



**Fiscal Estimate Narratives**  
**GAB 2/5/2008**

LRB Number <b>07-2715/2</b>	Introduction Number <b>AB-0704</b>	Estimate Type <b>Original</b>
<b>Description</b> Creation of the clean elections fund		

**Assumptions Used in Arriving at Fiscal Estimate**

This legislation expands the scope of regulated campaign finance activity to require the registration and reporting of "issue ad" expenses relating to candidates for statewide, partisan state offices, and political parties. The legislation also creates a new source of funding, the Clean Elections Fund (CEF) for legislative campaigns. The money for the CEF is derived from a 10% tax on lobbying expenses by principals.

The Wisconsin Election Campaign Fund (WECF) continues, but it only provides funds for candidates for statewide office. This account continues to be funded by the \$1 taxpayer check off.

Legislative candidates are required to raise seed money in contributions of \$100 or less to qualify for a grant from the CEF and to fund their campaign before approval for receipt of a grant. There are no spending or self-contribution limits.

Legislative candidates are eligible for grants based on the amounts listed below:

State Senate candidates: \$50,000 in the primary and \$100,000 in the general election  
Assembly candidates: \$25,000 in the primary and \$50,000 in the general election

Certain unopposed qualifying legislative candidates are eligible to receive grants based on a formula related to average candidate expenditures over a 4-year period. Candidates may also receive grants to offset issue ad disbursements.

The fiscal effect of this legislation consists of two components: payment to eligible candidates funded by the tax on lobbying activities and costs of implementation.

**Candidate payments**

Imposing a tax on lobbying activity to fund legislative races is almost certainly unconstitutional. See, e.g., *Murdock v. Commonwealth of Pennsylvania*, 319 U.S. 105 (1943). This estimate, however, does not account for this.

It is not possible to accurately estimate all of the potential costs for candidate payments. The estimate assumes the following payments to legislative candidates in a two-year election cycle based on 50% of the candidates accepting a grant:

**Assembly Candidates**

Unopposed candidates accepting grants: 65/130 candidates in the primary; 19/37 candidates in the general. The amount cannot be estimated because the agency has not calculated data on average expenditures for unopposed assembly candidates over the past 4 years.

Opposed candidates accepting grants: 39/77 in the primary = \$975,000. 31/62 in the general = \$1,550,000

Additional matching grants – The amount cannot be estimated because the agency does not have data on issue ad expenses related to legislative candidates.

**Senate Candidates**

Unopposed accepting grants: 13/25 in the primary; 12/24 in the general. The amount cannot be estimated because the agency has not calculated data on average expenditures for unopposed state senate candidates over the past 4 years.

Opposed accepting grants: 4/8 in the primary = \$200,000; 13/26 in the general = \$1,300,000.

Additional matching grants - amount cannot be estimated because the agency does not have data on issue ads expenses related to legislative candidates.

#### Costs of implementation

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. 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 the requirements of the legislation are met and enable the agency address a backlog of audits

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.

#### **Long-Range Fiscal Implications**