



Legislative Fiscal Bureau

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TO: Members
Senate Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Fiscal Effect of Senate Substitute Amendment 1 to 2001 Senate Bill 104

Two memoranda prepared by the Legislative Council describing the provisions of Senate Substitute Amendment 1 to 2001 Senate Bill 104 (SSA 1 to SB 104) were distributed to the Committee on January 18, 2002. This memorandum discusses the fiscal effect of SSA 1 to SB 104. Specifically, the memorandum identifies: (a) changes in the Wisconsin Election Campaign Fund (WECF) funding of campaign grants; (b) revenue sources for the WECF; (c) administrative costs of the Elections Board; and (d) public information funding.

Wisconsin Election Campaign Fund Grants

SSA 1 to SB 104 would make the following changes to the WECF grant program, to first apply to elections held on the day after publication.

Spending Limits for Grant Recipients. SSA 1 to SB 104 would amend the spending limits for candidates accepting grants under the WECF as follows:

<u>Office</u>	<u>Current Law</u>	<u>SSA 1 to SB 104</u>
Governor	\$1,078,200	\$2,000,000
Lieutenant Governor	323,475	500,000
Attorney General	539,000	700,000
Secretary of State	215,625	250,000
Treasurer	215,625	250,000
Superintendent	215,625	250,000
Justice	215,625	300,000
Senator	34,500	120,000
Representative	17,250	60,000

General/Spring/Special Election Grants. SSA 1 to SB 104 would provide that the maximum WECF grant available to a candidate in a general/spring/special election be 45% of the spending limit for the office, or the amount of funds necessary, when combined with other contributions, to provide 100% of the spending limit for that office, whichever is less. SSA 1 would increase the maximum potential grant amounts for all elective offices covered under the WECF, as the spending limits for all elective offices covered under the WECF would increase under the bill. Applying Election Board assumptions as to participation by candidates in the WECF and assuming all participating candidates would receive the maximum WECF grant, the following table identifies the grant amounts for the different offices for general/spring/special election grants in the 2001-03 biennium under SSA 1 to SB 104.

<u>Office</u>	<u># of Grant Recipients</u>	<u>Grant Funding (2002-03)</u>
Governor	2	\$1,800,000 (General)
Lieutenant Governor	2	450,000 (General)
Attorney General	2	630,000 (General)
Secretary of State	0	0
State Treasurer	0	0
State Senator	10	540,000 (General)
State Representative	75	2,025,000 (General)
Supreme Court	2	270,000 (Spring)
State Senator	2	108,000 (Special)
State Representative	4	<u>108,000 (Special)</u>
Total	99	\$5,931,000

Increased Grants for Primaries. Current law provides no grants for candidates facing primary elections. Under SSA 1 to SB 104, a candidate qualifying for a general/spring/special election grant, who faced an opponent on the ballot during the primary and submitted timely nomination papers with the required number of signatures, would qualify for a maximum general/spring/special election grant of up to 55%, rather than 45%, of the spending limit for the office. Using Elections Board assumptions as to the number of candidates qualifying for WECF grants in 2001-03 under SSA 1 to SB 104, and assuming that all of these candidates qualified for a 55% grant, it is estimated that there could be as much as \$1,318,000 in grants relating to primaries in 2001-03. The actual amount of primary grants could be lower in 2001-03 as: (a) not all WECF candidates would likely qualify for the 55% grant; (b) some number of WECF candidates would have run unopposed in the primary and would therefore not qualify for a primary grant; and (c) some number of WECF candidates might have collected enough signatures to be on the general/spring/special election ballot, but not enough to qualify for a primary grant.

Supplemental Grants. Current law provides no supplemental grants. SSA 1 would provide the following matching supplemental grants to WECF candidates: (a) grants to offset the sum of all independent disbursements from committees acting independently of the candidate's opponent whose disbursements support the election of the candidate's opponent or directly oppose the election of the WECF candidate that exceed 10% of the spending limit for the office; (b) grants to

offset the sum of all issue ad disbursements that exceed 20% of the spending limit for the office; and (c) grants to offset opposing candidate's disbursements that exceed the spending limits for the office.

As the amount of independent disbursements, issue ad disbursements and candidate disbursements exceeding applicable spending limits can vary widely from race to race and election cycle to election cycle, there are no current estimates as to the potential cost of supplemental grants in 2001-03. It should be noted, however, that SSA 1 to SB 104 creates no ceiling on the permissible level of such supplemental grants under the WECF.

Cost of Living Adjustment. SSA 1 to SB 104 would create a cost-of-living adjustment for spending limitations to be determined by the Elections Board. This is discussed in more detail in the Legislative Council memorandum. It should be noted, however, that the cost-of-living adjustment provisions would not take effect until the 2003-05 biennium. Thus, there would be no cost to this provision in 2001-03.

Summary of WECF Grant Funding Under SSA 1 to SB 104. The following table identifies the categories of expenditures under SSA 1 to SB 104 and an estimate of those expenditures where appropriate.

<u>Expenditure Category</u>	<u>Estimate of 2001-03 Costs</u>
General/Spring/Special Election Grants-All Offices	\$5,931,000
Increased Grants for Primaries-All Offices	Up to \$1,318,000
Independent Disbursements-Supplemental Grants	Unknown
Issue Ads-Supplemental Grants	Unknown
Spending Limits Exceeded-Supplemental Grants	Unknown
Cost of Living Adjustment	0

Revenue Sources for the WECF

Under SSA 1 to SB 104, revenues for the WECF would be generated as follows:

Income Tax Check-off. Under current law, a person may make a \$1 check-off on the taxpayer's income tax return, with the money deposited to the segregated Wisconsin Election Campaign Fund. Because the check-off does not increase a tax filer's tax liability, funds generated through the check-off are transferred to the WECF from a sum sufficient GPR appropriation, currently estimated at \$325,000 GPR annually. SSA 1 to SB 104 would increase the income tax check-off from the current \$1 to \$5, along with a provision allowing taxpayers to designate whether the money be placed in the WECF's general account or into a newly-created WECF political party account. If taxpayer check-offs to the WECF would continue at the current rate, the \$5 check-off would generate \$1,625,000 GPR annually for transfer to the WECF, with an increase to the sum sufficient GPR appropriation of \$1,300,000 annually. If the bill is enacted by July 31, 2002, the increase would first apply to tax returns filed for 2002, with increased funding first transferred to the WECF in 2002-03.

Certain Campaign Contributions. Under SSA 1, certain campaign contributions, which under current law are required to be returned or donated to charitable organizations or to the common school fund, could instead be donated to the WECF. As these WECF donations would be optional, there is no estimate as to the revenue that would be generated under these new provisions.

Sum Sufficient GPR Appropriation. Finally, SSA 1 would create a sum sufficient GPR appropriation, equal to the amounts required to make full payment of WECF grants, which would be transferred to the WECF. Any shortfall in revenues in the WECF would be made up through this GPR appropriation in order to fully fund all WECF grants. The amount of funding needed for this appropriation cannot be estimated at this time, primarily because there is no history upon which to base cost estimates for the new supplemental grants, to be provided to counter independent disbursements, non-grant candidate expenditures and independent expenditures. Fiscal estimates prepared by the Elections Board for SB 104 and SB 62 assume that no supplemental grants will be distributed. However, it would seem that some amount of supplemental grant funding would likely be awarded given that the recent cost of some campaigns has significantly exceeded even the higher disbursement levels contained in SSA 1. As there would be no ceiling on the amount of supplemental grants, the sum sufficient GPR expenditure could be significant.

Using Elections Board estimates for general/spring/special election grants in 2002-03, the 2002-03 expenditures from the two sum sufficient appropriations supporting the WECF would be estimated at \$5.9 million, an increase of \$5.6 million from the current base. Note that this excludes estimates for supplemental grants and increased grants for primaries.

Additional Elections Board Positions and Funding

SSA 1 to SB 104 would create 2.0 GPR positions in the Elections Board (1.0 campaign finance investigator and 1.0 auditor) and provide \$76,100 GPR in 2001-02 and \$85,100 GPR in 2002-03 to the Elections Board's general program operations appropriation.

Public Information

Finally, SSA 1 would authorize the Elections Board to annually have transferred to a WECF public information account, up to 5% of the amount transferred to the WECF in that year, to provide public information concerning the WECF and its income tax check-off. As a result, if the Elections Board requested 5% of the amount transferred to the WECF in a given year for public information, the request itself would change the amount transferred to the WECF in a given year, prompting a need to re-calculate what amount would represent 5% of the amount transferred to the WECF in a given year. If SSA 1 were amended so that the 5% applied only to the amount transferred to the WECF from the \$5 tax check-off, up to \$81,300 annually would be available for public information. If the 5% limit is applied to the newly-created sum sufficient appropriation as well, as SSA 1 is currently drafted, more money would potentially be available to the Board for public information activities.

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