Expanding civic participation and donor diversity through democracy vouchers



Tom Latkowski José Del Río Michael Draskovic los angeles for democracy vouchers

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Forward

In 2022, Los Angeles remained the target of big-money donors. Across three citywide races and eight city council races, there was at least \$148 million in political spending — a record setting number. Even more alarming, \$102 million — 69% of all money spent in 2022 — came from two self-funding candidates: Rick Caruso and Ramit Varma. While these candidates were unsuccessful in their political aspirations, their spending highlights an inherent problem: big-money donors are emboldened and still believe that elections in Los Angeles are for sale.

Rather than represent the needs of the communities they are elected to serve, this system drives wealthy candidates, or candidates with wealthy connections, to run for political office to represent their own self-interests, and the interests of their wealthy donors. Unfortunately, Los Angeles has seen this process repeatedly throughout its history. From the payto-play scheme of former-Councilmember José Huizar, and other city officials; to the manipulation of the redistricting process by Councilmembers Martinez, De Leon, and Cedillo; and the USC kickback scheme by suspended City Councilmember Mark Ridley-Thomas, Los Angeles has a history of politicians using their positions to benefit themselves and their wealthy donors.¹

Grace Toohey, How L.A. City Hall became so corrupt: A Recent History of Bribes, Kickbacks, Scandal, Leaks., Los Angeles Times, https://www.latimes.com/california/story/2022-10-14/a-guide-to-los-angeles-city-council-scandals.

This big spending fueled by big-money donors is problematic for candidates too. Because of wealthy donors, candidates without wealth or wealthy connections struggle to compete with those candidates backed by big money. That means candidates with wealth are more likely to run and win. As a result, candidates beholden to a narrow segment of the population control which policies are passed, which ideas are ignored, and what priorities are set by our government; while those with contrary priorities are more likely to be dismissed.

While troubling, there is hope. The 2022 elections in Los Angeles demonstrated that grassroots candidates can run for local office on small-dollar donations and win. Candidates like Kenneth Mejia, who embraced Los Angeles' super-match program, demonstrated that candidates who rely on small-donors donations are viable. His campaign is a prime example of what Los Angeles can accomplish when more voices are heard at the ballot box.

While Los Angeles's current system has done wonders for the community, under which we've seen "increase[s] in number of small donors per candidate" and "increase[s] in small donations from lower-income neighborhoods," it is time for Los Angeles to build on the fertile foundation created by the supermatch finance program, and ensure that even more residents can participate in our democracy.² To do so, Los Angeles should consider expanding the super-match program by adopting a democracy vouchers system.

Democracy vouchers are like political gift cards, whereby each election cycle, eligible city residents are mailed vouchers for a predetermined monetary amount. Those vouchers can then be donated to any participating candidates. In turn, those candidates can redeem their vouchers with the city for money to fund their campaigns. This means that individuals who previously could

Noah Cole. "The California Dream: Using Public Financing of Elections to Build an Inclusive and Multi-Racial Democracy Powered by Small Donors." California Common Cause, January 27, 2023. https://tinyurl.com/5brvtk7n

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not donate to political candidates of their choice because they did not have the discretionary monies to do so, will now have the funds to participate in their local elections. Democracy vouchers increase donor diversity, expand access to the political system, and grow the number of candidates who can run a competitive campaign for office.

This is not a theory. Plagued by similar problems as Los Angeles, Seattle, Washington became the first city in the country to employ a democracy voucher system in 2015. In Seattle, every city resident receives 4 vouchers worth \$25 each to donate to city candidates, funded by the city (the program costs ~0.06% of the city budget).³ Seattle donors are more representative by race, income, and age since the democracy vouchers program was enacted.⁴ More candidates have been able to run for office without wealthy donors, leading to the city's most diverse mayoral field ever in 2021. Vouchers have also boosted engagement among previous nonvoters, who turnout at 6-10 times the frequency after using a voucher.⁵ Los Angeles could see these same benefits by enacting a similar program. While Seattle was the first city in the nation to successfully pass a democracy vouchers system, it is not the last. Just last year, the City of Oakland passed the Oakland Fair Elections Act, establishing a democracy vouchers system for city races.⁶

Los Angeles is ready for a new era in politics - one that empowers more ev-

³ Noami Ishisaka, Seattle's diverse mayoral race: Are Democracy Vouchers bringing equity?, Seattle Times, https://www.seattletimes.com/seattle-news/democracy-vouchers-bringin g-some-equity-to-mayoral-race-but-more-needs-to-be-done/.

⁴ Brian J. McCabe and Jennifer A. Heerwig, Diversifying the Donor Pool: How Did Seattle's Democracy Voucher Program Reshape Participation in Municipal Campaign Finance?, *Election Law Journal*, Dec. 12, 2019, https://perma.cc/U6FW-8RZ5.

Keshavan Sridhar and Chris Langeler, Honest Election Seattle Initiative: Democracy Voucher Usage and Low-Turnout Voter Engagement Evaluation in 2017 and 2019, WinWin Network, https://drive.google.com/file/d/1mkMHu6rajpOLu2lkBxayv0H-Ucrpr-JC/view

David Moore, Oakland Voters Approve Democracy Dollars Program to Boost Participation In City Elections, *Sludge*, https://readsludge.com/2022/12/15/oakland-voters-approve-democracy-dollars-program-to-boost-participation-in-city-elections/.

eryday Angelenos to participate in their democracy and with candidates that are responsive to their everyday needs and are reflective of the communities they govern.

Foreword by José Del Río III, Tom Latkowksi, and Mike Draskovic

Introduction

In this report, we build upon our findings from 2020. Namely, despite improvements, Los Angeles elections are still susceptible to big-money donations and as a result, new expansions of its public-matching system should be explored. We first outline the results of 2022 and its effects on the campaign finance landscape in Los Angeles. Next, we continue to outline democracy vouchers as a possible solution, giving a case study of Seattle's program, and offering our recommendations for such a policy in Los Angeles. Finally, we offer criteria to evaluate democracy vouchers or other reforms as a guide for future analysis of campaign finance in Los Angeles.

The Problem: Mass Exclusion from Campaign Finance

Where does the money come from?

For this study, we analyzed money in the 2022 Los Angeles City Council and citywide elections. Our analysis used data from the LA Ethics Commission along with ZIP code level data on race and socioeconomic status from the US Census Bureau. While we focused on the 2022 races, our report "Elevating More Voices" on the 2020 cycle and brief analyses of previous cycles leads us to expect similar results going back decades.⁷

Topline Results

- Across three citywide races and eight city council races, there was at least
 \$148 million in political spending in 2022
- \$102 million 69% of all money spent in 2022 came from Rick Caruso and Ramit Varma funding their own campaigns
- Money comes disproportionately from the whitest and wealthiest neighborhoods

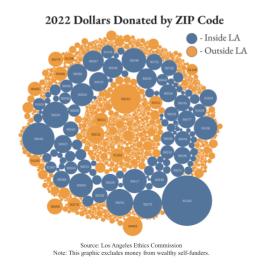
⁷ Tom Latkowski and Michael Draskovic. "Elevating More Voices: How Democracy Vouchers Can Diversify Candidates and Donors in Los Angeles." Los Angeles for Democracy Vouchers, April 12, 2022, https://www.lademocracyvouchers.org/elevating-more-voices/.

Breakdown of Money Source (excluding wealthy self-funders)

- 31.6% came from people who live in Los Angeles
- 27.1% came from the existing matching funds program
- 24.0% came from people who live outside Los Angeles
- 17.3% came from Corporations, Special Interests, and Other

This data ignores an **additional \$38 million of independent expenditures**, as it is hard to quantify whether this money was spent to influence city wide and city council elections or other races (e.g. school board, state legislature).

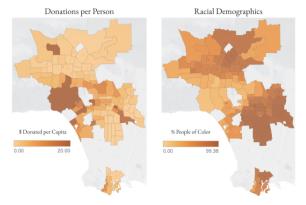
One limitation on our analysis was the distinction between itemized and unitemized contributions. California law requires campaigns to disclose the identities of donors who give more than \$100. Campaigns must disclose the total amount received from smaller donors, but need not disclose their identities. We conservatively assumed that all unitemized donations came from people living within LA City — thus a greater percentage of the money likely comes from people who live outside Los Angeles than the numbers displayed here.



Racial Donation Gap

Los Angeles City is 70% people of color. However, itemized donations in City Council races come disproportionately from the whitest and wealthiest neighborhoods in the city. Excluding Caruso and Varma contributions, the average donation per person from majority white ZIP codes was \$13.32 and the average donation per person from majority people of color ZIP codes was \$2.25. All told, the average donation per person from majority white ZIP codes in Los Angeles City was 5.93 times as much as the average donation per person from majority POC ZIP codes.

Donations come disproportionately from white neighborhoods



Source: Racial Demographics data from: U.S. Census Bureau; Donations by ZIP code data from: Los Angeles
Ethics Commission

The Solution: Democracy Vouchers

"Democracy vouchers" is a campaign finance system in which all residents are issued vouchers that they can donate to political candidates who, in turn, redeem them for public campaign funds. Democracy vouchers help democratize campaign finance by both: empowering ordinary citizens to participate more in the financing of political campaigns; and empowering political candidates to run for office without relying on — and spending as much time courting — wealthy donors.

In 2015, Seattle became the first US jurisdiction to launch a democracy vouchers program. After a ballot initiative passed, the program was implemented in Seattle's 2017, 2019, and 2021 municipal elections. Each cycle, every city resident receives four vouchers worth \$25 a piece to donate to local candidates. While big-dollar fundraising is still legal for candidates who optout of the voucher program, campaign finance in the city has dramatically improved. Donors are now more representative in terms of race, income, and age, and more evenly distributed throughout the city. Voter engagement has increased, for after using vouchers, people become substantially more

Brian J. McCabe and Jennifer A. Heerwig, Diversifying the Donor Pool: How Did Seattle's Democracy Voucher Program Reshape Participation in Municipal Campaign Finance?, Election Law Journal, Dec. 12, 2019, https://perma.cc/U6FW-8RZ5

likely to vote. In part, this is because voucher candidates spend more time talking to ordinary people, as everyone has the capacity to give \$100 (the value of Seattle's vouchers), regardless of their disposable income. New and diverse candidates can run for office and win—with many reporting they could not have raised enough money without vouchers. Most candidates use vouchers, including most winners: eight of nine sitting council members, for example, used vouchers in their last election, as did the current mayor and city attorney (as of 2022).

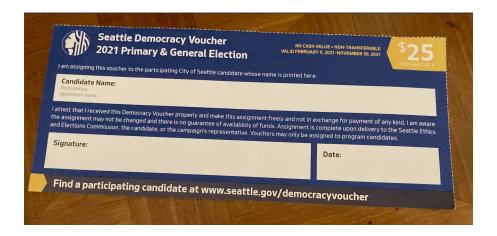
A functioning democracy requires the engagement of ordinary people, as voters, donors, and candidates. Democracy vouchers help meet this requirement not just by limiting big money, but by increasing small money. Every citizen is empowered to donate and every candidate is empowered to use whatever network they have, no matter how economically disadvantaged, as a fundraising base. Plus, through extra regulations on candidates who optin to soliciting vouchers, the system can enforce spending limits, contribution limits, and disclosure requirements on more candidates and races. By helping make the campaign for donations better resemble the campaign for votes, a democracy vouchers system deepens American democracy.

Expanding Participation in Municipal Elections: Assessing the Impact of Seattle's Democracy Voucher Program, University of Washington Center for Studies in Demography & Ecology, https://csde.washington.edu/wp-content/uploads/2018/04/Seattle-Voucher-4.0 3.pdf

Jimmy Tobias, Imagine a Campaign-Finance System That's the Opposite of Today's Dark-Money Monster, *The Nation*, https://www.thenation.com/article/archive/imagine-a-campaign-finance-system-thats-the-opposite-of-todays-dark-money-nightmare/

¹¹ https://www.seattle.gov/democracyvoucher/program-data/internal-program-reports

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Case Study: Seattle

In 2015, Seattle approved Initiative 122, or "Honest Elections Seattle," with 63% of the vote. Among other reforms, I-122 created a democracy vouchers program, to be managed by the existing Seattle Ethics and Elections Commission (SEEC). The program is funded by a property-tax levy of \$3 million per year.

The program was first administered for the 2017 election. Two city council races and the city attorney's race were eligible for vouchers. The 2017 mayoral race was ineligible for vouchers (vouchers were eligible for 2021 mayoral race, and will be eligible for mayoral races going forward). On January 3, 2017, the SEEC mailed democracy vouchers to all 540,000 registered voters in the city (other residents could apply for vouchers, but did not receive them automatically). Overall, 80,000 vouchers were returned. Across three eligible races, 17 candidates pledged to participate, including five of six general election candidates and all general election winners.

In 2019, the program was again administered for seven city council races. On February 12, 2019, the SEEC mailed vouchers to 450,293 residents. 35 candidates qualified for the program, including six of seven general election

winners. In total, 147,128 vouchers were returned, nearly doubling the 2017 rate.

In 2021, the program was administered for both at-large city council races and for the mayor's and city attorney's race. All general election winners used vouchers, including both mayoral candidates in the general election.

The program's two official goals were to "increase the number of contributors... and increase the number of candidates." Both goals have been achieved. The implementation of vouchers doubled the average number of contributors and the program has succeeded at attracting new candidates. Additionally, voucher donors more closely match the demographics of registered voters in the city. Prior to vouchers, one of the best predictors of who would be a cash donor was whether or not someone lived in a house with a view of the water. Today, that is no longer true — donors are more diverse by race, income, age, and location within the city. Indeed, as of the 2021 elections, studies find that "voucher users were similar to voters ... in terms of age, income and race," meaning that the program has succeeded in ensuring that the city's donor pool matches the city's voter pool.

Democracy Voucher Program Biennial Report 2017, Seattle Ethics & Elections Commission, http://www.seattle.gov/Documents/Departments/EthicsElections/DemocracyVoucher/Fin al%20-%20Biennial%20report%20-%2003_15_2018(0).pdf

Seattle Democracy Voucher Program Evaluation, BERK, City of Seattle Ethics and Elections Commission, Apr. 20, 2018, https://perma.cc/6GCV-GZT3; 2019 Election Cycle Evaluation, BERK, https://www.seattle.gov/Documents/Departments/EthicsElections/DemocracyVoucher/Final%20DVP%20Evaluation%20Report%20July23_2020.pdf

Brian J. McCabe and Jennifer A. Heerwig, Diversifying the Donor Pool: How Did Seattle's Democracy Voucher Program Reshape Participation in Municipal Campaign Finance?, Election Law Journal, Dec. 12, 2019, https://perma.cc/U6FW-8RZ5

Alan Durning, Who Funds Seattle's Political Candidates?, Sightline Institute, Jul. 21, 2015, https://perma.cc/8K3B-EVEK

Brian J. McCabe and Jennifer A. Heerwig, Diversifying the Donor Pool: How Did Seattle's Democracy Voucher Program Reshape Participation in Municipal Campaign Finance?, Election Law Journal, Dec. 12, 2019, https://perma.cc/U6FW-8RZ5

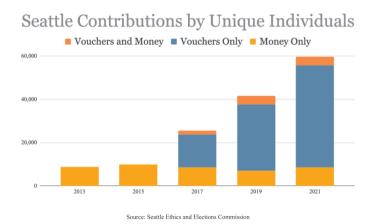
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What's more, there is evidence that voucher users were more likely to vote than other registered voters (even after accounting for prior levels of engagement). One study of the 2017 election found that after using a voucher, low propensity voters became 7.4 times more likely to vote, while previous nonvoters became 10.2 times more likely to vote. These stunning numbers are likely the result of the increased interactions between candidates and low propensity voters that the program incentivizes. Previously, many Seattle residents reported that their door had never been knocked on by a candidate or campaign worker, leading to a vicious cycle of low turnout in which people don't vote because they aren't asked, and candidates don't show up in their neighborhood because they don't vote. With democracy vouchers, however, candidates are incentivized to knock on as many doors as possible in every neighborhood because everyone they speak to is a potential \$100 for their campaign. Thus, the cycle of disengagement is broken, demonstrating the power of public policy to boost engagement and decrease cynicism.

We also see that the number of individuals participating in the campaign finance system grew considerably because of the Democracy Vouchers Program. In 2013 and 2015, before the Democracy Vouchers Program was in place, 8,777 and 9,849 individuals, respectively, made cash contributions to the municipal elections. By 2017, the first year the Democracy Vouchers Program was in place, the number of participating individuals nearly tripled from the year prior to 25,426 individuals, with 8,629 making cash only contributions, 15,213 making vouchers only contributions, and 1,584 making both voucher and cash contributions. In 2019, that number would almost double to 41,532, with 6,934 individuals making cash only contributions, 30,754 making vouchers only contributions, and 3,844 making voucher and cash contributions. In 2021, the total number of individuals participating grew nearly 50%, to 59,567, with 8,559 individuals contributing cash only,

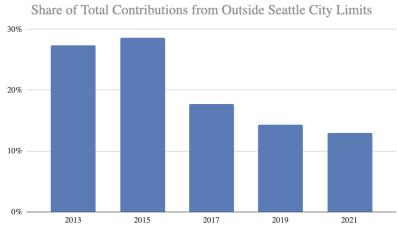
Keshavan Sridhar and Chris Langeler, Honest Election Seattle Initiative: Democracy Voucher Usage and Low-Turnout Voter Engagement Evaluation in 2017 and 2019, WinWin Network, https://drive.google.com/file/d/1mkMHu6rajpOLu2lkBxayv0H-Ucrpr-JC/view

47,079, contributing vouchers only, and 3,929 contributing both.



The share of total contributions to local campaigns from outside Seattle city limits declined after the introduction of democracy vouchers. Before the Democracy Vouchers program, contributions from outside the city made up 27% of total contributions in 2013 and 29% in 2015. Once vouchers were in place, the share of dollars that came from outside the city decreased to 18% in 2017, 14% in 2019, and 13% in 2021.

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Source: Seattle Ethics and Elections Commission

Surveys show a "high level of public awareness," with only 37% of residents reporting that they had never heard of the program in March 2018.¹⁸ Awareness is especially high among people of color, with only 25% of those surveyed having not heard of the program. Of those "very familiar" with democracy vouchers, 79% agreed that the program had accomplished its goals in the 2017 elections.

In 2017, a Seattle based group called the Pacific Legal Foundation filed a lawsuit in King County Superior Court, arguing that Seattle's democracy vouchers program was unconstitutional. The group argued that the program violated their First Amendment "right not to speak" by "using [our] money for political campaigns [we] may or may not agree with." After the Superior Court upheld the democracy vouchers program, the Pacific Legal Foundation

Seattle Democracy Voucher Program Evaluation, BERK, City of Seattle Ethics and Elections Commission, Apr. 20, 2018, https://perma.cc/6GCV-GZT3

Gene Johnson, Lawsuit challenges Seattle campaign 'democracy vouchers', *The Seattle Times*, Jun. 28, 2017, https://perma.cc/ZU3S-R89R

appealed to the Washington State Supreme Court.

In a unanimous decision, the Washington State Supreme Court also upheld the program.²⁰ In his decision, Judge Gonzalez wrote that the plaintiffs could not show the program "individually associated them with any message conveyed by the Democracy Voucher Program." Further, he wrote that "the government has a legitimate interest in its public financing of elections."²¹ The Supreme Court declined to hear an appeal, thus tacitly accepting the program's constitutionality.²²

Gene Johnson, Judge upholds Seattle's novel 'democracy' campaign-finance vouchers, *The Seattle Times*, Nov. 3, 2017, https://perma.cc/TM7L-J4ZP, Daniel Beekman, Washington state Supreme Court unanimously upholds Seattle's pioneering 'democracy vouchers', *The Seattle Times*, Jul. 11, 2019, https://perma.cc/5A53-6VJQ

²¹ Elster and Pynchon v. City of Seattle, *Pacific Legal Foundation*, Jul. 11, 2019, https://perma.cc/4C9H-4MY3

Docket for 19-608, Supreme Court of the United States, Nov. 12, 2019, https://perma.cc/M7Z D-7ZKX

Conclusion

Los Angeles needs a campaign finance system that empowers Angelenos and not big money. Over the last ten years, Los Angeles has been plagued by scandals, with over half of its City Council members during that time indicted, charged, or investigated for crimes and violations relating to using their positions to curry political favors and leverage political donations from big money donors. With nearly \$150 million in spending on the 2022 municipal elections, 69% of which came from two self-funders, and money coming disproportionately from the whitest and wealthiest neighborhoods, Los Angeles needs to expand its public financing system to empower more Angelenos to participate, regardless of economic status. By introducing a Democracy Vouchers Program, Los Angeles can create an even more expansive campaign finance system that allows more Angelenos to participate in their democracy.

Democracy vouchers will expand the current system to bring more Angelenos to the table. By eliminating the need for disposable or discretionary monies, democracy vouchers will ensure the maximum number of people, allowed under the law, can make their voices heard. With democracy vouchers, candidates are incentivized to focus their campaign encouraging many potential small donors to use their vouchers, boosting the power of small donors and allowing candidates to run competitive campaigns without wealthy donors. What's more, it will create more diversity among donors and candidates running for office. Los Angeles is ready for a new era in politics – one that empowers more everyday Angelenos to participate in their

democracy and with representatives that genuinely represent our community.

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