

Prepared by: Haylee Morse-Miller
Reviewed by: John Borden, Ken Rocco
Date: May 30, 2019

Measure Description:

Requires covered organization to file donor identification list that identifies donors that made donations above specified amount to covered organization.

Government Unit(s) Affected:

Department of Justice (DOJ), Secretary of State (SOS)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

HB 2983 - 6 changes campaign finance regulations related to covered organizations, defined as a combination of two or more individuals, or a person other than an individual, political committee, petition committee or a not-for-profit corporation that is tax exempt under section 501(c)(3) of the Internal Revenue Code, that both accepts donations and makes political communications. The measure also defines electioneering thresholds, defined as limits on the amount that can be spent on political communications by a covered organization for particular items on the ballot:

- For a legislative race, less than \$25,000.
- For a measure, less than \$100,000.
- For a city measure in a city with less than 60,000 people, less than \$25,000.
- For a county measure in a county with less than 60,000 people, less than \$25,000.
- For a political committee, less than \$100,000.
- For a state office, less than \$100,000.

Covered organizations that exceed the electioneering threshold for legislative races, measures, political committees or statewide races must file with the Secretary of State (SOS) a list identifying donors who have donated more than \$10,000 to a covered organization during the election cycle. Lists must be continually updated by the covered organization during the election cycle and be made available to any person by SOS upon request. SOS may hold hearings and impose civil penalties on covered organizations that fail to meet the regulations outlined in this measure. Civil penalties are credited to the General Fund.

The measure requires that a person may not hide their donations by reimbursing another person for making a donation or making a donation in another name, and adds the Department of Justice (DOJ) as an authority that may issue subpoenas to determine compliance with this measure. The measure further broadens the definition of 'communication in support of or in opposition to a clearly identified candidate or measure'. Lastly, the measure changes the threshold for individuals to file a statement of independent expenditures with SOS, from \$750 to \$250. Accounts kept by candidates, political committees, petition committees, and persons making independent expenditures of more than \$250 may be inspected.

This measure takes effect on passage.

Department of Justice

DOJ anticipates that some Assistant Attorney General time, equivalent to 0.10 FTE in 2019-21 and 2021-23, will be required to enforce this measure due to increased civil penalty hearings. This is anticipated to have minimal fiscal impact.

Secretary of State

SOS anticipates a fiscal impact as a result of this measure, but the full costs are indeterminate at this time.

SOS anticipates that the largest cost driver in the short term will be needing to hire three new Compliance Specialist 2 positions (3.00 FTE) at a total cost of \$569,058 General Fund in the 2019-21 biennium. Each position includes \$170,708 in Personal Services and \$18,979 in Services and Supplies.

The Compliance Specialists will manually accept/review/maintain lists of filings, answer questions, conduct investigations, oversee civil penalties and case hearings, and fulfill public records requests. Many of these processes will need to be done manually as the bill has an emergency clause and takes effect on passage. This means that in the short term there will likely be minimal IT costs.

In the long-term there could be increased IT costs as some of these processes are moved online, but there would also be decreased Personal Services costs with automation of some processes. SOS anticipates that upgrades to ORESTAR could mean elimination of two of the three Compliance Specialist 2 positions. However, the total costs of system upgrades require additional analysis.

In addition to staffing and IT costs, SOS foresees potential increased legal expenses and costs related to rulemaking and public education. These costs are currently indeterminate but likely to be minimal.

Note that it is possible that the costs related specifically to the implementation of the changes required by this bill could be absorbed by current agency staff, pending other changes needed to the agency's budget in the 2019-21 biennium.