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# **LOS ANGELES CITY ETHICS COMMISSION**

## **N E W S**

*...preserving the public trust*

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### **CITY ETHICS COMMISSION STUDY FINDS SUCCESSES OF PROP. H RESTRAINED IN ERA OF TERM LIMITS**

#### **Report Cites Mixed Record for Reforms as Independent Spending and Term Limits Increasingly Shape Campaigns**

Candidates for elective City office in Los Angeles continue to rely heavily on individuals rather than on businesses, PACs, unions or other groups, to fund their campaigns, according to a report released today by the Los Angeles City Ethics Commission. In addition, the study found, a large majority of those running for City office continue to support spending limits and limits on personal funds in their campaigns, with 81 percent of all candidates since 1993 opting into the City's public matching funds program. The 87-page study examined the City's comprehensive campaign finance reforms over a 15-year period following enactment of the voter-approved Prop. H in 1990. Prop. H created and funded a voluntary system of limited public funding for candidates as the foundation of a series of groundbreaking campaign reforms designed to reduce the undue advantages of incumbency, encourage meaningful choices for voters, and help restore public trust in government.

The report also found, however, that large independent spending and the City's term limits law appear to have impeded achievement of the reforms' full potential. While making up only eight percent of all spending on City campaigns in the past 15 years, independent spending has risen dramatically in recent City elections, affecting a range of candidates and offices and fueling heightened candidate spending. Additionally, counter to the goals of Prop. H, the advantages of incumbency appear stronger in an era of term limits, which City voters enacted in 1993. Intended to create more turnover among elected officials, in practice it appears that single, eight-year terms in office with largely non-competitive reelection campaigns are emerging for many incumbents. At the same time, fundraising and spending gaps between incumbents and challengers have widened.

“When candidates limit their spending and personal funds in exchange for receiving public matching funds, key goals of Prop. H continue to be achieved,” said LeeAnn Pelham, the Commission’s Executive Director. “When they don’t, voter choice is reduced, and that has put at risk the fully accountable campaigns Prop. H was designed to achieve in all City elections.”

The report, *Investing in the Public Trust: Campaign Finance Reform in the City of Los Angeles 15 Years After Prop. H*, also found the following:

- **Overall spending in City elections has leveled off in recent years.** Incumbent expenditures remain strong, despite fewer challengers on the ballot. At the same time, average spending by candidates overall is growing, due particularly to high spending in open-seat races where large fields of competitive candidates compete. Open-seat races often include current or former state elected officials, who themselves faced term limits and who have histories as strong fundraisers. A growth in candidate spending is also linked to the increasingly frequent lifting of spending limits that has resulted largely from significant independent spending.
- **Overall fundraising in City races declined during the last 15 years.** At the same time, average fundraising amounts per candidate are up. Importantly, the fundraising gap between incumbents and challengers that narrowed in the immediate post-Prop. H period is now widening, as the few individuals who challenge incumbents typically lack a demonstrated base of financial support.
- **Voter choice has been reduced in incumbent/challenger elections.** Fewer challengers are running and the most prodigious fundraisers are term-limited incumbent officeholders. In 2005, incumbents significantly out-fundraised their challenger opponents -- with the unusual 2005 Mayor’s race being the obvious exception. Incumbents also raise money earlier, suggesting that more competitive races could come from a shortening the fundraising window.

- **Independent spending accounts for only eight percent of the total money spent on City elections in the past 15 years.** This figure, however, has risen dramatically since 1993. Just over half, or 53 percent of that spending, was made in open-seat races, while the remainder was split almost evenly between incumbents and challengers. Of the money spent in incumbent/challenger contests, independent spending by non-individuals tended to support incumbents, while individuals who engaged in independent spending were more likely to support challengers. Of all independent spending in the 2005 races, 96 percent was spent within the critical 30-day window prior to the date of the election in both the primary and runoff election.

Key findings from the Commission's report are attached.

As an independent voice for more open and responsive City government, the Los Angeles City Ethics Commission was established by voter mandate in 1990 and acts through that mandate to help preserve the public trust. Through meaningful public disclosure and effective education, the Commission is dedicated to upholding the public interest and providing vital information to Los Angeles citizens. To ensure that Los Angeles elections and government decision making are fair, transparent and accountable, the Commission shapes, administers and enforces City ethics, campaign finance and lobbying laws.

For a copy of the full report, or for more information, contact the Commission at (213) 978-1960, or visit the Commission's website at <http://ethics.lacity.org>.

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### **Key Findings**

**The value of smaller, individual contributions to candidates' campaigns continues to be strong, as candidates remain heavily reliant on individuals, more so than non-individuals such as business, unions and other groups, to fund their campaigns.**

Although elected officeholders, as a group, were less likely to rely on individuals than were non-officeholders, all City candidates in 2005 relied on individuals rather than non-individuals by 75 to 25 percent, respectively. Both the matching funds system – in which candidates leverage the value of relatively small, individual contributions – and the voter-enacted limit on total non-individual contributions candidates can take, appear to be successful in supporting this broader participation by individuals in City elections.

**Through continued strong rates of participation in the matching funds program overall, a sizable majority of candidates continue to express their support for spending limits and limits on the use of personal funds in City campaigns.**

In Council races since 1993, spending by participating candidates is more than five times the amount their non-participating opponents spent. A sizable majority, or 71 percent, of those elected to City office since 1993 have had the advantage of public funding in their campaigns. At the same time, however, the number of those who actually receive those matching funds has declined as term limited races tend to produce fewer candidates. Challengers who do run often have weaker levels of financial support than what is needed to qualify.

**Open-seat campaigns see large numbers of competitive candidates whose voices are amplified by participation in the matching funds program.**

In open-seat races, matching funds program participants continue to have the highest rates of qualifying and receiving matching funds. Between 1993 and 2005, 87 percent of open-seat candidates opted into the program, while 65 percent qualified to receive matching funds.

**Evidence continues to show that the size of the average contribution remains well below the contribution limit amount.**

In the 2005 Council primaries, for example, the typical contribution amount was \$370, less than the \$500 contribution limit for those contests.

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**Although it made up only eight percent of all political money spent on City elections in the last 15 years, independent spending to advocate the election or defeat of City candidates is no longer unprecedented, but is a regular occurrence that has affected a wide range of City offices.**

Since 1989, 51 percent of the 84 candidates who benefited from some independent spending in their race won, while 49 percent lost. Fifty-five percent of the candidates who benefited from the largest amount of supportive independent spending in their race won, while 45 percent lost. While that spending does not guarantee candidate success, increasing numbers of candidates elected since 2001 have been supported by independent spending, and few since that time have been successful without it.

**In what seems to be an emerging dynamic in City campaigns, many incumbents appear to be nearly unbeatable in their second, or "mid-term" election, contrary to stated purpose of term limits, to create competitive City races.**

Ironically, term limits appeared to have created a single, eight-year term, for City officeholders. For those seeking competitive contests in every election cycle, the term limits provisions of City law warrant closer scrutiny and possible revisiting.

**While the average spending gap between Council incumbents and challengers that existed in pre-Prop. H elections continued to narrow through the 1999 elections, in more recent elections that trend has reversed.**

In the 2005 election, for example, the \$1.5 million four Council incumbents spent in the primary outpaced challengers four to one. Notably, fundraising in non-election years continues to be the domain of incumbent officeholders. In the 2005 City Council races, incumbents raised more money and raised it sooner.

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