



## BUDGET MEMORANDUM

<b>TO:</b>	Honorable Mayor, City Council & Members of the Public	<b>FROM:</b>	Nikki Fortunato Bas, Council President, District 2 Dan Kalb, President Pro Tempore, District 1
<b>SUBJECT:</b>	FY 2024-2025 Midcycle Budget Amendment – Public Ethics Commission/Democracy Dollars	<b>DATE:</b>	June 20, 2024

Dear Mayor, Council Colleagues and Members of the Public,

The mission of the Public Ethics Commission (PEC) is to ensure that our Oakland government is open, honest, fair and trustworthy. The Commission monitors, investigates and enforces compliance with government ethics, campaign finance, lobbying, and transparency laws. **As part of its mission regarding campaign finance, Measure W, the Fair Elections Act, gave responsibility for implementing the Democracy Dollars (DD) program to the PEC. To enhance the PEC’s community engagement infrastructure and comprehensive outreach plan for educating Oakland voters in the lead up to the launch of the Democracy Dollars Pilot Program in 2026, Council President Bas and President Pro Tempore Kalb propose the following amendments to the FY 2024-2025 midcycle budget:**

1. Add/restore \$97,790 to the **IT contract for Democracy Dollars Startup Funding** to bring the total to \$525,000.
2. Add \$100,393 for an **Ethics Analyst II starting January 1, 2025** to support a limited pilot of Democracy Dollars in the November 2026 election.

The amendments total \$198,183 and would be accomplished by reducing the City Attorney’s carry forward balance which they have not allocated.

Recognizing that we are adding a new ongoing position, we would also **delete the City Council Budget & Management Analyst position** which has been vacant since FY 2021 and frozen.

### **Restore Democracy Dollars Startup Funding**

In 2022, the City Council unanimously proposed, and Oakland voters approved by 74%, Measure W to strengthen public campaign financing in Oakland. While the Democracy Dollars Program was supposed to begin in the 2024 election cycle, in light of the City’s budget challenges, the City Council voted to postpone implementation to the 2026 election cycle. As

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part of that postponement, the Council appropriated \$525,000 in Democracy Dollars startup funding in the FY 23-25 Budget to build the software platform that is necessary to distribute, track, and redeem vouchers.

The Proposed Midcycle Budget would reduce this startup funding by \$97,790. While the PEC believes this reduced amount will still be sufficient to meet the minimum software platform requirements for implementing the Program, reducing IT development costs short-term will likely result in offsetting increased costs in staff resources. ***With a robust online platform, more Oaklanders will redeem their vouchers online, which is less staff resource intensive than processing paper vouchers.*** Restoring startup funds also provides an important buffer to cover any unforeseen costs/overruns that might jeopardize the project. For these reasons, we propose to restore the startup funds with \$97,790 to reach a total of \$525,000 and enable the program to scale up or back as needed.

### **Ethics Analyst II starting January 1, 2025**

This new position would enable the PEC to continue the work to build a robust outreach and education plan well before the distribution of Democracy Dollar vouchers and begin building relationships with community organizations and leaders that can help educate the public and diverse communities about the Program.

Beginning with the 2026 election, the PEC will be mailing, tracking, processing, and redeeming Democracy Dollar vouchers sent to nearly a quarter of a million Oakland residents. Currently, the PEC has just one budgeted position to launch this administratively complex Program, out of the four required under Measure W (2022). The PEC will need additional senior staff to develop and roll-out the policies, procedures, and core infrastructure of the Program before March 2026, when vouchers must be mailed out. However, this will not be possible if these positions are not funded until July 2025 (the start of the next two-year budget cycle) and if they take several months to fill. For these reasons, we propose to add an Ethics Analyst II beginning in January 2025 to ensure that a person is onboarded at least six months to one year before vouchers are issued. The three-month cost, including salary and benefits, of hiring an Ethics Analyst II is \$100,393.

### **Developing and Funding a Pilot Program in 2026**

The following milestones are critical for full or partial implementation of the Democracy Dollars Program in 2026:

- Jun. 2024: Council authorizes Software Platform development
- Jul. 2025: Council appropriates FY 25-27 Program Funds
- Jul. - Sep. 2025: Final Program Staff hired
- Sep. 2025: Software Platform finalized
- Dec. 2025: Program rules and procedures adopted
- Jan. 2026: Program launch: Candidate application process begins

- Apr. 2026: DD Vouchers mailed to Oaklanders
- Apr. – Nov. 2026: Oaklanders redeem and PEC process vouchers

Given our foreseeable budget challenges, if the City Council declares that the City is facing an extreme fiscal necessity and decides to partially implement the Democracy Dollars Program instead, which may include a pilot, the costs could be significantly reduced. In 2024, the PEC proposed a pilot limited to Council District Offices only, where only residents of the district's elections would receive vouchers. The PEC estimated that this would reduce mailing costs in half and reduce staffing needs from 4 FTE to 3 FTE (an increase of 2 FTE over the PEC's current staffing), because there would be fewer vouchers to mail and process. The total amount appropriated for vouchers would be at the City Council's discretion as part of the FY 25-27 budget process, and the PEC would adjust the value of vouchers, number of vouchers per resident, etc. as needed. For example, if a pilot were conducted only including Council District offices with \$100 in vouchers available to district residents, the PEC estimates around \$750,000 in vouchers would be redeemed. Advocates could continue to work with the PEC and philanthropy to seek out additional support and matching funds to ensure resources for the vouchers.

### **Identifying a Dedicated Funding Source for Full Implementation in 2028**

Given our fiscal challenges, our goal is to advance a ballot measure in 2026 to secure a dedicated funding source by 2028 for a full launch of the program. The intent of the measure would be to support forward movement on the program but, should the measure not pass, the terms of Measure W regarding the Democracy Dollars program would remain as voters approved in 2022.

### **Background / Legislative History**

In November 2022, voters passed Measure W, to replace Oakland's existing, reimbursement-based public financing system with a voucher-based public financing system, modeled on Seattle's system, called the Democracy Dollars Program. Under the Program, eligible Oakland residents will receive four, \$25 vouchers which they may contribute to any eligible candidate running for a City or Oakland School District office. Measure W required that the City provide a specified minimum budget and at least four staff positions to the PEC to administer the Program, which was intended to be implemented in the 2024 election cycle.

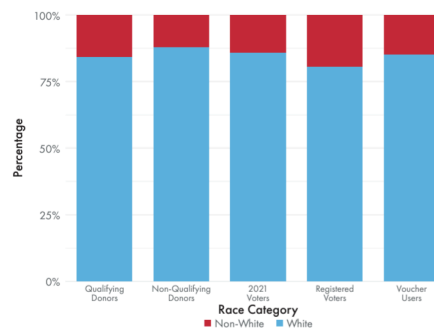
However, in light of the significant budget deficit the City was facing, the Mayor proposed and the City Council voted to eliminate funding for Democracy Dollars in the 2023-2025 Budget, effectively postponing the Program to 2026, and provided the PEC with one staff position to begin Program implementation, instead of the four required under Measure W. Since then, the PEC secured private funding for one additional staff and we hope the aforementioned amendments will continue the needed forward movement on the implementation of Measure W.

**Oakland's vision for a more participatory democracy must continue to move forward.  
Civic engagement is part of the vibrancy we envision for Oakland. Voters got the ball**

rolling with overwhelming support of Measure W. The 10-year history of Seattle’s pioneering program of Democracy Dollars shows us where Oakland can take this. Oakland can move beyond a situation in which 50% of campaign financing is sourced outside the city and 93% of the other 50% comes from a small percentage of wealthier donors. We can open the door to candidates rooted in community and to increased participation and trust. Democracy Dollars will lead Oaklanders not only to meet candidates and get invested in campaigns, but also to become voters in historic numbers particularly in communities less likely to be engaged under the status quo.

The possibilities for Oakland are very exciting when we look at Seattle’s successes in improving democratic participation. A report analyzing the 2021 election<sup>1</sup> found that 48,000 Seattle residents used their vouchers in 2021 (versus ~8,000 cash donors in 2013, before Program launch) and that the demographic gap in campaign finance participation had been significantly reduced: "While past iterations of the Democracy Voucher program have reduced the racial contribution gap, the 2021 cycle has come within striking distance of eliminating it completely" as the percentage of voucher users who were people of color nearly matched the percentage for the electorate.

Figure 12: Race Comparisons for Cash Donors, Voters and Voucher Users



While past iterations of the Democracy Voucher program have reduced the racial contribution gap, the 2021 cycle has come within striking distance of eliminating it completely. In 2021, people of color were as likely to vote as to use a voucher. They were also slightly less likely to use a democracy voucher than to be a registered voter. In other words, people of color were still underrepresented relative to registered voters but closely resembled the active electorate in Seattle.

In addition to the huge increase in the number of people donating, the vast majority of whom were new donors, candidate support also shifted from coming from primarily large donors

<sup>1</sup>[https://mccourt.georgetown.edu/wp-content/uploads/2022/08/Broadening-Donor-Participation-in-Local-Elections\\_Report\\_2022.pdf](https://mccourt.georgetown.edu/wp-content/uploads/2022/08/Broadening-Donor-Participation-in-Local-Elections_Report_2022.pdf)

(\$250+) to primarily from small donors. The percentage of contributions from city residents also increased. In addition, research has found that voucher usage leads to much higher political participation – e.g. in 2017 low-propensity voters who used a voucher were [4x more likely](#)<sup>2</sup> to vote in that election than non-users!

Increasing civic participation among residents historically ignored in the campaign process because they lack the social and economic resources to contribute to candidate campaigns is an explicit goal of the program aligned with improving outcomes for voter participation, an Oakland Neighborhood and Civic Life equity indicator.

The PEC documented in its 2020 report, “Race for Power: How Money in Oakland Politics Creates and Perpetuates Disparities Across Income and Race,” local campaign contributions in Oakland elections come disproportionately from residents of Oakland’s whiter and wealthier areas. An equity-centered Democracy Dollars Program implementation will increase racial equity by expanding opportunities for public participation in the local democratic process in communities that have been underserved due to present or historical racial discrimination and that are less likely to be wealthy or connected to networks of wealth.

We look forward to discussing our proposed amendments, hearing public comment and working toward achieving a balanced budget while we continue advancing a more democratic, participatory, racially and economically just Oakland.

For questions regarding this memo, please contact Cinthya Muñoz-Ramos, Chief of Staff to Council President Nikki Fortunato Bas, District 2 at [CMunozRamos@oaklandca.gov](mailto:CMunozRamos@oaklandca.gov).

Respectfully submitted,



Nikki Fortunato Bas  
Council President, District 2



Dan Kalb  
President Pro Tempore, District 1

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<sup>2</sup> <https://docsend.dropbox.com/view/7ucc2aw34dp7vndm>

FY 2024-25 COUNCIL AMENDMENTS (Bas, Kalb - Democracy Dollars)  
 FUND 1010 - GENERAL PURPOSE FUND

REVENUE ADDITIONS (POSITIVE #) & REDUCTIONS (NEGATIVE #)

Item #	Fund	Dept.	Description	FY 2024-25 Ongoing	FY 2024-25 One-Time	FY 2024-25 Total	Notes
						-	
						-	
						-	
<b>Subtotal Revenue Adjustments</b>				-	-	-	

EXPENDITURE REDUCTIONS (NEGATIVE #)

Item #	Fund	Dept.	Description (Include Job Class & FTE)	FY 2024-25 Ongoing	FY 2024-25 One-Time	FY 2024-25 Total	Notes
1	1010	Attorney	Utilize Carryforward		(198,183)	(198,183)	
						-	
						-	
<b>Subtotal of Expenditure Reductions</b>				-	(198,183)	(198,183)	

	FY 2024-25 Ongoing	FY 2024-25 One-Time	FY 2024-25 Total	Notes
<b>FUNDS AVAILABLE FOR PROGRAMMING</b>	-	198,183	198,183	

EXPENDITURE ADDITIONS (POSITIVE #)

Item #	Fund	Dept.	Description (Include Job Class & FTE)	FY 2024-25 Ongoing	FY 2024-25 One-Time	FY 2024-25 Total	Notes
1	1010	PEC	Restore Democracy Dollars Startup Funding		97,790	97,790	To increase IT contract
2	1010	PEC	Add 1.0 FTE Public Ethics Analyst II	100,393		100,393	Effective January 1, 2025. To implement limited Democracy Dollars pilot in 2026
						-	
<b>Subtotal of Expenditure Additions</b>				100,393	97,790	198,183	

	FY 2024-25 Ongoing	FY 2024-25 One-Time	FY 2024-25 Total	Notes
<b>SURPLUS / (DEFICIT)</b>	(100,393)	100,393	-	