

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1, House Committee Substitute

SHORT TITLE: Full Disclosure Act of 1997

SPONSOR(S): HCS for SB 1

FISCAL IMPACT

Yes (x) No () No Estimate Available ()

FY 1997-98 FY 1998-99 FY 1999-00 FY 2000-01 FY 2001-02

REVENUES

**Political Parties
Financing Fund:**

201,000 180,000 159,000 138,000 117,000

General Fund:

-201,000 -180,000 -159,000 -138,000 -117,000

EXPENDITURES

State Board of Elections:

19,000 19,000 14,000 14,000 14,000

County Boards of Election:

No reliable estimate available.

POSITIONS:

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: State Board of Elections

EFFECTIVE DATE: Checkoff change applies to 1997 tax year. Sections on population and contribution thresholds apply to 1998 primaries, referenda and elections. Section on electronic filing of campaign reports applies to 1998. Section on civil penalties for late filing is effective January 1, 1998.

BILL SUMMARY: S 1. FULL DISCLOSURE ACT OF 1997. Intro. 1/30/97. House committee substitute replaces 3rd edition. Deletes provisions of third edition. Rewrites title as follows: "TO CHANGE THE FILING SCHEDULE OF CAMPAIGN REPORTS; TO REQUIRE THE LISTING OF A CONTRIBUTOR'S PRINCIPAL OCCUPATION AND TO PROVIDE FOR A 'BEST EFFORTS' RULE; TO

REQUIRE THAT COORDINATED PARTY EXPENDITURES BE REPORTED; TO EXPAND REPORTING IN LOCAL ELECTIONS AND REFERENDA AND TO SET A THREE THOUSAND DOLLAR THRESHOLD FOR REPORTING GENERALLY; TO REQUIRE ELECTRONIC FILING OF CERTAIN CAMPAIGN REPORTS AND INTERNET ACCESS; TO PROVIDE FOR CIVIL PENALTIES FOR LATE FILING OF CAMPAIGN REPORTS; TO CLOSE THE SECOND PRIMARY LOOPHOLE FOR CONTRIBUTION LIMITS; TO REWRITE AND EXPAND THE LIMITS ON FUND-RAISING DURING LEGISLATIVE SESSIONS; TO PROVIDE FOR A TWO DOLLAR CHECKOFF FOR THE POLITICAL PARTIES FINANCING FUND; AND TO REQUIRE THAT CONTRIBUTIONS BE DEPOSITED WITHIN TEN DAYS OF RECEIPT.”

Quarterly and semiannual reporting. Amends GS 163-278.9(a) to require treasurer of campaign committee to file quarterly reports with State Board of Elections during even-numbered years when there is an election for the candidate that the committee supports. Effective Jan. 1, 1998.

Donor’s principal occupation; best efforts rule. Amends GS 163-278.11(a)(1) to require list of contributions pursuant to GS 163-278.8 to include principal occupation of each donor. In reporting contributor’s occupation, treasurer must use occupational classifications established by State Board. Provides that report of candidate or committee is in compliance with GS Ch. 163, Art. 22A, if treasurer shows best efforts have been made to obtain and submit information required by article. State Board must issue rules defining what are “best efforts” for purposes of article. Effective Feb. 1, 1998, and applies to all reports due on or after that date.

Reporting of coordinated expenditures. Amends GS 163-278.11(b) to require political party executive committee to report any expenditure that benefits a candidate or group of candidates, including date, amount, and purpose of expenditure as well as names of and offices sought by candidates on whose behalf expenditure was made. Also requires candidate who benefits from that expenditure to report the expenditure, or candidate’s proportionate share that benefited that candidate, as in-kind contribution if the candidate or committee has coordinated with the political party executive committee concerning the expenditure. Effective Feb. 1, 1998, and applies to reports due on or after that date.

Expanded reporting in local elections and referenda; \$3,000 threshold for all reporting. Amends GS 163-278.6(a), regarding definitions for purposes of campaign spending provisions of GS Ch. 163, Art. 22A, to include county and municipal boards of elections conducting local referenda. Removes from definition of “public office” the present exemption of candidates for municipal and county offices in municipalities and counties with populations of less than 50,000. Includes referendum submitted to vote by local government unit or by the people under any local act in definition of “referendum.” Amends GS 163-278.10A to increase to \$3,000 (now, \$1,000) the limit of contributions that candidate may receive and remain exempt from reporting requirements. Applies to primaries, elections, and referenda beginning in 1998.

Electronic reporting. Requires treasurers for candidates for statewide office; treasurers for state, district, county, and precinct executive committees of political parties; and treasurers for political committees that make contributions to candidates for statewide office or make independent expenditures that affect contests for statewide office, to file any required report electronically if report shows over \$10,000 in contributions, expenditures, or loans. Electronic filing is subject to rules issued by State Board. Applies to reports to be filed in 1998.

Internet access. Requires State Board of Elections to provide full access to the public of campaign finance reports over the Internet as soon as feasible.

Civil penalties for late filing. Amends GS 163-278.34 to impose civil penalty on person responsible for reports and documents required to be filed with State Board under GS Ch. 163, Art. 22A, if report or document is not filed by required time. Penalty is cost of enforcement plus \$250 for each day filing is late, up to a total of \$10,000 (in cases involving statewide election), or (2) \$50 per day up to \$1,000 (in case involving local election). Provides for enforcement by State Board of Elections or civil action by Attorney General if violator fails to pay within 30 days after civil penalty due. Requires State Controller to pay the clear proceeds of civil penalties to county school fund in county in which violator resides. Costs of collection presumed to be 10% of civil penalty unless otherwise determined by State Board based on records of expenses it incurs for collection, but not to exceed 50% of civil penalty. Enforcement costs may not exceed 50% “of the sum levied for the enforcement costs and civil late penalty.” Effective Jan. 1, 1998, and applies to reports due on or after that date.

Close the loophole for second primaries. Amends GS 163-278.13(d), defining “election,” to provide that where a candidate is not on ballot in a second primary election, that second primary is not an

“election” with regard to that candidate. (Now, each contributor may contribute up to \$4,000 to candidate for a second primary election even if candidate’s name is not on ballot for that election.) Effective Jan. 1, 1998, and applies to all elections occurring on or after that date.

Fund-raising during General Assembly session. Adds GS 163-278.13B defining “limited contributor” as registered lobbyist, lobbyist’s agent, or political committee that contracts with lobbyist, and “limited contributee” as member of or candidate for Council of State or General Assembly, or political committee whose purpose is to assist such a member or candidate. While General Assembly in regular session, forbids limited contributee or agent to solicit contribution from limited contributor to that contributee or to any other candidate, office holder or political committee, or to solicit a third party to pass on the contribution to the prohibited contributor. During regular session, limited contributor may not make contribution to limited contributee, either directly or through another candidate, officeholder, or political committee, or transfer anything of value to any entity to transfer it to a limited contributee; also, limited contributee may not accept contribution from limited contributor during regular session. Violation is a class 2 misdemeanor. Effective Jan. 1, 1998, and applies to all contributions solicited, made, or accepted on or after that date.

Checkoff for Political Parties Financing Fund. Amends GS 105-159.1(a) to allow individual taxpayer, on state income tax return to designate \$2 (now, \$1) to be credited to Political Parties Financing Fund.

Contributions deposited within 10 days. Amends GS 163-278.14(b) to require campaign treasurer to deposit every contribution within 10 days of receipt. Effective Jan. 1, 1998, and applicable to contributions received on or after that date.

ASSUMPTIONS AND METHODOLOGY:

Revenues

Because the bill would allow taxpayers to double the amount of money credited to the Political Parties Financing Fund from their income tax returns, we assume that twice as much revenue would be earmarked for this fund under the bill. For fiscal year 1996, \$243,033 in tax revenues went to the Parties Financing Fund.

The number of taxpayers crediting money to the fund has decreased steadily over the past few years from 505,936 in 1990 to 243,033 in 1996. Our revenue estimates are based on the assumption that the number of taxpayers crediting money to the Political Parties Financing Fund would decrease at a rate consistent with this history. We assume that the number of taxpayers contributing to the Fund would decrease by 52% between 1996 and 2002.

Costs to the State

Electronic Filing and Internet Access

Estimates for the Board of Elections are based on the assumption that the computerized voter registration system will be implemented. Money was appropriated to design and implement this system, but the Board has not yet initiated the project. Operating funds for the voter registration system have not been appropriated. The additional cost to the Board for electronic filing would be \$5,000 annually for the first two years of the program to upgrade and modify campaign finance software. The cost of providing Internet access would be between \$15,000 and \$20,000 per year to load and store campaign data from two election cycles on the Internet.

The bill would also reduce data processing costs by requiring certain campaign finance reports to be filed electronically. Currently, campaign reports are filed manually, and are keyed in by temporary employees. Electronic filing would eliminate the need to key in these campaign reports. The State Board of Elections does not have precise estimates of how much data entry time could be saved by electronic filing under this bill. However, the Board estimates that requiring electronic filing from statewide candidates, political parties and political action committees could enable the Board to avoid processing as much as 6,000 pages of data each year. The Board believes a workload reduction of this magnitude could save roughly \$4,000 per year in data entry time.

Late Penalties

The bill would also dramatically increase the penalties for late filing of campaign reports. These increased penalties could generate more fees to be collected by the State Board of Elections. However, we cannot estimate the dollar amount of these additional fees because the Board cannot predict how the late penalties will affect compliance with the filing deadlines.

Department of Revenue

According to the Department of Revenue, one-time computer programming changes would be required to implement the provisions of the legislation. The department further estimates a non-recurring cost of \$16,000 is needed to revise the designation for political party financing on individual tax returns from \$1.00 to \$2.00. Based upon the limited amount of funding required, the department may be able to absorb this cost in its \$66 million budget.

County Boards of Election

The bill would eliminate the 50,000 population threshold at which campaign reporting is required of counties and municipalities. It would also raise from \$1,000 to \$3,000 the collection threshold at which candidates would be required to report. However, based on the limited information on local campaign finance collected by the State Board of Elections, we cannot reliably estimate the fiscal impact of either of these changes on the counties.

FISCAL RESEARCH DIVISION

733-4910

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DATE: May 5, 1997



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