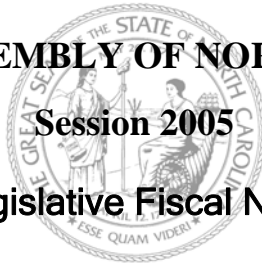


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 1851 (First Edition)

SHORT TITLE: Legislative Campaigns Pilot.

SPONSOR(S): Representatives Hackney, Howard, and Ross

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
EXPENDITURES:	\$1,584,560 in FY 2007-08 based on numerous assumptions. See Pilot Fund Assumptions and Methodology.				
Board of Elections	\$20,000	\$2,000	\$2,000	\$2,000	\$2,000
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State Board of Elections					
EFFECTIVE DATE: The pilot program will become effective July 1, 2006 and will begin in 2008. The remainder of the act is effective when it becomes law.					

BILL SUMMARY: This bill enacts a new Article 22G of GS Chapter 163 to establish a pilot program for public financing of campaigns for seats in the General Assembly. The pilot will begin in 2008 and apply to two Senate seats and two House seats. The House and Senate majority and minority leaders will each select a different district for the pilot from a list of districts in which the candidates have volunteered to participate and report their selections to the State Board of Elections (BOE) by August 1. If any of them fails to report a selection by August 1, the BOE must make that selection by August 10.

Candidates in these districts may opt in during the qualifying period. Before opting in they may raise and spend up to \$5,000. To opt in, a candidate must make a declaration of intent to run his or her campaign out of one account and to abide by the contribution and expenditure limits in the act. Candidates qualify for public funding by receiving a specified number (150 for House and 300 for Senate) of qualifying contributions (contributions of between \$10 and \$100 from individual voters in the district) totaling at least \$6,000 but not more than \$40,000 for Senate seats and at least \$3,000 but not more than \$25,000 for House seats. After opting in, a candidate may accept only qualifying contributions, contributions under \$10 from voters in the district, contributions from the candidate up to \$1,000, and contributions of up to \$1,000 from close family members (subject to a \$2,000 cap for contributions from all family members).

This bill establishes the North Carolina Legislative Campaigns Pilot Fund to be funded by state appropriations, voluntary donations, and unspent Fund revenues. Public funding will not be available for uncontested primaries or general elections. Public funding may be used for rescue

funding if a non-participating candidate is outspending a participating candidate in a contested primary. Public funding for general elections will be at least \$50,000 for House seats and \$75,000 for Senate seats or the median spending for contested House and Senate seats in the last two general elections, whichever is more. This bill establishes reporting requirements for participating and certified candidates, noncertified candidates, and independent expenditure entities.

Individuals, political committees, and other entities that violate the new Article will be subject to a civil penalty under Article 22D of GS Chapter 163 (NC Public Campaign Financing Fund). This bill enacts new GS 163-278.13(e3) to prohibit nonparticipating candidates from accepting contributions within 21 days before a general election if they have a participating opponent, the contribution would cause the candidate to exceed the trigger for rescue funding, and the participatory candidate has not received the maximum rescue funding.

ASSUMPTIONS AND METHODOLOGY:

Public Funding Estimate:

The following information is based on two candidates on the ballot in the Democratic and Republican primaries in each of the four legislative districts. The calculations provide for one candidate in each primary (two candidates for House races and two candidates for Senate races) to receive the maximum rescue funds. It provides for the nominees of each primary election to receive the general allocation from the fund and for one candidate in each House and Senate district to receive the maximum rescue funds in the general election.

Rescue funds - Primary

Each participating candidate may receive rescue funds during the primary. Each participating candidate may receive up to \$50,000 in a House race and \$80,000 in a Senate race. It is possible to have four partisan primary elections for a total of \$200,000 for two House races and \$320,000 for two Senate races in maximum rescue funds, assuming that each of the four primaries have only one participating candidate. If a primary has three or more candidates, it is possible that more than one primary candidate will participate in the pilot.

General Allocation – General Election

Based on preliminary estimates, two participating candidates in the House will receive the minimum amount of the general allocation, which is \$50,000, and two participating candidates in the Senate will receive approximately \$83,070, an amount in excess of the minimum amount of the general allocation, \$75,000. The estimates were obtained by examining 2004 campaign expenditure reports for candidates from the two major parties and excluding donations to other candidates or political committees. The amount of public funding for the 2008 races will be determined by examining the median amount of campaign expenditures for the 2004 and 2006 General Assembly races. The total general allocation will be no less than \$200,000 for two House races and approximately \$332,280 for two Senate races for four candidates in the general election.

Rescue funds – General Election

Each qualifying candidate may receive rescue funds during the general election. If any of the selected races have non-participating competition, the participating candidates may receive \$100,000 for a House race and \$166,140 for a Senate race in rescue funds during the general election. If either race has two participating candidates but one candidate has an independent

expenditure entity support either candidate, the other participating candidate may receive rescue funds. The total maximum rescue funds available during the general election will be \$200,000 for both House races and \$332,280 for both Senate races.

Total Public Funding

Assuming that each of the eight primary elections contained *only one* participating candidate that received the maximum rescue funds, eight candidates received the general allocation, and four candidates received the maximum rescue funds in the general election, it will cost \$600,000 for the House races and \$984,560 for the Senate races. Assuming the total amount of \$1,584,560 is appropriated and more than one candidate per primary participates, the legislation stipulates that the available funds will be distributed proportionally and the participating candidates may raise the additional money up to the unfunded amount of the candidate's eligible funding. Also, if a third party becomes certified in the future or if unaffiliated candidates become eligible before the end of the qualifying period, more candidates may qualify for the funds.

State Board of Election Expenditures:

The State Board will incur a one-time cost of approximately \$20,000 to make changes to the central campaign finance software and the remote campaign finance software that is utilized by the candidates and other political committees. The software changes will require at least three months of development and need to be completed by October 1, 2007. To ensure the software is operational by October 1, 2007, it is recommended that the nonrecurring appropriation be made in FY 2006-07. If no funding is provided until FY 2007-08, it may postpone the date the software becomes operational if the FY 2007-08 budget does not pass by June 30, 2007. Another option is to fund half the cost of the software development in FY 2006-07 and FY 2007-08.

The proposed Legislative Campaign Pilot Program requires comprehensive audits within 5-7 days of candidates seeking certification and strict committee monitoring throughout the process. The State Board of Election requests a recurring appropriation of \$2,000 beginning in FY 2007-08 to offset the costs to the State Board and the Advisory Council.

SOURCES OF DATA: State Board of Elections, Democracy North Carolina

TECHNICAL CONSIDERATIONS: The current definition of a campaign-related expenditure should be clarified to exclude donations to other candidates or political committees and other items in accordance with guidelines established by the Board.

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Signed Copy Located in the NCGA Principal Clerk's Offices