

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5733/1	Introduction Number SB-861	
Description the definition of political action committee for campaign finance purposes, public financing of campaigns, and making an appropriation		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.521(1)(a), (g)		
Agency/Prepared By ETHC/ Julie Nischik (608) 261-2035	Authorized Signature Dan Carlton (608) 267-0715	Date 3/2/2020

Fiscal Estimate Narratives

ETHC 3/2/2020

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Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 861 includes two changes that would have significant fiscal implications for the Ethics Commission. First, the definition of Political Action Committee (PAC) is amended. Second, the bill creates a public campaign financing trust fund from which eligible candidates may receive amounts to finance their campaigns.

Regarding PACs, the new definition would also capture a person, other than an individual, that spends more than \$1,000 in a 12-month period on expenditures for express advocacy or communications that are susceptible to no reasonable interpretation other than an appeal to vote for or against a candidate, expenditures made to support or defeat a referendum, and contributions made to a candidate committee, legislative campaign committee, or political party. This change would likely increase the number of PACs registered with the Ethics Commission, and would likely increase the number of out of state PACs. With the increase in registration, there is a likely corresponding increase in staff time to process the registrations. Staff time would also increase to monitor, audit, assist, and communicate with these additional registrants. Ethics Commission staff would need to update all references in manuals and training materials to reflect the change in definition. Additionally, the language in the bill expanding the definition of a PAC could lead to an increase in the number of requests for advice, complaints, and litigation, increasing staff time to address. The increase in the number of registered PACs would likely increase the revenue associated with the annual Filing Fee.

Concerning the option for public campaign financing created by the bill, implementation would have a significant impact on the Commission's budget. First, as drafted, the new public financing option would be available to state and local candidates. Prior public financing laws in Wisconsin applied only to specified state level officials. The number of candidates required to register in the Ethics Commission's existing Campaign Finance Information System (CFIS) could increase by up to four times. Commission staff anticipate a greater need to be in close communication with municipal and county clerks in order to ensure compliance of reporting by local candidates.

Implementation would require several major changes to CFIS. Currently, candidates running for state office are required to register and report in CFIS. The bill as drafted may require local, school board, and county candidates to also register and report in CFIS if they wish to apply for public financing. This functionality is not currently supported and would require modifications to CFIS. Additionally, as the system contemplates candidates applying for public funding with the Commission, the Commission would likely need to build that application into CFIS. Commission staff would work with the developers of CFIS to build a form to meet the criteria for applications.

Commission staff would then review applications for public financing. The Commission would make a final determination of who is eligible to receive public financing, which could result in an increase in the number of Commission meetings, and the costs associated with meeting more frequently. The Commission would then certify to the State Treasurer those candidates who are eligible to receive public funding. That process is not defined in the bill, but could be a manual process or an online transmission of information from CFIS to a system owned by the State Treasurer. The bill also does not define whether candidates will make one application per campaign period, or multiple applications. Multiple applications would require many more staff to review and monitor applicant's reports.

The bill requires the Commission to maintain the compliance status of those who are receiving public financing. The Commission would need to hire additional staff to monitor and audit these additional candidates in the system. The Ethics Commission currently has five Ethics Specialist positions, and would need additional Ethics Specialists to assist with registration, reporting, and training needs of the additional candidates. In addition to

Ethics Specialists, the Commission would need additional positions to audit the data reported by these candidates to maintain compliance and eligibility for public financing. Due to the limited information provided in the bill on timelines for application, receipt, and compliance, Commission staff assume audits will be ongoing through the year. Staff expect an increase in overhead costs, including more office space, due to the increase in the number of staff required to manage this project.

Due to the dramatic increase in customer base for the Ethics Commission, staff would require more sophisticated software to manage communications with candidates.

There would be an initial need for training statewide to clerks, candidates, and other stakeholders in reporting data in CFIS.

Long-Range Fiscal Implications

Overall, the bill would increase pressure on existing staff by increasing the customer base, as outlined in the assumptions section.

The change in definition of a PAC would increase the number of committees that Commission staff work with today, however the exact number of additional committees is unknown. Therefore, it's not possible to estimate an amount of increase on existing staff resources in the long term.

The revenue for filing fees WIS. STAT. 20.521(1)(g) would likely increase, but without knowing how many more PACs would be required to pay the annual fee, it's not possible to estimate the exact revenue increase.

The fiscal impacts of public financing are unknown, but would likely be significant. Staff expect an initial need for an increase in GPR to pay for updates to CFIS. It is unknown how many of hours of work would be required to make the necessary changes to the system. Staff estimate on the low end of a few hundred hours, to the high end of a few thousand hours of developer, business analyst, and project manager time. The current hourly rate for a developer, based on the FY2020 contract with PCC Technology, is \$110 per hour. The business analyst rate is \$125 per hour, and the project manager rate is \$154 per hour.

On an ongoing basis, the Commission would need additional position authority for Ethics Specialists and Auditors to manage, monitor, train, and audit the new users of the system. The number of staff required to handle the amount of work associated with this bill is unknown, but could not be accomplished by existing staff. With the increase in the number of staff, overhead costs would increase. Our existing office space can only accommodate one additional staff person. Assuming the minimum of two additional staff, more office space would be required.

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description the definition of political action committee for campaign finance purposes, public financing of campaigns, and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): CFIS Development, cost unknown Training for roll out of new program, cost unknown			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	\$0
	(FTE Position Changes)		(-0.0 FTE)
	State Operations - Other Costs		0
	Local Assistance	0	0
	Aids to Individuals or Organizations	0	0
	TOTAL State Costs by Category	\$0	\$0
B. State Costs by Source of Funds			
	GPR		0
	FED	0	0
	PRO/PRS (Program Revenue)		0
	SEG/SEG-S	0	0
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$0	\$0
	GPR Earned	0	0
	FED	0	0
	PRO/PRS (Program Revenue)		0
	SEG/SEG-S	0	0
	TOTAL State Revenues	\$0	\$0
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$0	\$
	NET CHANGE IN REVENUE	\$0	\$
Agency/Prepared By		Authorized Signature	
ETHC/ Julie Nischik (608) 261-2035		Dan Carlton (608) 267-0715	
		Date	
		3/2/2020	