

Part I · Candidate Spending in an Era of Term Limits and Open Seats

Overview

Appearing on the April 2001 primary ballot were 64 candidates for the three Citywide offices of Mayor, City Attorney, and City Controller, and for the eight odd numbered Council District seats. As a result of the passage of term limits in 1993, nine of the 11 races on the ballot, including each of the three Citywide offices, were open seat competitions – the highest number of races without an incumbent seeking re-election since the City’s campaign finance reforms were adopted into law in 1990. Incumbents stood for re-election in two Council races, and one of those incumbents ran unopposed.

Contributions to the 58 candidates who raised and spent any funds on their 2001 campaigns totaled \$31.7 million, while expenditures equaled \$40.8 million. Candidates who opted into the matching funds program in 2001 qualified to receive a total of \$8.4 million in matching funds.¹ In general, these levels reflected a high degree contribution and expenditure activity that has been the norm in open seat races since 1989, the earliest year for which the Commission was able to begin tracking campaign data in the City.

In 1993, for example, when then-Mayor Tom Bradley decided not to run for reelection, the Mayor’s race was an open seat for the first time in 20 years. The 24 candidates who appeared on the ballot for that seat together spent \$13.2 million for their primary election campaigns, and another \$8.4 million was spent in the 1993 runoff. Seven of the 24 Mayoral candidates that year each spent over \$500,000 on their primary campaign, with three candidates each spending more than \$2 million, one of whom spent \$4.4 million in the primary alone.² With two open Council seats also on the 1993 ballot, total spending by all 71 candidates who appeared was \$28.5 million for the primary and general elections combined.³ Candidates who opted into the newly-implemented matching funds program that year qualified to received \$4.8 million in matching funds.

One Citywide race and three Council races (including two re-elected incumbents) were decided in the 2001 primary election, while two Citywide and five Council contests were decided in the runoff. Candidates’ fundraising and expenditure activities in

¹ See Volume II of this report for tables detailing candidate fundraising and expenditure activities in all City elections from 1989 through the June 2001 runoff elections.

² In 1989, prior to the enactment of the spending limits and the matching funds program, Bradley spent \$2.8 million of the \$3.1 million spent in his Mayoral primary campaign.

³ In contrast to the 2001 races, the two Citywide offices of City Attorney and Controller in 1993 were races in which incumbents were seeking re-election. That year, the Controller ran unopposed and the City Attorney was challenged by a candidate who raised less than \$15,000 on his campaign.

connection with the 2001 primary election constituted nearly three-quarters of all activity reported for the entire election cycle, while just over one-quarter of all contributions and expenditures attributable to the general election. In the 1993 elections, with six contests decided in the primary and five decided in the runoff, candidates' primary election fundraising and expenditures accounted for just under two-thirds of all activities reported for that cycle, with roughly one-third attributable to that year's runoff races.

Incumbency and Open Seat Spending

While a review of the contribution and expenditure in the 2001 elections indicates unprecedented activity in City campaigns, a more complex question to examine is what factors contributed to the increases in candidate fundraising and spending that occurred in the 2001 elections. In addition to the record amounts of non-candidate spending that likely clearly played a role in candidates' fundraising strategies in 2001,⁴ the role of incumbency also merits attention.

With enactment of term limits at both the City and state level, since the 1993 elections, a growing number of candidates have been current or former elected officeholders who have participated in the City's elections. At the same time -- while still significantly higher than at any time since 1993 -- the overall number of candidates appearing on the ballot with nine open seat races in the 2001 elections decreased 10 percent from the 71 candidates that appeared on the ballot in the 1993 elections, when only three open seats appeared.

"Matching Funds made it easier and allowed me to be more competitive with a sitting elected official who was termed out and running for another open seat."

--2001 City Candidate

Recognizing that a candidate's status as an incumbent can bring to his or her campaign an established name recognition and a demonstrated base of financial support for that candidacy, this analysis seeks to examine how these factors might be playing out in City campaigns in an era of term limits. While this report does not attempt to gauge the full effects of term limits, it does attempt to more closely examine trends that are occurring in City campaigns since enactment of those reforms. Designed to provide more turnover in office term limits and their effects on City reforms designed to foster competition

and promote wide participation in the electoral process remain areas worthy of additional closer study.

To aid in the current analysis, candidate data was grouped according to the status of the candidate as a current or former elected official. A "current or former elected official" was defined to include any candidate who during the 2001 campaign was serving as an elected official in a City, state or federal officeholder, or who was such an official when he or she began fundraising for elective City office. Although nine races

⁴ The role of non-candidate spending for "independent expenditures" and "member communications" payments is addressed in detail in Part III of this report.

appeared on the 2001 ballot with no incumbent seeking re-election (that is, an “open seat” race), in six of these nine open seat races at least one current or former elected official was a candidate.

The Mayor’s Race

With incumbent Mayor Richard Riordan unable to seek re-election due to term limits, 15 candidates appeared on the primary ballot as candidates for Mayor in 2001. Those candidates included the incumbent City Attorney, a 30-year veteran of the City Council, a former Speaker of the California Assembly, a Member of the U.S. Congress, and the current California State Controller, as well as 10 others.

With \$25 million raised and spent by the 12 Mayoral candidates who raised or spent money in connection with the primary and general election campaigns, the amount of money in the 2001 Mayor’s race was unprecedented. The Mayoral race alone accounts for 61 percent of all funds raised and spent by candidates in the 2001 elections.

In the Mayor’s race in 2001, the average amount spent in the primary election by the 12 candidates who spent any funds on their race was \$1,570,704. Excluding the six candidates who each spent less than \$20,000 in their Mayoral campaign, however, average spending in the primary by the six remaining Mayoral candidates was \$3,135,226 each. For the group of current and former elected officers who ran in 2001, average spending was \$2,932,546 each. In contrast, during the 1993 open seat Mayoral race, the top six fundraising candidates in the primary election that year spent an average of \$1,984,817 each.

In general, throughout the 2001 primary election campaign, former or current elected officeholders on average spent more than the rest of the field, with a dramatic increase in the last month of the election. There was one notable exception. The one candidate among the top six who was not a current or former elected officeholder, former Mayoral advisor and City Recreation and Parks Commission President Steve Soboroff, spent \$4,148,625 in his campaign. Soboroff received 21.25 percent of the primary vote placed third, behind Hahn with 25 percent and the top finisher, Antonio Villaraigosa, with 30 percent.

Despite the significant candidate expenditure activity in the 2001 elections, the total amount spent by the winning Mayoral candidate in 2001, in fact, decreased from the last time an open seat Mayoral contest was on the ballot. In 1993, Richard Riordan spent a total of \$9.7 million in 1993 on his primary and general election campaigns to become Mayor, while James Hahn spent \$7.2 million in 2001 – some 25 percent less. With spending limits lifted in their respective races, Hahn spent in 2001 roughly 20 percent more than did then-incumbent Councilmember Mike Woo, Riordan’s 1993 opponent, who spent \$5.9 million in total in that Mayoral race and placed second.

When Citywide Fundraising Begins

Current and former elected officeholders tended to begin raising and spending money in connection with the 2001 Citywide elections earlier than the non-officeholder candidates who ran for those seats.

As the first to begin fundraising for a Mayoral campaign, then-City Attorney James Hahn began fundraising 24 months before the 2001 election. No other candidates began fundraising on their campaigns until 16 months before the election. In July 1999, Hahn reported campaign expenditures of \$28,756 for the prior six-month period ending June 30.

In the City Attorney's race, incumbent Councilmember Michael Feuer began receiving contributions beginning 24 months before the election. As of July 1999, he reported having raised \$181,860 and spent \$26,922 in the six month period ending June 30. Fundraising by other candidates in that race did not occur until after January 1, 2000.

In the Controller's race, incumbent Councilmember Laura Chick also began fundraising first, reporting that she received \$181,575 in contributions as of 16 months before the election. Her primary opponent, however, did not report receiving contributions until six weeks before the April 2001 primary.

The City Attorney's Race

With City Attorney James Hahn seeking election as Mayor in 2001, the City Attorney's seat was on the ballot with no incumbent for the first time in 16 years. Four candidates vied for that spot, including one incumbent City Councilmember and three others.

Compared with the spending of the non-officeholder candidates in the City Attorney's primary election, Feuer's total spending of \$1,072,373 was 14 percent lower than Delgadillo's \$1,223,799, but it was nearly three times higher than the total spending of the other two candidates combined. Significant non-candidate spending also supplemented the candidates' spending in this race, with \$157,418 in expenditures for the primary election reported in support of the Delgadillo campaign. With 39 and 38 percent of the primary votes cast, respectively, Feuer and Delgadillo advanced to a June runoff.

In the runoff election, while each candidate qualified to receive the maximum in matching funds available to them as participating candidates, the \$1,022,505 in contributions raised by Delgadillo was one-third more than the \$751,308 in contributions Feuer raised. As a result, Delgadillo spent roughly \$380,000 more than Feuer in the runoff election. In the runoff, an additional \$612,559 in non-candidate spending occurred

in that race to support Delgadillo, while \$33,863 was reported to support Feuer. On June 5, Delgadillo was elected by a margin of 52 to 48 percent.

The City Council Races

In the 2001 City Council races, only two races were true incumbent/challenger contests, while six others were open seats. In the 1993 elections, just the opposite was true with six incumbent/challenger contests and only two open seat races on the ballot that year. In 2001, the average amount spent to win an open seat Council race was \$535,417, while the average amount spent by an incumbent Councilmember to be re-elected was \$217,996. In 1993, the average amount spent to win an open seat Council race was \$391,755, while incumbents that year on average spent \$219,318 to be re-elected.

The two Council incumbents seeking re-election in 2001 were elected in the primary with between 72 percent and 100 percent of all primary votes cast in their respective district.⁵ Like those match ups, one open seat race was also decided in the primary. In the First Council District, one of the four candidates campaigning for that office, State Senator Richard Polanco, exited the race with roughly five weeks to go before the April 10 primary. The average spending by the remaining two candidates who spent funds on their campaigns was \$191,499 each. Five weeks later, the top vote recipient in the race -- First District Council Deputy Eduardo Reyes -- received 50.27 percent of the votes cast, avoiding a runoff election by a narrow 49 votes.

In the five other open Council races in 2001 that went into runoff elections, 35 candidates who spent any funds on their campaigns together spent \$6 million in the primary, with an average of \$172,781 each. Combined with their primary election spending, the 10 candidates who succeeded in reaching the runoff spent an average of \$525,869 each for their primary and general campaigns.

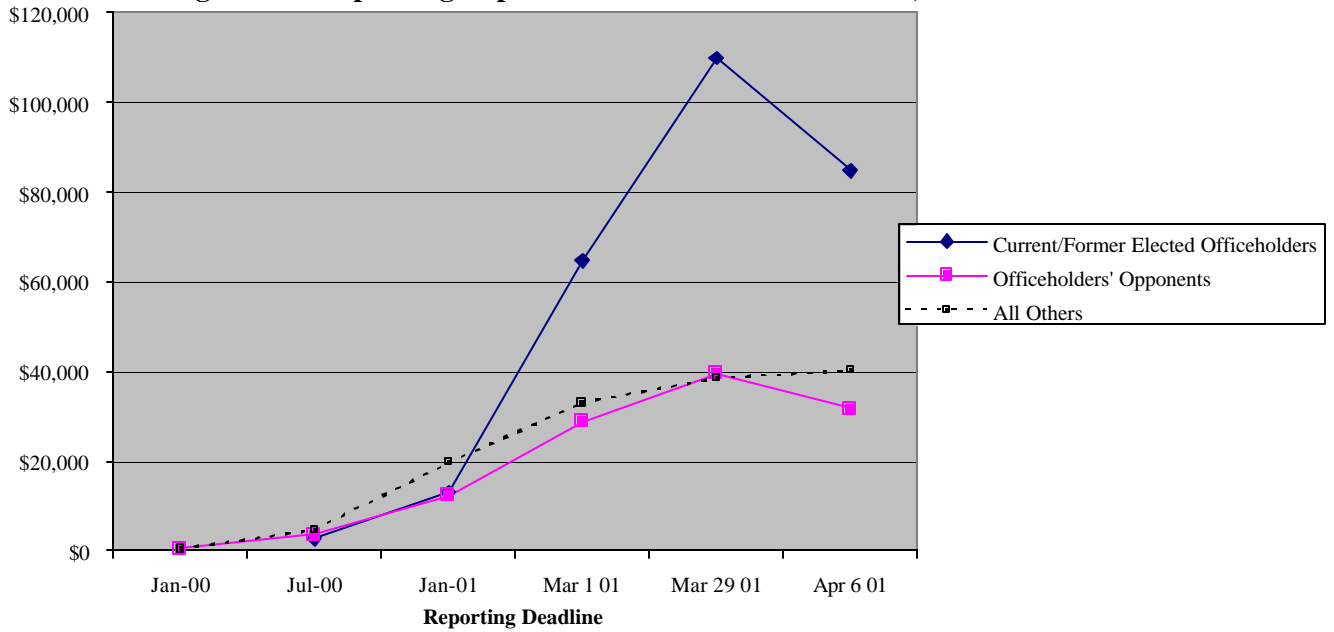
By comparison, in the 1993 Council races, the four incumbents seeking re-election that year were re-elected in the primary with between 53 and 71 percent of the vote. The two other incumbents who were required to defend their seats in a runoff election each spent an average of \$496,797 on their primary and general election bids combined. The two incumbents forced into a runoff were defeated by between 6 and 16 percentage points in the general election by challengers who, as first time candidates, spent an average of \$433,923 each on their campaigns, and together, had qualified to receive 34 percent of their overall campaign funds in public matching funds. In both runoff elections in the 1993 open seat Council races, only two percentage points separated the winning candidate from the candidate who was defeated.

In 2001, with two current or former officeholders running for Council in the five open seat primary races that went to a runoff, average spending by those candidates as a

⁵ Incumbent Eleventh District Councilmember Cindy Miscikowski received 72 percent of the primary vote, while Seventh District Councilmember Alex Padilla was unopposed in his race.

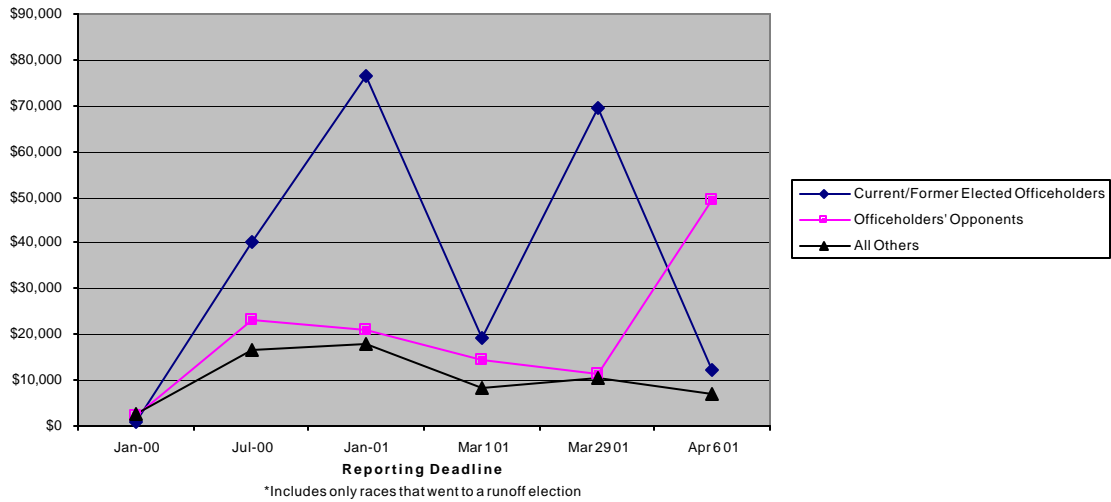
group surpassed the average amount spent by their non-officeholder opponents after to the end of calendar year 2000. (See Chart I-A.). In addition, average spending by those officeholders was nearly double as the average spending by all other candidates. Contributions reported by these officeholders also exceeded those of all other candidates in the open seat races in all but one reporting period. (See Chart I-B).

Chart I-A
Average Council Spending Reported in Each Disclosure Period, 2001



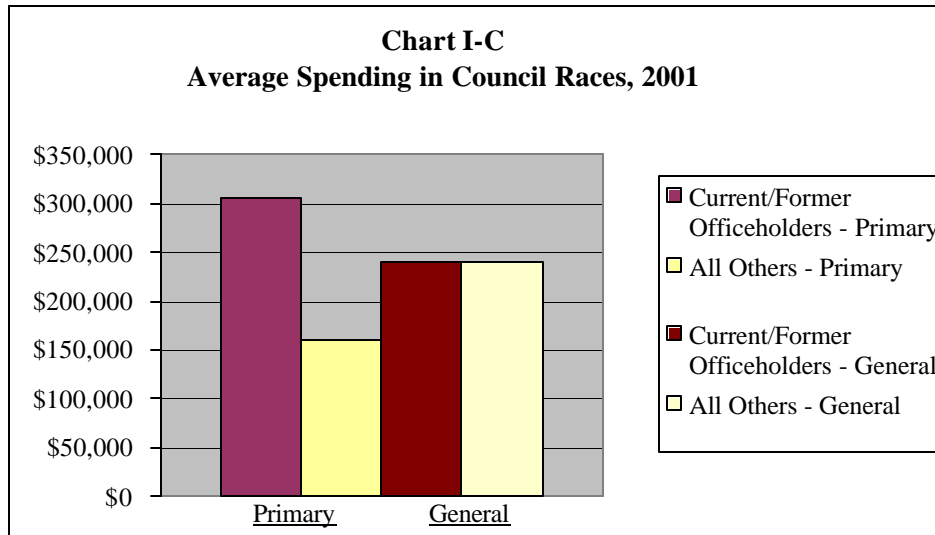
* Includes only races that went to a runoff election

Chart I-B
Average Council Fundraising Reported in Each Disclosure Period, 2001



Despite the larger amounts of money they raised and spent in their primary campaigns, these current and former officeholders did not experience that same advantage in the runoff elections. For the two current or former officeholders who reached a runoff, having held elective office did not prove to be a predictor of success. In the Fifth Council District, former State Senator Tom Hayden placed second by less than 400 votes, while in the Ninth District, State Assemblymember Carl Washington placed by a margin of 57 to 43 percent. (See Chart I-C).

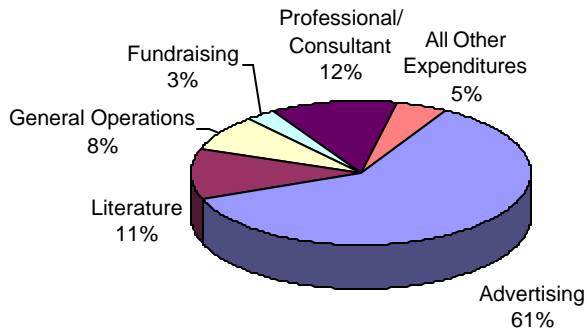
Chart I-C
Average Spending in Council Races, 2001



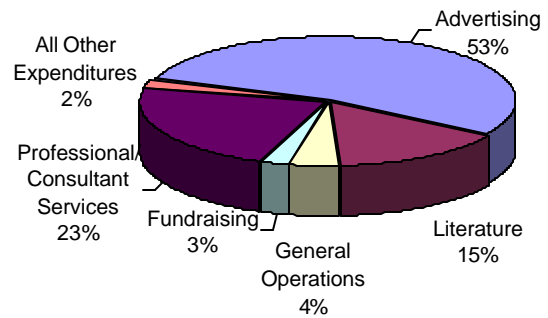
How Competitive Candidates Spent Their Money

Citywide Candidates reported spending the largest portion of their funds on television advertising during both the primary and general elections, with slightly more spent during the general election. Mayoral candidates reported spending \$15.7 million on advertising throughout the election cycle while City Attorney candidates reported \$2.8 million in advertising expenditures. In both races, consultant and professional services were the second most common expenditure.

Mayoral Candidate Spending

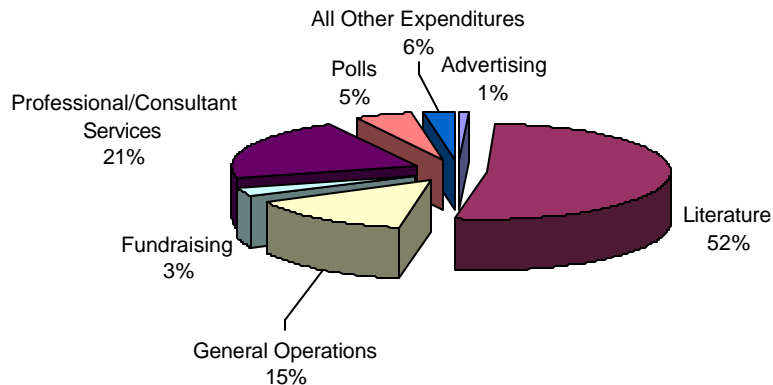


City Attorney Spending



Council candidates in the two races in which candidates spent the most money in the 2001 Council elections – in the open seat Fifth and Thirteenth Districts -- reported making the bulk of their expenditures by contacting voters through literature. Professional and campaign consulting services again were reported to be the second most common expenditure.

Spending in Competitive Council Races



Part II -- Where Candidates Get Their Campaign Funding

Matching Funds and the 2001 Races

Two of the goals of the City's matching funds program are to improve the likelihood that voters have real choices among candidates at the ballot box and to encourage broad participation in City elections by maximizing the importance of individual contributors to candidates. With 58 of the 64 candidates on the ballot opting to participate in the matching funds program -- including 29 first-time Council candidates -- the 91 percent participation rate in the 2001 elections was the highest since the program's inception. In 1993, by contrast, 82 percent of all candidates opted into the program during its first year, with 58 of the 71 candidates on the ballot agreeing to participate.

Prior to enactment of term limits for elective City officials, fostering real choices in practice meant, in large part, promoting an even playing field between sitting incumbents and candidates who sought to challenge them. With the first group of City officials subject to the maximum two-term limit elected in 1993, however, the traditional challenger versus incumbent dynamic took a back seat as open seat races dominated the 2001 elections. In the first election cycle to see the City's term limit mandate play out in full, in 2001 only two incumbents stood for re-election, while nine of the 11 races on the ballot were open due to term limits.⁶ In the open seat races, 55 of the 61 candidates were matching funds participants.

That so many candidates opted into the program was particularly noteworthy, not only due to the significant additional emphasis on individual campaign donors that results when candidates fundraise to maximize the program's tangible benefits in their campaigns, but also due to the fact that of the 11 candidates seeking City office who were incumbent or former City, state or federal officeholders, all but one (91 percent) indicated their willingness to abide by expenditure ceilings by participating in the program. While still enjoying the advantages incumbency brings to a campaign, including, for example, a demonstrated access to fundraising resources, elected officeholders who agree to participate make a conscious decision to emphasize the value of relatively small individual contributions over larger non-individual contributions they could as easily receive.

⁶ In all but one of these races the incumbents had served at least two terms and therefore could not seek re-election to the same office. In one instance, however, the Council incumbent whose first full term of office was concluding could have chosen to run for re-election. Instead, the incumbent opted to seek a Citywide office that had been vacated due to term limits. The open Council seat race that resulted is considered one that was due to term limits for purposes of this discussion.

Candidates who agree to the required spending limits, personal funds limits, and requirement that they debate their opponents can receive matching funds in limited amounts after the City Clerk has certified that they have submitted the required number of signatures to appear on the ballot. Each participating candidate also must demonstrate that his or her campaign has received a threshold amount of contributions to show a base of support for his or her candidacy.⁷ After these standards are met, candidates can qualify for a limited amount of matching funds by receiving one dollar in matching funds for every one dollar received from an individual contributor, up to one-half the amount that individual can legally contribute.⁸ To help jump start the campaigns of participating candidates who all qualified to appear in a runoff election, one-sixth of the maximum matching funds for their races is immediately distributed to their campaigns upon their certification to the ballot.

The large pool of participating current and former elected officials, coupled with the overall high level of program participation, resulted in a watershed year in terms of the amount of matching funds distributed. As a group, candidates in the 2001 elections qualified to receive the most matching funds since the program's inception, with \$8.4 million distributed to 39 candidates, each of whom ran in one of the nine open seat races. In contrast, in races during 1993 -- the most recent election that also saw a competitive open Mayoral race -- 28 candidates in three open seat races and in four incumbent/challenger races qualified to receive \$4.8 million.

Who Qualified for What

In the 2001 elections, just over one-half of the matching funds distributed (54 percent) went to five candidates in the open Mayoral race, while 29 Council candidates who qualified to receive matching funds accounted for an additional 27 percent. Another 17 percent went to three candidates in the City Attorney's race, while 2 percent went to two candidates in the primary race for City Controller. In 1993, when no City Controller or City Attorney candidate qualified to receive matching funds, 63 percent of the matching funds distributed that year went to seven Mayoral candidates while 37 percent went to 21 qualifying Council candidates.⁹

⁷ For example, six of the 11 Mayoral candidates who opted into the program and appeared on the ballot raised less than \$5,000 each in their campaigns, significantly less than the \$150,000 threshold required for Mayoral candidates. These six candidates, consequently, were not able to qualify to receive public matching funds.

⁸ Additional detailed information about the matching funds program appears in Appendix A.

⁹ This report analyzes matching funds distributed to qualified candidates through August 31, 2001.

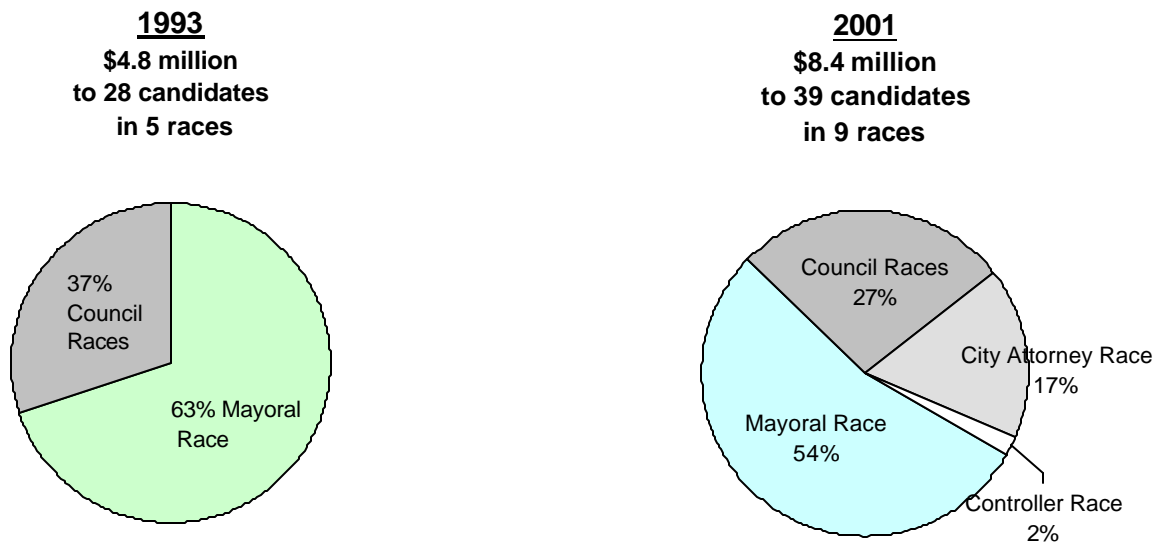


Chart II-A
Matching Funds
Candidates Qualified to
Receive

Seven candidates on the ballot in 2001 qualified to receive the maximum amount of matching funds available to each candidate in their race, while four did so in the 1993 elections. Candidates in 2001 who qualified to receive the maximum allowable amount of matching funds for their campaigns or who received the largest amount of matching funds in their races collected the most votes in six of the nine primary races and in six of the seven contests in the runoff.

Of the five Mayoral candidates in the 2001 races who received matching funds, the same two – James K. Hahn and Antonio Villaraigosa -- were able to qualify for the maximum amount in both their primary and runoff election campaigns. Two others – Second District Councilmember Joel Wachs and State Controller Kathleen Connell -- qualified to receive roughly 85 percent of the maximum. Congressman Xavier Becerra qualified to receive 69 percent of the maximum match for the primary election. While overall, four of the five Mayoral candidates who received matching funds in 2001 were each able to qualify for 80 percent or more of the maximum match, in 1993 only two of the Mayoral candidates did. The five other Mayoral candidates that year who received matching funds qualified to receive between 21 and 41 percent of the maximum.

In the other two Citywide races, City Attorney candidates Rocky Delgadillo, a former Deputy Mayor, and Fifth District Councilmember Michael Feuer each qualified for the maximum amount in both their primary and runoff campaigns, while a third candidate, Deputy District Attorney Lea Purwin D’Agostino, qualified to receive 37 percent of the maximum match in her primary campaign. While no candidate in the City Attorney’s race in 1993 received matching funds, in that race in 1997 the then-

incumbent, James Hahn, qualified to receive the \$300,000 maximum in matching funds in his race against his opponent, former Mayoral Advisor and Airport Commissioner Ted Stein, who had chosen not to participate in the program that year. The two candidates in the 2001 Controller's race, incumbent Third District Councilmember Laura Chick and businesswoman Laurette Healy, qualified to receive 46 and 21 percent of their maximums, respectively.

While matching funds candidates in the 2001 Council primary were no more likely than participants in the 1993 Council primary to reach the maximum amount of matching funds available to them, more got closer to the maximum than in 1993. In

"[Matching Funds] gave structure with goals and objectives that were very targeted, with specific time frames. [It] helped me to hone and refine my fundraising strategy on a daily basis. It levels the playing field for candidates."

--2001 City Candidate

contrast, however, as a group the Council candidates in the 1993 runoffs got closer to reaching the maximum matching funds allotment than did Council candidates in the 2001 runoff elections.

Three Council candidates in the 2001 primary election (Jan Perry, Jack Weiss and Eric Garcetti) were able to qualify for the maximum matching funds for their primary campaigns, and

seven others each qualified to receive more than 75 percent of the maximum amount for their primary races. Of the nine matching funds candidates in the June 2001 runoff, however, no candidate reached the maximum amount. While one candidate, Jan Perry, received 75 percent of the maximum for the runoff, matching funds received by all other runoff Council candidates in 2001 ranged from 36 to 68 percent of the maximum available. While three candidates in the 1993 Council primaries also qualified for the maximum in matching funds, only one other candidate in that primary qualified for more than 75 percent of the maximum. In the 1993 runoff elections, however, while no Council candidate reached the maximum, three candidates each received between 74 and 89 percent of that amount, and five others each received between 42 and 66 percent of the maximum available.

Table II-B

**Average Matching Funds Received by Qualified Candidates,
1993 and 2001 Primary Elections**

	<u>Mayoral</u>	<u>City Council</u>
1993	\$ 322,856	\$ 52,073
2001	\$ 586,403	\$ 57,114
<i>First-Time Candidates In 2001</i>	N/A	\$ 57,208

First-Time Candidates and the Matching Funds Program

In the 2001 primary, 27 Council candidates appeared on the ballot who had not previously sought City or state office. Of these first-time candidates, 26 (96 percent) were matching funds program participants, 25 raised some funds on their campaigns, and 18 raised enough to qualify to receive matching funds.

Together, the 18 first-time Council candidates who qualified for matching funds received contributions totaling \$2.5 million for their primary campaigns -- 50 percent of the total all Council candidates raised for the April election. The \$1.1 million in matching funds these first-time candidates qualified to receive accounted for 62 percent of the matching funds all Council candidates qualified to receive in the 2001 primary and represented just under 30 percent of the first-timers' overall campaign funds.

Individual vs. Non-Individual Contributions

Individuals Account for the Bulk of Campaign Contributions

As in all elections since the City's public matching funds program was enacted, City candidates in 2001 overall relied more on individuals than on non-individuals to fund the bulk of their campaigns. With 75 percent of all candidates' itemized contributions coming from individuals and the remainder coming from businesses, other organizations, and other committees, this trend holds true for elections since the City's reforms were enacted. In sharp contrast, prior to enactment of the City's reforms, 64 percent of the contributions City candidates received were reported to have come from business sources.¹⁰

"I participated in the program because it reduces the role of money raised from...business interests in matters decided by the City of Los Angeles."

--2001 City Candidate

To encourage broad participation among the electorate in City campaigns, the City's reforms limit the amount any person may contribute or otherwise cause to be available to candidates for City office. Importantly, the matching funds program also was designed to encourage individual giving through its dollar-for-dollar match of individual contributions that participating candidates can receive. In addition, City law

¹⁰ *Investing in Competition: Campaign Finance Reform in the City of Los Angeles*, June 1998, p. 49.

limits the overall amount any candidate may accept from all non-individual sources as follows:

Candidate for	Per Election Limit on All Non-Individual Funds
Mayor	\$900,000
City Attorney or Controller	\$400,000
City Council	\$150,000

As in years since 1993, giving by individuals tended to make up a smaller proportion of campaign funds City candidates who were current or former elected officials than they do for challengers and other candidates who are not or have not been elected officials.

In the 2001 open seat Mayoral primary, for example, the five candidates who held or recently held elective City, state or federal office received 75 percent of their contributions from individuals. The remaining competitive candidate, in that contest, however, a non-elected official received 86 percent of his itemized contributions from individuals. The race for City Controller showed the largest difference between candidates in terms of the individual contributions received. In that race, which was decided in the primary, incumbent Third District Councilmember Laura Chick reported 58 percent of her contributions from individuals, while her opponent, businesswoman Laurette Healey, reported receiving 91 percent of her itemized contributions from individuals. Chick won by a margin of 62 to Healey's 28 percent.

In the 2001 Council races, similar "non-incumbent" candidates also relied more on individuals to make up a bigger proportion of their funding base than did candidates who are or were incumbent elected officials at the time they began to fundraise for their campaigns. On average, non-incumbent candidates received 75 to 79 percent of their contributions from individuals in the primary and general elections, while those who held or recently had held elective office received 65 to 72 percent of their contributions from individuals. In a marked departure from this trend, of all incumbents or former incumbents in the 2001 races, incumbent Michael Feuer received the largest proportion of his contributions from individuals, with 89 percent in the primary and 86 percent in the general.

As shown in Table II-C, Citywide and Council candidates receive an average number of individual contributions at three times the rate of all other contributions. Also, in all but the City Attorney's race, incumbents, including those recently holding elective office, on average raised contributions in larger numbers than their challengers in the primary election. Incumbents were also able to raise contributions from businesses and committees more easily than challengers. For example, incumbents in the Council races, including those recently holding elective office, collected on average more than twice the number of business contributions and eight times the number of committee (such as a

political action committee or a state/federal candidate controlled committee) contributions as challengers. This advantage seemed to disappear in the general election.

Table II-C
Average Number of Individual and Non-Individual Contributions to City Candidates, 2001,
by Candidate Status

	Primary		General	
	Ind.	N-I.	Ind.	N-I.
<i>All Candidates</i>				
Mayoral Race	1,351	345	3,348	1,095
City Attorney Race	979	211	1,343	313
Controller Race	323	152	--	--
City Council Races	291	104	371	125
<i>Current/Former Elected Officeholders</i>				
Mayoral Race	3,161	841	3,348	1,095
City Attorney Race	1,818	201	1,415	206
Controller Race	753	433	--	--
City Council Races	415	158	332	85
<i>Non-Officeholder Candidates</i>				
Mayoral Race	446	97	--	--
City Attorney Race	699	214	1,270	419
Controller Race	109	11	--	--
City Council Races	283	69	381	135

The Size of Contributions

The City’s reforms first began evolving with enactment of per person contribution limits of \$500 and \$1,000, per election, for Council and Citywide candidates, respectively. When faced with a self-financed “wealthy Candidate,” City law permits those limits, and the overall non-individual funding limit noted above, to be lifted under certain circumstances to help further the goal of an even playing field for all candidates. When any candidate uses more than \$30,000 in personal funds in his or her campaign, for example, all other candidates in that race may seek contributions in excess of the normal per person limit -- up to an aggregate per contributor limit – until the excess portion of those contributions reaches the amount of personal funds used by that candidate. In addition, when a candidate who declines to participate in the matching funds program raises or spends more than the spending limit for that race, the cumulative *non*-individual contribution limit is lifted for all candidates to help them keep competitive.

While these limits were lifted in two races in the 2001 elections,¹¹ the average contribution to all City candidates continued, as it has in prior City elections since 1993, to remain below the contribution limit amounts. Although the average contribution amount varied significantly between those given by individuals and those given by committees, contributions by individuals and by businesses or other groups alike were more likely to be closer to one-half of the contribution limit than they were to be near the maximum contribution amount.

In the 2001 Council races, the average contribution size in the primary ranged from \$256 from individuals and \$352 from businesses to \$402 for contributions from committees. (See Table II-D.) The typical individual contribution amount was roughly on par with those between 1993 through 1997, when during that period it averaged \$278 to \$328. In the 2001 general election, the average contribution size grew slightly from past elections, to \$292 from individuals, \$370 from businesses and other groups, and \$411 from other committees. While Council candidates in the primary election who were current or former elected officeholders tended to receive contributions in larger amounts than non-officeholder candidates in those races, it was the non-officeholders who received larger contributions on average in the runoff election.

Table II-D
Average Contribution Size to City Candidates, 2001

	Primary			General		
	Ind.	N-I.	Comtes.	Ind.	N-I.	Comtes.
<i>All Candidates</i>						
Mayoral Race	\$587	\$637	\$1,144	\$521	\$647	\$785
City Attorney Race	377	452	642	517	597	773
Controller Race	420	513	625	--	--	--
City Council Races	256	352	402	292	370	411
<i>Current/Former Elected Officeholders</i>						
Mayoral Race	\$537	\$651	\$1,169	\$521	\$647	\$785
City Attorney Race	364	407	0	450	504	1,000
Controller Race	428	518	649	--	--	--
City Council Races	283	384	429	245	353	395
<i>Non-Officeholder Candidates</i>						
Mayoral Race	\$765	\$577	\$673	--	--	--
City Attorney Race	388	466	642	\$592	\$645	\$764
Controller Race	392	416	222	--	--	--
City Council Races	267	334	386	303	372	415

¹¹ As discussed in more detail below, in the 2001 elections the per person contribution limits were lifted in the Mayor's primary election, when candidate Steve Soboroff used \$687,000 in personal funds in his campaign, and in the primary and general elections in the Fifth Council District race, when Tom Hayden used over \$170,000 in personal funds in each of his primary and runoff campaigns. Mayoral candidate Kathleen Connell also used \$100,000 in personal funds in her primary election campaign.

In the Mayor's race, the average contribution size in the 2001 primary for all candidates in that race ranged from \$587 from individuals and \$637 from businesses and other groups to \$1,144 from other committees. Reflecting that the group of current and former officeholders competing in the Mayoral primary were each matching funds participants, the average individual contribution to that group of candidates was lower than the typical contribution to the non-officeholder candidate who was not participating in the program. Unlike other seats on the runoff ballot, in the Mayoral race the average contribution from individuals decreased slightly to \$521 and committee contributions decreased to \$785 from \$1,144 for the general election. Contributions from businesses and other groups increased only slightly.

In the City Attorney's and Controller's primary election races, the typical contribution from an individual was \$377 and \$420, respectively, each well below the \$1,000 per contributor limit in those races. The average business and other group contribution amounts for City Attorney and Controller candidates were \$452 and \$513, respectively. In the City Attorney's runoff election, average contribution sizes increased, but less so than did contributions to candidates in the Council runoffs.

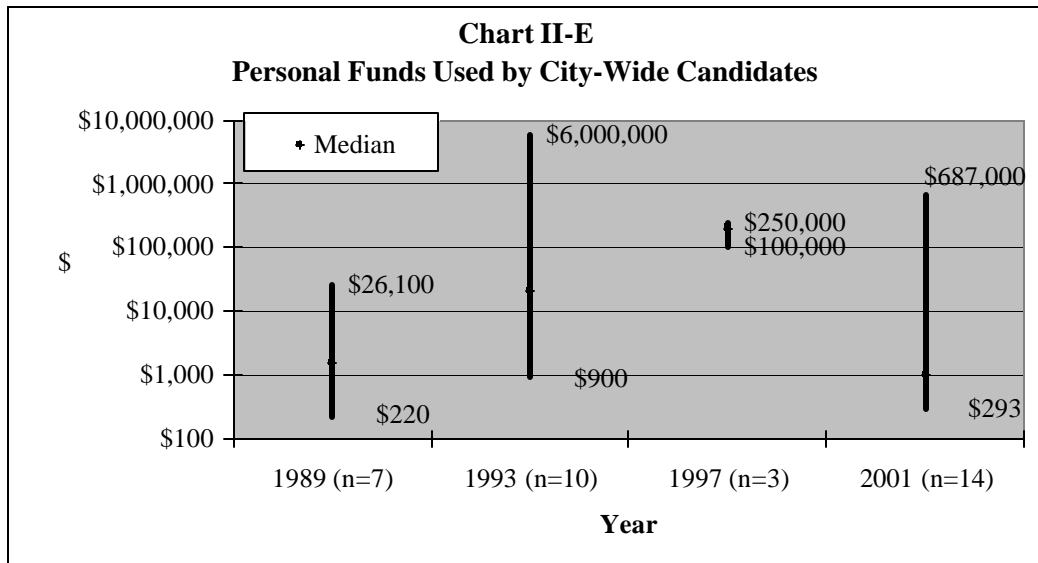
Candidates' Personal Funds in City Campaigns

The City's campaign finance program allows candidates to participate in the matching funds program so long as they meet several qualification criteria, including a limit on the use of personal funds. While Courts have said limits on the use of such funds cannot be mandatory, candidates for City office can be asked to agree to limit these funds in exchange for the benefit of receiving matching funds for their campaigns. Under the matching funds program rules, Council candidates are limited to spending no more than \$25,000 per primary or runoff campaign, and candidates for Citywide office may spend no more than \$100,000 in personal funds on their campaigns.

To give all candidates the opportunity to combat unlimited personal spending in their race if a candidate chooses to spend a large amount of personal funds on his or her campaign, City law lifts the individual contribution limit under certain circumstances. When a candidate chooses to spend more than \$30,000 in personal funds in his or her campaign, that candidate must first deposit those funds in his or her campaign account no later than 30 days before the election and must notify all others in that race. Candidates may then raise contributions in excess of the per person contribution limit for their race until those amounts in excess of the contribution limit equal the amount of personal funds being used. Even under these circumstances, however, candidates cannot receive unlimited contributions because an aggregate contribution limit that establishes a ceiling on the total amount a person can give to all candidates appearing on the ballot.

In 2001, 73 percent of all City candidates used roughly \$1.7 million in personal funds to aid their primary and general election campaigns. This amount is a significantly less than the \$6.6 million used by candidates in the 1993 elections and is a smaller

percentage of the number of candidates who used personal funds than in 1999 Council elections, when 54 percent used more than \$100 in personal funds.



In 2001, more personal funds were used in the primary than in the runoff. The largest amount of personal funds used was by Mayoral candidate Steve Soboroff. Soboroff declined to participate in the matching funds program and used a total of \$687,000 in personal funds in his primary campaign against five opponents who were current or former elected officeholders. When notifying the Commission of his plans, Soboroff noted that his opponents collectively possessed more than one hundred years in public office, and “[i]n the face of running against so many politicians with such a huge built-in advantage, I have no alternative but to devote my own resources to this campaign.” The amount of personal funds deposited by Soboroff one month before the election equaled the maximum amount of public funds that each of five other opponents could qualify to receive -- \$667,000.

The Net Benefit of Lifting the Contribution Limits

Due to the level of personal funds that both Steve Soboroff and Kathleen Connell used in their campaigns,¹² contribution limits were lifted in the Mayoral primary to the \$7,000 per contributor aggregate limit. To evaluate the impact of the lifting of the contribution limit, each candidate’s “net benefit” was calculated. The “net benefit” is the

¹² On March 10, 2001, (one day after Soboroff deposited his personal funds into his account), Kathleen Connell opted to loan her campaign \$100,000. Under City law, loans are considered contributions. As a result, the contribution limits were lifted for all other opponents, including Steve Soboroff. While Soboroff could raise contributions in excess amounts up to \$100,000, all others except Connell could raise contributions in excess amounts up to \$787,000, the personal funds amount deposited by Soboroff and Connell. The provision of law enabled Connell to raise up to \$687,000.

amount a candidate received that he or she otherwise would not have received had the limits remained in place.

In total during the Mayoral primary, some 943 contributors gave a total of approximately \$2 million in over-the-limit contributions. The average size of contributions for “over-the-limit” contributors in the Mayor’s race in the primary election was \$3,073. (See Table II-F.) Incumbent Congressman Xavier Becerra received the largest proportion of his over-the limit contributions from contributors giving the smallest amounts. Of Becerra’s \$112,715 in over-the-limit contributions, 82 percent of those contributors gave less than \$3,000 each.

In contrast, former California Assembly Speaker Antonio Villaraigosa raised most of his over-the-limit contributions from contributors giving \$5,000 or more each. Consequently, Villaraigosa received the largest net benefit, \$787,298 (compared with a net benefit of \$400,300 for James Hahn), roughly \$100,000 more than the total amount of personal funds Soboroff used in his campaign. Villaraigosa also received more \$7,000 maximum contributions than any other Mayoral candidate. Forty-five percent of persons making maximum contributions to Villaraigosa were non-individuals, including 20 from union organizations around the country. In comparison, Hahn received 17 percent of his maximum contributions from non-individuals.

Table II-F
The Net Benefit of Lifted Contributions in the 2001 Mayoral Primary

Candidate	# of contributors giving more than \$1,000	Net benefit	Avg size of contribution from persons giving more than \$1,000	# at Max
Villaraigosa	287	\$ 787,298	\$ 3,743	56
Hahn	249	\$ 400,300	\$ 2,608	6
Wachs	184	\$ 328,540	\$ 2,786	19
Connell	87	\$ 232,167	\$ 3,669	18
Becerra	94	\$ 112,715	\$ 2,199	3
Soboroff	42	\$ 94,256	\$ 3,244	1

Personal Funds in the City Council Races

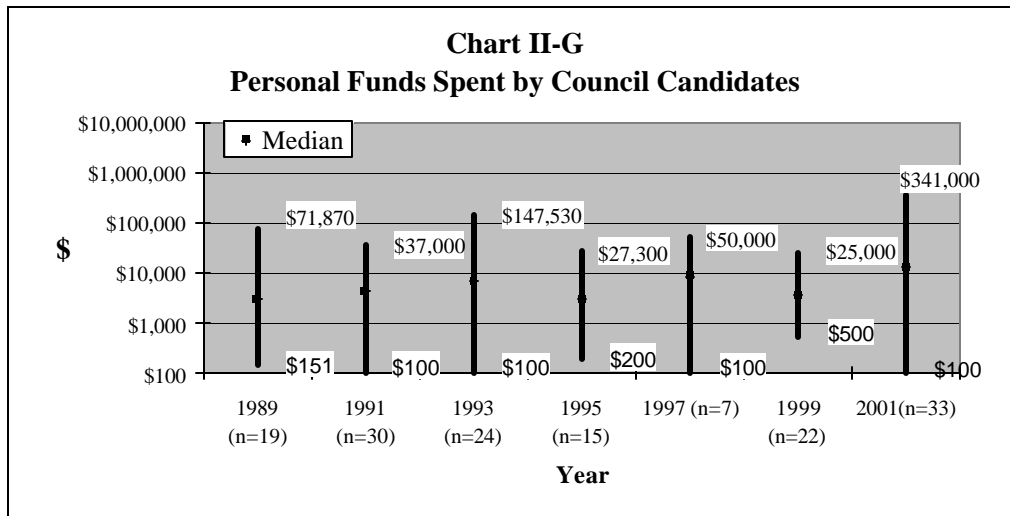
While still used relatively infrequently in City Council races, the total amount of personal funds used in these races was up in 2001 to a median of \$13,000, compared with a median of \$3,550 in 1999 and \$6,692 in 1993. In the 2001 Council races, the use of large amounts of personal funds triggered the lifting of contribution limits in one race, Council District Five.

In the primary election, candidate Tom Hayden chose not to participate in the City’s campaign reform program, in which his use of personal funds would have been capped at \$25,000 per election. Hayden opted to instead use \$171,000 in personal funds

in his primary campaign. The other Council District Five candidates responded by together raising contributions in excess of the \$500 contribution limit from 112 persons, for a total net benefit of \$140,275. The average size of contributions by those giving over-the-limit contributions in the Fifth Council District primary race was \$1,752.

Candidate and businessman Stephen Saltzman benefited most by the lifting of the individual contribution limit, with 42 persons making “over-the-limit” contributions (including seven \$7,000 maximum contributions), for a net benefit of \$74,850. It was candidate and former Assistant US Attorney Jack Weiss, however, who received only three over-the-limit contributions for a net benefit of \$11,125 and faced Hayden in the runoff.

In the general election in Council District Five, Hayden again used personal funds, this time \$170,000. Once again, this had the effect of lifting the individual contribution limit, but this time to \$4,500, the aggregate limit in the general election. In this race, Jack Weiss responded by raising 31 “excess” contributions for a total of \$38,650, with most contributors giving between \$1,000 and \$2,000. Weiss’ net benefit in the general election was \$23,150, equal to just 14 percent of the total amount of personal funds Hayden used.



Use of personal funds in the 2001 elections was not a predictor of success. In all but one race in the primary, those who used the most personal funds on their campaigns did not advance to the runoff elections or win outright and – with the sole exception of a Mayoral candidate who spent \$500 in personal funds on his general election campaign -- those who spent the most in personal funds in the general election were not elected to office.

.. ..

Part III · Non-Candidate Spending in City Campaigns

Separate from candidates' campaign expenditures, money spent by others to advocate the election or defeat of City candidates reached unprecedented levels in the 2001 campaigns. In addition to the \$40.8 million in expenditures candidates reported, another \$3.2 million was reported by non-candidates who engaged in communications to urge others to support or oppose a candidate for elective City office.

Unlike direct contributions that are limited, groups and individuals can spend unlimited financial resources through "independent expenditures" in support of or in opposition to a particular candidate because, Courts have said, those third-party expenditures are speech, failing to pose a threat of corruption since they are not coordinated with a candidate, and therefore are entitled to virtually unqualified First Amendment protection. These monetary or non-monetary payments are made in connection with a communication that expressly advocates the election or defeat of a clearly identified candidate but may not be made in coordination with or at the behest of the affected candidate.¹³

In the City's 2001 elections, additional non-candidate spending occurred through a new provision of state law that was formulated by the State Legislature and placed on the November, 2000 state ballot as Proposition 34. In what came to be known as "member communications," payments for communications to an organization's members, shareholders, or families of members or shareholders were exempted from state law from being considered or reported as independent expenditures. In addition, that provision of state law also stated that those payments were not considered or reported as "contributions." While press reports indicated that unions, political party organizations and other groups were engaged in significant levels of communication with their members to urge the election or defeat of City candidates during the April primary election, no public disclosure was required of those activities as a consequence of the Prop. 34 provision.

Anticipating the potential that independent non-candidate spending could significantly affect the campaigns of candidates who agreed to spending limits as a condition of participating in the City's public matching funds program, that program:

- requires timely disclosure of independent expenditures. Any individual, committee, organization or other entity that makes "independent

¹³ State law provides that if such expenditures were coordinated with a candidate, they would be considered a contribution and, as a result, would be subject to contribution limits.

expenditures” of more than \$1,000 must notify the City Ethics Commission within 24 hours of doing so each time such an expenditure is made. This notice enables candidates who are matching funds program participants to know when significant levels of non-candidate spending have occurred in their races.

- lifts the spending limits for matching funds candidates when an independent expenditure committee or committees in the aggregate spend more than \$50,000 in a City Council election, \$100,000 in the City Attorney and Controller’s races, or \$200,000 in the Mayoral election in support of or in opposition to any candidate. In lifting the spending for all candidates in that affected race, this provision allows those candidates the opportunity to counter that spending.
- limits the amount of any contribution to an independent expenditure committee that raises funds to support or oppose a City candidate or candidates to no more than \$500 per person per calendar year.

With the Prop. 34 exemption enacted for payments for “member communications,” that type of expenditure was no longer reported within 24 hours because state law no longer treated them as “independent expenditures.” Moreover, because those payments were also considered neither an independent expenditure nor a contribution, provisions that required those activities to remain independent from a candidate’s campaign also appeared to no longer apply.

To counter the lack of full and timely public disclosure of the amounts of non-candidate money aimed at influencing the City’s elections, and in response to concerns about large, unreported contributions by individuals and other groups that may have been funding those efforts, the City adopted two emergency ordinances during the 2001 election period. The ordinances applied the 24-hour reporting requirement to payments for member communications just as it applied to independent expenditures and also included them in the types of payments that would lift spending limits. In addition, the ordinances also enacted a requirement that groups spending over \$10,000 in independent expenditures or for member communications disclose contributions they received and expenditures they made during the primary and general election periods.¹⁴

¹⁴ For purposes of this report, figures are based on disclosure reports filed with the City Ethics Commission as a result of the disclosure ordinances enacted into City law during the 2001 elections. The terms “non-candidate spending” and “non-candidate expenditures” are used throughout to refer inclusively to both “independent expenditures” and, in connection with the 2001 elections, to spending for member communications as well.

Non-Candidate Spending Since 1989

Between 1989¹⁵ and 1999, individuals and organizations reported spending \$713,321 in 22 City races to support or oppose 29 candidates appearing on the ballot in those races -- 18 percent of all candidates who appeared on the ballot during that period. In the 2001 City elections alone, however, the total reported non-candidate spending reached \$3.2 million in connection with 11 City races and 24 candidates (38 percent of those on the ballot). The overwhelming majority of reported spending since 1989 has been in direct support of a particular candidate or candidates, and 91 percent of all non-candidate spending in the 2001 elections also went to support a specific candidate or candidates.

Since 1989, over 90 percent of all non-candidate spending occurred in years in which both Citywide and Council races appeared on the ballot. While 78 percent was spent to influence the outcome of Citywide campaigns, only 22 percent of all non-candidate spending since 1989 went to influence a Council race. Ninety-five percent of all non-candidate expenditures since 1989 were made to influence the outcome of open seat races, while five percent was aimed to influence races in which an incumbent was seeking re-election.

Table III-A
Non-Candidate Spending Reported in City
Races, 1989 – 2001

Year	Amount	Percent Spent By Office	
		Council	Citywide
1989	\$ 23,706	100	0
1991	42,701	100	n/a
1993	323,203	5	95
1995	13,599	100	n/a
1997	62,932	68	32
1999	247,180	100	n/a
2001	3,197,752	14	86
Total	\$3,911,073	22%	78%

Overview of Non-Candidate Expenditures in the 2001 Elections

While candidates' campaign spending in the 2001 races totaled \$40.8 million, as of June 30, 2001, others who sought to influence the City's voters by advocating the

¹⁵ 1989 was the earliest year for which data was readily available.

election or defeat of a City candidate reported making \$3,197,752 in non-candidate expenditures. While this total represents less than 10 percent of candidates' campaign spending, independent expenditures and member communication payments in the 2001 elections accounted for 82 percent of all non-candidate spending since 1989. The \$800,550 reported in 2001 for membership communications alone exceeded the \$713,321 in total non-candidate spending reported for all prior City elections in the ten-year period from 1989 to 1999.

Consistent with the pattern of past elections, the bulk of non-candidate spending in the 2001 races occurred in the runoff election. Since 1989, 28 percent of all non-candidate spending was spent to influence primary elections while 72 percent was spent in the general. In the 2001 election, non-candidate spending in the primary was 21 percent of the total, while in the general it grew to 79 percent.

As a phenomenon that first emerged in the 1999 City elections, the lifting of spending limits due to significant non-candidate spending also occurred for candidates in the 2001 races who had agreed to limit their spending as a condition of participating in the public matching funds program. While in 1999, significant spending by groups that included unions and parties lifted the spending limits in two open seat Council races, in 2001 the spending limits were lifted in four races: the City Attorney's race in the primary and runoff, and in the general election races for Mayor and for Council seats in the Third and Fifteenth Districts.

Who Spends, and To Support Whom?

The increased amount of non-candidate spending that was evidenced in the 2001 races also saw a corresponding increase in the number of groups and individuals who opted to engage in that activity. This year, 45 groups and 10 individuals engaged in non-candidate spending, while since 1989 a total of 25 groups and two individuals did. (See Table III-D.) In 1993, the most recent comparable year in which an open Mayoral seat last appeared in a City election, nine groups reported spending \$323,203 in that year's City campaigns.

In the 2001 elections, non-individuals accounted for 79 percent (\$2,525,668) of all non-candidate spending in City races, while individuals accounted for 21 percent (\$672,084). From 1989 through 2001, non-individuals – such as political parties, trade associations, businesses and unions -- accounted for 82 percent (\$3,213,489) of all reported non-candidate spending, while spending by individuals made up 18 percent (\$697,784) of the total.

In a departure from past City elections, more money spent by businesses and other groups to support or oppose the election of a City candidate went to support current or

In contrast to past years, a majority of non-individual money spent in 2001 was spent on City candidates who were current or former elected officeholders.

former elected officeholders with 51 percent supporting those candidates. However, between 1989 and 1999 businesses and groups spent only 43 percent to support those candidates. In contrast, of the individuals who made independent expenditures in the 2001 elections, 72 percent spent their money in support of candidates who were not or had not been incumbent elected officials.

In elections from 1989 to 1999, significant non-candidate expenditures were not a predictor of a candidate's success. During that period, 14 of the candidates supported by independent expenditures lost their bids for elective City office, while 15 won. In the 2001 elections, however, non-candidate spending was more likely to support unsuccessful candidates. Of the 24 candidates supported by non-candidate spending in 2001, 14 lost while 10 candidates who were the beneficiaries of independent expenditures or member communications won.

Of the nearly \$3.2 million in reported non-candidate spending for the 2001 election, \$2.7 million (85 percent) was reported in *support* of a City candidate or candidates for the 2001 election, while another \$281,067 was spent in opposition to those candidates.

Non-Candidate Spending Used for Mailings & Mass Media

Most of the \$3.2 million in non-candidate spending in the 2001 election was used for mail pieces (\$1.6 million) and mass media such as radio commercials, newspaper ads or billboards (\$1.1 million). The balance was spent on phone banks, mailings and volunteers. Payments for membership communications primarily went for mail pieces (79 percent), while independent expenditures were mainly used to pay for mail pieces (42 percent) and signs (31 percent).

What Helped Fund the Increased Non-Candidate Spending?

As a result of the provisions of City law enacted during the 2001 elections that were designed to capture the full range of fundraising and expenditure activities by groups that engaged in non-candidate spending during the primary and/or runoff, 25 groups and individuals filed disclosure notices. Together, those notices disclosed more than \$6 million in overall expenditures by those groups during the time they were communicating with City voters and some \$4.5 million in contributions received during that period.¹⁶ The notices also showed a significant number of contributions of over \$100,000 each made to those groups by individuals and others. (See Tables III-B and III-C.)

¹⁶ Statements required by City ordinances covered the period of January 1 – May 25, 2001.

Table III-B
Total Contributions To & Expenditures By Groups Engaged in Spending
on Behalf of City Candidates in the 2001 Primary and General Elections
For the period, 1/1/01-5/25/01

(Figures as reported on notices filed with the CEC)

Group	Contributions	Expenditures
Democratic State Central Committee	\$2,591,232	\$2,471,029
California Republican Party	776,973	981,861
Los Angeles County Federation of Labor	0	802,330
California Teachers Association/Association for Better Citizenship	460,045	473,405
Los Angeles Police Protective League	177,011	180,761
Los Angeles County Democratic Party	85,247	107,495
International Longshore and Warehouse Union Local 13 PAC	71,669	51,132
United Teachers Los Angeles PACE	63,719	272,200
Southern California District Council of Carpenters	51,040	104,081
Laborers International Union of North America, Local 300, AFL-CIO	33,349	33,349
Marine Clerks IIWU Local 63 PAC	32,685	54,200
American Federation of State, County and Municipal Employees Local 685	25,402	12,189
Service Employees International Union Local #347 PAC	23,233	51,014
International Brotherhood of Electrical Workers, Local #11 PAC	22,703	40,496
Hospital & Service Employees Union Local 399 PAF	22,342	19,185
United Food & Commercial Workers PAC Local 770	19,439	18,550
LA City and County School Employees Union Local 99 COPE	9,782	273,807
	\$4,465,892	\$5,947,614

Table III-C
Top Contributors to Groups Engaged in Spending
On Behalf of City Candidates
During Primary and/or Runoff Elections, 2001

(As reported to the City Ethics Commission)

(Includes only those contributing \$100,000 or more)

Contributor	Recipient	Amount
SEIU PEA International - US	Democratic State Central Committee of California	\$350,265
Democratic National Committee Non-Federal Fund	Democratic State Central Committee of California	266,857
California Teachers Assn	Democratic State Central Committee of California	254,000
A. Jerry Perenchio (Partner, Chartwell Partners)	California Republican Party	210,000
California Teachers Assn	CTA/Assn for Better Citizenship	202,250
RNC - California Account	California Republican Party	101,500
Stephen L. Bing (Writer/Producer, Warner Brothers)	Democratic State Central Committee of California	100,000
Eli Broad (Chr, SunAmerica Inc)	Democratic State Central Committee of California	100,000
California Teachers Assn/Assn for Better Citizenship	Democratic State Central Committee of California	100,000
Casden Properties	Democratic State Central Committee of California	100,000
Geoff Palmer (Owner, Geoff Palmer Associates)	California Republican Party	100,000
Yucaipa Companies LLC	Democratic State Central Committee of California	100,000
		\$1,984,872

In Which Races Did Non-Candidate Spending Occur in 2001?

The Mayor's Race

As in prior City elections, a majority of the non-candidate spending in 2001 benefited Citywide candidates, while two Council races also saw a significant amount of non-candidate spending.

Over half (\$1.9 million or 60 percent) of the \$3.2 million in non-candidate spending reported for the 2001 election was spent in the Mayor's race.¹⁷ This amount included some \$639,801 (or 80 percent) of all payments for membership communications reported in the 2001 elections.

In the primary election, \$368,760 was spent in the Mayor's race by six groups and individuals, including \$200,000 to oppose Villaraigosa by the Morongo Band of Mission Indians for radio advertisements and \$141,703 by Mayor Richard Riordan for mailings and telephone banks to support Soboroff. (See Table III-D.)

Shortly after the April 10th primary, non-candidate spending in excess of \$200,000 caused the spending limits to be lifted in the Mayor's race, for the runoff. The spending limits were lifted on April 25, 2001 when \$260,000 was reported as spent on billboards in support of Hahn. Third-party spending did not begin in earnest by others until mid-May when several unions reported spending in support of Villaraigosa. All others, including the California Democratic Party, which reported spending \$533,088 on communications to City voters in support of Villaraigosa, and the Soboba Band of Mission Indians, which spent \$100,000 in support of Hahn, reported their spending in the 12 days leading up to the runoff. Within these 12 days, two individuals, Ronald N. Tutor, of general contractor Tutor-Saliba Corporation, and Charles E. Fitzgerald, a real estate investor, reported spending \$75,000 and \$70,000, respectively, in support of the Hahn campaign, and the Santa Ynez Band of Chumash Indians spent \$50,000 in opposition to Villaraigosa. In contrast, the 1993 Mayor's race garnered \$323,203 in spending, largely by the Democratic Party in support of Councilmember Mike Woo.

With the spending limits lifted, the Hahn and Villaraigosa campaigns together spent more than \$6,494,042 on their general election campaigns. Combined with over \$1,542,935 in non-candidate expenditures made in the six weeks leading up to the runoff election, total general election spending to influence the 569,402 City voters who ultimately cast votes for a Mayoral candidate in that election reached \$8,034,977.

¹⁷ Although non-candidate spending in the Mayor's race could have lifted the spending limits in the primary election, those limits had already been lifted when the campaign of a candidate who opted to not participate in the matching funds program, Steve Soboroff, exceeded \$2.2 million.

Based on reports filed for the entire period, the majority of non-candidate expenditures in the Mayor's race were made for mailers. The Villaraigosa campaign benefited mostly from membership communications by the California Democratic Party and unions. The Hahn campaign benefited mostly from independent expenditures reported by Brian Kennedy, doing business as a billboard company Regency Outdoor Advertising, a Native American group, and two individuals.

Of the non-candidate spending that occurred in the 2001 Mayoral race in both the primary and runoff elections combined, Villaraigosa benefited from 40 percent of all reported independent and member communications expenditures, while Hahn benefited from 39 percent. An additional 13 percent was spent in opposition to Villaraigosa.

On June 5, 2001 Hahn won the election by a margin of 54 to 46 percent.

City Attorney's Race

The City Attorney's race also garnered significant support through non-candidate spending this year, accounting for 13 percent (\$811,618) of all non-candidate reported expenditures in the 2001 election. This level of non-candidate spending, which included \$80,345 for membership communications was more than all reported non-candidate expenditures in all City elections from 1989 through 1999.

On March 27, 2001 – 15 days before the April 10 primary election -- Eller Media Company¹⁸ reported independent expenditures in excess of \$100,000 for billboards in support of City Attorney candidate Rockard "Rocky" Delgadillo, a former Deputy Mayor for Economic Development. The \$115,750 Eller reported lifted the spending limit in the City Attorney's race for all candidates in that race. In addition to Eller's billboard expenditures, an additional \$39,822 was reported in support of Delgadillo, which included \$19,822 for telephone banks and mailers made by Delgadillo's former boss, Mayor Richard J. Riordan, and three others who spent \$20,000 on mailers. Incumbent Fifth District City Councilmember Michael Feuer received support in the primary election through mailings in the amount of \$1,846 from Richard G. McLellan, while candidates Frank Tavelman and Lea Purwin D'Agostino received no support or opposition through non-candidate spending.

With spending limits lifted in the primary, Delgadillo and Feuer each spent more than \$990,000 each (Feuer reported spending a total of \$1,072,323 while Delgadillo reported \$1,223,799) on their primary campaigns. While non-candidate spending accounted for six percent of the total candidate spending in the primary, it represented roughly 15 percent of the spending by Delgadillo's and Feuer's campaigns. Among the field of four candidates, Feuer received 39 percent of the 467,130 primary votes cast and advanced to face a runoff against Delgadillo, who had received 38 percent of the primary vote.

¹⁸ Eller Media is now Clear Channel Communications.

Just two days after the April 10 primary election, significant non-candidate spending on billboards lifted the candidate spending limit of \$770,000 in the general election for Delgadillo and Feuer. In the general election, Eller Media Company reported spending \$185,250 on billboards to support Delgadillo's campaign. In the two weeks leading up to the election, Mayor Riordan reported spending to support Delgadillo, including \$265,281 on mailings, phone banks, and media buys. During those two weeks, Regency Outdoor Advertising, and Farshid Shooshani (doing business as Sunset View Plaza LLC), also reported spending \$125,000 and \$3,000 on billboards to support Delgadillo.

In total, \$654,199 in non-candidate spending was reported in the general election in the City Attorney's race. In response, both Delgadillo and Feuer spent in excess of \$770,000, with the Delgadillo campaign reporting expenditures of \$1,461,988 to Feuer's \$1,082,962. Non-candidate spending accounted for 30 percent of Delgadillo's campaign spending in the general election.

Of the non-candidate spending that occurred in the 2001 City Attorney race in both the primary and runoff elections combined, Delgadillo benefited from 95 percent of all reported independent and member communications expenditures, while Feuer benefited from four percent.

Delgadillo was elected by a margin of 52 to 48 percent of the 542,765 runoff votes cast in the City Attorney's race.

Council Races

Like four other Council races on the 2001 ballot, the races in Valley-based Council District Three and Harbor-area Fifteenth District were open seat races. Unlike the other Council seat races, however, these were the two races in which non-candidate spending was most significant. While other Council races on the 2001 primary ballot averaged \$3,997 in non-candidate spending, the average spending in these races was \$59,380. This trend continued into the general election with the Third and Fifteenth Districts together averaging non-candidate spending of \$120,008, compared with all others averaging \$26,960. Of the non-candidate spending reported in these two races, 68 percent was reported as made for independent expenditures (such as mailers, precinct walkers and phone banks) while 32 percent was reported for membership communications.

Non-Candidate Spending in Council District 15

In the Fifteenth Council District primary, the five candidates who appeared on the ballot together reported expenditures for their primary campaigns totaling \$919,907. At the same time, non-candidate spending reported in that race totaled \$69,763. While more than \$50,000, this non-candidate spending did not lift the spending limits because that level of spending did not support or oppose any one candidate in that election. Sixty-four percent of the primary non-candidate spending (\$44,769) was reported by the Los

Angeles Police Protective League in support of police officer, Ken Hillman, while another 28 percent (\$19,878) was reported by the Democratic Party in support of former Elected Charter Reform Commissioner Janice Hahn.

In the runoff election between Janice Hahn and former Council legislative aide Hector Cepeda, another \$133,699 was reported in non-candidate spending, nearly twice the level seen in the primary. With less than two weeks before the June 5 runoff, \$80,000 in non-candidate spending for mailers, precinct walkers and door hangers to support Cepeda reported by two unions -- the International Longshore and Warehouse Union Local 13 PAC and the Marine Clerks, ILWU Local 63 PAC -- lifted the \$275,000 spending limit for each candidate. Three other unions -- the LA City and County School Employees Union Local 99, LA County Federation of Labor and SEIU Local 347 -- together reported spending an additional \$28,209 to support Cepeda for communications to their members. In the final days before the election, Hahn also saw non-candidate spending in support of her campaign, with \$25,490 reported. Of that amount, the California Democratic Party reported spending \$15,507.

With spending limits lifted, Hahn's general election campaign spent \$301,721 in total. The level of spending by the Cepeda campaign totaled \$133,567, just under the \$133,699 total in non-candidate reporting for the general.

On June 5, Hahn won with 57 percent of the 33,418 votes cast.

Non-Candidate Spending in Council District Three

Six candidates appeared on the ballot for the open seat in the Third Council District primary, and together their combined spending totaled \$922,143 in that election. In addition, \$48,996 in non-candidate spending was reported in the primary, with 97 percent of those expenditures made for phone calls and mailers in support of Los Angeles police officer and union official Dennis Zine by the Los Angeles Police Protective League (LAPPL). Judith Hirshberg, former Council Deputy and Mayoral Aide, benefited from the remaining three percent. With 36,963 votes cast in the primary, Zine and Hirshberg advanced to the runoff with 27 percent and 22 percent of the votes, respectively. Because the third-party spending for any single candidate did not reach \$50,000 in the primary, the spending limits remained in place during the Third District's primary race.

On May 24, however, less than two weeks before the June runoff, spending limits were lifted for both candidates in the Third District race due to \$71,892 in spending, largely for mailings, reported by the (LAPPL) in support of Dennis Zine. Four other groups, including Eller Media and another union, also reported spending additional amounts for billboard, radio ads and phone calls in support of Zine. The California Democratic Party reported \$18,894 in payments for communications to support Judith Hirshberg through mailers and phone calls. In total, \$106,317 in non-candidate spending was reported for the Zine/Hirshberg runoff. As a percent of total funds spent in the

general election, this non-candidate spending equaled 30 percent of Zine's campaign spending and eight percent of Hirshberg's campaign spending. Of the non-candidate spending that occurred in the runoff election, Zine benefited from 82 percent while Hirshberg benefited from 18 percent. Although the spending limit was lifted, neither candidate expended more than \$275,000.

Of the 42,300 votes cast, Zine won the Council District Three seat with 50.1 percent to Hirshberg's 49.9 percent.

Table III-D
Total Non-Candidate Spending By Filer, 2001
REPORTED TO THE CITY ETHICS COMMISSION

FILER	ACTIVE RACES	EXPENDITURES
California Democratic Party	Mayor, City Attorney, CD 3, CD 5 CD 9, CD 15	\$641,729
Richard Riordan	Mayor, City Attorney, Controller, CD 15	\$435,777
Brian Kennedy dba Regency Outdoor Advertising	Mayor, City Attorney, CD 9	\$395,000
Eller Media Company	City Attorney, CD 3, CD 9	\$304,000
Morongo Band of Mission Indians - Native American Rights Fund	Mayor	\$200,000
Los Angeles Police Protective League	Mayor, City Attorney, CD 1, CD 3, CD 5	\$199,374
Ronald N. Tutor	Mayor, City Attorney	\$100,000
Soboba Band of Mission Indians	Mayor	\$100,000
Charles E. Fitzgerald	Mayor	\$70,000
International Longshore and Warehouse Union Local 13 PAC	Mayor, CD 15	\$63,438
Los Angeles County Federation of Labor	Mayor, City Attorney, CD 15	\$60,262
Southern California District Council of Carpenters PAF	Mayor	\$58,945
Santa Ynez Band of Chumash Indians	Mayor	\$50,000
Community Empowerment Committee	Mayor	\$40,000
SEIU Local 434B	Mayor	\$40,000
International Union of Operating Engineers	CD 13, CD 15	\$37,523
Apartment Association of Greater Los Angeles	Mayor, City Attorney, CD 3, CD 5, CD 13, CD 15	\$24,581
Los Angeles Professional Managers Association PAC	Mayor	\$22,500
United Teachers L.A. Political Council of Educators (PACE)	Mayor	\$20,915
Chuck and Ethan, Inc.	Mayor	\$20,000
Marine Clerks ILWU Local 63 PAC	CD 15	\$20,000
SEIU Local 347	Mayor, City Attorney, CD 3, CD 5, CD 9, CD 13, CD 15	\$19,836
International Brotherhood of Electrical Workers Local #11 PAC	Mayor	\$18,997
United Food and Commercial Workers Local 770	Mayor, City Attorney, CD 13	\$18,728
Neighbor to Neighbor Action Fund	Mayor	\$16,594
L.A. City and County School Employees Union Local 99	Mayor, City Attorney, CD 5, CD 9, CD 13, CD 5	\$16,329
Friends of Jim Hahn	Mayor	\$15,910
Richard G. McLellan	Mayor, Controller, CD 1, CD 3, CD 5, CD 7, CD 9, CD 11, CD 13, CD 15	\$15,875
Mike Nazarian	Mayor	\$15,000
Laborers International Union of North America Local 300 AFL-CIO	Mayor	\$14,094
AFSCME District Council 36	Mayor	\$11,094
Southland Regional Assoc. of Realtors Independent Exp. Cmte	CD 3	\$10,912
California Teachers Association/Association for Better Citizenship	Mayor	\$10,666
Mark Mills	City Attorney	\$10,000
Ozzie Silna	Mayor	\$10,000
Typewriter	Mayor	\$10,000
California Nurses Association PAC	Mayor	\$9,492
Senior Citizen Voter PAC	City Attorney, CD 9	\$9,015
Jayne & Linda Wilson	Mayor	\$8,432
Southwest Regional Council of Carpenters	Mayor	\$6,975
Engineers & Architects Association	CD 15	\$6,600
Farshid Shooshani dba Sunset View Plaza LLC	Mayor, City Attorney	\$6,000
Water and Power Defense League Local 18	Mayor	\$6,000
Lexington Commercial Holdings, Inc.	City Attorney	\$5,000
Robert J. Lowe	City Attorney	\$5,000
Eagle Properties	Mayor	\$2,483
California Citizens for Neighborhood Empowerment	CD 15	\$2,404
United Firefighters of Los Angeles City Local 112, IAFF, AFL-CIO-CLC	Mayor	\$2,348
AFSCME Local 685 PAC	Mayor	\$2,138
Committee for a Better City	Mayor	\$2,003
Harvey L. and Lillian Silbert 1992 Family Trust	City Attorney	\$2,000
Plaster Tenders, Construction and General Laborers Local #802	Mayor	\$1,764

Part IV “ Concluding Observations – Lessons for the Next Decade

A decade of comprehensive campaign reform in the City of Los Angeles has brought both successes and new challenges. While against the drama of the 2001 City elections these reforms appeared to be more often cited for the challenges they faced than the successes they were achieving, it is important to remember that the accomplishments that have resulted from the first ten years of the City’s voter-mandated reforms are significant:

- When candidates participate in the matching funds program, more candidates have been able to wage effective campaigns and voters, consequently, have broader choices. High participation rates have meant more competitive elections.
- Even with spending limits, candidates have waged competitive elections and have done so placing a premium on participation by individuals in the process;
- The excessive advantages of incumbency have been curbed as fundraising periods are limited and first-time candidates have the resources to compete effectively.

As pundits, practitioners and policymakers alike take stock of the City’s most recent experiences, evaluate lessons learned, and debate ways to improve the City’s existing comprehensive system, they will likely consider a range of issues. To help ensure that City elections in the coming decade are open, accountable and competitive, those deliberations should also consider the following:

- With record-high levels of candidate participation, what can be done to ensure that the spending limits candidates agree to continue to be meaningful? How can the City’s reforms better address the role non-candidate spending has increasingly played in undermining the effectiveness of those spending limits?
- As the effects of term limits continue to play out for City and state officeholders, what consequences might result for efforts to foster a competitive system of elections for *every* City election – whether a re-election contest or an open seat race?
- What more can be done, or done better, to help “restore public trust in government and electoral institutions” in City campaigns in the next ten years?



APPENDIX A · THE PUBLIC MATCHING FUNDS PROGRAM

In 1990, City voters approved Charter amendment Proposition H to establish the City Ethics Commission and enact a public matching funds system to help restore public trust in government and to encourage competition for elective City office. The goals of the public matching funds system are to help serious candidates for elective City office raise funds without having to rely on large campaign contributions and on excessive fundraising and expenditures. With passage of Proposition H, the City Charter was amended to require the City Council to establish a Matching Funds Trust Fund totaling \$8 million, adjusted for cost of living changes. By design, the matching funds program is structure to make it a system that candidates will want to join.

Candidates must meet certain qualifying requirements before they are eligible to receive any public matching funds. Once qualified, a candidate can use the formula detailed in the law to request matching funds for small, individual contributions, up to the maximum funds available to that candidate. To participate in the system and receive matching funds, a candidate must agree to limit both campaign spending and the use of personal funds and must agree in writing to participate in a debate.

How Candidates Qualify for Matching Funds

To qualify for matching funds, a candidate for *Mayor* must meet each of the following tests:

- Raise \$150,000 or more in contributions of \$500 or less. (Contributions of up to the \$1,000 limit may be received, but only the first \$500 counts for qualification purposes.)
- These “qualifying” contributions must be received within 24 months of the election.
- Candidate must be opposed by another candidate who has qualified for matching funds or who has raised, spent, or has cash-on-hand of \$200,000 or more.
- Must agree not to contribute more than \$100,000 per election fro his or her personal funds.
- Must agree to abide by spending limits.

To qualify for matching funds, a candidate for *City Attorney or Controller* must meet each of the following tests:

- Raise \$75,000 or more in contributions of \$500 or less. (Contributions of up to the \$1,000 limit may be received, but only the first \$500 counts for qualification purposes.)
- These “qualifying” contributions must be received within 24 months of the election.
- Candidate must be opposed by another candidate who has qualified for matching funds or who has raised, spent, or has cash-on-hand of \$100,000 or more.
- Must agree not to contribute more than \$100,000 per election from his or her personal funds.
- Must agree to abide by spending limits.

To qualify for matching funds, a candidate for *City Council* must meet each of the following tests:

- Raise \$25,000 or more in contributions of \$250 or less. (Contributions of up to the \$500 limit may be received, but only the first \$250 counts for qualification purposes.)
- These “qualifying” contributions must be received within 18 months of the election.
- Candidate must be opposed by another candidate who has qualified for matching funds or who has raised, spent, or has cash-on-hand of \$50,000 or more.
- Must agree not to contribute more than \$25,000 per election from his or her personal funds.
- Must agree to abide by spending limits.

Participation in Debates

To qualify for matching funds, a candidate in a primary election also must agree in writing to participate in at least one debate with his or her opponent(s). A candidate in the general election must agree in writing to participate in at least two debates with his or her opponent.

Formula for Matching Funds

If a candidate for Mayor, City Attorney, or Controller has qualified for matching funds, that candidate’s contributions can be matched as follows:

One dollar of public matching funds for every one dollar raised from an individual in contributions totaling no more than \$500 per individual received within 12 months before the election.

If a candidate for City Council has qualified for matching funds, that candidate's contributions can be matched as follows:

One dollar of public matching funds for every one dollar raised from an individual in contributions totaling no more than \$250 per individual received within 12 months before the election.

The following contributions, however, are not eligible to be matched: any contribution received from the candidate, from his or her immediate family, or any loan pledge, or non-monetary contribution. Only contributions from individuals, not from businesses, unions, PACs, or other organizations, can be matched.

Request for Matching Funds Payments

If a candidate has met all qualifying requirements, he or she may file a matching funds payment request with the City Ethics Commission. The Commission staff will review the request and will certify the amount of matching funds to be received. The Commission staff will then authorize the Controller to make matching funds payments to the candidate in the qualifying amount.

A candidate may not request less than \$10,000 in payments at any one time until the last 14 days before an election. In the 14 days preceding an election a candidate may request \$1,000 or more in matching funds payments at any one time. Payments will be made no later than three days after requesting them from the Commission.

Matching Funds for the General (Runoff) Election

A candidate who is in a general (runoff) election is eligible to receive immediately one-sixth of the allowable matching funds without regard to the matching funds formula. Receipt of additional matching funds depends on the amount of qualifying contributions raised by the candidate.

Matching Funds for Retiring Debt

Campaign contributions received after an election shall be eligible for matching funds if the contributions were received during the 90 day period after the election for the purposes of retiring debt incurred during the election campaign.

Maximum Matching Funds Available

The matching funds system establishes limits on the maximum public funds available to each qualified candidate in the primary and general elections. The limits are as follows:

<u>Candidate</u>	<u>Primary</u>	<u>General</u>
Mayor	\$667,000	\$800,000
City Attorney	\$300,000	\$350,000
Controller	\$267,000	\$300,000
Council	\$100,000	\$125,000

Campaign Spending Limits

To receive public matching funds, a candidate must agree to abide by an overall expenditure limit. Specifically, a candidate must agree to limit qualified campaign expenditures to the following amounts:

<u>Candidate</u>	<u>Primary</u>	<u>General</u>
Mayor	\$2,200,000	\$1,760,000
City Attorney	\$990,000	\$770,000
Controller	\$880,000	\$660,000
Council	\$330,000	\$275,000

Expenditure Ceiling Lifted

Campaign spending limits may be lifted for each candidate in a race for elective City office if either of the following circumstances occurs:

- 1) If any candidate in that race declines to accept matching funds makes qualified campaign expenditures in excess of the applicable expenditure ceiling for that race. The ceilings are lifted, therefore, when any candidate for the following offices who declines matching funds spends the following amounts:

<u>Candidate</u>	<u>Primary</u>	<u>General</u>
Mayor	\$2,200,000	\$1,760,000
City Attorney	\$990,000	\$770,000
Controller	\$880,000	\$660,000
Council	\$330,000	\$275,000

- 2) If one or more independent expenditure committees in the aggregate spend more than the following amounts in support of or opposition to any particular candidate in that race:

<i>Candidate</i>	<i>Amount</i>
Mayor	\$200,000
City Attorney	\$100,000
Controller	\$100,000
Council	\$50,000

Insufficient Matching Funds

If the Commission determines that the matching funds that are available are not or may not be sufficient to satisfy the full entitlement of all eligible candidates, the Commission will notify the Controller to withhold sufficient amounts to ensure that candidate receive a pro-rata share of the amount of their entitlement. The amounts withheld will be paid when the Commission determines that sufficient funds exist to pay the amounts or portions of the amounts.

