

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4178-02
Bill No.: SB 512
Subject: Boards, Commissions, Committees, Councils; Ethics; Lobbying; Public Officers
Type: Original
Date: February 28, 2014

Bill Summary: This proposal modifies the law relating to campaign finance, lobbying, and public official conflicts of interest.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Unknown to (\$140,460)	Unknown to (\$163,178)	Unknown to (\$164,839)
Total Estimated Net Effect on General Revenue Fund	Unknown to (\$140,460)	Unknown to (\$163,178)	Unknown to (\$164,839)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Missouri Ethics Commission (MEC)** assume that the proposed legislation will require the creation of new electronic filing systems as well as modifications to current filing systems. Below is an estimated amount of programming hours MEC believes would be necessary to complete electronic filing systems related to the Personal Financial Disclosure System, Lobbyist System and Campaign Finance System. MEC would have to provide the resources necessary to accomplish these tasks either by having current staff defer work on other ongoing projects or by contracting for these services.

- Filing system for Legislature to report reimbursements made to lobbyists within ten days of the reimbursement. This will entail the creation of a database, 3 data entry pages, website searches and intranet administration module. We are estimating 80 hours for the design of the system. The programming, testing, and analysis for the three new data entry pages will be approximately 120 hours per page for a total of 360 hours. Programming, creating, and testing the web searches and intranet application will be approximately 120 hours. MEC estimates a total of 560 hours to develop this electronic filing system.
- Filing system for registration of political consultants. This system will entail the creation of a database, electronic registration system (2 pages), intranet application (2 pages) and website searches. The design of the system will take approximately 80 hours, and the development of the system will take approximately 600 hours (5 pages at 120 hours per page). The development includes programming, testing, and analysis. MEC estimates a total of 680 hours to develop this electronic system.
- Modify lobbyist filing system to record details of reimbursements. Modifying the current system will include changes to the database, programming changes of 2 data entry pages, website search and display. The modifications will include 40 hours of design work, 80 hours per data entry page (development/enhancement - total of 160 hours) and 120 hours for the development of a website page. Development of the two data entry pages and website page will include programming, testing and analysis. MEC estimates a total of 320 hours to modify this electronic filing system.
- Modify Personal Financial Disclosure (PFD) electronic filing system to record new required data. Modifying the current system will include changes to the database, creation of new data entry pages, modification to the systems menu and modifying the electronic form. Modifying the current system will include 40 hours of design work, 80 hours per page to develop 2 new pages (total of 160 hours), 40 hours to complete the

ASSUMPTION (continued)

enhancements of menu pages and 40 hours to enhance the electronic form. The development includes programming, testing and analysis. MEC estimates a total of 280 hours for this modification.

- Modify Personal Financial Disclosure (PFD) electronic filing system to allow 2nd PFD filing for specific filers. Modifying the current system will entail 80 hours to design and develop one page. The development includes programming, testing and analysis. MEC estimates a total of 80 hours for this modification.
- Modify campaign finance system to record additional information on in-kind contributions received. Modifying the current system will entail 40 hours of design, development of one filing page (80 hours), one 3rd party filing page (80), one form (40), and one web search (40). The development includes programming, testing and analysis.
- Modify campaign finance system to record addition information on in-kind expenditures made. Modifying the current system will entail 40 hours of design, Development of one filing page (80 hours), one 3rd party filing page (80), one form (40), and one web search (40). The development includes programming, testing and analysis. MEC estimates a total of 560 hours (280 hours for the changes on in-kind contributions received and 280 hours for changes on in-kind expenditures).

MEC anticipates the need for 2 Business Analysts to conduct the routine work necessary in reviewing and providing oversight for the area of Personal Financial Disclosure (PFD). The Business Analysts would review reports for compliance, prepare necessary notices, track the filings and assist the filers in completing the necessary reports. Currently, we have one Analyst handling approximately 9,364 PFD filings and corresponding with 4,016 political subdivisions. The proposed legislation eliminates the option for political subdivisions to pass an ordinance to allow filers to file locally rather than with the MEC. As a result, MEC anticipates that it will handle 57,784 additional PFD filers. The breakout of those projected additional filers is set out below.

- Annual Filers - MEC received approximately 8,416 annual filings in 2013 (Personal Financial Disclosures due by May 1 - long form filers). We currently have 4,016 political subdivisions. Generally, from each subdivision the following positions will be required to file a Personal Financial Disclosure: each board member, chief administrative officer, chief purchasing officer, full-time general counsel and candidates for office. We calculated the prospective number of filers from each political subdivision by multiplying the total number of political subdivisions by the number of board members, chief

ASSUMPTION (continued)

administrative officer and chief purchasing officer. For example, we currently have 118 Ambulance Districts. Statute sets the number of board members as six (6); add to this the chief administrative and purchasing officer positions as required, and the number of required annual filers for each ambulance district is eight (8). (Since it is rare for a district to have a full-time general counsel, this office was not included. However, in our final estimate we rounded to include any additional positions would be included.) We did the similar calculations for each political subdivision type such as: schools, nursing homes, hospitals, health departments, fire, water, sewer, etc. We came to a total of 25,584 additional annual filers.

- Candidates - Without knowing how many candidates may file for office, we worked on the assumption of one per board position. Although not all board members run during the same election year, by including one candidate per board position this will provide an estimate of 32,000 potential candidates.
- General Assembly - We estimated approximately 2 legislative assistants per Senator or Representative for a total of 200 additional filers.

MEC anticipates the need for 1 Business Analyst to conduct the routine work necessary in reviewing and providing oversight for the area of Lobbying, Campaign Finance and Assessment of Late Fees. The Business Analyst would review reports for compliance, prepare necessary notices, track the filings, assist the filers in completing the necessary reports, track non-filings and assess late fees for late filers. Currently, our office assesses a total of 761 late fees for late filers in the areas of campaign finance, lobbying and personal financial disclosure (PFD). Our current percentage of PFD filers assessed for filing late is 2.4%. We estimate approximately 1,386 additional late PFD filings. Each non-filer and late filer must be notified via certified mail.

MEC anticipates the need for 1 Trainer to provide education/training and develop informational materials as it relates to the various changes contained in this legislation.

If the Commission identifies significant violations during the process established in §105.955.14 (2), (3), RSMo or complaints received increase significantly an Investigator would be required to review potential violations.

Oversight assumes that this proposal, in §105.453, prohibits certain elected officials from registering as a lobbyist. It is unclear if the change would increase or decrease the number of individuals filing lobbyist reports. Oversight assumes the MEC should be able to absorb the cost of this part of the proposal.

ASSUMPTION (continued)

Oversight assumes that this proposal, in §105.465, requires that reimbursements made by members of the General Assembly to lobbyists be electronically reported within 10 days. Oversight assumes that the MEC has programmers on staff to handle the reprogramming of the lobbyist computer system to add the additional information required by this section and would not need to contract for these services. Oversight assumes that part of the proposal would have no fiscal impact on the MEC.

Oversight assumes that this proposal, in §105.453, prohibits certain elected officials from soliciting a position as a lobbyist or paid political consultant. It is unclear if the change would increase or decrease the number of individuals filing lobbyist reports. Oversight assumes the MEC should be able to absorb the cost of this part of the proposal.

Oversight assumes that in §105.468, paid political consultants are required to register with the MEC and pay a \$10 filing fee. Oversight will reflect the increased revenue to the state as \$0 (no paid political consultants register) to Unknown.

Oversight assumes that this proposal, in §§105.483 - 105.487, adds more people to the list of people required to file a personal financial disclosure statement including the elimination of the filing of the short form personal financial disclosure statement by political subdivisions that previously adopted a code of ethics policy. Secondly, more questions are added to the personal financial disclosure form. Thirdly, elected officials and their staff must file a second personal financial disclosure statement per year.

Oversight assumes that the MEC has programmers on staff to handle the reprogramming of the personal financial disclosure computer system to add the additional questions required by this section and would not need to contract for these services. Oversight assumes that part of the proposal would have no fiscal impact on the MEC.

Oversight assumes that the MEC would need the two Business Analysts to help with the Personal Financial Disclosure Statements additional filers. Oversight will show an additional Business Analyst for help with late filings, investigations and other duties.

Oversight has, for fiscal note purposes only, changed the starting salary for the three Business Analyst positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Oversight assumes that MEC can inform lobbyist, candidates and filers of the personal financial disclosure statements of the changes in this proposal through their regular mailings and email. Therefore, MEC would not need a Trainer to inform the public of these changes.

Officials at the **City of Jefferson City**, the **City of Kansas City**, the **Francis Howell School District**, the **Division of Legislative Research, Lincoln County**, the Linn State Technical College, the **Missouri House of Representatives**, the **Missouri Senate**, the **Missouri Southern State University**, the **Missouri State University**, the **Missouri Western State University**, the **Northwest Missouri State University**, the **Office of the Governor**, the **Office of the Lt. Governor**, the **Office of the State Auditor**, the **Oversight Division**, the **Office of State Treasurer**, the **St. Louis County**, the **University of Central Missouri** and the **University of Missouri** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

This proposal removes the requirement that allows local political subdivisions to opt-out of filing the long form of the personal financial disclosure statement. **Oversight** did not receive a fiscal impact statement from enough local political subdivisions to determine if this provision would have a financial impact on local political subdivisions. Therefore, the fiscal note will not reflect an impact.

ASSUMPTION (continued)

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Kansas City Metro Community College, Lincoln University, Moberly Area Community College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College and the Truman State University did not respond to **Oversight's** request for fiscal impact.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Carondelet Leadership Academy, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Johnson County R-7 Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malden R-I Schools, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools and Warren County R-III School District did not respond to **Oversight's** request for fiscal impact.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to Oversight's request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Additional Revenue</u> - Missouri Ethics Commission - paid political consultants registration fee			
	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> - Missouri Ethics Commission			
Personal Service	(\$88,050)	(\$106,717)	(\$107,784)
Fringe Benefits	(\$44,910)	(\$54,431)	(\$54,975)
Equipment and Expenses	<u>(\$7,500)</u>	<u>(\$2,030)</u>	<u>(\$2,080)</u>
<u>Total Costs</u> - MEC	<u>(\$140,460)</u>	<u>(\$163,178)</u>	<u>(\$164,839)</u>
FTE Change - MEC	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown to <u>(\$140,460)</u>	Unknown to <u>(\$163,178)</u>	Unknown to <u>(\$164,839)</u>
Estimated Net FTE Change on General Revenue	3 FTE	3 FTE	3 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies numerous provisions relating to ethics.

The act imposes a one year cooling off period before members of the General Assembly may act as paid political consultants and a 3 year cooling off period before they may become lobbyists. Members are also barred from lobbying local government officials while serving in the General Assembly. Members may lobby for religious and charitable associations immediately upon

FISCAL DESCRIPTION (continued)

leaving office, but only without compensation.

The act imposes a one year cooling off period before paid, full-time employees of General Assembly members may act as lobbyists.

The Governor is required to submit a list of political contributions that any potential appointee has made to the Governor to the Senate within 10 days of submitting a commission letter to the Secretary of State for the appointment of the person.

All expenditures, with the exception of commemorative items, plaques, and awards, made by lobbyists on behalf of members of the General Assembly shall be reimbursed by the member within 30 days from the day the expenditure is reported by the lobbyist. Members shall file a reimbursement report with the Ethics Commission within 10 days of the reimbursement. Lobbyists are required to report reimbursements in their monthly expenditure reports.

Paid political consultants are required to register annually with the Ethics Commission. Consultants shall divulge employees, client lists, and whether such clients are lobbyists and update the filing when any changes are made. Paid political consultants are barred from lobbying while acting as consultants and for 6 months after ceasing to consult. Similarly, lobbyists are barred from acting as a paid political consultant while acting as lobbyists and for 6 months after ceasing to lobby.

Currently, individuals are not required to register as lobbyists if influencing legislation is not the primary purpose of their employment or if they lobby on an occasional basis. The act removes these exceptions so that all individuals who act in the ordinary course of their employment to influence legislation on behalf of or for the benefit of their employer are required to register.

The act removes a provision from current law that allows lobbyists to report an entire group for the purposes of expenditures.

Paid, full-time employees of statewide elected officials who work to develop or influence the passage or defeat of legislation and paid, full-time employees of General Assembly members are required to file financial interest statements.

Under current law, elected officials in political subdivisions with an annual operating budget in excess of one million dollars or in political subdivisions where ordinances have been passed requiring alternative disclosures are exempt from filing financial interest statements. The act removes these exceptions and requires all elected officials in all political subdivisions to file the

FISCAL DESCRIPTION (continued)

same financial interest statement as legislative and statewide elected officials.

Filers are required to disclose the name, address and general nature of the business conducted of each limited liability company in which the person has an interest on their financial interest statements.

Members of the General Assembly; statewide elected officials; paid, full-time employees of statewide elected officials who work to develop or influence the passage or defeat of legislation and paid; and full-time employees of General Assembly members are required to disclose income received by or payments made to such employee in connection with any political campaign and from any business entity or organization outside of employment that pays \$1,000 or more each year.

The act changes the filing deadline for financial interest statements from May 1 to January 31 and requires an extra filing of a financial interest statement for legislators, statewide elected officials and their employees that are required to file, to be filed by June 30, covering January 1 to May 31.

Members of the General Assembly who vacate their office for an appointment on a board or commission, shall not receive compensation until their term expires.

Gubernatorial appointees are barred from making political contributions to the Governor.

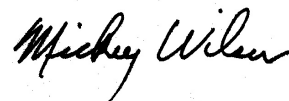
Persons are prohibited from charging interest on loans made to political committees at a rate higher than the 90 day treasury bill rate.

The act requires a detailed description and nature of in-kind contributions to be included in campaign finance disclosure reports.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

City of Jefferson City
City of Kansas City
Francis Howell School District
Legislative Research
Lincoln County
Linn State Technical College
Missouri Ethics Commission
Missouri House of Representatives
Missouri Senate
Missouri Southern State University
Missouri State University
Missouri Western State University
Northwest Missouri State University
Office of Attorney General
Oversight Division
Office of the Governor
Office of the Lt. Governor
Office of the Secretary of State
Office of the State Auditor
Office of State Treasurer
St. Louis County
University of Central Missouri
University of Missouri



Mickey Wilson, CPA
Director
February 28, 2014

Ross Strope

L.R. No. 4178-02
Bill No. SB 512
Page 13 of 13
February 28, 2014

Assistant Director
February 28, 2014

JH:LR:OD