



April 27, 2022 (Update of January 11, 2022 and November 4, 2021 proposals)

RE: Campaign Finance Reform in Palo Alto: Limiting Donations and Expenditures, and Increasing Political Ad Disclosures

The League of Women Voters of Palo Alto is seeking support for specific campaign finance reforms from the Palo Alto City Council. We have examined this issue since March 2021 and have received advice and input from campaign finance experts, including Common Cause and the California Clean Money Campaign. This is not a new issue; the Council and the community have discussed campaign finance reform periodically for over two decades.

We urge the Council to adopt three reforms prior to the next Council election cycle. The reforms are: voluntary campaign expenditure limits; mandatory donation limits below the \$4900 state default limits; and expanded disclosures on political advertising.

League's Position on Campaign Finance Reform:

The League of Women Voters acts based on its positions and after study and member agreement on public policy issues. The League believes that methods of financing political campaigns should:

- Combat the appearance of undue influence of elected officials by their donors;
- Provide for reasonable voluntary limits on campaign expenditures and reasonable mandatory contribution limits;
- Ensure the public's right to know who is using money to influence elections for candidates and ballot measures;
- Ensure that candidates have sufficient funds to communicate their messages to the public;
- Promote citizen participation in the political process;
- Enable candidates of diverse backgrounds and means to successfully compete; and
- Allow candidates to spend more time studying and communicating on issues of importance to voters and less time fund-raising.

Background: Campaign Finance Reform in Palo Alto Elections:

Palo Alto currently has no voluntary spending limits on City Council elections, nor has it enacted donation limits lower than [the state default amount of \\$4900 \(effective January 1, 2021\)](#). In 1996, Palo Alto did enact a voluntary spending limit of \$14,000, but Council suspended it (on advice from the City Attorney) in 1998 due to concerns about court decisions invalidating spending limits under the First Amendment.

By 2006, a court decision ([Randall v. Sorrel](#)) made it clear that voluntary (not mandatory) spending limits are permissible, as are reasonable mandatory contribution limits to candidates from a single source.

In 2007, two Palo Alto City Council members (supported by the city attorney's opinion) proposed a voluntary campaign spending limit of \$30,000 and mandatory caps on individual contributions at \$300 per donor, but the Council failed to adopt the proposals.

Why Palo Alto Needs Campaign Finance Reform:

Running for City Council in Palo Alto (population 68,572) is much more expensive than cities of equivalent or larger size, and is dominated by large donations. Spending and donations have both skyrocketed since 2014.



A Maplight study of Palo Alto campaign donations and spending between 2014 and 2018, found [here](#), confirms that big-dollar donors are the dominant force in Palo Alto elections.

- During three election cycles between 2014--2018, the top 25 contributors gave one-third of all the money raised by all the candidates.
- The average amount raised by a winning Palo Alto council member rose 57% between 2014--2018 from \$40,000 to \$63,000.
- Small donors (less than \$100) comprised only 3% of candidate funding over three elections.

A [recent analysis](#) of the California Fair Political Practice Commission (FPPC) filings for the 2020 Palo Alto City Council elections showed results similar to the Maplight study, demonstrating the stark difference between the impact of the largest donors and small dollar donors.

- In 2020, the average amount winners raised increased to \$66,620. Palo Alto City Council candidates raised a combined total of \$439,532 in itemized monetary contributions.
- Just 20 donors, each of whom gave over \$3,500, accounted for 29% of all itemized contributions.
- 47% of itemized donations came from the 94301 zip code in Palo Alto (just 27% of the city's population), far more than any other zip code in the city.

Recommended Reforms:

The League of Women Voters set out to identify campaign finance reform measures that combat the appearance of undue influence, allow candidates to get their message out, ensure maximum citizen participation, protect the public's right to know who is spending money to influence elections, and enhance political equality for all citizens. (The reform measures we considered but did not recommend for 2022, along with why we did not recommend them, are summarized [here](#).)

Therefore we recommend that City Council adopt the following three campaign finance reform measures in time for the 2022 elections:

- Reasonable voluntary campaign expenditure limits, with incentives for candidates who comply;
- Reasonable mandatory donation limits; and
- Enhanced disclosures of spending on political advertising.

Reasonable voluntary campaign expenditure limits encourage candidates to spend less time fundraising and more time focusing on the issues and communicating their positions to voters. Voluntary spending limits would also make running for City Council more accessible to all Palo Alto residents, regardless of their financial resources, enhancing participation in government by people of all socio-economic backgrounds. We recommend a voluntary campaign expenditure limit of \$30,000 (indexed to inflation), similar to Cupertino's limit, a city of comparable size. The City would provide incentives to candidates who accept voluntary campaign expenditure limits.

Reasonable mandatory contribution limits per candidate from a single source help to ensure that candidates are not overly reliant on a few wealthy donors to finance their campaigns. They also compel viable candidates to build a broader base of smaller and generally more diverse contributors. These limits do not apply to a candidate's personal contributions to their campaign. We recommend mandatory contribution limits of \$500. (The mean mandatory contribution limit for California cities under 100,000 which have enacted such limits is \$438.) Individuals contributing to Palo Alto City Council candidates can currently donate up to the [state limit of \\$4900](#).



Enhanced disclosure of the funding of political ads enables voters to know who is spending money to influence elections. We recommend extending the provisions of the Political Reform Act regarding disclosure on political ads to include disclosure of the top five largest contributors of \$2,500 or more, and if a contributor is a committee, disclosure of the top three contributors to the committee, similar to [Mountain View's campaign finance disclosure ordinance](#). As in Mountain View, covered advertisements exclude ads paid for by a candidate or candidate-controlled committee. Also excluded are communications from an organization to its members other than a communication from a political party to its members. Palo Alto currently requires disclosures be printed on political ads only if a donation exceeds the state threshold of \$50,000.

Voluntary expenditure caps and campaign contribution limits may shift campaign spending to independent committees. That is why enhanced disclosure of who is funding ads goes hand in hand with expenditure caps and campaign contribution limits.

Which Other Bay Area Cities and Counties Have Adopted These Reforms?

Since the Supreme Court made voluntary spending limits and mandatory donation limits permissible in 2006, a number of California cities and counties (more than 80) have adopted the reforms we are recommending. These reforms are straightforward and Palo Alto could easily model its reforms on other cities' ordinances.

The FPPC has a [link](#) to all California cities and counties which have adopted contribution and expenditure limits. The following table includes links to Bay Area city and county ordinances that are similar to the ordinances we are recommending.

City/County (population)	Voluntary Expenditure Limit (VEL)	Individual Donation Limit	Enhanced reporting and disclosure of independent expenditures?
Belmont (24,961)	--	\$500	--
Burlingame (30,576)	\$30,000	\$350 (districted)	--
Cupertino (60,381)	\$30,000 (2020 election)	--	--
Hayward (159,293)	\$79,309	\$1,000 with VEL* \$250 without VEL	--
Mountain View (81,656)	\$27,400 (2020 election) \$24,073 (2016 election)	\$1,000 with VEL \$500 without VEL	Yes.
Newark (42,573)	\$42,573 (\$1/resident)	\$500 with VEL* \$100 without VEL	--
Oakland (390,000)	At-large candidate: \$.50/resident District candidate: \$1.50/resident	\$500 with VEL* \$100 without VEL	Yes
Redwood City (86,380)	\$2.25/district resident	\$1,000	--
San Mateo County (764,442)		\$1,000	--
Santa Clara County (1,956,259)	\$250,000	\$1,000 with VEL* \$500 without VEL	--
City of Santa Clara (127,721)	\$46,420 for at-large candidates	\$630 with VEL* \$310 without VEL	--



*In these cities, the donation limit is higher if a candidate chooses to adopt voluntary expenditure limits.

See [California Common Cause Report "No Limits: Campaign Contributions in Local Elections"](#), 2016, for a review of donation limits.

Conclusion:

Fueled by a campaign spending "arms race," Palo Alto campaign expenditures and donations are out of control, undermining faith in representative democracy, fostering the appearance of undue influence of elected officials by donors, and making participation in city elections out of the reach of ordinary citizens.

These reforms are long overdue. Now is the time to limit campaign contributions well below the state \$4900 limit, and voluntarily agree to stop runaway campaign expenditures.

In order to make these reforms effective as soon as possible, we urge the City Council to direct the city attorney and the city manager to draft an ordinance including the campaign finance reforms described in this proposal, to be effective for the November 2022 election.