

## **ADVANCED POLICY ANALYSIS**

### **Building a Small-Donor Democracy in California: Outlining the needs, considerations, and recommendations for initiating a statewide publicly financed elections system in California**

**A Study Conducted for California Common Cause**

**by**

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The author conducted this study as part of the program of professional education at the Goldman School of Public Policy, University of California at Berkeley. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgements and conclusions are solely those of the author, and are not necessarily endorsed by the Goldman School of Public Policy, by the University of California or by any other agency.

# Executive Summary

This report outlines the needs, considerations, and recommendations for building a small donor democracy in California. The goal is to provide support to California's leading advocacy organizations as they contemplate what would be necessary to establish a statewide public financing system later in this decade. The two kinds of public financing systems examined in this report are a matching funds program and a democracy voucher program.

The report begins with a statement of the problem: Big money has too much influence in California's democracy, which drowns out the influence of small donors and makes policymakers disproportionately responsive to monied interest. California's donor population is a small and unrepresentative portion of the overall population. Additionally, candidates often court wealthy donors and special interests while alienating small donors in order to be competitive in state races. The high cost of running for office in California may contribute to a candidate pool and legislature that does not accurately reflect the diversity of California's population, and to public policy outcomes that do not reflect the will of the people.

This analysis of the problem provides four clear objectives for a small donor democracy program: to 1) increase small donor participation, 2) increase the diversity of the donor pool, 3) increase incentives for candidates and campaigns to engage voters and donors who are currently ignored, and 4) increase the diversity of candidates running for the state legislature in California.

After reviewing the political and legal forces that have led to the problem of big money in politics in California, the report transitions to the considerations section, which provides recommendations around policy design, administrative needs, political planning, and implementation of the programs, informed by existing research and interviews with program administrators, researchers, political consultants, and candidates.

The analysis section analyzes how a matching funds and democracy voucher program have affected donor diversity, donor participation, candidate diversity, and candidate participation in Los Angeles, San Francisco, Berkeley, and Seattle, and also includes a cost estimate for both programs.

Finally, the report provides four recommendations for building a small donor democracy in California. First, barriers to pass public financing must be removed including a repeal on California's ban on public financing. Second, a pilot public financing should be passed and implemented; both programs would be impactful in fulfilling the four objectives outlined but the voucher program would be less costly and could be more equitable. Third, the state must highly prioritize diversity, equity, and inclusion in the policy development and implementation process to ensure that Black, brown, and low-income communities who are currently underrepresented in the political and donor system are engaged in the program. Lastly the recommendations outlined in the considerations section should inform the development of the pilot program.

## A potential solution: Publicly financed elections

Without reforms at the federal and state level, corporations and other large donors will continue to spend small fortunes on state campaigns. One solution that can make our local democracy more robust, fairer, and more inclusive: **publicly financed elections**.

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<sup>43</sup>Bohn, S., & Thorman, T. (n.d.). *Income Inequality in California*. Public Policy Institute of California. Retrieved April 28, 2022, from <https://www.ppic.org/publication/income-inequality-in-california/>

<sup>44</sup>Horowitz, J. M., Igielnik, R., & Kochhar, R. (2020, January 9). 1. Trends in income and wealth inequality. *Pew Research Center's Social & Demographic Trends Project*. <https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/>

<sup>45</sup>Ibid.

## What are publicly financed elections?

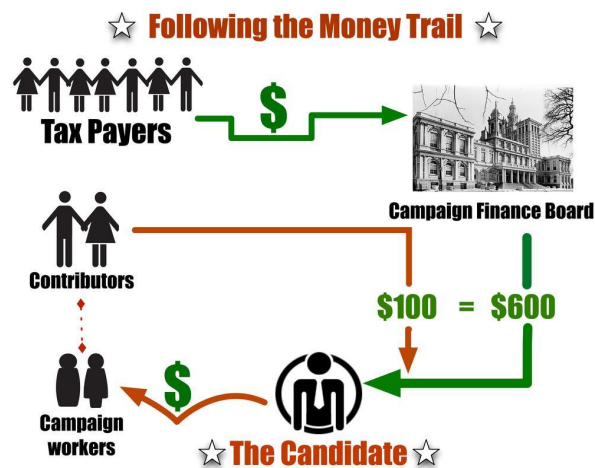
Publicly financed elections are elections that use public funds, like tax revenue or general funding from local or state budgets, to provide public funds to candidates running for office in an effort to diminish the influence of big money in politics. Publicly financed elections take the form of matching fund programs, voucher programs, tax credits, and block grants and have been adopted in 14 states and 19 municipalities across the U.S.<sup>46</sup> The two programs of particular interest within this report aim to amplify the influence of small donors who give to political campaigns

## What types of publicly financed elections systems exist?

Nationwide, states and cities have implemented a wide range of programs that use public financing to fund elections.

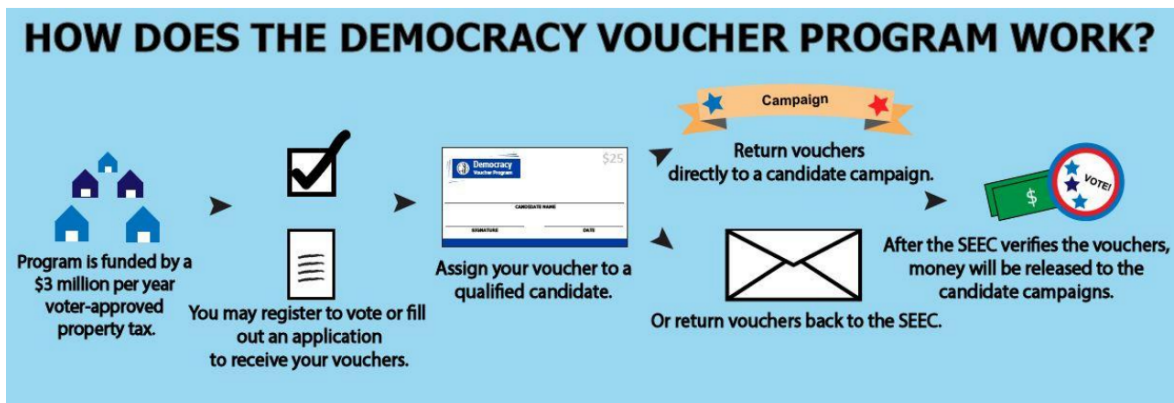
The two primary programs of interest in this report are a matching funds program and a democracy voucher program because of their viability and effectiveness in jurisdictions where they have been enacted. The United States Supreme Court has upheld the constitutionality of both democracy voucher programs and public matching programs, so long as those programs adhere to provisions that do not violate donors' freedom of speech. Figures 1 (W New York City) and 2 (Seattle Ethics and Elections Commission) illustrate how matching fund and democracy voucher programs work in their respective localities.

**Figure 1—How do matching funds programs work?**



<sup>46</sup>Millard, H., & Paez, M. (2022, April 12). *How Public Campaign Financing Empowers Small Donors Nationwide* | Brennan Center for Justice. <https://www.brennancenter.org/our-work/analysis-opinion/how-public-campaign-financing-empowers-small-donors-nationwide>

Figure 2– How do Democracy Vouchers Work?



*Democracy voucher program infographic, Seattle Ethics & Elections Commission<sup>48</sup>*

## Matching fund programs

Matching fund programs use public funds to match small dollar donations to candidates who voluntarily opt into the program. If a candidate who qualifies for the program solicits a small donation from a voter, that donation is amplified through a multiplied match with public funding. Some of the key provisions of a matching fund program include:

- A match rate that can more than double a small donation with public funds (some programs have a 4:1 match rate, for example, where a \$25 donation would be matched with \$100 in public funding).
- Limitations on the maximum amount of contributions that could be matched. Under existing public financing systems, total contributions that can be matched vary between \$5 and \$100.
- Voluntary enrollment of candidates, which upholds the constitutionality of the program, and it allows the administering agency to set special conditions, such as expenditure limits, for participating candidates.

<sup>47</sup>Hamilton, A., & Casanova-Burgess, A. (2011, August 4). *Explainer: Understanding Public Matching Funds Means Following the Money* | WNYC | New York Public Radio, Podcasts, Live Streaming Radio, News. WNYC. <https://www.wnyc.org/story/148056-explainer-public-matching-funds/>

<sup>48</sup>LeBeau—*Democracy Voucher Program.pdf*. (n.d.). Retrieved May 7, 2022, from

<https://www.seattle.gov/Documents/Departments/EthicsElections/Democracy%20Voucher%20Program%20-%20August%202020%20Info%20Session%20Presentation.pdf>

- Candidate ability to raise above the match limit so as not to prohibit large donations or limit free speech, which also upholds the constitutionality of the program.
- Limitations on participating candidates such as spending and contribution limits that are intended to increase candidate interactions with small donors (by incentivizing greater interactions with smaller, not larger, donors).
- Requirements for candidates to raise a set number of small donations from the community before they are able to qualify for matched public funds.
- Geographic requirements that require qualifying donations to come from donors within the district for the seat a participating candidate seeks to represent.

Matching funds have been tested and proven effective in California cities and states across the U.S.

Since 1974, at least 14 states and 19 municipalities in the United States have enacted matching fund programs for select offices in their elections.<sup>49</sup> New York State will be the latest state to enact a matching fund program, which was adopted in 2020 and will be implemented in November 2022.<sup>50</sup>

The cities of Berkeley, Los Angeles, and San Francisco have successfully enacted matching funds programs for local elections. The impact of these programs will be more thoroughly analyzed in the [analysis](#) section of this report, showing that the programs offer promising implications for improvements to local civic engagement among small donors and less resourced candidates. The Brennan Center for Justice highlighted the strengths of matching funds programs in cities across the U.S. in an April 2022 public financing analysis, demonstrated in Table 5.<sup>51</sup>

<b>Table 5. Impact of matching funds programs, Brennan Center for Justice analysis</b>				
	<i>Greater Donor participation</i>	<i>Greater Donor Diversity</i>	<i>Greater Candidate participation</i>	<i>Greater Candidate diversity</i>

<sup>49</sup> Millard, H., & Paez, M. (2022, April 12). *How Public Campaign Financing Empowers Small Donors Nationwide* | Brennan Center for Justice. <https://www.brennancenter.org/our-work/analysis-opinion/how-public-campaign-financing-empowers-small-donors-nationwide>

<sup>50</sup> *Guide: New York State's Small Donor Public Financing System* | Brennan Center for Justice. (n.d.). Retrieved May 7, 2022, from <https://www.brennancenter.org/our-work/research-reports/guide-new-york-states-small-donor-public-financing-system>

<sup>51</sup> Millard, H., & Paez, M. (2022, April 12). *How Public Campaign Financing Empowers Small Donors Nationwide* | Brennan Center for Justice. <https://www.brennancenter.org/our-work/analysis-opinion/how-public-campaign-financing-empowers-small-donors-nationwide>

<b>Table 6. Impact of democracy voucher program, Brennan Center for Justice analysis</b>				
	<i>Greater Donor participation</i>	<i>Greater Donor Diversity</i>	<i>Candidate participation</i>	<i>Candidate diversity</i>
<i>Seattle</i>	✓	✓		

The voucher program has also been shown to increase voter turnout among low-turnout voters.<sup>53</sup>

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<https://www.brennancenter.org/our-work/analysis-opinion/how-public-campaign-financing-empowers-small-donors-nationwide>

<sup>53</sup>WinWin Network HES Evaluation Report 8.14.21.pdf. (n.d.). Google Docs. Retrieved April 28, 2022,

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