

Memo

To: Commissioners
From: Wayne Barnett
Date: January 10, 2024
Re: MCV

As we begin the 2025 Election Cycle, the Commission is required to establish the rules under which the Democracy Voucher Program will be administered. Most importantly, you have an opportunity to establish the Maximum Campaign Valuation (MCV) that candidates who choose to participate in the Program must abide by.

After two election cycles for the City Attorney and all members of the City Council, and one for Mayor, we have a great deal of data on the Maximum Campaign Valuation's effectiveness. The results have not been encouraging for those who hoped to limit the amount of money spent on City campaigns.

For the seven districted City Council positions, the law has required you to relieve candidates from the MCV in 12 of the 14 general election races conducted under the Program to date. For the at-large council seats, you have been required to relieve candidates of the limit in 3 of the 4 races, and for the City Attorney, you lifted the MCV in the 2021 race, but not the 2017 race. For Mayor, you also lifted the MCV in 2021. In total, the record shows that the cap has been lifted in 17 general election contests, and not lifted on only four occasions.

In all but two of the races in which you were asked for relief from the MCV, it was independent spending that triggered the relief. (The other two cases involved high-spending candidates.) As you are aware, efforts to control independent spending have been declared unconstitutional by the Supreme Court for more than fifty years.

All of which leads us to the question for you this afternoon: what do you want to do with the maximum campaign valuation for 2025? As I see it, you have three choices: 1) you could eliminate the maximum campaign valuation and set a maximum number of vouchers that are redeemable for both the Primary and General elections, 2) you could set a maximum campaign valuation pegged to the amount spent in support of winning candidates in the last election, or 3) you could set the maximum campaign valuation at some amount guided by the rate of inflation. Since this is the last adjustment to be made before the money raised to fund the Program runs out, I believe each of these options should be on the table.

1. Replace the MCV with a maximum amount of redeemable vouchers.

Eliminating the MCV would acknowledge as futile the effort to limit the amount of money spent on Seattle elections. It would acknowledge that Seattle will always have people

willing to spend what they deem necessary to get their favored candidate elected to office. In 2019, the elections were defined by Amazon's decision to drop \$1.5 million into City Council races. The spending boomeranged on the candidates the company was supporting. In 2023, the elections were defined by the "Friends of" expenditures, which totaled slightly more than \$1.5 million. Independent spending proved helpful to its beneficiaries in 2023.

Eliminating the MCV would likely undo one of the goals of the Voucher Program, which was to eliminate "successful fundraiser" from the list of attributes that prospective candidates must possess. With candidate fundraising limited for large periods of time, candidates stepped out of their "call rooms" and into their communities. Engaging voters took on more relevance and courting donors took a backseat in a way it had never done before.

Setting a maximum amount of redeemable vouchers would permit candidates to collect an amount certain of vouchers, unaffected by how much they are raising outside the Program. It would make participating in the Voucher Program even more attractive for candidates, setting voucher collection up to be a floor for candidates instead of a ceiling. It would also make it easier to explain the Program to candidates and the public.

- 2. Set the MCV at a cost which approximates the amount actually spent in total by winning candidates and their supporters.*

This option would be prohibitively expensive. In the 2021 Mayoral race, the amount spent by the winning candidate and independent spenders backing him was more than \$2.716 million, a total that exceeds the MCV for the Mayor's race by a factor of three. In the 2021 City Attorney race, the combined spending of the winning candidate and independent spenders supporting her was more than \$815,000, or more than twice the current MCV for the City Attorney's race. In the open seat race for an at-large position on the City Council, the combined spending totals were more than \$1.143 million, which is more than double the MCV for at-large Council seats.

Setting such a high MCV would almost certainly run afoul of your duty to manage the funds raised by the property tax as fiduciaries, with our intake limited to \$3 million a year and our spending more than doubling.

- 3. Make a modest adjustment to the MCV and collect more data before making a decision.*

For this year's special election, the Commission set the MCV at \$225,000 for the Primary and \$450,000 overall. Making similar changes to the MCV for the 2025 Mayor, City Attorney, and two at-large Council position races would preserve the basic structure of the Program, and permit the City Council to make changes when the property tax goes back before voters next year.

Conclusion

Whichever option the Commission selects, staff will need to “run the numbers” to ensure the Program’s viability. Currently, staff assumes that vouchers will make up approximately 60 percent of candidates fundraising in the aggregate. (For example, with an MCV of \$450,000 for this year’s special election, staff assumes for budgeting purposes that the two general election candidates will each collect \$270,000 worth of vouchers.) Whether you want to transition to a maximum amount of redeemable vouchers, raise the MCV to an amount that will reduce or eliminate the reliance on independent expenditures, or make a modest change to the MCV, staff will need to explore the budget implications for 2025 to ensure sufficient funds exist to meet the expected outlays.