

San Francisco
Ethics Commission



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2007 Mayoral Public Financing Program

and

A Feasibility and Costs Study of a Full Public Financing Program

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PART A: Public Financing Report, Mayoral Election, 2007

This section is intended to satisfy the requirements set forth in Section 1.156(a) of the San Francisco Campaign and Governmental Conduct Code. The Ethics Commission must produce a report following the November 2007 election stating the amount of public funds disbursed to campaigns in the election and other information that the Ethics Commission deems useful, such as the number of candidates who received public funds, the number of non-participating candidates, the amount of qualified campaign expenditures made by all candidates, and the amount of independent expenditures. The data presented is based on information reported in campaign disclosure statements covering through December 31, 2007 and from the Commission's record of public funds disbursements.¹

I. Introduction

San Francisco's public financing program for candidates for the Board of Supervisors was adopted through a ballot measure (Proposition O) in November 2000. The San Francisco Ethics Commission ("Commission") administered the public financing program in elections for candidates for the Board of Supervisors in 2002, 2004 and 2006. In 2006, the program was extended to include Mayoral candidates as well. The public financing program provides candidates running for the Board of Supervisors or Mayor with partial public funding to fund their campaigns. The Commission developed the program with the intent that it would provide candidates a neutral source of additional funding, encourage more candidates to run for office, allow candidates to spend more time discussing the issues and spend less time fundraising, and encourage candidates to limit their spending.

II. Report of the Public Financing Program of 2007

A. The Amount of Public Funds Disbursed in 2007

Twelve Mayoral candidates appeared on the November 2007 ballot.

The City set aside approximately \$6 million in the Election Campaign Fund for the disbursement of public grants to Mayoral candidates. However, because no candidate qualified for public funding in 2007, the City did not disburse any public funds.

B. Candidates Who Expressed Interest in Receiving Public Funds

As noted above, 12 candidates appeared on the November 2007 ballot.

Candidates running for Mayor were required to submit a *Statement of Participation or Non-Participation (Form SFEC-142(a))* no later than the deadline for filing nomination papers to indicate whether they intended to apply for public financing.² Of the 12 candidates who

¹ Contributions from candidates' personal funds and all loans have been excluded from the analysis. The exception is Table 4, which includes all funds made available to candidates, including their personal funds.

² See Appendix A for a complete overview of the requirements of the public financing program as it was implemented in 2007.

appeared on the ballot, nine candidates initially expressed interest in participating in the public financing program. Two candidates submitted a *Declaration for Public Funds* (“Declaration”) and *List of Qualifying Contributions (Forms SFEC-142(b)-2 and SFEC-142(c)-2)*, but one of them did not qualify because he did not demonstrate that he raised the required \$25,000 in qualifying contributions. The other candidate who submitted a Declaration withdrew his candidacy, thereby making him ineligible.³

C. The Number of Non-Participating Candidates

In 2007, the incumbent won the Mayoral election, although he did not participate in the public financing program. Because the public financing program was not available to Mayoral candidates prior to 2007, no trending data is available to compare incumbency and participation in the public financing program for elected candidates. Because the Commission does not have historical data against which it may compare these results, and because no funds were disbursed in the 2007 election, analysis and trending data are limited.

As mentioned, nine candidates filed papers by August 10, 2007, the deadline for filing nomination papers, to indicate an intent to participate in the public financing program. Candidates were able to submit an application for public funds from February 6 (nine months before the date of the election) through August 28, 2007 (the 70th day prior to the date of the election). As of August 28, eight of the nine candidates who initially indicated an intent to participate in public financing did not file application papers. Table 1 below lists the 12 candidates who appeared on the ballot, whether they initially indicated an intent to participate in the program, and the amount of contributions they received through August 28, 2007.

³ Campaign data pertaining to this individual, Tony Hall, does not appear in this report because his name was not on the November 6, 2007 ballot.

Table 1: Candidates Who Appeared on the November 2007 Ballot: whether they initially agreed to participate and the amount of contributions they received as of August 28, 2007⁴

#	Candidate	Intent to Participate in Public Financing Program (Form SFEC-142(a))	Contributions Received as of August 28, 2007 ⁵
1	Harold Brown	Agreed	<\$1,000
2	George Davis	Agreed	\$0 ⁶
3	Lonnie Holmes	Agreed	\$865
4	Harold Hoogasian	Agreed	\$16,500
5	Grasshopper Kaplan	Declined	No e-filing
6	Quintin Mecke	Agreed	\$7,279
7	Gavin Newsom (I) ⁷	Declined	\$1,667,338
8	Wilma Pang	Declined	\$0 ⁸
9	Michael Powers	Agreed	\$0 ⁹
10	John Rinaldi	Agreed	\$24,382
11	Ahimsa Porter Sumchai	Agreed	\$4,529
12	Josh Wolf	Agreed	No e-filing

Of the nine non-participating candidates who initially expressed an interest in receiving public funding, one candidate filed Form 470; that is, this candidate received less than \$1,000 in contributions and spent less than \$1,000. Two others did not file electronic campaign statements (candidates who receive contributions totaling less than \$5,000 are not required to file electronic campaign statements). Because a candidate must raise \$25,000 in qualifying contributions to qualify for public funds, it is possible that these candidates did not seek public funds because they did not meet the qualifications.

⁴ Because any candidate who receives contributions of \$5,000 or more must file electronic statements with the Ethics Commission, staff used the electronically filed reports to gather information for the purposes of this report. Staff believes that the electronic reports capture the information related to contributions and expenditures that is necessary to prepare this report. The cumulative amount of activity by any candidate who filed either Form 470 (noted as “<\$1,000”) or 460 in paper form only (noted as “no e-filing”) should not exceed \$4,999.99, which is an amount staff believes will not skew the general information provided in this report. Accordingly, staff did not look to the content of the paper filings to prepare this report. Staff used the same process in gathering data for the report on the 2002, 2004 and 2006 public financing programs. Candidates who failed to file complete reports by the time the data was collected for this report were Josh Wolf (e-filing) and Grasshopper Kaplan (paper filing).

⁵ The contribution figures in this table do not include candidates’ contributions from their personal funds to their own campaigns. Contribution data includes both itemized and unitemized contributions through 6/30/07, but only itemized contributions for 7/1/07 through 8/28/07.

⁶ George Davis had not received contributions on or before 8/28/07, with the exception of a \$5,000 loan from his personal funds, which is not included in contribution data for this metric.

⁷ The notation “(I)” denotes incumbency.

⁸ Wilma Pang had not received contributions on or before 8/28/07, with the exception of \$10,000 in loans from her personal funds, which are not included in contribution data for this metric.

⁹ Michael Powers had not received contributions on or before 8/28/07, with the exception of \$10,500 in non-monetary contributions and a \$2,000 loan, which are not included in contribution data for this metric because they were all made from his personal funds.

One candidate’s application for public funds indicated that he had received contributions of \$25,000 or more, but because some of these were not deemed to be qualifying contributions under the public financing program, the candidate did not qualify for public funds.

D. Candidate Spending and Acceptance or Rejection of the Expenditure Limit

In 2007, candidate spending totaled \$1,762,409. These figures do not include spending by non-candidates. Table 2 below lists the amounts spent by candidates in 2007. The table also shows whether the candidate agreed to abide by the voluntary expenditure ceiling.¹⁰

Table 2: Candidate Spending in 2007

Candidate	Whether Candidate Accepted or Did Not Accept Voluntary Expenditure Ceiling (VEC)	Expenditures Incurred
Harold Brown	Accepted	<\$1,000
George Davis	Accepted	\$8,805
Lonnie Holmes	Accepted	\$8,095
Harold Hoogasian	Accepted	\$47,023
Grasshopper Kaplan	Accepted	No e-filing
Quintin Mecke	Not required because VEC had already been lifted	\$17,693
Gavin Newsom (I)	Declined	\$1,625,137
Wilma Pang	Accepted	\$6,650
Michael Powers	Accepted	\$2,000
John Rinaldi	Accepted	\$36,653
Ahimsa Porter Sumchai	Accepted	\$10,353
Josh Wolf	Accepted	No e-filing
Total Spending		\$1,762,409

Ten candidates accepted the expenditure ceiling, one of whom applied for public financing. One candidate rejected the expenditure ceiling. One candidate was not required to indicate acceptance or rejection of the spending limit because the voluntary expenditure ceiling had already been lifted, making the filing of the applicable form unnecessary (*see* EC Regulation 1.128-1(c)).

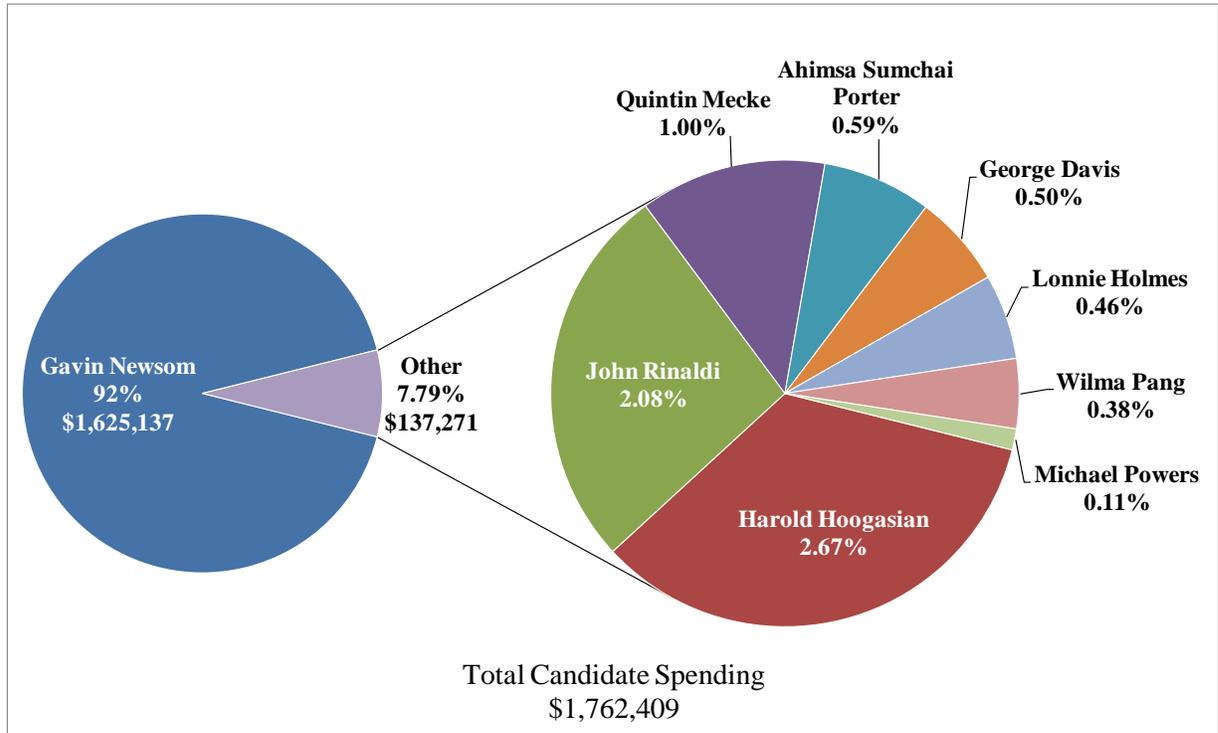
To allow candidates who accept the spending limit to compete with excessive spending, the expenditure ceiling is lifted in certain circumstances: 1) when a candidate who had rejected the expenditure ceiling received contributions or made expenditures in excess of 100 percent of the expenditure ceiling; or 2) when a person or persons made independent expenditures, electioneering communications or member communications in support of or in opposition to a

¹⁰ Had there been a candidate who qualified for public funding, the candidate would have been required to limit spending to the amount of his or her individual expenditure ceiling, which begins at \$1,375,000 for all candidates for Mayor. The individual expenditure ceiling is raised in increments of \$100,000 based on total supportive funds and total opposition spending. See Appendix A for an overview of the provisions of the Mayoral public financing program.

candidate that totaled more than 100 percent of the expenditure ceiling. The expenditure ceiling was lifted on August 10, 2007, triggered by Gavin Newsom’s filing of Form SFEC-134(b), which indicated that he had received contributions in excess of the spending limit.

The charts below illustrate candidate spending in the 2007 Mayoral election. Incumbent Gavin Newsom’s spending comprised approximately 92% of the total \$1,762,408 spent in the election. The remaining 8% (or \$137,271) was spent among eight other candidates, as shown in the chart on the right-hand side below.

Chart 1: Breakdown of Candidate Spending



Because no candidate qualified to receive public funds in 2007, an individual expenditure ceiling (IEC) was not in place for any candidate. For this reason, there is no data to report on individual expenditure ceilings.

E. Independent Expenditures and Electioneering Communications

Independent expenditures are expenditures that are made to advocate the defeat or election of a candidate by someone other than the candidate or his or her opponents and that are not made in coordination with the candidate.

In November 2000, when the voters approved the public financing program by voting for Proposition O, they also approved a \$500 per contributor per year limit on contributions to committees (excluding candidates’ own campaign committees) that make expenditures to support or oppose local candidates and an overall contribution limit of \$3,000 per contributor to all committees that make expenditures affecting local candidates. These sections (S.F.

C&GC Code § 1.114(c)(1) and (c)(2)) are currently not being enforced due to a preliminary injunction.

Based on filings of the Form 465 (Supplemental Independent Expenditure Report), independent spending relating to Mayoral candidates in 2007 totaled \$28,197.¹¹ Independent spending represented 1.57% of combined independent and candidate spending (28,197 / (28,197+1,762,408)).

Table 3: Independent Expenditures Affecting Candidates in 2007

Affected Candidate	Independent Spending ¹²
Gavin Newsom (I)	\$28,197

In the 2007 Mayoral election, no electioneering communications¹³ were reported. In Mayoral elections preceding 2007, there was no data to report on electioneering communications because they were not regulated. Therefore, prior years' data includes an analysis only of independent spending.

F. Total Funds

“Total funds” represents the total amount that each candidate had at his/her disposal during the campaign, including personal funds, public funds, loans and in-kind contributions. No candidate was certified as eligible to participate in the public financing program; therefore, no portion of this figure represents public funds.

¹¹ Recipient committees, major donor committees and independent expenditure committees that make independent expenditures totaling \$1,000 or more in a calendar year to support or oppose a single local candidate must file the Form 465 with the Ethics Commission whenever the affected candidate committee is required to file its statements. The sum total of these reported amounts should reflect close to all independent expenditures affecting local candidates.

¹² All spending was in support of a single candidate, Gavin Newsom. No independent spending was made to support or oppose any other candidate.

¹³ Electioneering communications do not include communications that are otherwise considered to be expenditures or independent expenditures. Thus, expenditures made by recipient committees are not electioneering communications. For a complete definition of an electioneering communication, please refer to Section 1.161.5 of the San Francisco Campaign and Governmental Conduct Code.

Table 4: Total Funds Available to Candidates¹⁴

Candidate	Funds Available
George Davis	\$8,705
Lonnie Holmes	\$7,965
Harold Hoogasian	\$24,998
Quintin Mecke	\$18,120
Gavin Newsom (I)	\$1,874,634
Wilma Pang	\$10,200
Michael Powers	\$12,500
John Rinaldi	\$36,539
Ahimsa Porter Sumchai	\$11,638
<i>Total</i>	<i>\$2,005,299</i>

G. Contributions

State and local disclosure requirements do not require the itemization of contributions that total less than \$100. Instead, candidates generally report contributions that total less than \$100 in a lump sum amount; that is, for these contributions, candidates are not required to disclose detailed information about individual contributors and individual contribution amounts. Table 5 below lists the amount of itemized and unitemized monetary contributions. The table also shows the percentages of unitemized contributions. As stated above, contributions that total less than \$100 are not required to be itemized; even so, some candidates may have itemized such contributions. Therefore, the unitemized percentages that are based on the itemized and unitemized amounts reported by candidates may not necessarily be representative of the actual contributions that total less than \$100.

The table below shows the breakdown of itemized and unitemized contributions. Candidates raised a total of \$1,969,497 in contributions. Of this total, unitemized contributions represented 1.98 percent (\$38,935).

¹⁴ Contributions in this table include itemized and unitemized monetary contributions, loans, personal funds and in-kind contributions.

Table 5: Contributions Received by Candidates

Candidate	Itemized Monetary Contr.	Unitemized Monetary Contributions	Total Monetary Contributions on Schedule A	Unitemized Percentage
George Davis	\$0	\$0	\$0	0.00%
Lonnie Holmes	\$3,765	\$0	\$3,765	0.00%
Harold Hoogasian	\$23,260	\$1,738	\$24,998	6.95%
Quintin Mecke	\$13,554	\$4,566	\$18,120	25.20%
Gavin Newsom (I)	\$1,858,339	\$23,138	\$1,881,477	1.23%
Wilma Pang	\$200	\$0	\$200	0.00%
Michael Powers	\$0	\$0	\$0	0.00%
John Rinaldi	\$24,682	\$9,493	\$34,174	27.78%
Ahimsa Porter Sumchai	\$6,763	\$0	\$6,763	0.00%
Total	\$1,930,563	\$38,935	\$1,969,497	1.98%

Unitemized contributions represented the highest percentage of total contributions for John Rinaldi and Quintin Mecke. In other words, these two candidates reported the greatest portion (by percentage of dollar amount) of contributions that were cumulatively less than \$100 from each individual contributor.

Table 6: Analysis of Monetary Contributions that were Itemized on Schedule A¹⁵

Candidate	Total contr.	Average contr.	Number of contributions			Percentage from individuals
			Total	From individuals	From other types of contributors	
George Davis	\$0	\$0	0	0	0	0%
Lonnie Holmes	\$3,765	\$111	34	34	0	100%
Harold Hoogasian	\$23,260	\$135	172	165	7	96%
Quintin Mecke	\$13,554	\$132	103	103	0	100%
Gavin Newsom (I)	\$1,858,339	\$369	5,041	4,833	132	96%
Wilma Pang	\$200	\$100	2	2	0	100%
Michael Powers	\$0	\$0	0	0	0	0%
John Rinaldi	\$24,682	\$107	230	230	0	100%
Ahimsa Porter Sumchai	\$6,763	\$83	81	81	0	100%
Total	\$1,930,563	\$341	5,663	5,448	139	96%

As shown above, contributions from individual contributors represented 96 percent of all contributions. The average contribution amount was \$341, but only one candidate had an

¹⁵ The figures provided in this table exclude candidates' contributions from their personal funds to their own campaigns. In addition, the data excludes negative entries that were reported on Schedule A (i.e., returned contributions). The figures provided in this table include only itemized contributions that were filed electronically. Because unitemized contributions are reported as a lump sum by reporting period, it is not possible to count the number of unitemized contributors or to determine the average contribution amount and are therefore not included in this metric.

average contribution value above \$150. Five candidates had an average contribution value of \$100 to \$150. No data was available regarding the average contribution amount of participating versus non-participating candidates.

H. Cost per Vote

Table 7 provides a detailed breakdown of the cost per vote by candidate in the 2007 election.

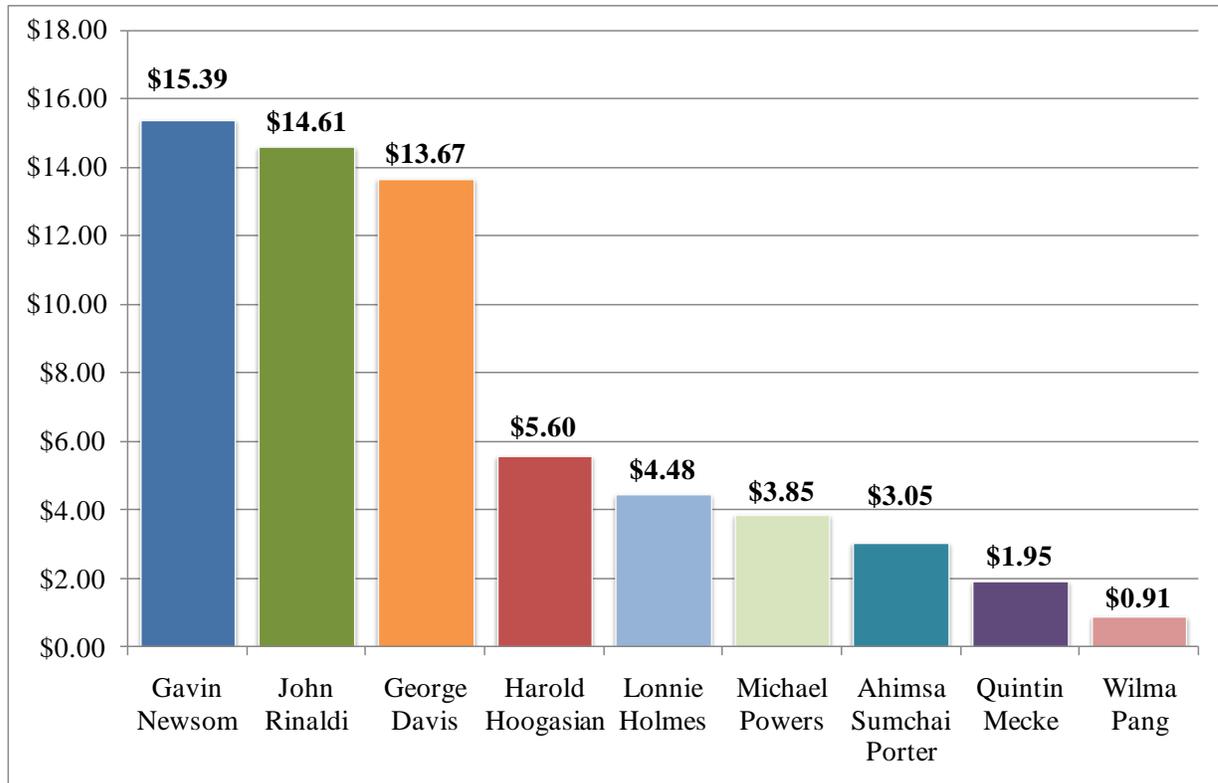
Table 7: Candidate Spending per Vote in 2007

Candidate	Expenditures Incurred	No. of First-Choice Votes Received	Cost Per Vote¹⁶
George Davis	\$8,805	644	\$13.67
Lonnie Holmes	\$8,095	1,807	\$4.48
Harold Hoogasian	\$47,023	8,400	\$5.60
Quintin Mecke	\$17,693	9,076	\$1.95
Gavin Newsom (I)	\$1,625,137	105,596	\$15.39
Wilma Pang	\$6,650	7,274	\$0.91
Michael Powers	\$2,000	519	\$3.85
John Rinaldi	\$36,653	2,508	\$14.61
Ahimsa Porter Sumchai	\$10,353	3,398	\$3.05
Total	\$1,762,409	139,222	\$12.66

The candidate with the highest cost per vote was Gavin Newsom (\$15.39), followed by John Rinaldi (\$14.61). Wilma Pang spent the least per vote (\$0.91). The average cost per vote was \$12.66 and the median cost per vote was \$4.48.

¹⁶ The cost per vote for each candidate is calculated by dividing the amount of expenditures incurred by the candidate by the number of “first-choice” votes the candidate received. In San Francisco, candidates are elected based on a ranked-choice voting system where if a candidate does not receive more than 50 percent of “first-choice” votes, “second-choice,” or “third-choice,” votes may be counted in order to determine the winner.

Chart 2: Cost Per Vote



I. Victory Margin

The victory margin represents the difference between the percentage of votes received by the winning candidate and the candidate who received the second-most votes.

Table 8: Victory Margin¹⁷

Winning Candidate	First Choice Votes for the Winning Candidate (W)	% of Total Votes (W/T=V)	Runner-Up Candidate	First Choice Votes for the Runner-up Candidate (R)	% of Total Votes (R/T=L)	Sum of votes for all candidates (T)	Victory Margin (in percentage points) (V-L)
Gavin Newsom	105,596	74%	Harold Hoogasian	8400	6%	143,332	68%

In 2007, incumbent Gavin Newsom won the election by a victory margin of approximately 68 percentage points.

¹⁷ The victory margin represents the percentage point difference between the percentage of first-choice votes obtained by the winner (105,596/143,332 = 74%) and the percentage of first-choice votes obtained by the runner-up (8,400/143,332 = 6%).

PART B: Feasibility and Costs of a Full Public Financing Program

This section is intended to satisfy the requirements set forth in Section 1.156(b) of the San Francisco Campaign and Governmental Conduct Code. The Ethics Commission must produce a report following the November 2007 election regarding the feasibility and costs of converting the partial public financing program into a full public financing program.

I. Introduction

The preparation of this report was constrained by several factors, including the absence in 2003 of a Mayoral public financing program and the non-participation of any candidates in 2007. To perform an analysis of the feasibility and costs of a full public financing program, it was necessary to make several assumptions, such as:

- A public financing program was available to Mayoral candidates in the 2003 election. The provisions of the program were the same in 2003 as in 2007.
- All candidates who met the monetary qualification threshold elected to participate.
- Individual expenditure ceilings were raised in such a way that they would not hinder candidates from obtaining public funds at any point.

A complete list of constraints and assumptions may be found in Appendix B. Please note that all written analysis has been prepared based on such assumptions, using the actual contribution and expenditure data reported by candidates on campaign statements. For example, if a candidate reported contributions of \$100,000 during a particular period, it would be assumed for the purposes of this analysis that the candidate would have raised the same amount, and would have sought matching funds for all contributions, had a public financing program been in place in 2003.

Additionally, the provisions of a full public financing program have not been defined and can vary greatly in terms of such characteristics as qualification thresholds, matching ratio, and disbursement limits. Two scenarios have been presented here: 1) the current formula (see Appendix A for details), and 2) a ratio of \$1 in public funds for every \$1 the candidate raises. A third likely scenario is presented in Section III, based on data from the 2003 election where no incumbent ran for Mayor.

This study is intended to hypothesize the cost of converting to a full public financing program. Actual availability of City funds for the administration of the program have not been taken into account.

II. Data

A. Candidates Who Raised at Least \$25,000

The table below shows all candidates from 2003 and 2007 who raised at least \$25,000, the qualification threshold, in monetary contributions prior to the deadline to apply for

public financing. In 2003, six candidates raised enough contributions to qualify for public funds. Only one candidate would have qualified in 2007.

Table 1: Candidates Who Met the \$25,000 Qualification Threshold

<p>November 2003: Angela Alioto Tom Ammiano Matt Gonzalez Susan Leal Gavin Newsom Tony Ribera</p>	<p>November 2007: Gavin Newsom</p>
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B. Contributions Received during the Claims Period

Contributions matched with public funds (“qualifying” and “matching” contributions) must be raised no earlier than 18 months before the date of the election and no later than the date of the election. The table below displays the contributions that candidates reported to have received during the claims period.

Table 2: Contributions Received during the Claims Period¹⁸

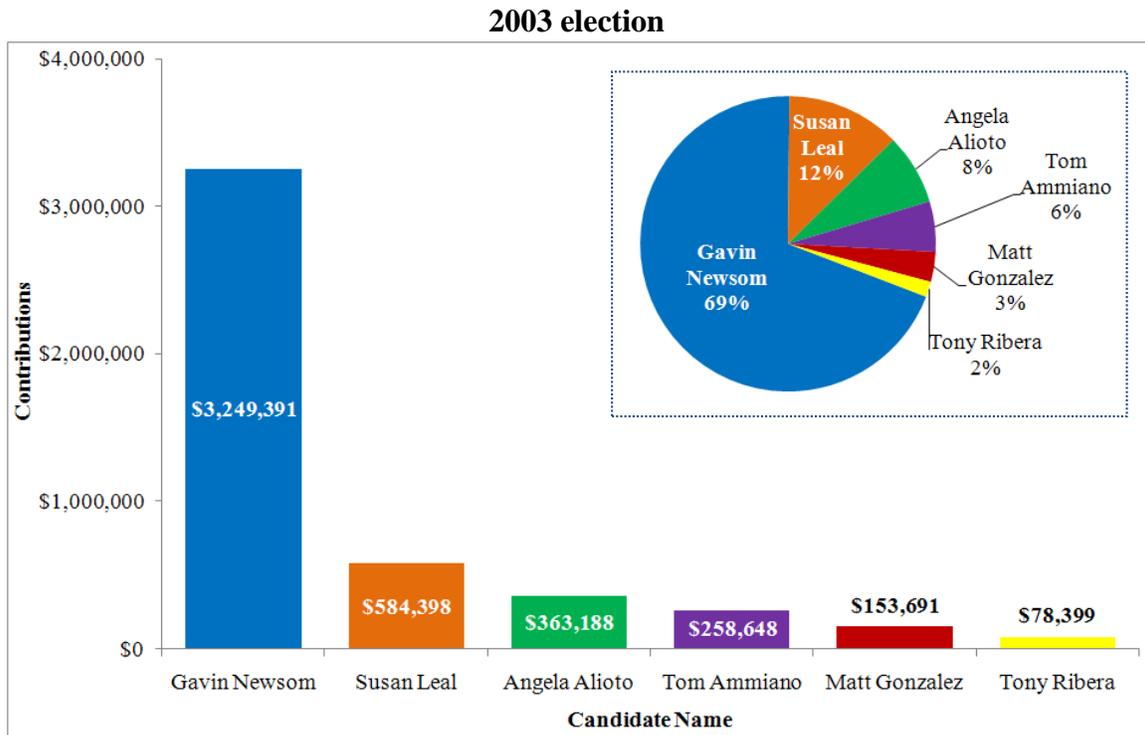
2003 election	
Candidate Name	Contributions
Angela Alioto	\$363,188
Tom Ammiano	\$258,648
Matt Gonzalez	\$153,691
Susan Leal	\$584,398
Gavin Newsom	\$3,249,391
Tony Ribera	\$78,399
Total	\$4,687,715

2007 election	
Candidate Name	Contributions
Gavin Newsom	\$1,843,402

The candidate with the greatest amount of contributions during the claims period for the 2003 election raised \$3,249,391. Of the candidates who raised enough to qualify, the candidate with the least amount in contributions in 2003 raised \$78,399. Chart 1 below shows the breakdown of contributions raised by candidates in the 2003 race sorted from highest to lowest (the pie chart is arranged in counter-clockwise order). A chart representing contributions of candidates who raised enough to qualify for public funding in the 2007 election has not been included because it would display only one candidate, Gavin Newsom (\$1,843,402).

¹⁸ The claims period begins 18 months prior to the election and ends on the day of the election

Chart 1: Contributions Received during the Claims Period



C. Disbursements, by Contributions

- The table below shows the maximum funds that would have been disbursed, based on the total contributions reported during the claims period. The per candidate available disbursement limit (PCADL) must be ignored for this calculation because it is dependent upon actual funds available on the 59th day before the election (such data is not available for 2003). Funds are currently disbursed according to the following formula:
 - 2:1 match for the first \$25,000 raised by the candidate in order to qualify (\$50,000 granted)
 - 4:1 match for the next \$100,000 raised by the candidate (up to \$400,000 granted)
 - 1:1 match for funds raised beyond the first \$125,000

The data below demonstrates the disbursements that would have occurred in the 2003 and 2007 elections if the current disbursement ratios were in effect for both elections. The values below represent the amount of matching public funds that candidates could have claimed, based on total contributions. Please refer to Appendix A for the provisions of the current public financing program.

Table 3: Disbursements, Current Formula^{19,20}

2003 election				
Candidate Name	Initial Grant, disbursed at 2:1 Ratio	Total Disbursed at 4:1 Ratio	Total Disbursed at 1:1 Ratio	Total Funds Disbursed
Angela Alioto	\$50,000	\$400,000	\$238,188	\$688,188
Tom Ammiano	\$50,000	\$400,000	\$133,648	\$583,648
Matt Gonzalez	\$50,000	\$400,000	\$28,691	\$478,691
Susan Leal	\$50,000	\$400,000	\$459,398	\$909,398
Gavin Newsom	\$50,000	\$400,000	\$3,124,391	\$3,574,391
Tony Ribera	\$50,000	\$213,596	\$0	\$263,596
Total, including Newsom	\$300,000	\$2,213,596	\$3,984,316	\$6,497,912
Total, excluding Newsom	\$250,000	\$1,813,596	\$859,925	\$2,923,521

2007 election				
Candidate Name	Initial Grant, disbursed at 2:1 Ratio	Total Disbursed at 4:1 Ratio	Total Disbursed at 1:1 Ratio	Total Funds Disbursed
Gavin Newsom	\$50,000	\$400,000	\$1,718,402	\$2,168,402

2. The data below demonstrates the disbursements that would have occurred in the 2003 and 2007 elections if the qualification criteria were identical, but funds would be matched at a rate of \$1 in public funds for every \$1 raised by the candidate.

Table 4: Disbursements, 1:1 Formula

2003 election	
Candidate Name	Disbursed at 1:1 Ratio
Angela Alioto	\$363,188
Tom Ammiano	\$258,648
Matt Gonzalez	\$153,691
Susan Leal	\$584,398
Gavin Newsom	\$3,249,391
Tony Ribera	\$78,399
Total, including Newsom	\$4,687,715
Total, excluding Newsom	\$1,438,324

¹⁹ The per candidate available disbursement limit has been disregarded for the purposes of these calculations, such that there is no upper limit on the amount of public funds a hypothetically-qualified could receive.

²⁰ Gavin Newsom declined to participate in 2007, the first election in which public financing was available to Mayoral candidates. Certain metrics display two figures, one that is calculated based on the assumption that he would participate (“Including Newsom”) and one based on the assumption that he would decline to participate (“Excluding Newsom”). This has not been done for any other candidate because no *Declaration of Intent to Participate (Form SFEC-142(a))* was available for any 2003 Mayoral candidate, and no other 2007 candidate could have qualified for public financing (and therefore was not included in this analysis).

2007 election

Candidate Name	Disbursed at 1:1 Ratio
Gavin Newsom	\$1,843,402

D. Funds Required in Election Campaign Fund, by Contributions

The tables below utilize contribution data to calculate the amount of funds required in the Election Campaign Fund (ECF). Two scenarios are illustrated: 1) disbursements based on the current formula, and 2) disbursements based on a 1:1 ratio (see tables 3 and 4 above). The administrative cost reflected below is the maximum amount allowed under S.F. C&GC Code § 1.138(b), 15 percent of the total funds available in the ECF. Disbursements to candidates represent 85 percent of the funds that must be allocated to the Fund. The amount required in the ECF is calculated using the following formulas:

Funds required in ECF = Amount disbursed + Administrative cost

Amount disbursed = 0.85 * (Funds required in ECF)

Administrative cost = 0.15 * (Funds required in ECF)

Table 5: Required Allocation to Election Campaign Fund

2003 election

		Disbursement Amount (0.85)*(X)	Administrative Cost (0.15)*(X)	Total Required in ECF (X)
Current formula	Including Newsom	\$6,497,912	\$1,146,690	\$7,644,602
	Excluding Newsom	\$2,923,521	\$515,915	\$3,439,436
1:1 formula	Including Newsom	\$4,687,715	\$827,244	\$5,514,959
	Excluding Newsom	\$1,438,324	\$253,822	\$1,692,146

2007 election

	Disbursement Amount (0.85)*(X)	Administrative Cost (0.15)*(X)	Total Required in ECF (X)
Current formula	\$2,168,402	\$382,659	\$2,551,061
1:1 formula	\$1,843,402	\$325,306	\$2,168,708

E. Expenditures Incurred

The table below demonstrates the total expenditures made by candidates from the start of their campaign through December 31 following the election.²¹ These figures represent

²¹ In contrast to contribution data, the transaction date is not required for reported expenditures. For this reason, data covering through the December 31 campaign statement following each election was used to calculate total expenditures by candidates. The data includes both itemized and unitemized expenditures.

the cost of a campaign and may differ from the total of contributions in cases where not all contributions were expended by the committee by the end of the calendar year in which the election occurred.

Table 6: Expenditures Incurred

2003 election

Candidate Name	Expenditures Incurred
Angela Alioto	\$1,311,013
Tom Ammiano	\$284,765
Matt Gonzalez	\$898,850
Susan Leal	\$831,725
Gavin Newsom	\$5,229,621
Tony Ribera	\$538,729
Total Expenditures	\$9,094,703

2007 election

Candidate Name	Expenditures Incurred
Gavin Newsom	\$1,627,694

F. Hypothetical Fundraising and Disbursements, by Actual Expenditures

With access to a matching funds program, candidates would have less responsibility for fundraising. Funds necessary (same as Expenditures Incurred) and the division between public funds and candidate-raised funds have been calculated below. The table also shows the percentages of public funds and funds from the candidate.

Table 7: Hypothetical Fundraising and Disbursements Based on Actual Expenditures, Current Formula

2003 election

Candidate Name	Funds Necessary (Actual Expenditures)	Funds Candidate Must Raise	Public Funds Disbursed	Percent of Funds Raised by Candidate	Percent of Funds that are Public Funds
Angela Alioto	\$1,311,013	\$493,007	\$818,006	38%	62%
Tom Ammiano	\$284,765	\$66,953	\$217,812	24%	76%
Matt Gonzalez	\$898,850	\$286,925	\$611,925	32%	68%
Susan Leal	\$831,725	\$253,363	\$578,362	30%	70%
Gavin Newsom	\$5,229,621	\$2,452,311	\$2,777,310	46%	53%
Tony Ribera	\$538,729	\$117,749	\$420,980	22%	78%
Total Public Funds			\$5,424,398		

2007 election

Candidate Name	Funds Necessary (Actual Expenditures)	Funds Candidate Must Raise	Public Funds Disbursed	Percent of Funds Raised by Candidate	Percent of Funds that are Public Funds
Gavin Newsom	\$1,627,694	\$651,347	\$976,347	40%	60%

As shown in the table below, every dollar the candidate raises is matched by one dollar of public funds. Therefore, the percentage of funds raised by the candidate is 50% and the percentage of funds that are public funds is 50%.

Table 8: Hypothetical Fundraising and Disbursements Based on Actual Expenditures, 1:1 match

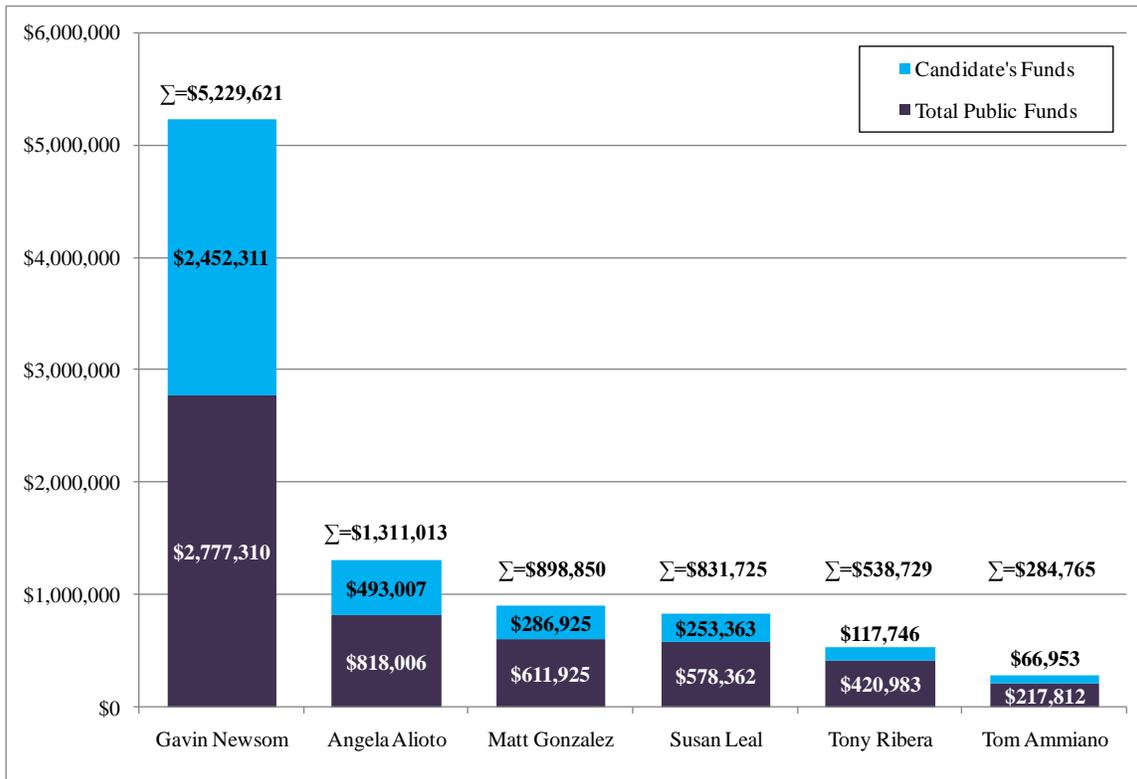
2003 election

Candidate Name	Funds Necessary (Actual Expenditures)	Funds Candidate Must Raise	Public Funds Disbursed
Angela Alioto	\$1,311,013	\$655,507	\$655,506
Tom Ammiano	\$284,765	\$142,383	\$142,382
Matt Gonzalez	\$898,850	\$449,425	\$449,425
Susan Leal	\$831,725	\$415,863	\$415,862
Gavin Newsom	\$5,229,621	\$2,614,811	\$2,614,810
Tony Ribera	\$538,729	\$269,365	\$269,364
Total Public Funds			\$4,547,349

2007 election

Candidate Name	Funds Necessary (Actual Expenditures)	Funds Candidate Must Raise	Public Funds Disbursed
Gavin Newsom	\$1,627,694	\$813,847	\$813,847

Chart 2: Breakdown of Source of Funds, Based on Actual Expenditure Data, Current Formula



III. Plausible Scenario

The 2003 election has been used as an example in determining funds required to win an election. Data for the two leading candidates, Gavin Newsom and Matt Gonzalez, have been isolated to calculate a lower and upper limit of expenditures required to win. This particular race has been chosen for the following reasons:

- There was no incumbent.
- The margin of victory was narrow.
- Both were considered strong, viable candidates.

In conducting this analysis, expenditure data for both candidates were used based on campaign statements covering January 1, 2002 through December 31, 2003. Staff has hypothesized that the amount of public funds that should be granted to a candidate in order for him or her to have substantial standing to win an election falls within the range of actual expenditures reported by these two candidates in the 2003 election. Matt Gonzalez's expenditures represent the lower end of the range and Gavin Newsom's represent the upper limit.

A qualification threshold of \$25,000 is assumed to have been in place, but disregarded in calculating the total disbursement amount. The total amount of funds available to candidates is not calculated according to the matching contributions model. Once candidates meet the \$25,000 threshold, no private contributions are required to obtain

public funds thereafter. All candidates receive an equal amount based on a preset calculation of how much spending is necessary to win an election.

Table 9: Funds Expended by Newsom and Gonzalez in 2003

Candidate Name	Expenditures = Cost of Election
Matt Gonzalez	\$898,850
Gavin Newsom	\$5,229,621

Based on the data in Table 9, a single candidate requires between \$898,850 and \$5,229,621 to win an election.

The table below estimates the cost of administering a full public financing program with comparable expenditures if six candidates (as in 2003) met the qualification threshold to participate in the program. *It should be noted that full public financing with a \$25,000 qualifying threshold has the potential to attract a larger number of candidates.*

Table 10: Cost of Granting Full Public Financing to Six Candidates

	Public Funds Disbursed ²²	Administrative Cost ²³	Total Public Funds Required in ECF
LOWER LIMIT	\$5,393,100	\$951,724	\$6,344,824
UPPER LIMIT	\$31,377,726	\$5,537,246	\$36,914,972

Therefore, the total funds required in the ECF in order to administer a program with similar spending to the 2003 election would range from \$6,344,824 to \$36,914,972.

IV. Conclusions

Because of the limitations on data availability due to the non-existence of public financing for Mayoral candidates in 2003 and the non-qualification of candidates for the program in 2007, the Commission is unable to reach conclusions regarding the feasibility and costs of converting the partial public financing program for Mayoral candidates into a full public financing program. In order to make recommendations, it is necessary to define the parameters of a full public financing program, such as:

- What is the upper limit for total funds disbursed in an election? Is there a limit to how much any one candidate can receive?
- Should there be a threshold to qualify? In other words, should candidates be required to raise a certain amount of funds in order to qualify for public financing?

²² Public funds disbursed at the lower limit were calculated as follows: $(\$898,850 * 6) = \$5,393,100$. Public funds disbursed at the upper limit were calculated as follows: $(\$5,229,621 * 6) = \$31,377,726$.

²³ The administrative cost reflected in Table 10 is the maximum amount allowed under S.F. C&GC Code § 1.138(b), 15 percent of the total funds available in the ECF. Disbursements to candidates represent 85 percent of the funds that must be allocated to the Fund. Administrative cost = $(0.15) * (\text{Funds required in ECF})$

- After qualification, is the amount of public funds granted dependent on the amount of private contributions each candidate receives (i.e., a matching contribution model)?
- Should each candidate have access to an equal amount of funds?

However, because the Commission supports the goals of public financing for candidates, it will continue to monitor developments in this area and make recommendations for legislative changes as appropriate.

APPENDIX A

A. Introduction

San Francisco's limited public financing program for candidates running for Mayor was first implemented in the November 2007 election. The program provides eligible candidates up to \$850,000 in the general election. The total annual cost of the public financing program, including program administration, cannot exceed \$2 per year per resident of San Francisco.

B. Criteria and Conditions for Qualifying for Public Financing

In order to qualify for public financing, a candidate was required to:

- seek election to the office of Mayor and be eligible to hold office if elected;
- file *Form SFEC-142(a) Statement of Participation or Non-Participation* with the Ethics Commission indicating that he/she intends to participate in the Mayoral Public Financing Program;
- raise at least \$25,000 in qualifying contributions from at least 250 residents of the City in contribution amounts ranging from \$10 to \$100;
- agree to limit spending on his or her campaign to no more than his/her individual expenditure ceiling of \$1,375,000 or as raised by the Ethics Commission;
- submit a declaration (*Form SFEC-142(b)-2*), a qualifying contributions list (*Form SFEC-142(c)-2*), and supporting documentation to the Ethics Commission to establish eligibility to receive public financing;
- be opposed by a candidate who has qualified for public financing or by a candidate who has received contributions or made expenditures that in the aggregate equal or exceed \$50,000;
- bear the burden of proving that each contribution relied upon to establish eligibility is a qualifying contribution and that all contributions received comply with the Campaign Finance Reform Ordinance ("CRFO");
- bear the burden of proving that expenditures made with public funds were used only for qualified campaign expenditures;
- not make payments to a contractor or vendor in return for the contractor or vendor making a campaign contribution to the candidate; and not make more than a total of 50 payments to a contractor or vendor who has made a contribution to the candidate;
- not accept any loans to the campaign from anyone except the candidate, and not loan more than \$5,000 of the candidate's own money to his/her campaign;
- participate in at least three debates with opponents;
- have paid any outstanding fines owed to the City by the candidate or any of the candidate's campaign committees;
- have filed any outstanding statements, reports or forms owed to the City by the candidate or any of the candidate's campaign committees;
- have no finding by a court within the past five years that the candidate knowingly, willfully or intentionally violated the CFRO or the campaign finance provisions of the Political Reform Act.

Candidates were prohibited from using public funds to pay administrative, civil, or criminal fines, or to pay for inaugural activities or officeholder expenses. Under the law, all qualified candidates are subject to a mandatory audit.

C. Applying for Public Funds

In order to be certified by the Executive Director of the Ethics Commission as having met the requirements to receive public financing, candidates were required to submit, along with other items:

- 1) no later than August 10, 2007, the deadline for filing nomination papers, a *Statement of Participation or Non-Participation (Form SFEC-142(a))* indicating an intent to participate in the public financing program; and
- 2) between February 6 and August 28, 2007, a *Declaration for Public Funds* along with a list of qualifying contributions (*Forms SFEC-142(b)-2 and SFEC-142(c)-2*) and other supporting material.

Candidates agree to comply with all the eligibility requirements set forth above by signing and submitting the *Declaration for Public Funds*. On the accompanying list of qualifying contributions, candidates must include the contributor's full name, street address, occupation and employer if the contribution is \$100 or more; the total amount contributed; the amount of the contributor's qualifying contribution; the date the qualifying contribution was received; the date the qualifying contribution was deposited; and the deposit batch number. Supporting materials include photocopies of the written instruments used by the contributors to make the qualifying contributions, deposit receipts and other items such as evidence of San Francisco residency. Claims for additional public funds must be submitted in a similar manner.

D. Formula for Disbursing Public Funds

Candidates who were certified as eligible to participate in the public financing program were entitled to receive a grant of \$50,000. After the initial payment of \$50,000, candidates were able to seek additional public funds based on the amount of matching contributions raised and documented in timely claims submitted to the Ethics Commission.²⁴ The maximum amount of additional public funds that candidates were able to receive was \$800,000.²⁵ After the initial payment of \$50,000, for each dollar of matching contributions up to the next \$100,000 that candidates raised, they received four dollars from the Election Campaign Fund. Thereafter, for each additional dollar of matching contributions raised, candidates received one dollar of public funds until reaching the maximum. The maximum amount of public funds a candidate could have received was \$850,000 for the general election, as shown in the table below:

²⁴ A matching contribution is a contribution that is not a qualifying contribution or a loan, is made by an individual who is a resident of San Francisco (other than the candidate or the candidate's immediately family), is not received more than 18 months before the November election, and complies with all the requirements of the CFRO and its implementing regulations.

²⁵ The exact amount of funds available to each candidate may be less than or greater than \$850,000, depending on the per candidate available disbursement limit. Please see Section E below.

Candidate raises	Election Campaign Fund pays
\$25,000 in qualifying contributions	\$50,000 (initial payment)
Up to \$100,000 in matching contributions	Up to \$400,000 (4 to 1 match)
Up to \$100,000 in matching contributions	Up to \$100,000 (1 to 1 match)
<i>Total available to a qualified candidate</i>	<i>Up to \$850,000</i>

E. Per Candidate Available Disbursement Limit

This is the amount of public funds available to each candidate who has qualified to receive public funding. On the 59th day before the election, the Executive Director of the Ethics Commission divides the total amount of non-administrative funds in the Election Campaign Fund by the total number of qualified candidates. The result is the per candidate available disbursement limit.

If the per candidate available disbursement limit is less than or equal to \$850,000, candidates will have access to funds from the Election Campaign Fund on a first-come first-served basis up to a maximum of \$850,000. If the per candidate available disbursement limit is greater than \$850,000, candidates will have access to the amount of the per candidate disbursement limit, but no candidate may receive public funds that would cause him or her to exceed his or her individual expenditure ceiling.

F. Campaign Spending Limits

To receive public funds, candidates were required to agree to limit their spending to the amount of the individual expenditure ceiling, the expenditure ceiling that is established for each candidate for Mayor who is certified by the Ethics Commission as eligible to receive public funds. Each candidate's individual expenditure ceiling starts at \$1,375,000 and may be raised under certain circumstances. The ceiling may be raised if (a) the total supportive funds of any other candidate seeking election to the office of Mayor is at least \$100,000 greater than \$1,375,000, or (b) the total opposition spending against a candidate reaches at least \$100,000 greater than \$1,375,000.

G. Additional Reporting Requirements for Non-Participating Candidates

All candidates for Mayor would have been required to file *Form SFEC-152(b)-1* if they received contributions, made expenditures or had funds in their campaign contribution trust accounts that in the aggregate equaled or exceeded \$50,000. These statements serve to inform the Commission of candidates' financial activity so that the Commission can determine whether a candidate who had applied for public financing met the requirement of being opposed by a candidate who either qualified to receive public financing or who received contributions or made expenditures of \$50,000 or more. If the Ethics Commission had certified at least one candidate for Mayor as eligible to receive public funds, all candidates for Mayor would have been required to file *SFEC-152(b)-2* within 24 hours of receiving contributions, making expenditures or having funds that equaled or exceeded \$1,000,000. Thereafter, such candidate was required to file *Form SFEC152(b)-*

2 each time within 24 hours of receiving additional contributions, making additional expenditures or having additional funds that equaled or exceeded \$50,000.

APPENDIX B

A. Constraints of Feasibility Analysis

The partial public financing program was not available to candidates for Mayor in 2003. Because it was only available in 2007, historical data is used as a measure of contributions received. It is assumed that if the public financing program were available for November 2003 candidates, candidates would have raised the same amount of funds as a participant in the program.

The November 2007 election would have been the first opportunity to implement certain features of the program, including individual expenditure ceilings (which were changed to apply to both the Mayoral and Supervisorial programs in December 2007).

No candidate was certified in 2007, and most did not meet the qualification threshold. In 2003, six of eight candidates raised \$25,000 or more. Therefore, it was easy to simulate participation in the program for 2003 candidates, but very difficult for 2007 candidates.

B. Assumptions of Feasibility Analysis

Public Financing Program

- Campaign finance data from the 2003 Mayoral election have been analyzed as if candidates had access to public funds. The terms of the program would have been identical to those applicable during the November 2007 election. For example, under the Campaign Finance Reform Ordinance as it was in effect for the November 2007 election, matching contributions must be received by the candidate no earlier than 18 months prior to the election. This same restriction has been applied in this report.
- Fundraising and spending behavior would not have been different if a public financing program had been available in 2003.

Contributions

- All contributions met the criteria for a qualifying/matching contribution (i.e., contributions were not analyzed to determine whether they were made by S.F. residents, individuals, from the individuals' personal funds, etc.).
- Returned contributions were not matched with public funds.²⁶
- The initial \$25,000 raised by a candidate (i.e., the amount raised to meet the qualification threshold) would be comprised of contributions from at least 250 individuals.

²⁶ Some transactions were negative, indicating that they were returned by the committee. Such contributions were not removed from the data set, and the assumption was made that there would be a corresponding positive entry for when the committee received the contribution. The negative and positive entries should cancel one another out, and therefore staff has assumed that they will not affect the totals, and would not have been included in any claim for public funds.

Qualification

- Candidates who raised \$25,000 or more before the deadline would choose to apply, and would subsequently qualify, for public financing.
- Candidates would seek the maximum funding possible (i.e., claim public funds for every contribution they received).

Ceilings

- Individual expenditure ceilings are raised in such a way that they do not hinder any candidate from receiving additional public funds.

Per Candidate Available Disbursement Limit (PCADL)

- The PCADL has not been calculated or accounted for in this study.
- This study provides *hypothetical* costs of converting to a full public financing program. The PCADL is based on *actual* funds available.

Expenditures

- Expenditures reported on Schedule E were all qualified campaign expenditures.

Special Circumstances

- Gavin Newsom declined to participate in 2007, the first election in which public financing was available to Mayoral candidates. He is the only candidate who could have qualified for the program since the program was extended to cover Mayoral elections.
- To account for the possibility that Mr. Newsom would not seek public financing in either election, several metrics display two figures, one that is calculated based on the assumption that he would participate and one based on the assumption that he would decline to participate. This has not been done for any other candidate because no *Declaration of Intent to Participate (Form SFEC-142(a))* is available for any 2003 Mayoral candidate, and no other 2007 candidate could have qualified for public financing.

C. Methodology

- Campaign finance data considered in this report pertain to the 2003 and 2007 Mayoral elections.
- Only candidates who electronically filed were included in the analysis.
- Candidates were selected for analysis if they raised at least \$25,000 before the deadline to qualify for each election, August 26, 2003 and August 28, 2007, respectively, and were qualified for the ballot.

- Only data for the claims period is relevant. Candidates may have received additional contributions before or after the claims period, but such contributions are not included in the figures represented here.
 - For example, in collecting 2003 election data, if a candidate filed Form 501 in the second half of 2002, the campaign statement for the entire year was used (because presumably, there was no activity in the first half of the year) 1/1/02-12/31/02.
- Expenditure data has been collected from the Summary Page, Line 11. It includes data through the December 31 filing statement immediately following the election.
- Sources of contribution data (see diagram below)
 - Summary page: data includes both itemized and unitemized contributions (Line 1 of Summary page). Summary data may only be used for complete reporting periods.
 - Schedule A detail: itemized contributions for a defined date range are added up. Unitemized contributions (under \$100) are excluded because the date of receipt cannot be determined. Schedule A data is used for transaction dates that do not coincide with the start and end dates of any FPPC filing period.
 - For example, if contribution data for 1/1 through 11/15 were required, the Summary data would be used for the semi-annual period 1/1-6/30/03, the pre-election statements for 7/1/03 – 9/20/03 and 9/21/03-10/18/03, and Schedule A data would supplement with itemized contribution totals for 10/19/03-11/15/03.
 - The exception to this rule is a statement filed by Tom Ammiano for the reporting period 5/2-6/30/02. Although this period includes two days outside the window for matching contributions, staff felt that these two days would not affect the overall contribution total significantly.
- The diagram below illustrates how Schedule A data and Summary data have been combined to cover the entire claims period.

