

TO: City Council

FROM: Micah Posner and Don Lane

SUBJECT: Ordinances Governing City Council Campaign Contributions and Expenditures

Recommendation:

1. That the City adopt the Voluntary Expenditure Ordinance ____ to make the limits on individual and organizational donations mandatory.
2. That the City enact Ordinance _____ to provide 1 to 1 matching funds for candidates who agree to participate in the Voluntary Expenditure Ordinance.

BACKGROUND:

Over 60 cities around the country attempt to control campaign finance spending by establishing mandatory limits on individual donations and voluntary limits on overall expenditures. The majority of these cities, including San Francisco, New York, and Boulder, and Ventura, provide a limited amount of public financing to candidates that agreed to the voluntary overall limit. Setting a maximum on overall campaign donations or expenditures is prohibited by the Supreme Court Decision known as Citizens United. A report on cities with ordinances described above is attached.

In the City of Santa Cruz, Ordinance ____ sets voluntary campaign expenditure limits for city council races- both per donor and per total expenditures. Both limits rise with population and cost of living increases. The per person limit is currently \$325.00. Per organization is \$780.00 and the total expenditure limit is \$26,641.00. The ordinance was established in 2000. The goals of the ordinance are:

1. To minimize the potentially corrupting influence and appearances of corruption caused by excessive contributions; and
2. To limit overall expenditures in campaigns, thereby allowing candidates to spend less time fundraising and more time communicating with voters; and
3. To provide incentives to encourage candidates to voluntarily limit their campaign expenditures.

However, unlike most over municipal campaign finance ordinances, there is very little incentive for candidates to agree to the voluntary limits. Agreeing to the limits does allow a candidate to not pay \$1,494.00. A more serious incentive- a free mailer for candidates who agreed to the ordinance was rescinded by a the City Council in the year of _____.

Since the 1980s, a majority of winning Council Candidates did not spend much more than \$20,000.00. After the ordinance was passed in 2000, however, candidates started to outspend the voluntary limit as early as 2004. In 2010, none of the winning candidates agreed to the limit and the frontrunner spent well over \$40,000.00. In 2012, two out of four of the candidates did not agree to the limit, including a candidate who spent close to \$43,000.00 and placed 4th. The ordinance is no longer succeeding at two out of three of its primary objectives. On the positive side, no candidate has exceeded the per person/ per organization limits set up by the ordinance thereby fulfilling the first goal of the ordinance. However this appears to be due to a healthy culture among candidates and not of a successful ordinance.

The recent history of voluntary campaign contributions suggest:

1. We do not yet have a problem of undue influence in city elections, though the ordinance is so weak that it would not prevent this from occurring.
2. The ordinance has not proven to be a strong incentive to control maximum expenditures, and the most costly campaigns are getting more costly with each election cycle.
3. It is still entirely possible to win a city council election while agreeing to the voluntary expenditure limits. In 2012 the Candidates who placed 1st and 3rd both agreed to the ordinance. One was an incumbent and one was not.

DISCUSSION:

Revisions to the City's ordinances governing campaign donations and expenditures would allow the city to better serve its primary purpose as a democratic, public institution.

Specifically it would:

- Insure that the pool of City Council Candidates is not limited to those with fund raising experience and/or access to money. Allow better access to students, for example, or people of color.

- Significantly increase the quality of the debate during elections by allowing candidates to focus more on issues and conversations with constituents and less on fundraising.
- Prevent the potential for undue influence, or the perception thereof, in City Council elections

RECOMMENDATION:

Amend and strengthen the city's Voluntary Campaign Expenditure Ordinance by the following:

- Change voluntary limits on individual and organizational donations to mandatory. Retain the same amounts as per the current ordinance with the same adjustments for price of living increases.
- Provide a public 1 to 1 match for campaign contributions to candidates who agree to the Voluntary Expenditure Limit.
- To insure that this policy did not artificially encourage large numbers of candidates and to reduce staff time needed to implement, the match would occur at \$5000.00 increments up to the voluntary expenditure limit, which is currently \$26,641.00. Upon raising \$5,000, a candidate would submit proof to the City Clerk who would authorize payment of \$5000.00 to the candidate's treasurer for expenses. The process would repeat at the \$10,000.00 and \$13,320.50 levels of donations.

COST:

The cost to the city of these proposed changes to the ordinance is estimated at no more than \$50,000.00 annually, representing .026% of the city's current budget of \$192,627,172.00.

This relies on the assumption (historically accurate) that no more than double the candidates in city Council elections would raise at least \$5,000.00. Under this maximum expense, using current numbers, the city would pay up to \$13,320.50 per candidate for up to 14 candidates over any 4 year period. \$13,320.50 multiplied by 14 equals \$186,487.00, divided by 4 equals \$46,621.75.00.

This cost would offset costs to the community of between \$55,000 and \$200,000 annually in contributions to the candidates, depending on what the candidates would have raised without the strengthened ordinance. \$55,000.00 represents the cost savings if the ordinance had been enacted in the last election cycle, while \$200,000.00 represents savings if each candidate would have spent \$50,000.00.

SUBMITTED BY: Councilmembers Posner and Lane

ATTACHMENTS:

1. Proposed revisions to the ordinance as prepared by City Clerk John Barisone.
2. Examples of similar ordinances in other cities