



Item 10 - PEC Ballot Measure Revenue Options

Francis Epton IV, Chair
Tanya Bayeva, Vice Chair
Alea Gage
Ryan Micik
Vincent Steele
Karun Tilak

Nicolas Heidorn, Executive Director

TO: Public Ethics Commission
FROM: Nicolas Heidorn, Executive Director
DATE: March 7, 2025
RE: PEC Revenue-Generating Ballot Measure Update

This memo provides an update on the Revenue Options Ad Hoc Subcommittee's work regarding a potential revenue-generating ballot measure in 2026 to fund the PEC's operations, which may include funding for Measure W, the Enforcement Unit, or the full PEC.

The past several years have demonstrated the PEC's extreme vulnerability in difficult fiscal years by being funded solely out of the General Purpose Fund. Although the City Charter and Municipal Code provide guaranteed funding and staffing for the PEC, the City Council may waive these requirements with the declaration of an extreme fiscal necessity, which was the case for the FY23-25 cycle. The goals of pursuing a revenue-generating ballot measure include:

- Ensuring the PEC has stable and sufficient funding to implement its Charter-mandated core services, including Measure W;
- Providing adequate minimum staffing for the Commission's Enforcement Unit, so that the Commission has the resources to timely investigate and resolve allegations of violations of the City's ethics and campaign finance laws; and
- Strengthening the Commission's independence as a watchdog agency.

Background

Under Measure W, the Democracy Dollars Program was supposed to be implemented for the 2024 election cycle. However, due to the City's fiscal situation, the City Council suspended minimum funding requirements for the Democracy Dollars Program in the FY23-25 Budget, reducing the PEC's budget by more than 50% compared with what was required under Measure W. As a result, the PEC was forced to postpone Program implementation for 2024.

During the FY 24-25 Midcycle budget process, the City Council further reduced the amount of funding available for Democracy Dollars implementation. As part of that midcycle process, the City Council adopted the following directive to the City Administrator:

[D]evelop alternatives for the City Council to achieve full implementation of a fully funded Democracy Dollars program by 2028. The plan should include recommendations for a sustainable funding mechanism to ensure the program's ongoing success. If the analysis fails to identify a suitable funding formula, the City Administrator should present options to either scale back the Democracy Dollars program or propose an alternative program.

In December 2024, the City Administration proposed a revenue-generating parcel tax for the April 2025 special election ballot which would have fully-funded all the City's oversight agencies, including the PEC, City Auditor, and Police Commission. The \$130/parcel tax was expected to generate \$23.2 million per year. Thirty-one percent (or \$7.2 million) was allocated to fully fund the PEC, including the Democracy Dollars Program. The City Council declined to place this proposal on the ballot, however, with then Council President Bas expressing concerns that the proposal might draw votes away from a sales tax measure on the April ballot and that the tax proposal would benefit from more policy development.

At its January 2025 meeting, the PEC established the Revenue Options Ad Hoc Subcommittee (Subcommittee) to review and develop options for a potential revenue-generating ballot measure to fully fund the Democracy Dollars Program, Enforcement Unit, and possibly other PEC services.

Revenue Options

The Subcommittee met and discussed several potential revenue options before settling on a **parcel tax** as the best option for raising funds. The parcel tax (which imposes a flat tax per parcel) is the least volatile tax that the City collects, which would ensure a stable funding source for the PEC. In addition, while a parcel tax is not the most progressive tax option, it is less regressive than other common types of local taxation.

The Subcommittee considered other types of local taxes less desirable, either because they are volatile revenue sources (e.g., the Real Estate Transfer Tax, or RETT), generate too little revenue to be effective (parking tax), or seemed too industry-specific to be a good fit for the program (soda tax, hotel tax). The two most common sources of local government revenue, property taxes and sales taxes, are capped by state law. State law prohibits local governments from increasing property taxes and caps sales taxes at 10.75%, which is the rate being proposed with Measure A (2025).

The Subcommittee also looked at the PEC's fines as a potential revenue source. However, the PEC generates too little in fine revenue (less than \$0.5M) to fund Measure W, and relying on fines as a revenue source for its core programs may create the appearance of a conflict of interest incentivizing the PEC to issue higher fines.¹

Program Costs

With the Subcommittee, Staff reviewed the costs for several potential ballot measure options, including raising taxes to fund just Measure W, funding Measure W and the PEC's Enforcement

¹ Other jurisdictions do have campaign finance fines go into the pool of public financing funds available to disburse to candidates. This creates less of a conflict, as the funds would go directly to candidates and would not be used for the agency's staffing or operations and maintenance costs.

Unit, and fully funding the PEC. Staff also estimated the parcel tax rate needed to raise each amount:

OPTION	ANNUAL COST	EXPECTED PARCEL TAX
Option 1. Measure W Only. Fully fund the Democracy Dollars Program.	\$3,825,832	\$18.10/parcel
Option 2. Measure W and Enforcement Only. Fully fund the Democracy Dollars Program and the Enforcement Unit, expanded to include: 1 Enforcement Chief, 1 Staff Attorney, and 3 Investigators.	\$5,325,369	\$25.30/parcel
Option 3. Fully Fund the PEC. Fully fund all PEC operations, including Measure W and an expanded Enforcement Unit, as well as Non-Enforcement Programs.	\$7,200,000 (Budget Office Estimate)	\$34.10/parcel

For Options 1 and 2, PEC staff modelled the estimated cost of fully funding Measure W and its enforcement unit. These represent general estimates of program costs; however, the actual cost may be somewhat higher, as these estimates do not include the cost of administering the tax or other City overhead costs. Staff will work with the Department of Finance to further refine these estimates. Option 3 is the cost model developed by the Department of Finance for fully funding the PEC, including Measure W, as part of its proposed oversight agencies parcel tax proposal.

The parcel tax rates needed to fund each option (\$18-\$34) are much lower than typical parcel tax rates in Oakland:

MEASURE (YEAR)	USE OF TAX PROCEEDS	TAX AMOUNT	RESULT (% YES)
Y (2022)	Zoo upkeep	\$68 /parcel	Pass (63.1%)
H (2022)	School maintenance	\$120 /parcel	Pass (81.6%)
D (2018)	Library services	\$75 /parcel	Pass (76.9%)
AA (2018)	Pre-K through college education	\$198 /parcel	Pass (62.5%)
G1 (2016)	OUSD funding	\$120 /parcel	Pass (82.2%)
Z (2014)	Police funding	\$99.77 /parcel	Pass (77.5%)

Source: Ballotpedia

At this stage, the Subcommittee does not have a recommendation for a single option, between funding Measure W alone to fully funding the PEC. There is a possibility that the PEC or other groups may be able to poll Oakland voters to help understand Oaklanders’ preferences between these options.

The timing of the proposal also affects revenue. According to the Department of Finance, parcel taxes are collected in August of each year. This means to collect the tax in August 2026 (FY26-27), the parcel tax must pass on the June 2026 ballot, whereas a tax that passes on the November 2026 ballot would not be collected until August 2027 (FY27-28). Placing a measure on the 2026 Primary would thus provide an extra year of revenue and staffing to prepare for program roll-out in 2028.

Vote Threshold

Under California law, the vote percentage required to pass a local tax measure can depend on whether the government or voters places the measure on the ballot. When **local governments** place a **general tax** on the ballot (i.e., one to fund the general fund), the vote threshold is generally 50%+1. However, when **local governments** place a **specific tax** on the ballot (i.e., one to fund a specific program or service), then a two-thirds majority (66.7%) is needed. In contrast, when the **voters via initiative** place a measure for either a general or specific tax on the ballot, the vote threshold is 50%+1. In this case, a parcel tax to fund the PEC would be a specific tax, requiring either a two-thirds majority to pass if placed on the ballot by the City Council or a simple majority (of 50%+1 vote) to pass if placed on the ballot by the voters.

Next Steps

The PEC may consider and discuss which of the funding options it should pursue for the ballot measure; this discussion could also catalyze other groups concerned with this issue to gather data about voter preferences which may inform this decision. Working with the Subcommittee, Staff will continue to develop a parcel tax proposal, including potential ballot language, for future consideration by the Commission.