidates to play by all rules in exchange for receiving full public funding for their campaigns, are there any other provisions that, if violated, should cause an official’s forfeiture of office?

III. What Must Candidates Do to Qualify for Full Public Financing?

Only candidates who agree to abide by the program’s requirements and demonstrate viability as a candidate can qualify to receive full public financing. To demonstrate viability for full public financing, a candidate must:

- (1) have raised a threshold amount of funds, in limited amounts, from a specified number of individuals; and
- (2) have been certified to appear on the ballot.

Discussion Points:

What should the threshold amount of funds necessary to demonstrate viability? For Council? For Citywide candidates?

What is the maximum amount a participating candidate should be able to receive from any one donor while attempting to reach that threshold, and how many contributors must a candidate have to qualify?

Are there other factors that should be considered in gauging a candidate’s readiness to receive full public funding for their campaign?

IV. When Should Candidate Fundraising Begin?

Candidates who plan to participate in the public financing program would be permitted to raise a limited amount of “seed money” in contributions that are limited in size, during a defined period before beginning to raise the contributions that help them qualify for public funds. These “seed money” contributions are generally a bit larger than the contributions they later raise to qualify. Once they do qualify, all unused seed money and qualification money is turned over to the Public Financing Fund and used to provide public funding to qualified candidates.

Candidates who do not plan to participate in the public financing program would begin fundraising for office at the same time, subject only to the contribution limits that apply generally (see next section).

Discussion Points:

How far in advance of the election should candidates be able to begin raising money for their campaigns? Should Council candidates be able to begin fundraising 18 months before the election, and Citywide candidates have 24 months as is currently the case under City law, or should those timeframes be shortened? If so, to what?

V. What Contribution Limits Should Apply?

Under current City law, contribution limits for all candidates are limited to \$500 per election per person for Council candidates, and to \$1,000 per election per person for Citywide candidates (that is, for Mayor, City Attorney and Controller candidates.) A “person” is defined by state law to mean an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, and any other organization or group of persons acting in concert. In addition, City law currently limits the amount overall that any candidate may receive from all non-individual sources.

Discussion Points:

What contribution limits should apply to the “seed money” and “qualifying contributions” raised by candidates who want to receive public financing? Are there other requirements that should apply to those types of private contributions, such as that they must come from individuals residing within the candidate’s district? Or that the contributor be a registered voter in the candidate’s district? If so, should those additional restrictions apply to all of the seed money or qualifying contributions, or only some percentage of those funds? If candidates have the option to qualify for full public financing for their campaigns, should the City ban all non-individual contributions? Alternatively, should the cumulative amount of total non-individual contributions received be lowered? Should the per person contribution limits remain at current levels? If not, how should they be changed?

VI. Spending Limits – Public Benefits Provided

Participating candidates who meet all qualification criteria receive public funding to finance their campaigns. Amounts candidates may qualify to receive typically also include additional incremental amounts for candidates to respond when large independent spending occurs in their race, or when a “wealthy candidate” or large spending opponent exceeds the spending limit to which participating candidates agree to abide. The California Clean Money Campaign estimates that a \$7 to \$9 million per fiscal year public financing program could, for example, provide candidates with the lower spending limit and higher spending limit amounts illustrated below:

<u>Office Sought</u>	<u>California Clean Money Campaign Lower Spending Limit Illustration</u>	<u>California Clean Money Campaign Higher Spending Limit Illustration</u>
Mayor	\$1 million in primary and \$1 million in general with max of \$4 million in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent	\$2 million in primary and \$2 million in general with max of \$8 million in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent
City Attorney	\$300,000 in primary and \$300,000 in general with max of \$1.2 million in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent	\$500,000 in primary and \$500,000 in general with max of \$2 million in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent
Controller	\$150,000 in primary and \$150,000 in general with max of \$600,000 in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent	\$250,000 in primary and \$250,000 in general with max of \$1 million in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent
City Council	\$150,000 in primary and \$150,000 in general with max of \$600,000 in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent	\$250,000 in primary and \$250,000 in general with max of \$1 million in additional incremental public funds available in response to independent spending or large spending by a non-participating opponent

Discussion Points:

How should the spending limits be set in each race? Based on current spending levels? Historical averages? The number of registered voters or size of population in a district? How much should participating candidates have in addition to respond to large independent spending in their race, or to large spending by a non-participating candidate in their race?

Should limits be placed on the purposes for which participating candidates can spend their traditionally raised “seed money,” and/or their public funding generally? If so, for which purposes?

In a multi-candidate primary, how should who qualifies to receive the incremental public funding to respond to independent spending be determined?

Should the spending ceilings have any flexibility to allow participating candidates to respond when really large independent spending occurs in their race? That is, should some private fundraising be allowed for even publicly financed candidates if the additional increments in independent spending prove insufficient to offset the level of independent spending that actually occurs in their race?

VII. Additional Public Benefits Provided

In addition to the use of public funding to directly finance a participating candidate's campaign, other benefits may also be used to provide resources to qualified candidates in exchange for their agreement to abide by all program requirements. Such benefits might include, for example, use of the City's cable Channel 35 to allow candidates a means to communicate broadly with the voters during the election cycle. The City has in previous elections used this general approach on a limited trial basis. In addition, leveraging the City's cable franchising agreements to require some limited public affairs air time for qualified city candidates may also be possible. Some have also suggested that the sample ballot identify should identify candidates that opt into a public financing program.

Discussion Point:

What additional tools should the City explore using as a way to help better engage and inform voters?

VIII. Other Related Provisions and Notice Requirements

The following are several provisions of current City law that help support an effective system of public financing because they provide key information to candidates and the public, for example, about when and how independent spending occurs, and how candidates communicate with the voters. They therefore could remain in place and be unaffected by any expansion of the City's program to full public financing.

Independent Spending Funding: City law currently bans the use of for-profit corporation or union treasuries in making independent expenditures. City law also limits to \$500 per calendar year the amount any person or committee who makes independent expenditures supporting or opposing a candidate for City office can accept for those purposes.

Other Independent Spending Notices: City law currently requires notification within 24-hours of independent spending of certain amounts to allow for public funding increments and spending limits adjustments to be made. It also currently requires reporting by those who have spent more than \$10,000 to identify their funding sources.

Additional Candidate Disclosure Filing: The City currently requires a third pre-election report by all candidates to detail their fundraising and expenditure activities in the days closest to the date of the election. This reporting requirement would continue to provide important information to voters precisely at the time they are most likely to be focused on city campaigns.

Voter Communications: The Ethics Commission has recommended enacting a new requirement that candidates with controlled committees file certain voter communications in electronic format. This proposal, which was transmitted to the Council in late March, will enable committees to better track their filings and provide the public with easier and timelier access via the Web to those communications.

Disclaimers on Communications: Other provisions of City law help ensure transparency and accountability in City campaigns by requiring certain identifying information be placed on communications to ensure voters have accurate information about the source of those communications.

ADDITIONAL APPROACHES: COMPANION REFORMS WORTH CONSIDERING

Revise City's Term Limits Law

First enacted by Los Angeles voters in 1993, the City's term-limits law restricts an elective City officer to serving no more than two terms in office. In its comprehensive, 2005 post-election report, [*Investing in the Public Trust: Campaign Finance Reform in the City of Los Angeles 15 Years After Proposition H*](#), the City Ethics Commission found that rather than competitive contests and expanded voter choice in an era of term limits, safe "mid-term" elections with little competition are emerging as a dynamic in many City elections. The Commission's report concludes that the existing term limits law warrants closer scrutiny, and possible revision or repeal.

Discussion Point:

How necessary would term limits be if a system of full public financing existed, resulting here as it has elsewhere in more competitive campaigns, expanded choices for voters, and broader participation in the electoral process?

Revisit Instant Runoff Voting ("IRV") for City Elections

Instant Runoff Voting ("IRV") for local elections has been instituted in San Francisco, and Burlington, Vermont. In San Francisco, for example, voters rank candidates in order of preference, and winners are determined by a count of all voters' first choices. If no candidate receives a majority of the votes cast on the initial tally, the last place candidate is eliminated and the second choice votes on the ballots for that candidate are distributed among the remaining candidates. The process continues via an automated tally system until one of the candidates reaches a majority of the total votes cast and is declared the winner. Under this system, consequently, runoff elections are not needed.

Following implementation of IRV in San Francisco in the November 2004 elections, the Los Angeles City Clerk's Office reported to the City Council about the possible applicability of IRV for the City of Los Angeles. In the [*City Clerk's July 14, 2005 report to the City Council*](#) (see <http://ethics.lacity.org>), the Clerk stated that implementing IRV "would require a significant up front investment in terms of staff time, putting a Charter Amendment before the voters, procuring an appropriate voting system and educating the voting public." That office noted it was awaiting further policy direction from the Council about whether to proceed toward implementation of IRV. With public discussions now asking how the financing of City campaigns might be restructured, it may be an opportune time for the Council to revisit IRV as a possible companion reform in restructuring the City's election process.

Discussion Points:

How would enactment of IRV affect voter interest and participation in City campaigns? Should IRV be enacted as a companion reform to full public financing to reduce the costs of campaigns and elections in the City, while possibly using those cost-savings as a tool to help fund a full public financing system?



Summary Data on City Campaigns

Total Campaign Fundraising and Expenditure Activity, 2005 Elections

	Campaign Contributions	Campaign Expenditures	Public Matching Funds	Non-Candidate Spending
Mayor	\$14,972,160	\$19,200,300	\$4,520,939	\$4,295,062
City Attorney	\$1,318,911	\$1,336,887	\$0	\$4,644
Controller	\$12,449	\$14,298	\$0	\$2,143
City Council	<u>\$4,021,871</u>	<u>\$4,477,677</u>	<u>\$598,141</u>	<u>\$619,344</u>
Total	\$20,325,391	\$25,029,162	\$5,119,080	\$4,921,193

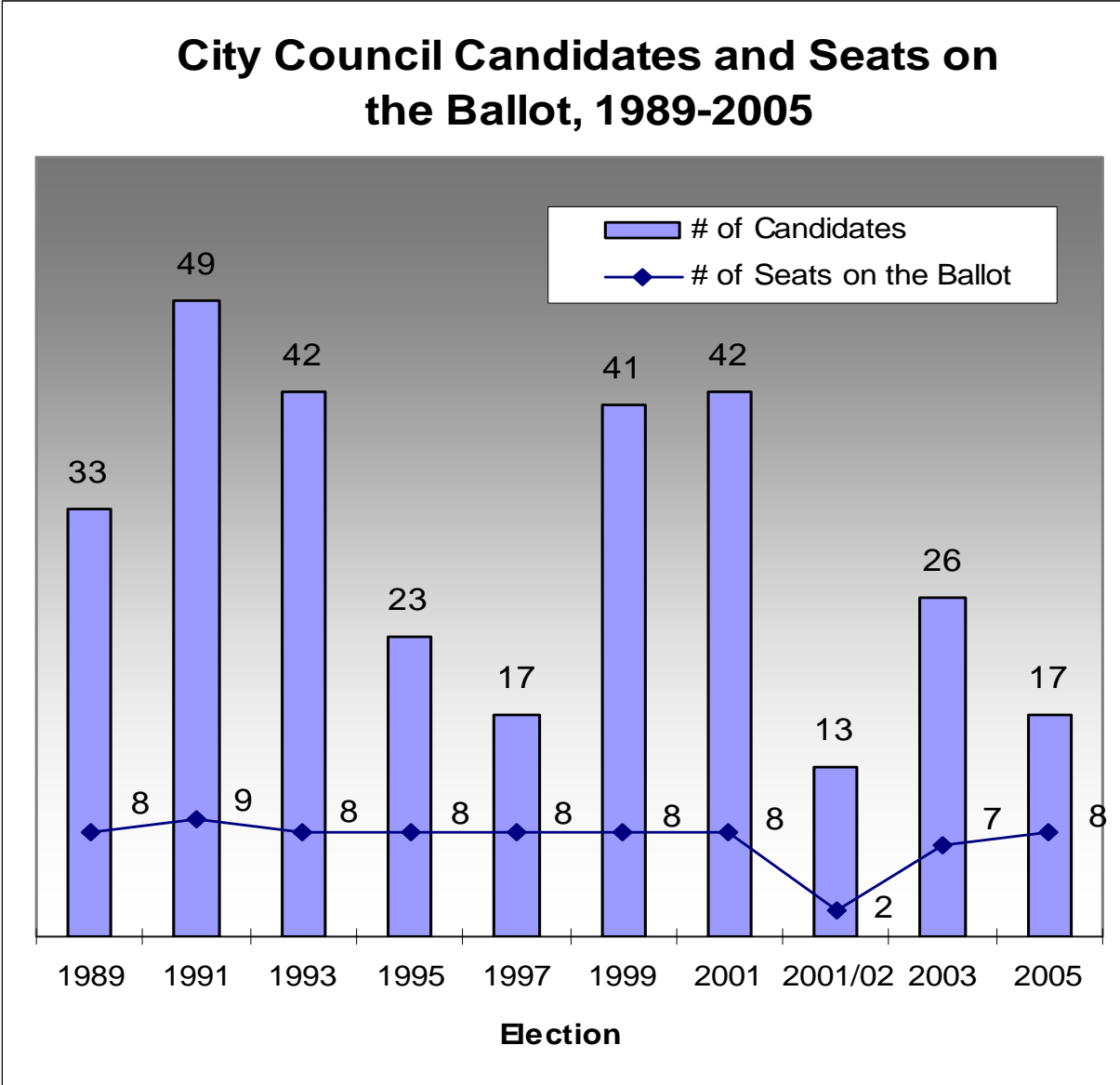
Public Matching Funds Participation and Receipts Rates, 1993-2005

	Percent Opting to Participate	Percent That Received Funds
Open Seat Candidates	87%	65%
Challengers	80%	35%
Incumbents	63%	28%

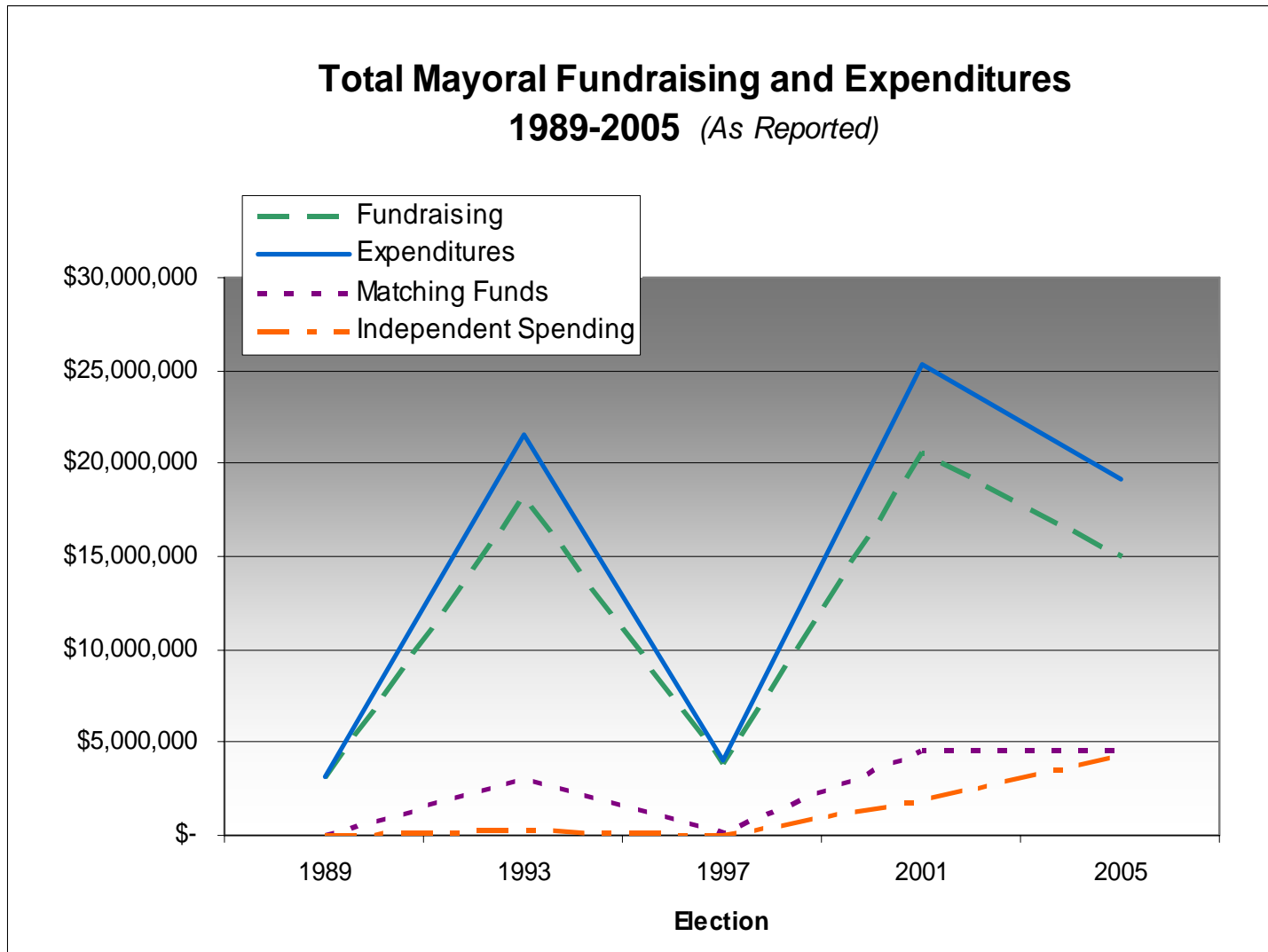
Public Matching Funds Distributed to City Candidates, 1993-2005

Election	Total Amount Distributed	Number of Candidates Receiving Matching Funds		Number of Seats
		All Citywide	All Council	
1993	\$4,825,623	7	21	5
1995	\$521,602	-	5	3
1997	\$930,504	2	4	4
1999	\$1,357,064	-	14	4
2001	\$8,414,238	10	29	9
2001/02 Special	\$858,673	-	7	2
2003	\$1,372,776	-	16	5
2005	\$5,119,080	5	5	4
Total	\$23,399,560	24	101	36

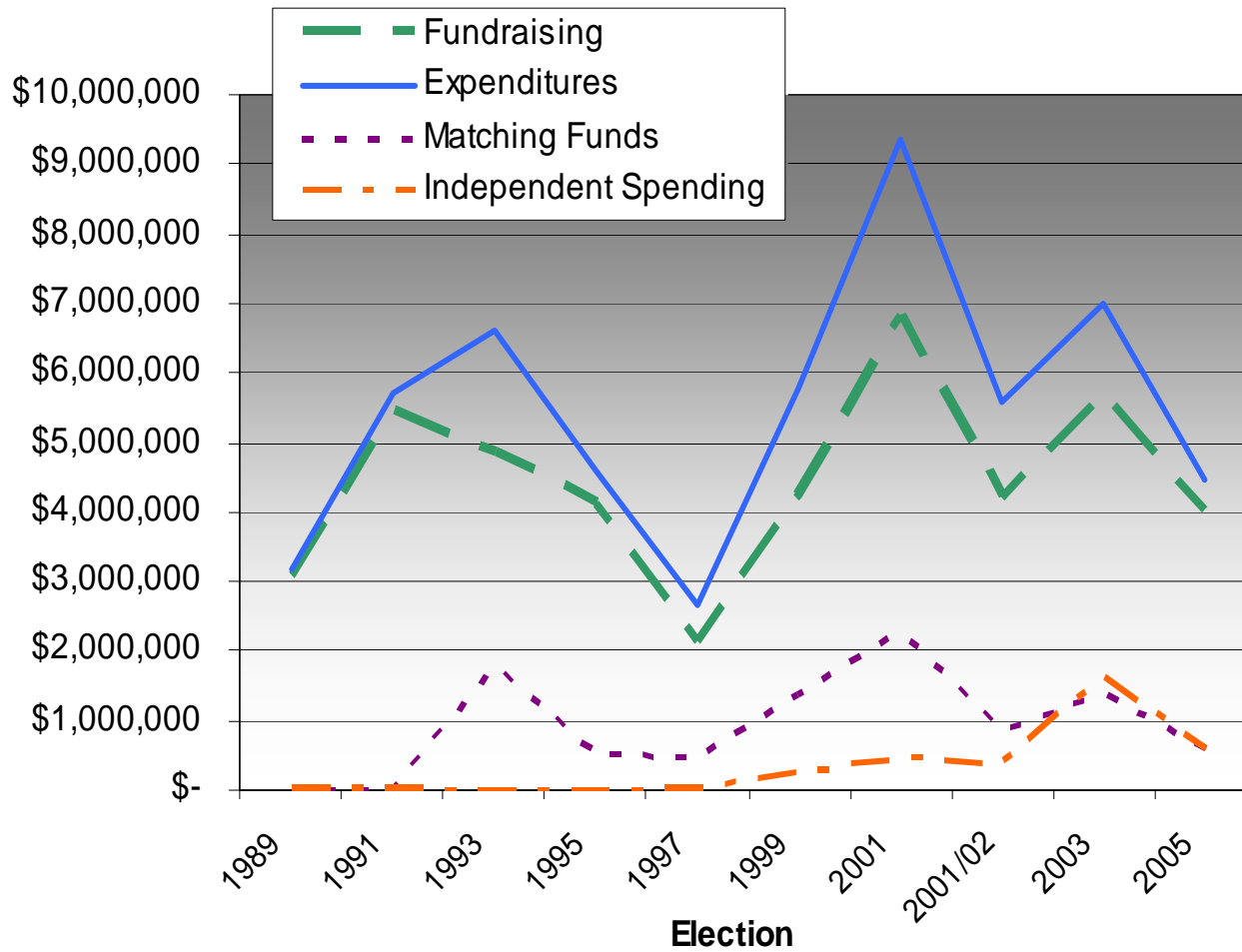
Council Candidates on the Ballot



Fundraising and Expenditure Levels

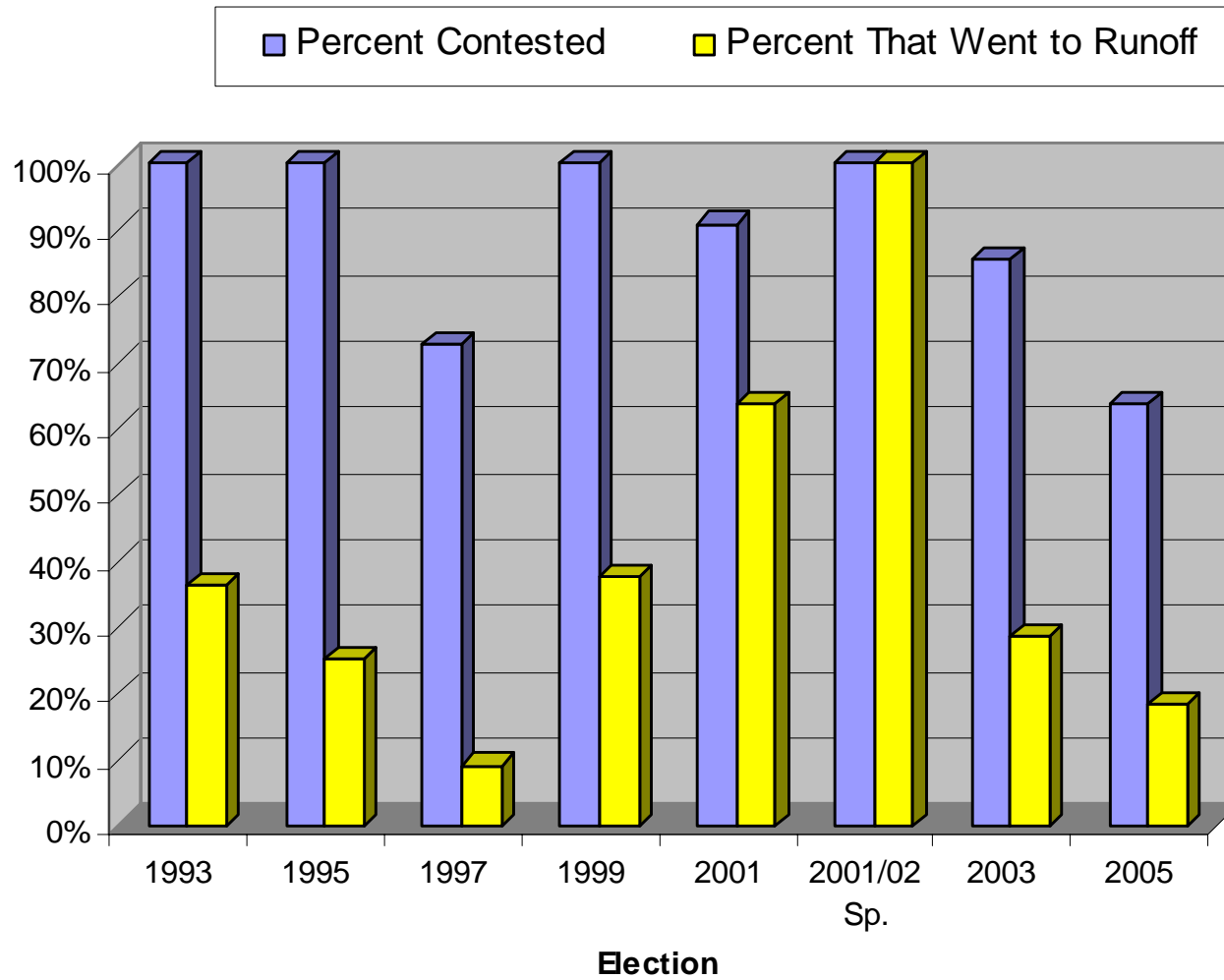


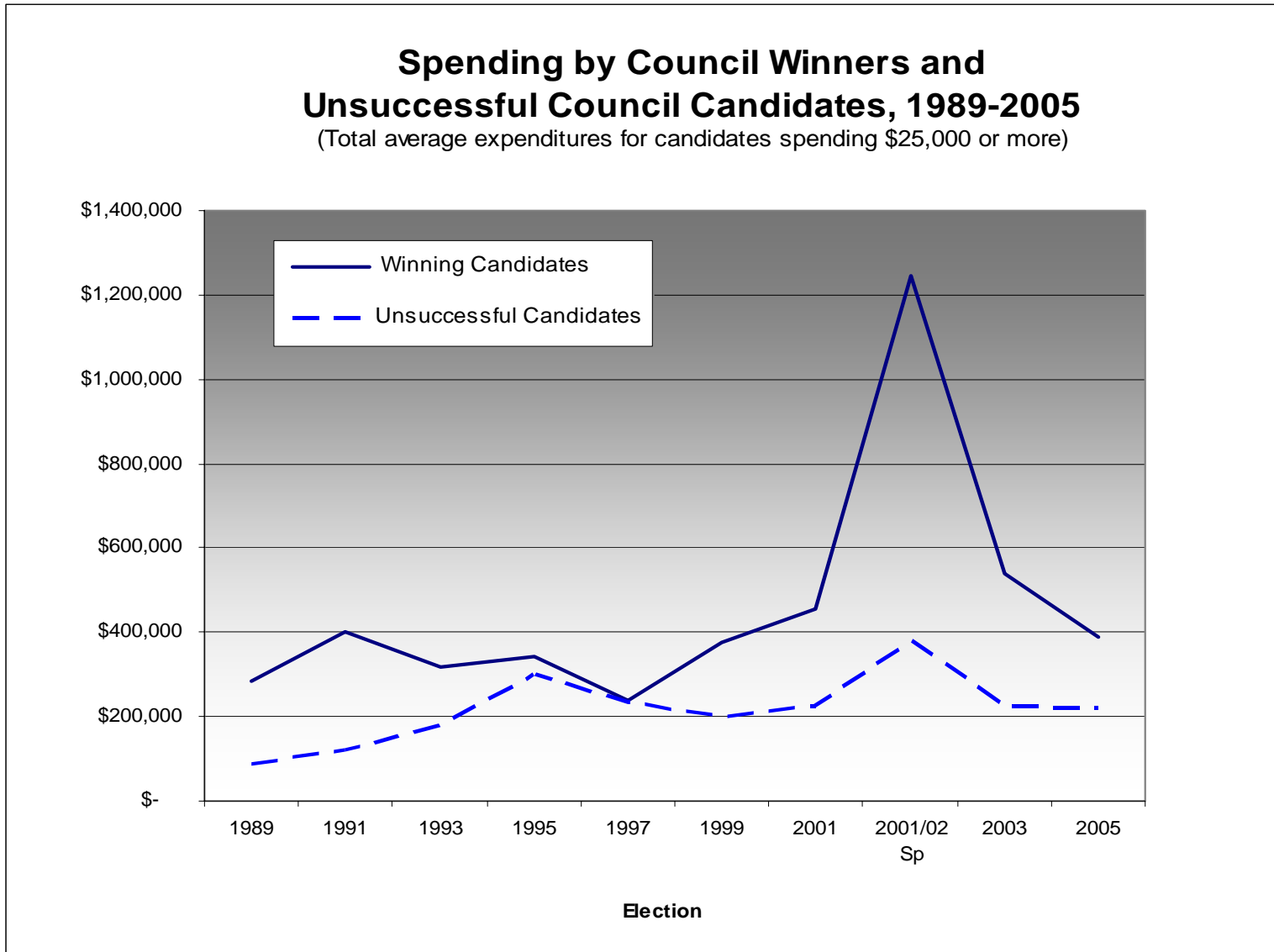
Total Council Fundraising and Expenditures 1989-2005 *(As Reported)*



Indicators of Competitiveness

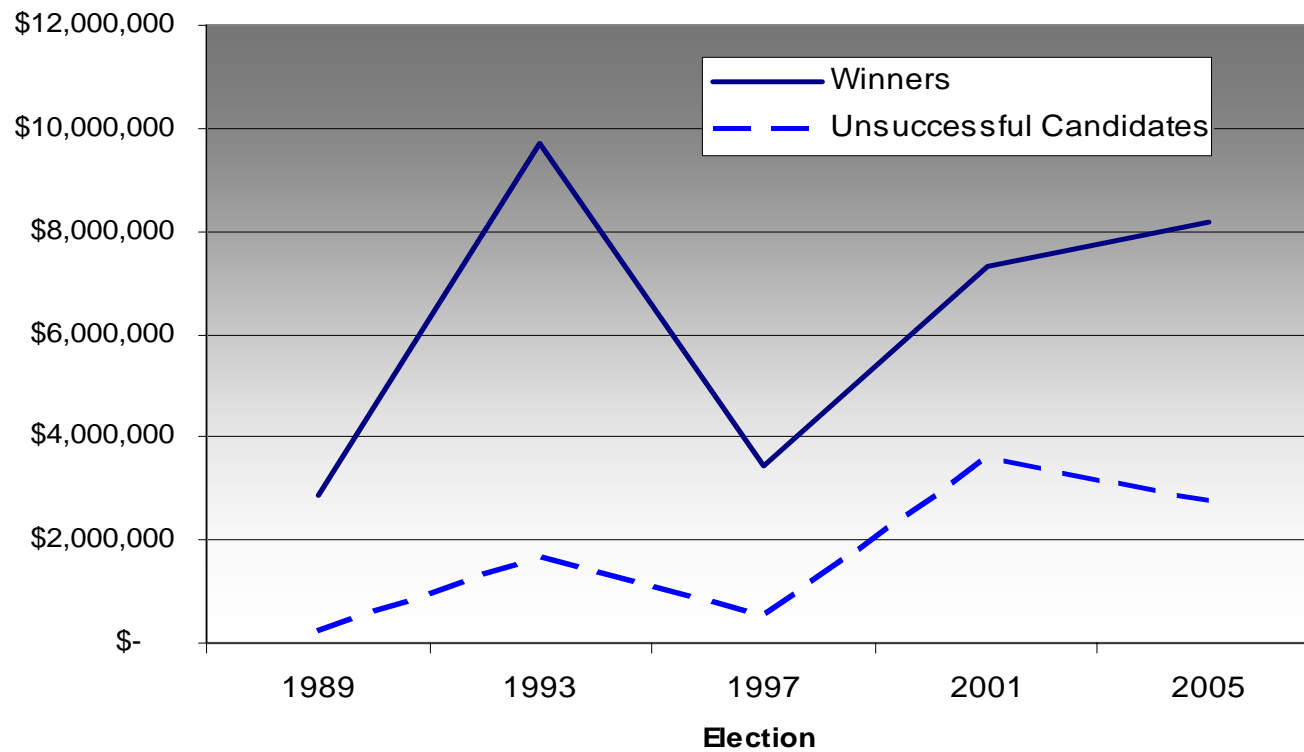
Contested & Runoff Races, 1993-2005



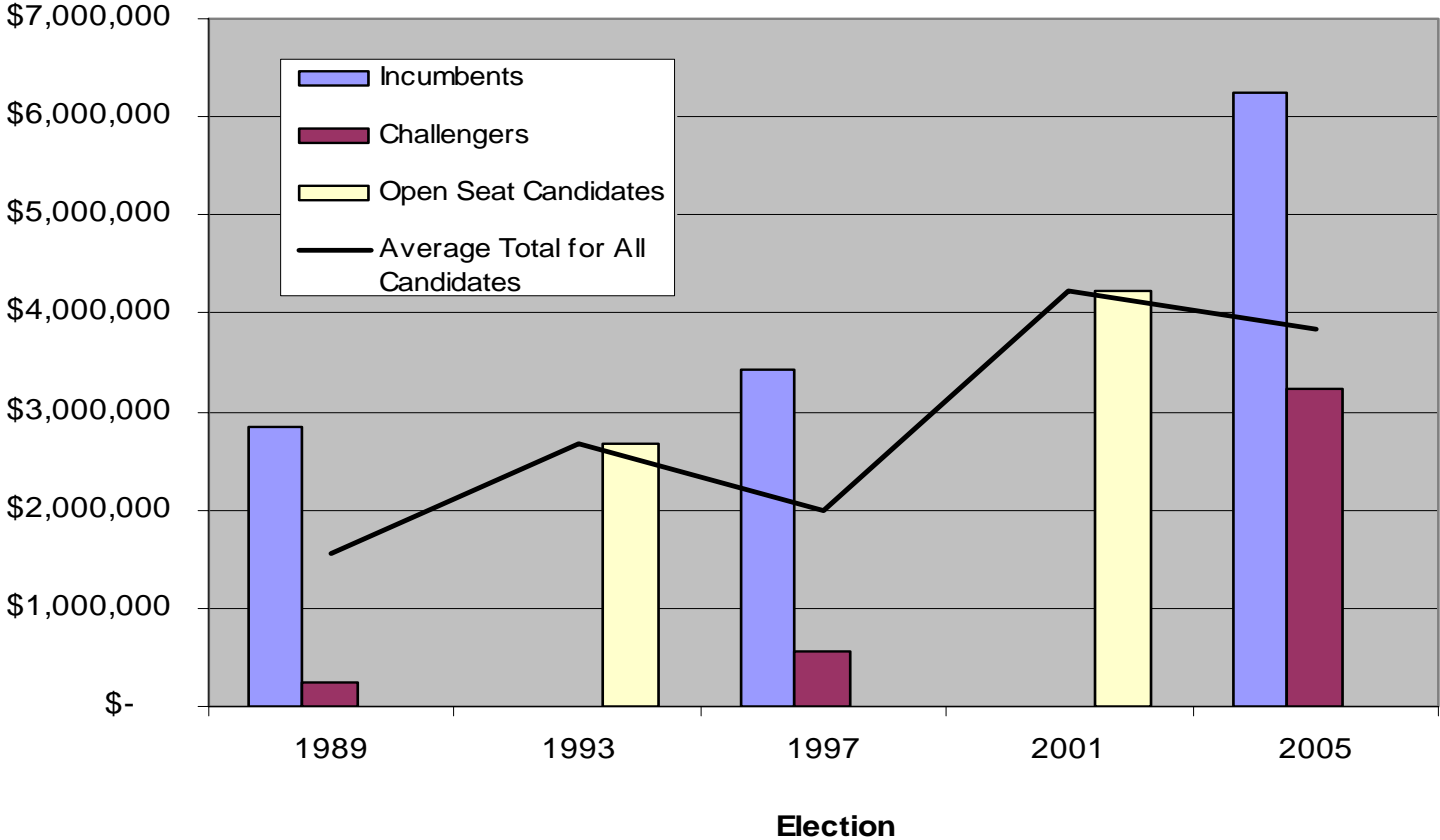


Spending by Mayoral Winners and Unsuccessful Mayoral Candidates, 1989-2005

(Total expenditures for candidates spending \$150,000 or more)

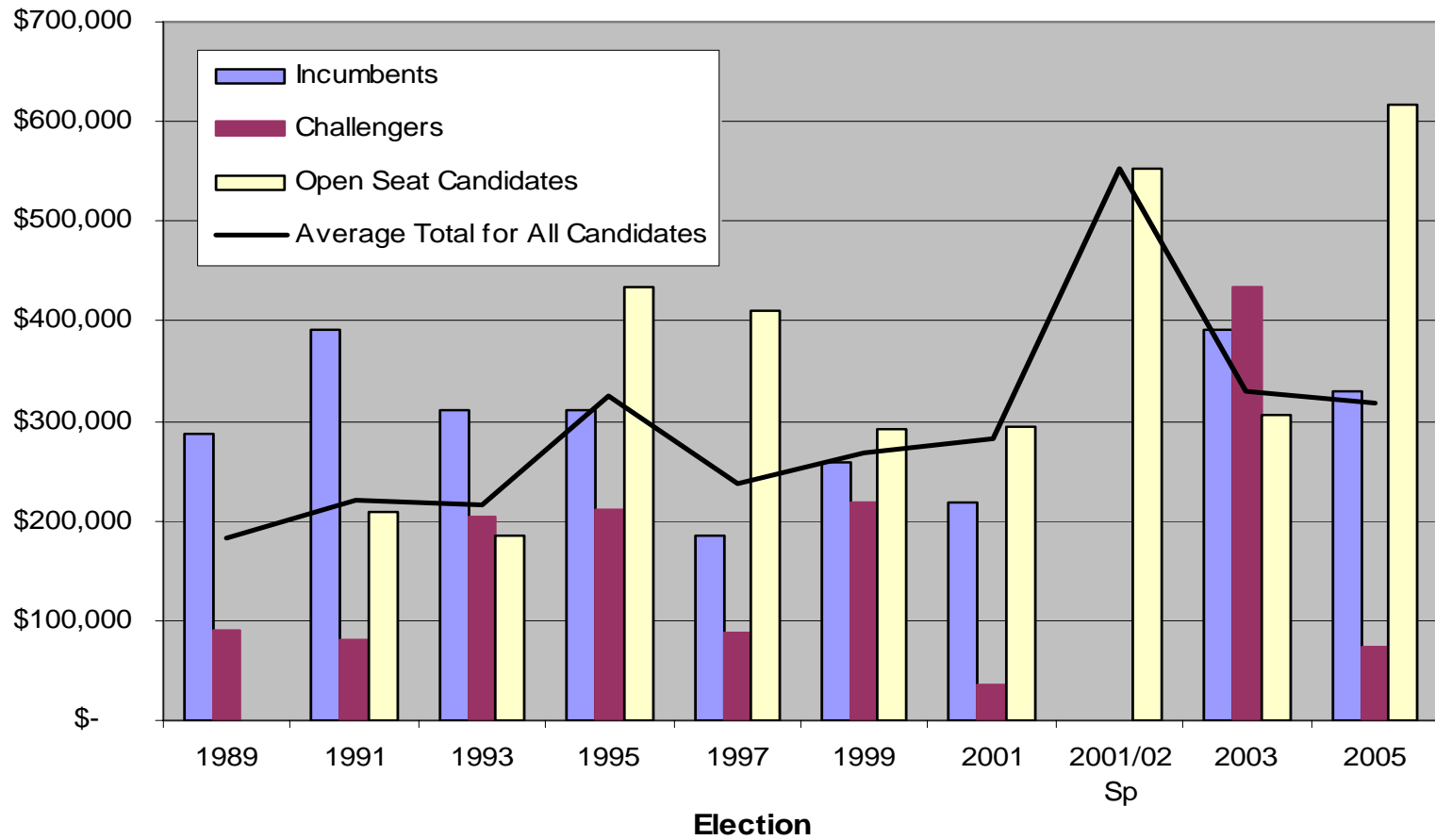


**Average Total Spending by Mayoral Candidates,
by Candidate Status, 1989-2005**
(For candidates spending \$150,000 or more)

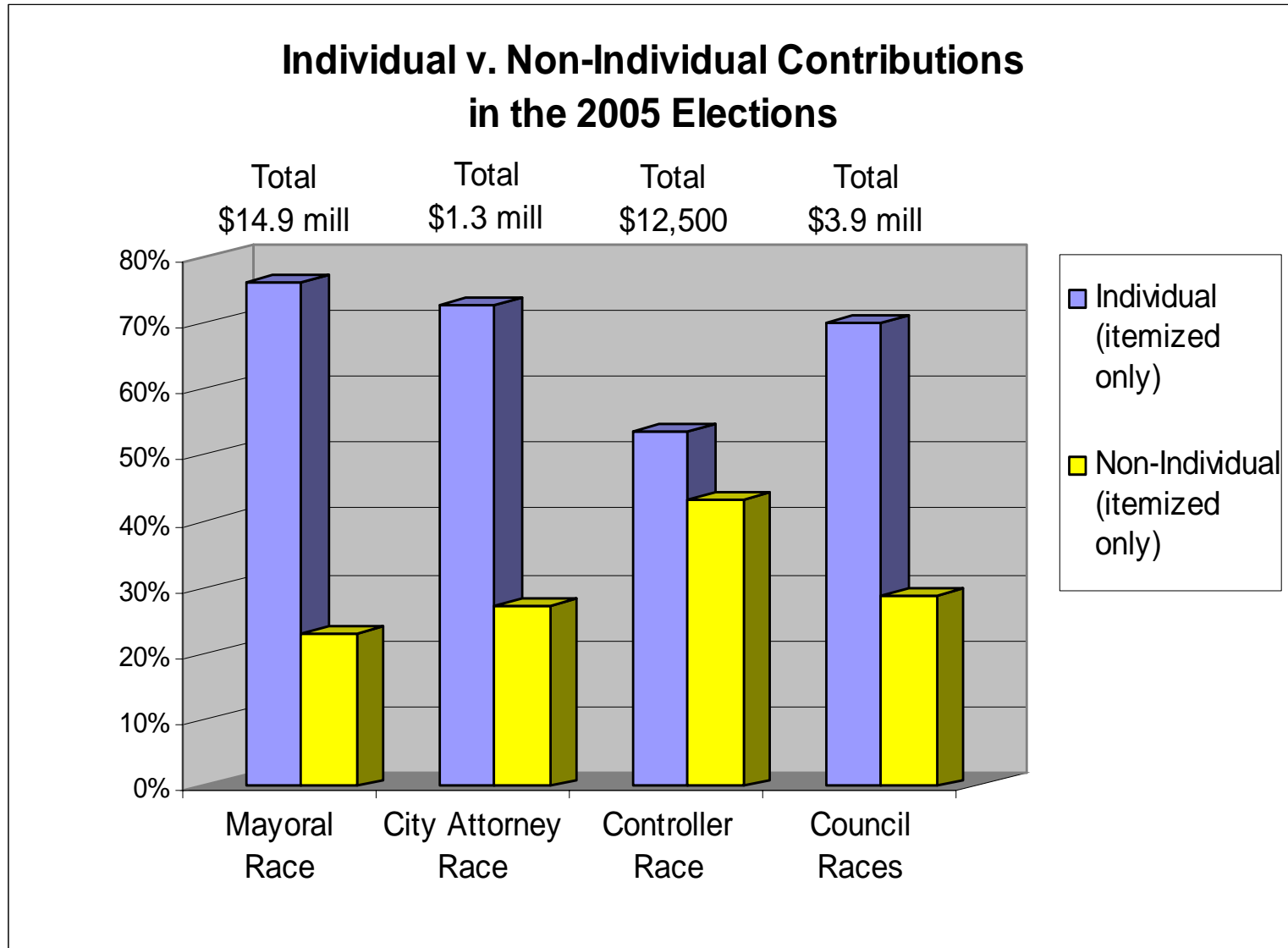


Average Total Spending by Council Candidates, by Candidate Status, 1989-2005

(For candidates spending \$25,000 or more)

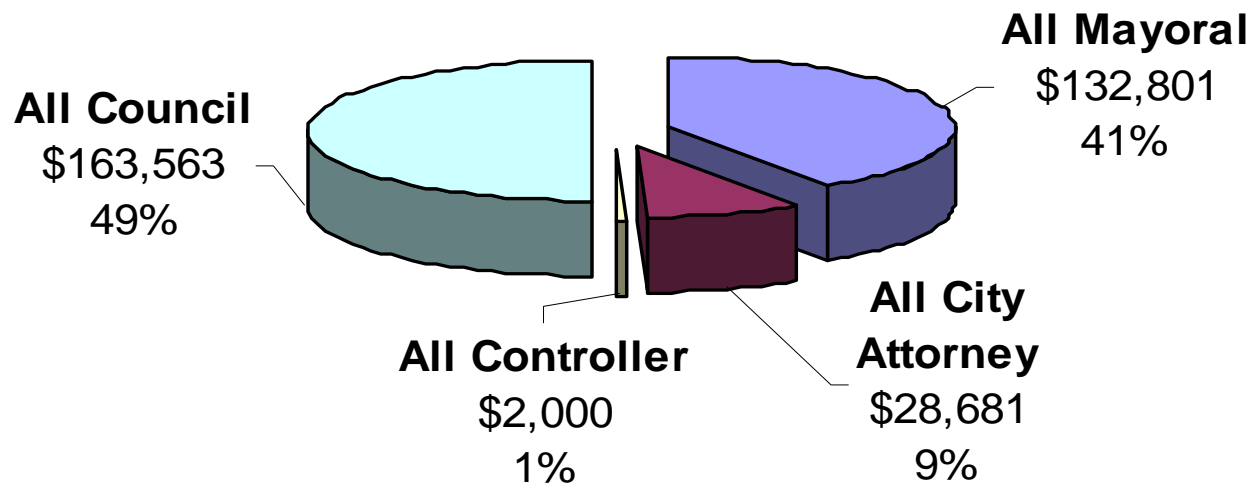


Who Contributed in the 2005 Elections?



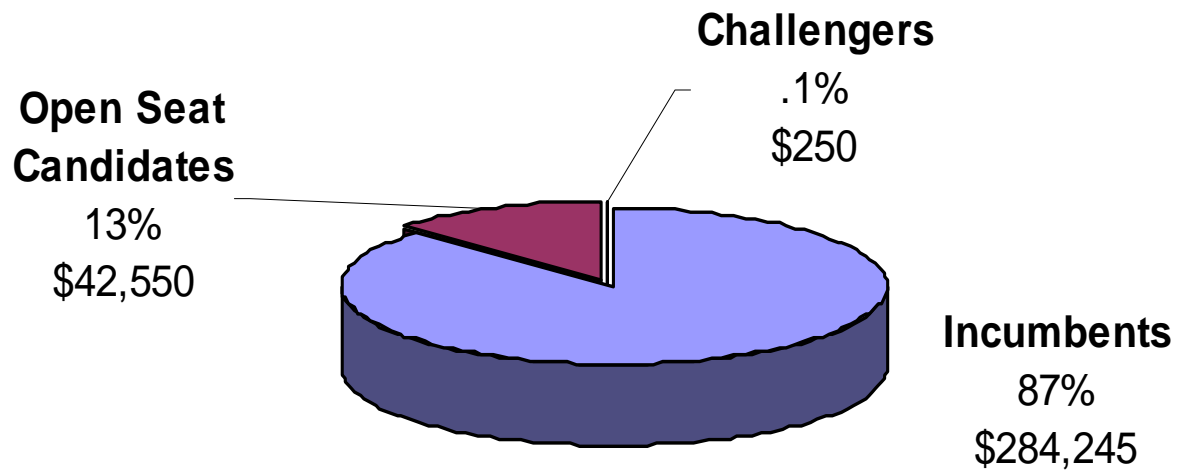
Contributions Made by Lobbying Entities to Candidates in 2005 Election

(As reported by lobbying entities on their quarterly reports)

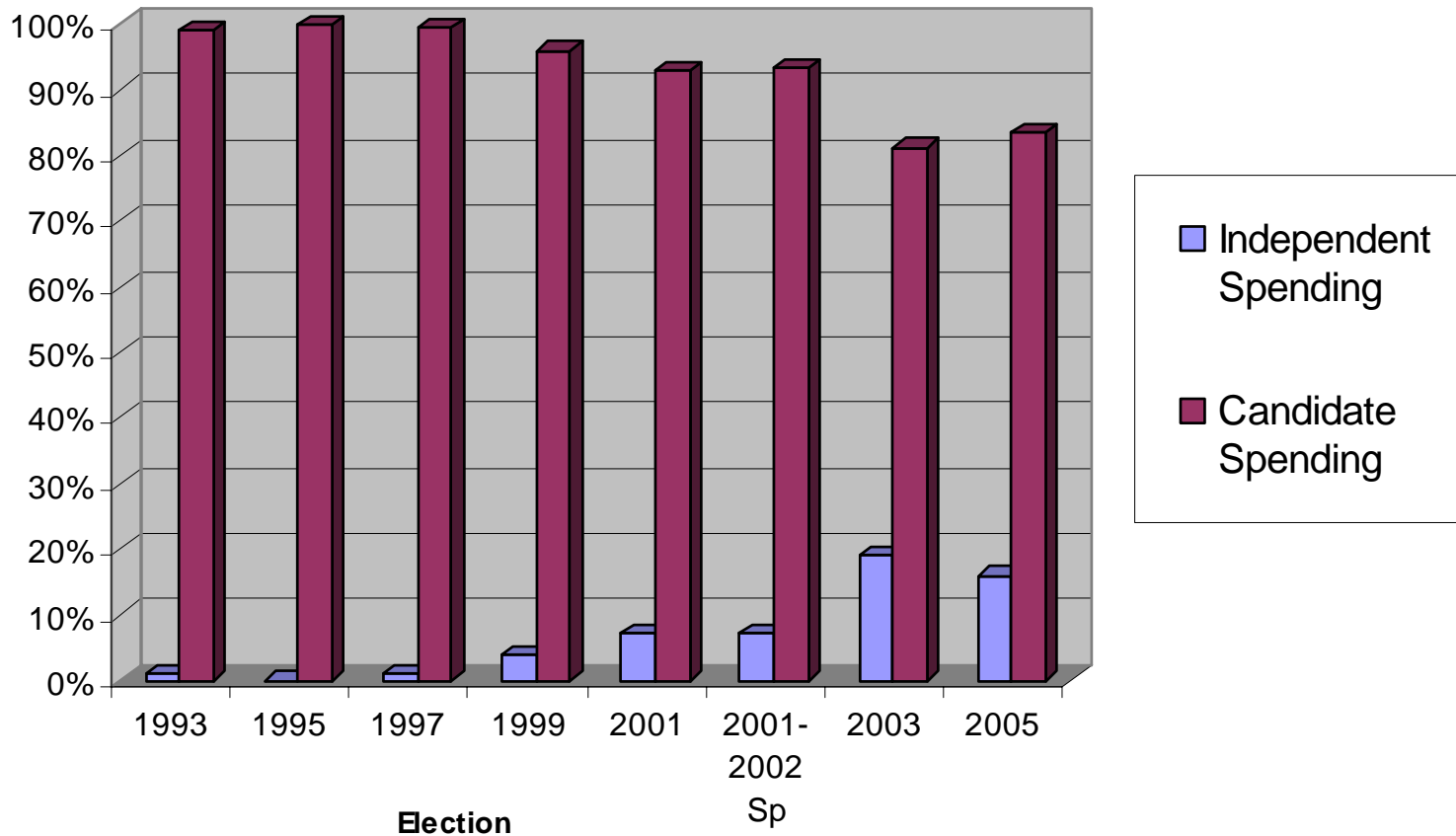


Contributions Made by Lobbying Entities to Candidates in 2005 Election, by Candidate Status

(As reported by lobbying entities on their quarterly reports)

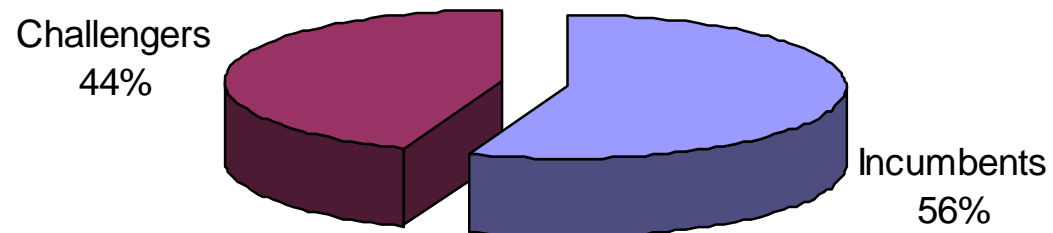


Independent v. Candidate Spending, 1993-2005

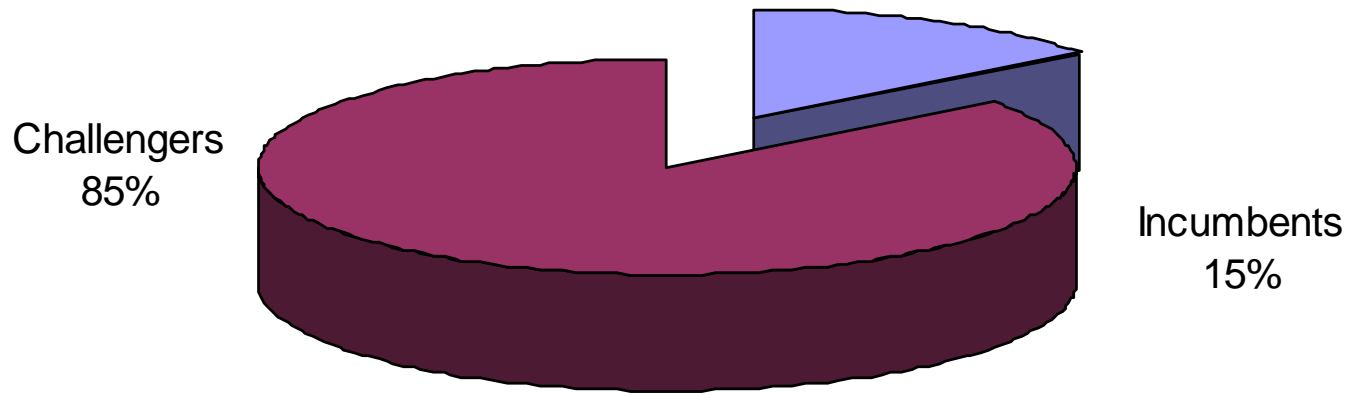


Election Cycle	Total Money Spent on City Elections		Percent
		Non-Candidate Spending	
1993	\$28,836,969	\$323,203	1%
1995	\$4,618,296	\$13,599	0%
1997	\$9,517,906	\$64,572	1%
1999	\$6,025,780	\$247,179	4%
2001	\$44,003,545	\$3,197,752	7%
2001-2002 Special	\$5,980,178	\$405,475	7%
2003	\$8,619,659	\$1,622,584	19%
2005	\$29,950,355	\$4,921,193	16%
<i>Total</i>	\$137,552,688	\$10,795,557	8%

**Type of Candidates Supported Independently
in Incumbent/Challenger Matchups
by Non-Individuals
1989-2005**

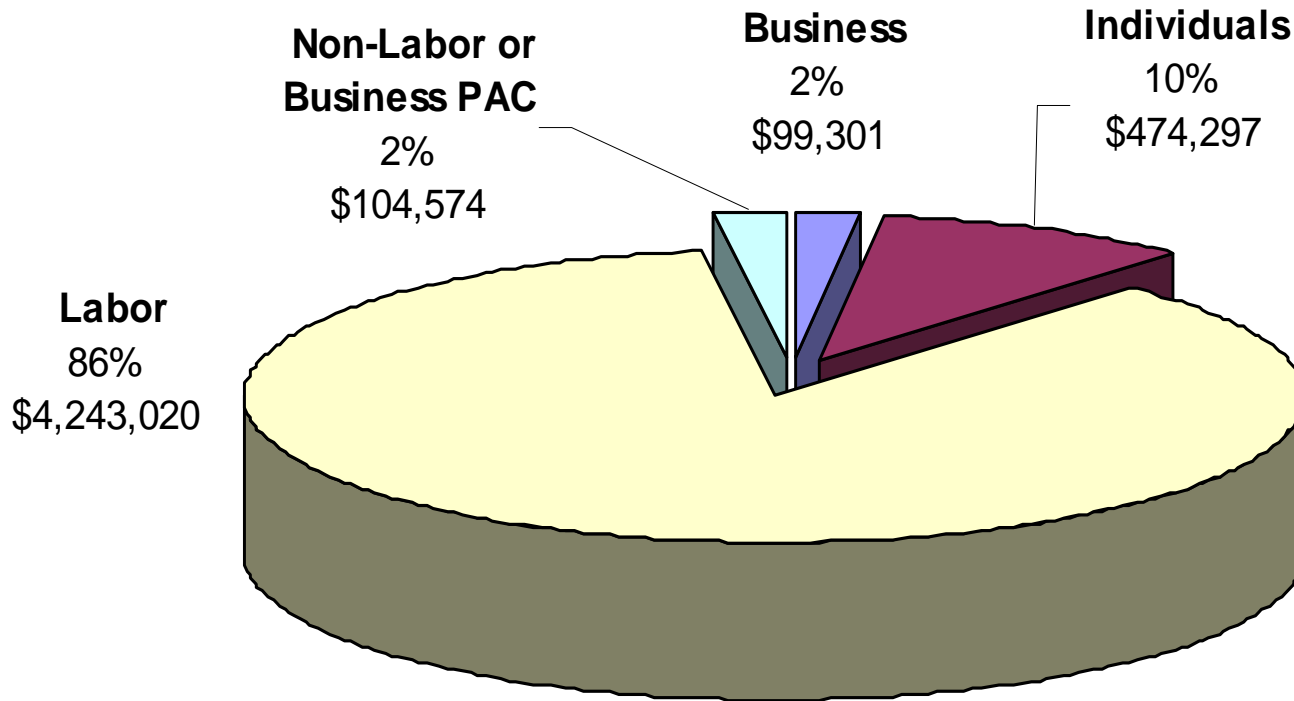


**Types of Candidates Supported Independently
in Incumbent/Challenger Matchups
by Individuals
1989-2005**



Independent Spending: Source and Timing

Sources of Independent Spending in the 2005 Elections

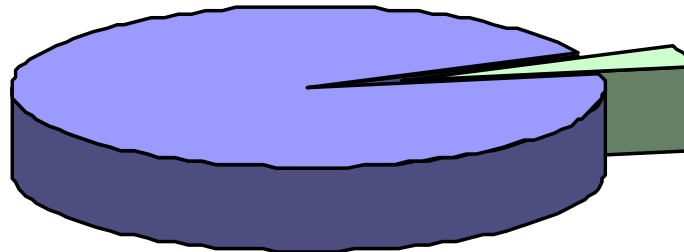


When Independent Spending Occurred in the 2005 Elections

**Within 30
days of the
election**

96%

\$4,729,599



**Earlier than
30 days
before the
election**

4%

\$184,809

Additional Ethics Commission Resources

To search and view City campaign reports

<http://ethics.lacity.org/campaigndb.cfm>

To search and view lobbyist reports

<http://ethics.lacity.org/efs2003/index.cfm?fuseaction=lobsearch.mainmenu>

To sign up for City Ethics Commission e-newsletter

<http://ethics.lacity.org/newsletter/subscribe.cfm>

To sign up for City Ethics Commission meeting agendas and materials

<http://lacity.org/lacity161.htm>

Other questions?

Feel free to call us at (213) 978-1960