

# Item 07 - Democracy Dollars Report



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TO: Public Ethics Commission  
FROM: Suzanne Doran, Program Manager  
Nicolas Heidorn, Executive Director  
DATE: September 27, 2024  
RE: Pilot Options for 2026 Implementation the Oakland Fair Elections Act for the  
October 9, 2024, Regular PEC Meeting

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With the passage of Measure W, the Oakland Fair Elections Act, the Public Ethics Commission (PEC or Commission) was charged with implementing the completely re-designed Democracy Dollars public financing program for the 2024 election. However, Measure W provides that the minimum budget for Democracy Dollars may be reduced upon a finding that “the City is facing an extreme fiscal necessity,” and the 2024 program launch was postponed when sufficient funds were not allocated for the Fiscal Years 2023-2025 Oakland Budget. This memorandum provides a summary of Democracy Dollars program elements that may be adjusted as well as options staff is evaluating for a scaled-down pilot program in the event funds are not allocated for a full program launch in 2026.

## BACKGROUND

In 2022, Oakland voters overwhelmingly approved Measure W, the Oakland Fair Elections Act (OFEA), to establish the Democracy Dollars program administered by the PEC. Measure W repealed Oakland’s Limited Public Financing Program (LPF) and established a voucher public financing program in its place. Under the Democracy Dollars program, each eligible resident will receive four \$25 vouchers (for a total of \$100), which they may contribute to qualified candidates running for the offices of Oakland Mayor, City Attorney, City Auditor, City Council, or School Board. The new law outlines criteria for participation and thresholds that a candidate must meet to qualify for the program and receive assigned vouchers, including campaign spending limits and participation in a certain number of public forums. It also includes a significant outreach component, to be led by the PEC, as well as a variety of new duties for the PEC and its staff.

The baseline FY 2023-25 cost to fully implement Measure W was estimated by the City Administration at \$8 million over two years. Most of these costs are mandated by Measure W, which provides \$4 million per election cycle for campaign vouchers, a minimum of four PEC staff to administer the program, ongoing non-staff administrative costs, and other one-time startup costs. (O.M.C. 3.15.060; City Charter Section 603(g)(2)). Measure W also provides, however, that the minimum budget for the Democracy Dollars program may be reduced upon a finding that “the City is facing an extreme fiscal necessity” and provided that the reduction occurs “as part of a general reduction in expenditures across multiple departments,” which

occurred in 2023 and resulted in postponement of the Program for the 2024 election. (O.M.C. 3.16.060(E)). City Administration officials predict serious fiscal constraints will impact the City's FY 2025-27 Budget. Commission staff anticipates these constraints will critically impact funding allocation for the Democracy Dollars Program, as well.

In addition to the Commission's duty to implement and administer the Democracy Dollars program in accordance with the purposes of the OFEA, the Act anticipates and provides explicit guidance should the Commission be unable to meet all Program requirements. Among the Commission duties is the instruction that the Act be "liberally construed and vigorously enforced to ensure its purposes are fulfilled." (O.M.C. 3.15.050(B)). The OFEA expressly calls on the Commission to "consider all possible alternatives to avoid delaying Program implementation in its entirety." (O.M.C. 3.15.050(E)). If insufficient funds are available to allow disbursement of Democracy Dollars funds to candidates at the Program maximum, the Commission can disburse funds on a "pro-rata or other equitable basis." (O.M.C. 3.15.050(E)). Given the likelihood that the proposed FY 2025-27 Budget will not include sufficient funds to fully implement the Program, prudence dictates the Commission consider options that would enable a feasible pilot program for the 2026 election in advance.

### ***Program Elements That May Be Altered by the Commission***

O.M.C. 3.15.050(B) expressly provides that "following the first election after the effective date of this Act and by an affirmative vote of at least five (5) of its members, the Commission may" make certain enumerated changes to the requirements of the Program. As 2024 is the first election after the Act's effective date, the PEC is permitted to make changes for the 2026 election cycle. Additionally, O.M.C. 3.15.050(E) also allows "changing program components" in the first election cycle following approval of Measure W for the purpose of avoiding delay of program implementation if the PEC is unable to "meet all of the requirements of the program" or if insufficient funds are available to allow disbursement of Democracy Dollars funds to participating candidates at the Program maximum.

Program conditions the PEC could modify to conduct a one-time, scaled-down pilot for the 2026 election include:

1. Reduce the number of Democracy Dollars vouchers distributed per eligible resident from 4 to a lesser amount, such as 2 per resident.
2. Reduce the value of each Democracy Dollars voucher from \$25 to a lesser amount, such as \$10 per voucher.
3. Alter the date the initial distribution of Democracy Dollars to eligible residents occurs in an election year, such as delaying the packet mailing until August after candidates complete the nominations process to qualify for the ballot.
4. Issue Democracy Dollars only by mail and not provide a method to assign vouchers online.
5. Reduce the maximum amount of Democracy Dollars funds that may be redeemed by certified candidates.

6. Restrict Program eligibility to candidates for a single citywide elective office or candidates for a limited number of elective offices, such as only candidates for Council District seats.
7. Restrict Democracy Dollars voucher distribution to only a portion of Oakland residents, such as only residents in Council Districts with seats up for election in 2026, rather than all eligible residents.
8. Limit Democracy Dollars voucher assignment by residents to only participating candidates within the eligible resident's Council District (e.g., a resident in District 6 could assign their Democracy Dollars to District 6 candidates, but not District 2 candidates.).

### LIMITED PILOT OPTIONS

A Democracy Dollars pilot can significantly reduce program cost by making modifications in four areas: reducing the number of eligible candidates by limiting participating offices, reducing the maximum funds available to each candidate, reducing the maximum amount of voucher funds that a resident can donate, and lastly, reducing the number of residents eligible to use vouchers in the 2026 election.

**Option 1 – Mayoral election-only:** A pilot limited to only Mayoral candidates would reduce voucher costs by reducing the number of offices for which vouchers could be used in the 2026 election from eight down to one. A Mayoral election will likely attract more interest and therefore voucher participation (in Seattle Mayoral election years, most residents assigned vouchers to mayoral candidates over candidates for other offices). However, the overhead costs and staff resources associated with printing, mailing, and processing returned vouchers would remain close to full program implementation since all registered voters would receive voucher packets. In addition, with a public financing maximum of \$333,333 per candidate, a mayoral-only pilot would also require the largest Democracy Dollars Fund balance, making it the least cost effective and therefore also least feasible alternative.

**Option 2 – Council District election-only:** A pilot limited to only Council District candidates would reduce voucher costs by reducing the number of offices for which vouchers could be used in the 2026 election from eight down to three (Districts 2, 4 and 6). In addition, a lower public financing maximum of \$100,000 per candidate, a Council District-only pilot could be conducted with a Democracy Dollars Fund balance under \$1 million dollars, a 75% reduction in cost. This pilot option would maintain the continuity of public financing for Council District candidates as provided under the current LPF, and candidate participation may benefit from Council candidates' familiarity with public financing and high level of engagement with PEC staff. Because the cost of District election campaigns is lower, the maximum funds available to candidates could be reduced if necessary while still providing more robust support than the LPF program.

Another advantage of a Council District-only pilot is that it allows for flexibility to further reduce administrative and overhead costs by limiting voucher distribution to residents within

the three Council Districts. The cost to print and mail voucher packets would be cut in half since only registered voters in the districts up for election would receive vouchers (~113,698), rather than all registered voters (~248,072). Additionally, outreach would be targeted to only District residents. Limiting the number of vouchers to District residents would also reduce the workload associated with processing vouchers and maintain administrative feasibility if staffing falls below the Charter minimum.

The table below summarizes these two pilot options ranked by the following criterion:

- Flexibility — Can pilot features be easily adapted to fiscal constraints during the budget development process?
- Feasibility — Is implementation possible with reduced staff resources?
- Cost Effectiveness — Which pilot enables candidates and residents to benefit from participation in the Democracy Dollars program while costing the least amount possible in terms of money, time, and other resources?
- Equity — What will ensure the greatest democratic participation of underrepresented Oakland populations?

Pilot Options	1: Mayoral election-only	2: Council District election-only
		<ul style="list-style-type: none"> <li>• Reduces eligible offices from 8 to 1</li> <li>• Reduces DD Fund by 55%</li> <li>• Does not reduce admin. overhead</li> <li>• All eligible residents</li> <li>• Flexibility to lower funding maximum or voucher value</li> </ul>
Flexibility	Somewhat fulfills criterion	Fulfills criterion
Feasibility	Somewhat fulfills criterion	Fulfills criterion
Cost Effectiveness	Does not fulfill criterion	Fulfills criterion
Equity	Fulfills criterion	Somewhat fulfills criterion

**SUMMARY**

Adopting a scaled back Democracy Dollars pilot for the 2026 election, if a full program is not feasible, is consistent with the Commission’s duties under the OFEA, which expressly calls on the PEC to “consider all possible alternatives to avoid delaying Program implementation in its entirety.” A limited pilot would significantly reduce program costs and offer a responsible balance between the City’s present fiscal situation and its obligation to implement Measure W. A smaller pilot allows us to respect the will of Oakland voters in 2026 and establish the program in a measured way that allows for learning and improvement. In addition, conducting a Democracy Dollars pilot will raise awareness of the program and provide opportunities for candidate and resident participation.

Commission staff will continue to evaluate paths to a scaled-down Council District-only pilot, as outlined in this memo, to provide a viable alternative to program postponement and welcome Commissioner input.