

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0707-02  
Bill No.: SJR 1  
Subject: Campaign Finance; Constitutional Amendments  
Type: Original  
Date: January 17, 2017

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Bill Summary: This proposal modifies and creates constitutional provisions relating to campaign finance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (More than \$7,800,000)	\$0 or (\$30,554)	\$0 or (\$61,734)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$7,800,000)</b>	<b>\$0 or (\$30,554)</b>	<b>\$0 or (\$61,734)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue		0 or 1 FTE	0 or 1 FTE
<b>Total Estimated Net Effect on FTE</b>		<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Potential expenses and reimbursements netting to zero if a special election is called for by the Governor.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

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.

Officials at the **SOS** assume each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, sub-section 115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and sections 116.230-116.290, RSMo. The Secretary of State's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements.

ASSUMPTION (continued)

The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017 the Secretary of State's Office was appropriated \$2.6 million to publish the full text of the measures.

In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue).

Therefore, the Secretary of State's Office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

**Oversight** has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2018. This reflects the decision made by the Joint Committee on Legislative Research, that the potential cost of elections should be reflected in the fiscal note. There is a general election in November 2018 (FY 2019). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2018.

Officials at the **Missouri Ethics Commission (MEC)** state the following regarding this proposal:

Implementing campaign finance limits would require the following of the MEC:

- Provide information to those committee officers and the public as specified in the Commission duties in Section 105.491, 105.955.14 (4), RSMo, about these limits; examples include providing education, developing informational materials, telephone and email assistance.
- Provide oversight in campaign finance committee adherence to the specific contribution limits, including reviewing, auditing, and performing cross checks of the reported contributions, as established in Section 105.955.14 (2), (3), RSMo.

ASSUMPTION (continued)

- Respond to written complaints, as established in Section 105.955.14, RSMo, through conducting investigations and the related legal actions.

Oversee the prohibition of political fund-raising activities or events from occurring on State of Missouri property or any agency or division thereof would require the following of the MEC:

- Provide information to those committee officers and the public as specified in the Commission duties in Section 105.491, 105.955.14 (4), RSMo, about this provision; examples include providing education, developing informational materials, telephone and email assistance.
- Provide oversight in campaign finance committee adherence to the specific restrictions, including reviewing, auditing, and performing cross checks of the reported fund raising activity, as established in Section 105.955.14 (2), (3), RSMo.
- Respond to written complaints, as established in Section 105.955.14, RSMo, through conducting investigations and the related legal actions.

The implementation of contribution limits requires the Missouri Ethics Commission to request additional funding. In the 2016 November General Election a Constitutional Amendment implementing contribution limits was adopted by voters. At this time, the Missouri Ethics Commission has not received the additional funding required to implement contribution limits.

The proposed provisions would implement campaign finance limits. The implementation of the above responsibilities would require the following additional resources:

- \$15,120 in expense and equipment to acquire contract services that would develop the MEC internal search capabilities for oversight of the campaign finance committees' adherence to the specific contribution limits, as established in 105.955.14, RSMo. Current campaign finance data collection would allow the MEC to use search capabilities, providing for a manual review by MEC staff of adherence to the established limits.
- One Business Analyst to conduct the routine work necessary in reviewing and providing oversight for the proposed legislation. The Business Analyst would review committee reports for compliance, prepare necessary notices, track the receipt of payment, and coordinate the necessary collection efforts.

ASSUMPTION (continued)

Currently two Business Analysts assist 2,800 committees in filing campaign finance reports, prepare and disseminate 15,000 notices, and review 11,000 campaign finance reports.

- If the Commission identifies significant violations during the process established in Section 105.955.14 (2), (3), RSMo, or complaints received increase significantly an Investigator would be required to provide the proper oversight.

**Oversight** will range the fiscal impact to the MEC from \$0 (proposal does not pass vote) to the estimated costs by the MEC. Oversight will assume FTE would begin in January 2019 if the proposal is approved in November 2018.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE</b>			
<u>Cost - MEC</u>		\$0 or.....	\$0 or.....
Personal Services	\$0	(\$19,938)	(\$40,274)
Fringe Benefits	\$0	(\$10,169)	(\$20,542)
Equipment and Expense	<u>\$0</u>	<u>(\$447)</u>	<u>(\$918)</u>
<u>Total Cost - MEC</u>	\$0	\$0 or (\$30,554)	\$0 or (\$61,734)
FTE Change - MEC		0 or 1 FTE	0 or 1 FTE
 <u>Transfer Out - Office of the Secretary of State - reimbursement of local election authorities for election costs if a special election is called</u>	 \$0 or (More than <u>\$7,800,000)</u>	 <u>\$0</u>	 <u>\$0</u>
 <b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	 \$0 or (More than <u><u>\$7,800,000)</u></u>	 <u><u>\$0 or (\$30,554)</u></u>	 <u><u>\$0 or (\$61,734)</u></u>
 Estimated Net FTE Change for General Revenue	 0 FTE	 0 or 1 FTE	 0 or 1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2018 (10 Mo.)	 FY 2019	 FY 2020
<b>LOCAL ELECTION AUTHORITIES</b>			
 <u>Transfer In - Cost reimbursement from the State for special election</u>	 \$0 or More than \$7,800,000	 \$0	 \$0
 <u>Expense - Cost for special election if called for by the governor</u>	 \$0 or (More than <u>\$7,800,000)</u>	 <u>\$0</u>	 <u>\$0</u>
 <b>ESTIMATED NET EFFECT TO LOCAL ELECTION AUTHORITIES</b>	 <u><u>\$0</u></u>	 <u><u>\$0</u></u>	 <u><u>\$0</u></u>

### FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, modifies and creates provisions relating to campaign finance.

Under current law, it is unlawful for a corporation or labor organization to make contributions to a campaign committee. This amendment removes that provision.

Current law prohibits corporations and labor organizations from contributing to any candidate committee, exploratory committee, political party committee, or political party. This amendment extends that prohibition to limited liability companies, partnerships, proprietorships, and joint ventures. Such entities may nevertheless form a continuing committee.

Under this amendment, only individuals and federal political action committees are permitted to contribute to continuing committees. Continuing committees are prohibited from receiving contributions from labor organizations, business entities, continuing committees, candidate committees, political party committees, campaign committees, exploratory committees, or debt service committees.

Contributions may not be made or accepted with the intent to circumvent the contribution limits established under current law. The Missouri Ethics Commission is required to promulgate rules for the purpose of determining whether or not contributions or expenditures of a particular entity should be aggregated with those of another entity.

Under this amendment, no campaign committee, candidate committee, continuing committee, exploratory committee, political party committee, or political party shall knowingly accept contributions from any foreign business entity that is not authorized to do business in Missouri.

The amendment removes all reference to "political action committees" and replaces each such reference with "continuing committee". The amendment modifies the definition of "continuing committee" so that exploratory committees, debt service committees, and political party committees are not considered continuing committees.



ASSUMPTION (continued)

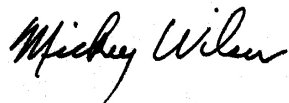
The definition of "contribution" is modified to include the following:

- Any expenditure by any person other than a candidate or a candidate committee made in connection with the nomination for election or election of any candidate, that is authorized, requested, suggested, or fostered by or made in cooperation with a candidate, candidate committee, or agents of the candidate or candidate committee;
- Any expenditure for any communication which republishes, disseminates, or distributes in whole or in part, any broadcast or any written, graphic, or other form of campaign material prepared by the candidate or candidate committee or agents of the candidate or candidate committee, other than a photograph obtained from a public source; and
- Certain expenditures for covered communications, such as an expenditure for a covered communication made by a person who is a coordinated spender. However, the determination that such expenditures are a contribution may be rebutted.

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

Office of the Secretary of State  
Missouri Ethics Commission  
Joint Committee on Administrative Rules  
Attorney General's Office



Mickey Wilson, CPA  
Director  
January 17, 2017

Ross Strobe  
Assistant Director  
January 17, 2017