



Item 7 - Staff Memo

Ryan Micik, Chair
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Nicolas Heidorn, Executive Director

TO: Public Ethics Commission
FROM: Nicolas Heidorn, Executive Director
Suzanne Doran, Project Lead/Analyst
DATE: June 30, 2023
RE: Measure W Implementation Update and Consideration of the Postponement of the Distribution and Use of Democracy Dollars Vouchers for the 2024 Election.

In 2022, Oakland voters passed Measure W, the Oakland Fair Elections Act, which, among other changes, replaced Oakland's reimbursement-based Limited Public Financing (LPF) Program with the Democracy Dollars Program, a voucher-based public financing program modelled off of Seattle's pioneering program. Measure W assigns the Public Ethics Commission (PEC or Commission) as the administrator of this re-designed public financing program; since the passage of Measure W, the Commission has been planning the implementation of this ballot measure, which will entail a significant growth in staffing, structure, and responsibilities for the Commission. This memorandum provides an update on Measure W implementation activities since the last Commission meeting.

Most significantly, in June, the City Council adopted the Fiscal Year (FY) 2023-2025 Budget, which eliminates funding for Democracy Dollars vouchers for the 2024 election, along with other reductions in Program resources and staffing for the Program contemplated by Measure W. Because there are insufficient resources to implement the Program this upcoming election cycle, *Staff is recommending that the Commission adopt a motion:*

- 1. Postponing the distribution and use of Democracy Dollars vouchers for the November 2024 election; and*
- 2. Directing Staff to consider and provide options to the Commission at a subsequent meeting for establishing a limited public financing program for the 2024 election cycle only, similar to the 2022 LPF Program.*

Measure W – Democracy Dollars Program Budget

Measure W sets aside minimum staffing and funding for the Commission to administer the Democracy Dollars Program, including in the FY 2023-2025 Budget. This includes a Program Manager and three additional employees; \$4 million over two years in voucher public funding to distribute to candidates; \$700,000 in one-time startup costs; and \$350,000 in ongoing administrative costs. The Budget Office estimated an \$8 million cost over two years to fully fund the Democracy Dollars program.

However, Measure W permits the City to reduce these minimum set-asides if the City Council declares that the “City is facing an extreme fiscal necessity.” In May, the Mayor released her Proposed Budget, which significantly reduced funding for Democracy Dollar Program over Measure W requirements, including eliminating funding for vouchers for the 2024 election and new Program staffing, but providing \$525,000 in initial funding to begin Measure W implementation.

In May and June, Chair Micik, Vice Chair Hill, and PEC Staff met with Councilmembers and their staff to advocate for the implementation of a pilot of the Democracy Dollars Program limited to Council District offices only in 2024. PEC Staff estimated the scaled-down pilot would require three staff positions and cost \$3.2 million over two years, or a 60% reduction over the full Program cost. If the City Council did not provide funding for a pilot, PEC Staff advocated that, at minimum, the Program Manager position be funded to plan and oversee Measure W implementation work in the upcoming fiscal year.

On June 26, the City Council declared that the City was facing an extreme fiscal necessity and adopted the FY 2023-25 Budget which, as to the PEC, maintains the funding levels provided in the Mayor’s Proposed Budget, except that the Adopted Budget also funds the Measure W Project Manager position and provides the Commission with \$155,000 in additional discretionary funding.

Under Measure W, the Commission is required to vote on a delay in implementing the Democracy Dollars Program. The Measure provides that, in the first election cycle following voter approval of Measure W:

“The Commission may, by a vote of at least five (5) of its members, delay the implementation of the [Democracy Dollars] Program as provided by this ordinance. In making this determination, the Commission should consider all possible alternatives to avoid delaying Program implementation in its entirety, including but not limited to partial implementation by issuing only mailed Democracy Dollars, or limiting the Program to certain races, or changing Program components.”

Because the Adopted Budget does not provide any funding for Democracy Dollars vouchers, nor sufficient staffing or resources to administer the full Program or a pilot, PEC Staff recommends that the Commission vote to postpone the distribution and use of Democracy Dollars vouchers for the 2024 election cycle, while continuing to build out the technology, policy, and staffing infrastructure to successfully implement the Program in subsequent elections. The PEC has made a good faith effort at proposing viable alternatives, including a pilot limited to City Council District elections, where only paper vouchers would have been mailed to registered voters; however, the Adopted Budget does not include the funding or staff for undertaking such a limited pilot.

Staffing – As described above, the Adopted Budget funds the Measure W Program Manager position, effective August 1, 2023. This position will be critical to the PEC’s work in planning and rolling out the Democracy Dollar Program for 2026 -- including developing the database

to distribute, process, and track vouchers – as well as implementing Measure W’s non-Democracy Dollars campaign finance and transparency rule changes that went into effect on January 1 of this year, including new campaign contribution limits and additional on-ad disclosure requirements for independent expenditure committees that will be in effect for the 2024 election.

PEC Staff is working with Human Resources to fill this critical position as quickly as possible.

LPF Alternative?

Because Measure W repealed the LPF Program, which was enacted by the City Council in 1999, and because the FY 2023-2025 Budget does not include funding for Democracy Dollars vouchers, the 2024 election will be the first election in two decades where City Council District candidates do not have access to public financing. This would be contrary to the goals of Oakland voters who passed Measure W to strengthen, rather than eliminate, public financing.

One potential option that the Commission may consider is bringing back an LPF-style public financing program for Council District candidates as a stopgap for the 2024 election only, so that there is no break in the availability of public financing in Oakland. The Adopted Budget includes \$155,000 in discretionary funding for the Commission, which is the same amount that was budgeted in FY 2021-2023 for the LPF Program. **Staff recommends that the Commission direct Staff to consider and provide options to the Commission at a subsequent meeting for establishing a limited public financing program for the 2024 election cycle only, similar to the 2022 LPF Program.**