

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 1, as amended

**SHORT TITLE:** Campaign Reform Act of 1997

**SPONSOR(S):** Senator Gulley

**FISCAL IMPACT**

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

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

**EXPENDITURES:**

General Fund                              No          Fiscal          Impact

Local Funds                                No          Estimate      Available

**POSITIONS:** None for the State Board of Elections

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** State Board of Elections, county boards of election

**EFFECTIVE DATE:** January 1, 1998 for electronic filing, and reporting in local elections.

**BILL SUMMARY:**

- 1. Lower the Contribution Limit. – Currently, the contribution limit is \$4,000 per donor per donee per election. **The bill would lower the limit to \$2,000.****
- 2. Close Soft Money Loophole. -- Currently, political party executive committees are exempt from the contribution limit on both ends: They may receive contributions without limit, and they may give contributions without limit. **The bill would remove the exemption at both ends and treat party committees like other political committees with respect to contribution limits.****

3. **Close Family Loophole.** – Currently, members of a candidate's immediate family (spouse, parents, brothers, sisters) may contribute to the candidate without limit. **The bill would remove the exemption and treat family members like other individuals with respect to contribution limits.**
4. **Close Second-Primary Loophole.** – Currently, an "election" for purposes of the \$4,000 contribution limit is a first primary, a second primary, or a general election. The State Board of Elections has ruled that the law means a candidate may receive an extra \$4,000 from a contributor for a second primary even if the candidate is not on the ballot in a second primary. **The bill would clarify that a second primary triggers an extra \$2,000 (see Item 1) in contributions from a donor only if the candidate is on the ballot in a second primary.**
5. **Electronic Filing and Access: Statewide and Legislative Elections.** – Currently, campaign treasurers are not required to file campaign-finance reports electronically. The State Board of Elections has sought to encourage electronic filing by giving treasurers a disk showing them the format it uses. The Board says electronic filing enables it to make the campaign data accessible to the public much more quickly. But few campaigns have chosen to file electronically. **The bill would require electronic filing for all statewide and legislative campaigns by 1998. It would also require the State Board of Elections to provide public access on the Internet for all campaign finance reports as soon as feasible.**
6. **Quarterly Filing During Election Year.** -- Currently, the schedule of reporting during an election year is: One report 10 days after filing candidacy or forming a committee, one report 10 days before the primary, one report 10 days before the general election, and an annual report. A candidate defeated in a primary must file a report 30 days after that defeat. During an off-year, only an annual report is required. **The bill would replace the current schedule of campaign reports with a system of quarterly reports during every even-numbered year and semi-annual reports every odd-numbered year. To prevent the quarterly schedule from being *less* informative to the public than the current schedule, the bill makes the third quarterly report due 10 days before the general election and requires that it must cover the period up to 17 days before the election. (The bill also requires the State Board of Elections to study the feasibility of monthly reports during an election year, with weekly reports during the month before an election.)**
7. **Donor's Occupation.** -- Currently, a campaign treasurer must identify on the campaign finance report the name and address of every contributor who gave over \$100 per election. Under the law governing federal elections, and in the law of 27 states, the treasurer must also report the donor's occupation. **The bill would add donor's occupation to North Carolina's reporting requirement. It would leave in place the \$100 threshold on identifying contributors.**
8. **Reporting in Local Elections and Referenda.** – Currently, there is an exemption from campaign-finance reporting for all candidates for county and municipal offices in any county or city with a population of less than 50,000. Candidates in those smaller local elections

already are subject to contribution limits and other campaign-finance regulations. But they are exempted from reporting, no matter how much money they receive or spend. In local referenda, no reporting is required, no matter the size of the locality. **The bill would change the population threshold for campaign -finance reports in local government elections from 50,000 to 10,000. It would require candidates in local elections in cities and counties over 10,000 to report. (The bill would leave unchanged a current exemption from reporting by any kind of candidate or political party committee if no financial activity in the campaign exceeds \$1,000.) The bill would also require reporting in referenda of cities and counties, regardless of population.**

9. **Clarify/Expand the Limitation on Fundraising During Session**. – Currently, legislators and Council of State members are prohibited from accepting contributions made by "or at the behest or recommendation of" a registered lobbyist during the long session of the General Assembly. The law exempts from that prohibition any "political committee that operates on a statewide basis in conjunction with the executive committee of a political party for the purpose of assisting that party's candidates for Council of State or General Assembly." **The bill would clarify who is a prohibited donor by specifying that legislators or Council of State members may not receive contributions during the long session from lobbyists or from any political committees that have lobbyists or whose parent entities have lobbyists. And the bill would change who is a prohibited donee by removing the exemption for gifts to the statewide party committees designed to help legislative or Council of State candidates.**

## ASSUMPTIONS AND METHODOLOGY:

### State Board of Elections

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 recurring costs to the State resulting from Senate Bill 1 would be \$5,000 per year to upgrade and modify software as needed. This additional cost could be covered from *savings* as a result of reduced data processing costs. The bill would reduce data processing costs by requiring 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. However, if reports were filed electronically by statewide and legislative candidates, state political parties and political action committees, the Board could avoid processing around 24,000 pages of data each year. The Board believes a workload reduction of this magnitude could save roughly \$16,000 per year in data entry time. This savings would exceed the \$5,000 cost for upgrading and modifying software.

This analysis is based on the assumption that campaigns would bear the cost of transmitting their reports to the State Board of Elections.

The Board does not expect the increased frequency in reporting to affect its workload.

All estimates are in 1997 dollars.

### **Costs - County Boards of Election**

According to the State Board of Elections, 50 counties and 38 municipalities would be affected if the population threshold at which campaign reporting is required were lowered to 10,000 from 50,000. However, based on the limited information collected by the State Board of Elections, we cannot reliably estimate what this change would cost all counties affected by it. Rather than draw conclusions from limited cost data, we summarize the data below.

The State Board of Elections interviewed election officials in nine counties, and asked them how lowering the population threshold from 50,000 to 10,000 would affect their budgets. Of the nine counties, five would be affected by this lower threshold. Of these five, three believed that the lower threshold would have no impact on their budgets. Another county has 25 elected county seats, many of which represent competitive races. The office is also operating at full capacity, and would need to add a position and office space, at an annual cost of between \$20,000 and \$25,000. Non-recurring costs for this county would be roughly \$4,500 in the first year. A fifth county expects to incur additional costs of around \$140 per year as a result of this legislation.

From the interviews with officials from nine counties, the Board of Elections gathered data on nine municipalities that would be affected if the population threshold were lowered from 10,000 to 15,000. Of these nine municipalities, five would incur no additional costs, two would incur costs of about \$100 per year, one would incur additional costs of around \$70 per year, and one would incur additional costs of around \$1,300 per year.

These interviews were conducted before Senate Bill 1 was amended to raise both the population threshold from 10,000 to 15,000, and the contribution threshold from \$1,000 per candidate to \$3,000 per candidate.

None of the counties surveyed expect the requirement to collect finance reports on referenda to affect their budgets.

**TECHNICAL CONSIDERATIONS:** This analysis is based on the passage of the attached amendment which eliminates references to the Board providing Internet access, and which requires the Board to implement this bill within its existing budget.

**SOURCES OF DATA:** State Board of Elections, county boards of election in the following counties: Wake, Bladen, Wayne, Vance, Moore, Pitt, Watauga, Granville, and Lee.

**FISCAL RESEARCH DIVISION**  
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**DATE:** February 4, 1997



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