



**Testimony of Emmanuel Caicedo  
Senior Campaign Strategist, Demos  
Before the Committee on Governmental Operations, New York City Council  
Thursday April 27, 2017**

**Introduction**

My name is Emmanuel Caicedo and I am a Senior Campaign Strategist with Demos, a New York-based public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy.

I would like to thank the members of the Committee on Governmental Operations for the opportunity to speak today. I am delighted to testify today in favor of Introduction 1130-A, legislation introduced by Council Members Kallos, Lander, and Cabrera. Int. 1130-A increases the public matching funds available in New York City's trailblazing small donor matching program, making an effective and important system even better. Passing this legislation will ensure that New York stays a leader in addressing the power of big money in politics for years to come.

In my testimony I will briefly review the problem of big money in politics, New York City's leadership in addressing this critical challenge, how Int. 1130-A builds upon this leadership, and make a couple of suggestions for further improving the City's system.

**The Power of Big Money**

As the Members of the City Council are well aware, big money has long played an outsized role in American politics. In federal, state, and local elections across the country large donors determine who is able to run for office, who wins elections, and what issues get attention from elected officials.<sup>1</sup>

This is not preordained, but rather the result of a combination of legislative inaction in many places and a challenging legal-constitutional landscape. Four decades of flawed Supreme Court rulings have gutted a series of common-sense protections

---

<sup>1</sup> Adam Lioz, *Breaking the Vicious Cycle: Rescuing Our Democracy and Our Economy By Transforming the Supreme Court's Flawed Approach to Money in Politics*, DEMOS (2015), <http://www.demos.org/publication/breaking-vicious-cycle-rescuing-our-democracy-and-our->

against big money, leaving lawmakers with few tools with which to combat the problem.<sup>2</sup>

The outsized role of money is most obvious at the federal level where the scale of spending is greatest. Just 25 people pumped more than \$600 million into last year's national elections through political action committees, Super PACs, and direct contributions to candidates and parties.<sup>3</sup> Less than 1 percent of the population provides the majority of the funds that fuel these contests.<sup>4</sup>

But, the role of money is a critical issue at the state and local levels as well. Michael Bloomberg spent more than \$250 million to become and stay mayor of New York City.<sup>5</sup> This spending was shielded from any possible limit by a 1976 Supreme Court case that eliminated federal caps on the amount wealthy candidates can spend on their own campaigns.<sup>6</sup> And in the wake of *Citizens United*, outside spending groups poured more than \$3 million in the 2013 mayoral race in New York.<sup>7</sup>

These big donors and spenders aren't reflective of the country—they're wealthier, obviously, but they are also less likely to be women or people of color, and they have starkly different priorities when it comes to core public policies such as fair wages or debt free college.<sup>8</sup>

Studies show that candidates of color are less likely to run for office due to the money barrier and raise substantially less amounts than white candidates when they do.<sup>9</sup> This is a key reason 90 percent of elected officials across the country are white—despite the fact that nearly 40 percent of Americans are people of color.<sup>10</sup>

---

<sup>2</sup> *Id.*

<sup>3</sup> "[Top Individual Contributors: All Federal Contributions](#)," CENTER FOR RESPONSIVE POLITICS (visited Mar. 21, 2017).

<sup>4</sup> "[Donor Demographics](#)," CENTER FOR RESPONSIVE POLITICS (visited Mar. 21, 2017).

<sup>5</sup> Michael Barbaro & David W. Chen, "Bloomberg Sets Record for His Own Spending on Elections," NEW YORK TIMES (Oct. 23, 2009), <http://www.nytimes.com/2009/10/24/nyregion/24mayor.html>.

<sup>6</sup> Adam Lioz, *Buckley v. Valeo at 40*, DEMOS (2015), <http://www.demos.org/publication/buckley-v-valeo-40>.

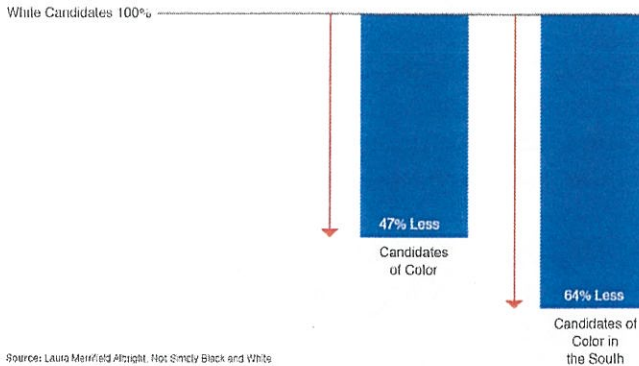
<sup>7</sup> David W. Chen, "Outside Groups Have Spent \$3 Million on Mayor's Race," NEW YORK TIMES (Sept. 1, 2013), <http://www.nytimes.com/2013/09/02/nyregion/outside-groups-have-spent-3-million-on-mayors-race.html>.

<sup>8</sup> See Sean McElwee, *Whose Voice, Whose Choice? The Distorting Influence of the Political Donor Class in Our Big-Money Elections*, DEMOS (December 2016).

<sup>9</sup> See Adam Lioz, *Stacked Deck: How the Racial Bias In Our Big Money Political System Undermines Our Democracy And Our Economy*, DEMOS 27-29 (December 2014).

<sup>10</sup> [Who Leads Us?](#), WOMEN DONORS NETWORK (visited Mar. 21, 2017).

**Figure 13. Candidates of color raise 47% less than white candidates overall, and 64% less than white candidates in the South (in 2006 state legislative races)**



The result is that the deck is stacked, as Demos has shown in a series of reports with that name.<sup>11</sup> Our public policies are skewed towards top donors' preferences, and away from working families and people of color as a whole.

Princeton political scientist Martin Gilens has demonstrated that when the preferences of the wealthiest 10 percent of Americans conflict with those of the rest of the population, the 10 percent trumps the 90 percent.<sup>12</sup> He concluded that “under most circumstances, the preferences of the vast majority of Americans appear to have essentially no impact on which policies the government does or doesn’t adopt” and that “patterns of responsiveness...often correspond more closely to a plutocracy than to a democracy.”<sup>13</sup>

This combination of disparate preferences and differential responsiveness creates a vicious cycle: the wealthy translate their economic might into political power; this allows them to write rules for our economy that keep them on top while working families struggle to stay afloat; which in turn allows the wealthiest few to pump even more money into politics each year. Each turn of this vicious cycle takes our democracy ever farther from the vision of political equality embodied in the principle of one person, one vote.

---

<sup>11</sup> David Callahan & J. Mijin Cha, *Stacked Deck: How the Dominance of Politics by the Affluent & Business Undermines Economic Mobility in America*, DEMOS (February 2013); Adam Lioz, *Stacked Deck: How the Racial Bias in Our Big Money Political System Undermines Our Democracy and Our Economy*, DEMOS (December 2014).

<sup>12</sup> MARTIN GILENS, *AFFLUENCE AND INFLUENCE: ECONOMIC INEQUALITY AND POLITICAL POWER IN AMERICA* (2012) at 83-84.

<sup>13</sup> *Id.* at 1; *Id.* at 234.

## **New York City's Leadership in Fighting Big Money**

With so many common-sense protections against big money taken off the table, providing public funds for election campaigns is currently the best way to reduce candidates' dependence on large donors and spenders.

New York City has been a leader in this area for decades, establishing the Campaign Finance Board and a pioneering public matching funds program in 1988.<sup>14</sup> Ten years later, the City increased the matching ratio from one-to-one to four-to-one, and in 2007 this Council increased the match again to its current six-to-one ratio.<sup>15</sup>

The program has sustained a high rate of participation, and research suggests that it has been successful at diversifying the donor pool in City races.<sup>16</sup> And, the program has almost certainly contributed to the substantial racial diversity on the City Council. New York City and Los Angeles (which has a four-to-one matching program) have both had city councils that are even more diverse than their city populations.<sup>17</sup>

The matching program fights the corruption and inequality inherent in big money politics in two essential ways. First, it reduces the fundraising barrier to entry, enabling candidates to raise sufficient funds to compete with big spenders without needing an extensive network of wealthy donors. Next, it shifts the incentives for sitting officeholders and other candidates away from focusing their outreach and attention exclusively on those who can afford to write large checks. The result is that the City Council is both more representative of and more accountable to the broad range of City residents than it would be without this essential program.

### **How Int. 1130A Builds Upon This Leadership**

Since New York created its matching program several localities have acted to empower small donors. The trend has picked up in recent years with innovative programs passed in Seattle, Washington and Montgomery County, Maryland; and programs under serious consideration in Miami-Dade County, Washington, DC, and other jurisdictions. New York must continue to improve its program to stay ahead of the curve.

---

<sup>14</sup> See "History of the CFB," NEW YORK CITY CAMPAIGN FINANCE BOARD, <http://www.nyccfb.info/about/history>.

<sup>15</sup> *Id.*

<sup>16</sup> See "Impact of Public Funds," NEW YORK CITY CAMPAIGN FINANCE BOARD, <http://www.nyccfb.info/program/impact-of-public-funds/>; Adam Lioz, *Stacked Deck: How the Racial Bias in Our Big Money Political System Undermines Our Democracy and Our Economy*, DEMOS (2014) at 22-23.

<sup>17</sup> *Designing Public Financing Systems to Advance Equity and Independent Political Power*, DEMOS (2016).

Introduction 1130-A builds upon this historic leadership by allowing New York City candidates to run campaigns that are entirely driven by small donors, without the need to depend upon larger checks.

While innovative and successful, New York City's system is not perfect. One shortcoming is that public matching funds are capped at 55 percent of a participating candidate's total spending limit.<sup>18</sup> This means that candidates must raise the other 45 percent from private funds. Some of this is accounted for through the small-dollar funds they raise to qualify for the public match—but much of it can be raised in contributions up to the current limit of \$4,950 for mayoral races and \$2,750 for city council races.<sup>19</sup> This cuts against the program's biggest strength—incentivizing candidates to seek out and depend upon small contributions from constituents they might not otherwise prioritize. And, it provides a competitive advantage to candidates with access to networks of large donors.

By eliminating the 55 percent cap on public matching grants, Int. 1130-A allows and incentivizes candidates to run campaigns entirely focused on and funded by small donors. This is a natural step in the evolution of a program that has become more and more effective at fighting corruption and democratizing the influence of money on City politics.

Though this will add some cost to the program, this money is well spent since it directly serves the program's mission of fighting corruption and creating a municipal government that is directly accountable to all New York City residents regardless of wealth. Further, the overall program costs are insignificant in the context of the City's budget. Since 2005, the matching program has distributed \$89.3 million, for an average of \$30.0 million per election cycle or \$7.4 million per year.<sup>20</sup> This is less than one hundredth of one percent of New York City's annual \$80 billion-plus budget.<sup>21</sup>

Even at an increased cost, the program remains an incredible bargain for the people of New York City—for far less than one percent of the City's budget, the public gets a substantially more accountable government and saves money by avoiding the

---

<sup>18</sup> See "How it Works," NEW YORK CITY CAMPAIGN FINANCE BOARD, <http://www.nyccfb.info/program/how-it-works/>.

<sup>19</sup> See "Limits and Thresholds," NEW YORK CITY CAMPAIGN FINANCE BOARD, <http://www.nyccfb.info/candidate-services/limits-thresholds/2017/>.

<sup>20</sup> See "Impact of Public Funds," NEW YORK CITY CAMPAIGN FINANCE BOARD, <http://www.nyccfb.info/program/impact-of-public-funds/>.

<sup>21</sup> *Fact Sheet: Mayor De Blasio Releases FY 2017 Executive Budget*, <http://www1.nyc.gov/office-of-the-mayor/news/396-16/fact-sheet-mayor-de-blasio-releases-fy-2017-executive-budget#/0>.

countless special interest giveaways endemic to systems funded primarily with large private contributions.

### **Suggestions for Further Improvements to the System**

Beyond the current legislation, Demos recommends this Council consider two specific further improvements to the City's public matching system.

First, we urge you to consider lowering contribution limits—not just for candidates who choose to participate in the matching program, but for all candidates across the board. Only a tiny fraction of City residents can afford to make \$4,950, \$2,750, or even \$1,000 contributions to candidates for City office—and evidence shows that the diversity of the donor pool drops sharply as the size of contributions increases.<sup>22</sup> This means that allowing large contributions tilts the system towards the preferences of the wealthy, white donor class. Contributions this large are not necessary for running an effective campaign for City office, especially with the City's robust matching fund system.<sup>23</sup>

Especially after passing Int. 1130-A, there is no good policy reason why candidates benefiting from public funds should be permitted to accept contributions that are much larger than most New Yorkers can afford to give. Lowering contribution limits across the board, however, is even stronger policy because it preserves the incentives to participate in the matching program.

Next, we urge you to consider matching *only* small contributions rather than the first \$175 of a larger contribution. The current system encourages candidates to reach out to constituents they might not otherwise prioritize absent a match, but still maintains the incentive to seek the largest possible contributions.

Currently, a \$1,500 contribution (which only a small fraction of New Yorkers are able to make) is worth \$2,550 to a candidate participating in the matching program, whereas a \$175 contribution is worth only \$1,225. The larger contribution is worth more than twice as much and a rational will spend significantly more time pursuing it. Matching only small contributions, however, can change the incentives dramatically. In this scenario, a \$1,500 contribution would be worth only \$275 more than a \$175 contribution (\$1,500 versus \$1,225). It makes more sense for the

---

<sup>22</sup> See e.g. Adam Lioz, *Stacked Deck: How the Racial Bias in Our Big Money Political System Undermines Our Democracy and Our Economy*, DEMOS (2014) at 22-23; Sean McElwee, *Whose Voice, Whose Choice? The Distorting Influence of the Political Donor Class in Our Big-Money Elections*, DEMOS (2016).

<sup>23</sup> Even without a public financing program, candidates could run effective campaigns under much lower contribution limits. Colorado, for example, limits candidates for statewide office to contributions of \$575. *State Limits on Contributions to Candidates: 2015-2016 Election Cycle*, NATIONAL CONFERENCE OF STATE LEGISLATURES, <http://www.ncsl.org/Portals/1/documents/legismgt/elect/ContributionLimitstoCandidates2015-2016.pdf>

candidates to spend time pursuing small contributions from a wider base of donors. The leading federal public matching funds legislation takes this approach.<sup>24</sup>

### **Conclusion**

We are pleased to support Int. 1130-A and urge the Council to pass this important legislation to continue New York City's leadership on reducing the power of big money in politics.

---

<sup>24</sup> Adam Lioz, *The Government By the People Act*, DEMOS (2014), <http://www.demos.org/publication/government-people-act>.