

Fiscal Estimate Narratives
GAB 2/5/2008

LRB Number 07-3623/1	Introduction Number SB-001 (DE7)	Estimate Type Original
Description This bill makes numerous changes in the campaign financing law.		

Assumptions Used in Arriving at Fiscal Estimate

This legislation makes numerous changes in campaign financing law. For purposes of this fiscal estimate it is assumed that the law will be in place for the 2008 fall elections for partisan state offices and for the 2009 spring election for Supreme Court campaigns.

This analysis first addresses the fiscal impact of changes in regulated activity including reporting requirements. The analysis then addresses the fiscal impact of changes in providing increased public funding for all statewide and legislative offices except Supreme Court. The analysis addresses the fiscal impact of providing public funding for Supreme Court races separately.

Changes in Regulated Activity

The changes include significant revisions to reporting requirements, restrictions on accepting contributions during the state budget process and scope of regulated activity.

The legislation subjects more financial activity to disclosure by eliminating reporting exemptions for non-resident political committees including national political party committees. The legislation also requires registration and disclosure of a significant amount of activity that is currently unregulated in the form of mass media communications, commonly known as issue ads. In addition, a large number of registrants will be required to file daily reports in the period immediately preceding the election. This will result in an increased workload for agency staff and increased memory capacity for the agency's campaign finance information system.

Currently the agency has three full-time staff dedicated to auditing all campaign finance reports to ensure compliance with existing regulations. This function has been understaffed for more than a decade as campaign receipts and expenditures have skyrocketed. The addition of a full-time campaign auditor will ensure that these new regulatory requirements of the legislation are met.

An additional campaign auditor will cost approximately \$35,000 in salary, \$14,000 in fringe and \$4,000 in support costs annually. In addition there would be one-time set up costs of \$5,000 for the position. Other one-time costs include \$5,000 for developing and printing forms, manuals and other informational materials which are not currently in the agency budget.

Public Funding of Statewide and Legislative Offices (except Supreme Court)

The legislation also provides for a significant infusion of state money to fund political campaigns for state office by increasing the amount of grant funds available and providing matching grants for eligible candidates who are the targets of independent expenditures or whose non-publicly funded opponent exceeds certain spending thresholds.

The increased \$5 taxpayer check-off will generate an estimated \$1.2 million which is slightly more than five times the amount generated by the current \$1 check off for the Wisconsin Election Campaign Fund (WECF). Candidates for Supreme Court will no longer be funded from this account. GPR funds will be used for a separate account described below.

For purposes of determining the amount of funding necessary for the publicly financed grants it is assumed the following number of candidates will qualify for and receive grants:

General Election Grant Amount

Governor 2 @ 1,400,000 2,800,000
Lieutenant Governor 2 @ 175,000 375,000
Attorney General 2 @ 245,000 490,000
State Treasurer 2 @ 87,500 175,000
Secretary of State 2 @ 87,500 175,000
State Senator 20 @ 52,500 1,050,000
State Representative 145 @ 26,250 3,806,250

Total funding for partisan contests 8,871,250

Note for the 2008 fall election cycle, funding only applies to the legislative races. This would require \$4,856,250 in funds for the 2008 fall election cycle.

2009 Spring and special elections

State Superintendent 2 @ 87,500 175,000
State Senator 2 @ 52,500 105,000
State Representative 4 @ 26,250 105,000

Total 2009 funding for non-partisan and special election contests \$385,000.

For the purpose of estimating the possible match for independent expenditures, it is assumed that the level of independent expenditures for the 2008-2009 cycle is equal to the amount reported to the State Elections Board in 2003-2004. This amount would increase significantly in years in which the statewide partisan offices are up for election –Governor, Lieutenant Governor, Attorney General State Treasurer and Secretary of State. Based on that assumption the amount of independent expenditures that could be matched under the proposed legislation is \$2,570,300.

This estimate assumes no additional funding for matching spending by candidates that do not accept the public funding.

The agency will have to hire 6 LTEs at the Financial Specialist 2 level to audit and process the application and distribution of payments during even numbered years. The salary and fringe costs will be \$87,400. Initial set-up costs for the positions will be \$20,000 plus administrative costs of \$5,400 for the positions.

The legislation provides for the establishment of a Public Integrity Endowment Fund administered by the Government Accountability Board. The Fund will solicit contributions to increase the amount of money in the WECF. Contributions to the fund will be eligible for an income tax credit.

Public Funding of Supreme Court Campaigns

This legislation also establishes a means of providing public funds for candidates for Supreme Court Justice in primary and election campaigns through the Democracy Trust Fund, a segregated fund established by the legislation. The legislation establishes detailed criteria for qualifying for and complying publicly funded grants from the Democracy Trust Fund. It also establishes a series of matching grants if a qualified candidate accepting a grant is opposed by a non-qualifying candidate or the qualifying candidate is targeted by a significant amount of independent expenditures.

These detailed criteria will require the dedication of the equivalent of a full time resource to monitor compliance and ensure that all disbursements are timely distributed. The individual assigned to this project will have to audit reports, including special reports mandated by the legislation and direct the State Treasurer to make the proper disbursements in a timely manner. The work would be full time from January of an election for Supreme Court Justice through the following August. In addition, significant time would be dedicated to monitoring reports and determining eligibility from July preceding an election for Supreme Court Justice through December before the election.

Currently the agency has three full-time staff dedicated to auditing all campaign finance reports to ensure compliance with existing regulations. This function has been understaffed for more than a decade as campaign receipts and expenditures have skyrocketed. The authorization of an additional full-time campaign auditor will ensure that the requirements of the legislation are met and enable the agency address administrative issues resulting from the regulatory changes describe earlier in the fiscal estimate.

An additional campaign auditor will cost approximately \$35,000 in salary, \$14,000 in fringe and \$4,000 in support costs annually. In addition there would be one-time set up costs of \$5,000 for the position. Other

one-time costs for the judicial public financing component include \$2,500 for developing and printing forms, manuals and other informational materials which are not currently in the agency budget

The Democracy Trust Fund would require an infusion of as much as \$2,800,000 in a contested election for Supreme Court Justice. Each qualifying candidate would be eligible for up to \$100,000 in campaign grants for the primary and \$300,000 in campaign grants for the election. If there are three qualifying candidates in the primary and two in the election the total amount of funding required would not exceed \$900,000.

However, if a qualifying candidate is opposed by non-qualifying candidates who exceed the spending limit by more than the amount of the grant, the qualifying candidate could receive an additional \$300,000 in the primary and \$900,000 in the election. If the qualifying candidate is targeted by independent expenditures that exceed the spending limit, the qualifying candidate could receive as much as an additional \$300,000 in the primary and \$900,000 in the election.

Long term funding issues

The public funding component will require \$7,000,000 in additional biennial funding to keep the legislative office accounts funded at the expected participation level. Statewide races will require at least another \$5,000,000 in funding. This does not include funding for matching spending by candidates that do not accept the public funding.

Historically only a small number of elections for Supreme Court Justice are contested in a 10 year period. This would limit the amount of funds required for the Democracy Trust Fund over a ten-year cycle. The incentives in the legislation could keep the spending to the scenario where all candidates qualify for public funds. This would increase the administrative impact on the agency staff to track qualification for and adherence with the detailed fundraising and reporting requirements, but would reduce the potential outlay from the Democracy Trust Fund.

Total agency ongoing staffing increases would be two campaign auditors.

Long-Range Fiscal Implications