

March 24, 2025

MEMORANDUM

To: Governance, Accountability, and Economic Development Committee

From: Brian Goodnight, Analyst

Subject: CB 120957: Democracy Vouchers Levy Renewal

On March 27, 2025, the Governance, Accountability, and Economic Development Committee (Committee) will receive a briefing and discuss <u>Council Bill (CB) 120957</u>, which would submit a levy lid lift proposal to Seattle voters, in conjunction with the primary election to be held on August 5, 2025, to continue funding the City's Democracy Voucher program.

This memorandum provides background information on the Democracy Voucher program and the current levy, summarizes the levy proposal and the expected financial impact on property owners, and describes next steps.

Background

In 2015, Seattle voters approved <u>Initiative 122</u>, known as Honest Elections Seattle, making a number of campaign finance reforms and establishing the Democracy Voucher program. The Democracy Voucher program provides funding for campaigns for City of Seattle elected offices (Mayor, City Council, and City Attorney). The program is funded by a 10-year, \$30 million property tax levy that will expire at the end of 2025.

Implementation of the program began with the 2017 election cycle, and it is administered by the Seattle Ethics and Elections Commission (SEEC). By the beginning of March in every municipal election year, SEEC issues four \$25 Democracy Vouchers to eligible Seattle residents and the residents may assign their vouchers to any candidate participating in the program.¹

Candidates are not required to participate in the Democracy Voucher program, but those that choose to participate begin by signing a pledge to abide by the program's rules. The program's rules include attending at least three debates ahead of both the primary and general elections, adhering to donor contribution limits, and abiding by overall spending limits (known as the maximum campaign valuation). Contribution and spending limits vary by office. For example, a candidate running for a City Council District position in 2025 may only accept contributions up to \$350 per donor, plus up to \$100 in Democracy Vouchers, and they must limit their total election spending to no more than \$225,000 (\$112,500 in the primary election and \$112,500 in the general election).²

¹ Residents may assign their vouchers via an included prepaid envelope addressed to SEEC, providing the vouchers directly to a campaign, or by accessing the <u>Democracy Voucher Online Portal</u>.

² A complete list of the contribution limits and total election expenditure limits for candidates in 2025 is available at the following SEEC website: <u>2025 Maximum Campaign Valuation and Contribution Limits</u>.

To qualify for the Democracy Voucher program, candidates must also collect a minimum number of qualifying signatures and contributions. Monetary contributions must be at least \$10 in value and Democracy Vouchers do not qualify as a monetary contribution. Similar to the contribution and spending limits, the required number of qualifying signatures and contributions varies based on the position being sought. For example, a candidate running for a City Council District position in 2025 must collect at least 150 qualifying signatures and contributions, half which must come from people residing in the district. Per SMC 2.04.690.D, prior to each election cycle, SEEC may "reasonably adjust the maximum campaign valuations, the dollar amounts for and numbers of qualifying contributions, the contribution limits per contributor..., or the number or value of democracy vouchers provided to each eligible person..."

In terms of program usage, SEEC reports on the program at the conclusion of each election cycle, with the most recent report summarizing the 2023 election. During 2023, SEEC processed over 118,000 vouchers from nearly 31,000 Seattle residents, resulting in the distribution of a little more than \$2.4 million to qualifying candidates. SEEC's website also contains up-to-date information (updated twice weekly) on assigned vouchers, including the resident assigning the voucher and the receiving campaign.⁴

Additionally, the program has been evaluated and analyzed by a number of outside parties, including BERK Consulting, the University of Washington's Center for Demography and Ecology, and professors from Stony Brook University and Georgetown University. According to one of the analyses, the program has "dramatically increased representational equality in Seattle along lines of race, age, and class. When compared with cash donors to local elections before the program, democracy voucher users are more racially diverse, younger, and less affluent. Democracy voucher users much more closely resemble active voters...." The program is also correlated with an increase in the number of candidates seeking elective office, although the program's implementation occurred during the same period as the Council's transition to districts which may also be a contributing factor. "In the years between 2001 and 2016, Seattle's municipal elections saw, on average, about four candidates per race in the primary elections after the program was introduced in 2017, that number doubled to about eight candidates per office."

³ The most recent adjustment occurred in October 2020 via Clerk File 321820.

⁴ SEEC 2025 <u>Voucher Program Data</u>; <u>SEEC Summary and Past Election Cycles Data</u>

⁵ SEEC External Reports

⁶ Heerwig, J. A., & McCabe, B. J. (2024). Democracy vouchers and the promise of fairer elections in Seattle. Temple University Press.

⁷ Ibid.

Summary of Levy Proposal and Financial Impacts

The existing Democracy Voucher property tax levy began collections in 2016 and its final year of collections is 2025. Absent a new property tax levy or alternative funding source, the Democracy Voucher program will no longer have a dedicated funding source to pay for the program's administration and the cost of the vouchers for candidates. CB 120957 proposes a new, 10-year, \$45 million property tax levy to continue dedicated funding for the Democracy Voucher program. The proposed levy would generate \$4.5 million per year for the program and is intended to reflect inflationary increases from the current levy (about 4.1 percent annually). Costs for program administration (e.g., staff, centralized services, voucher distribution) and elections (e.g., payments to candidates, number of candidates participating) have continued to grow during the current levy's existence, but the levy was structured to provide a constant \$3 million per year. Although alternative, smaller levy options were considered, an annual levy of \$4.5 million is necessary to meet the program's projected expenditures over the 10-year period.

The proposed levy is expected to cost the owner of a median value residential property, estimated at \$920,000, approximately \$13.07 in 2026, or \$1.09 per month.⁸ On average over the last three years, the current levy has cost the owner of a median value residential property about \$8.80 per year, or \$0.73 per month. As additional context for the size of the levy, a median value residential property in 2025 (valued at \$860,000) will pay approximately \$2,300 in property taxes to the City of Seattle and will pay a grand total of approximately \$7,900 in property taxes to the City, King County, Port of Seattle, and other taxing jurisdictions.

CB 120957 would also request the Executive, the Council, and SEEC to convene a workgroup in early 2026 to recommend improvements to the Democracy Voucher program, including addressing the impact of Political Action Committees in City elections. The bill specifies that the workgroup should include input from candidates, campaign staff, professional elections consultants, good government advocates, and the Executive Director and members of SEEC.

Next Steps

The Committee is scheduled to discuss and possibly vote on CB 120957 at its meeting on April 10. If the Committee votes to recommend passage of the bill at that time, the City Council could consider the legislation at its meeting on April 22, at the earliest.

Following Council passage and approval by the Mayor, the City Clerk will need to file the ordinance with the Director of Elections of King County by May 2 in order for the levy proposition to appear on the August 5 primary election ballot.

cc: Ben Noble, Director Yolanda Ho, Deputy Director Calvin Chow, Lead Analyst

⁸ In accordance with <u>RCW 84.36.381</u> and <u>RCW 84.55.050</u>, the City will exempt seniors, veterans with disabilities, or other persons who qualify from the increased levy amount, if approved.