

*Colorado Legislative Council Staff*

**FISCAL IMPACT STATEMENT**

**Date:** June 12, 2002

**Fiscal Analyst:** Chris Ward (303-866-5834)

**BALLOT TITLE:** AN AMENDMENT TO THE COLORADO CONSTITUTION CONCERNING CAMPAIGN FINANCE, AND, IN CONNECTION THEREWITH, REDUCING THE AMOUNT OF CAMPAIGN CONTRIBUTIONS THAT PERSONS MAY MAKE TO CANDIDATE COMMITTEES, POLITICAL COMMITTEES, AND POLITICAL PARTIES; ESTABLISHING CONTRIBUTION LIMITS FOR SMALL DONOR COMMITTEES; PROHIBITING CANDIDATE COMMITTEES AND POLITICAL PARTIES FROM MAKING OR ACCEPTING CERTAIN CONTRIBUTIONS; RESTRICTING THE AMOUNT OF CONTRIBUTIONS POLITICAL PARTIES AND POLITICAL COMMITTEES MAY ACCEPT FROM CERTAIN SOURCES; LIMITING CONTRIBUTIONS AND EXPENDITURES THAT MAY BE MADE BY CORPORATIONS OR LABOR ORGANIZATIONS; CREATING VOLUNTARY CAMPAIGN SPENDING LIMITS; PROVIDING FOR A PERIODIC ADJUSTMENT OF CONTRIBUTION AND VOLUNTARY SPENDING LIMITS; SPECIFYING THE TREATMENT OF UNEXPENDED CONTRIBUTIONS; REQUIRING THE DISCLOSURE OF INFORMATION ABOUT PERSONS MAKING ELECTIONEERING COMMUNICATIONS ABOVE A SPECIFIED AMOUNT; DEFINING ELECTIONEERING COMMUNICATIONS AS CERTAIN NEAR-ELECTION COMMUNICATIONS THAT UNAMBIGUOUSLY REFER TO A CANDIDATE AND ARE TARGETED TO VOTERS; AND INCORPORATING INTO THE CONSTITUTION EXISTING STATUTORY PROVISIONS, WITH AMENDMENTS, REGARDING DEFINITIONS, DEPOSITS OF CONTRIBUTIONS, LIMITS ON CASH CONTRIBUTIONS, NOTICE AND DISCLOSURE OF INDEPENDENT EXPENDITURES, REPORTING OF CONTRIBUTIONS AND EXPENDITURES, CIVIL PENALTIES, AND DUTIES OF THE SECRETARY OF STATE.

<b>Fiscal Impact Summary</b>	<b>FY 2002/2003</b>	<b>FY 2003/2004</b>
<b>State Revenues</b>		
General Fund		
Cash Fund - Fine and Penalties	\$1,200	\$1,200
<b>State Expenditures</b>		
General Fund		
Cash Fund	\$86,768	\$94,480
<b>FTE Position Change</b>	1.0 FTE	2.0 FTE
<b>TABOR Refund from General Fund</b>		\$1,260
<b>Effective Date:</b> Upon approval of voters at the 2002 General Election		
<b>Appropriation Summary for FY 2002/2003:</b> Department of State - \$86,768 and 1.0 FTE - Department of State Cash Fund		
<b>Local Government Impact:</b> Increased campaign finance filings with local election officials		

## Summary of Initiated Measure

The measure establishes a new article in the Colorado Constitution related to campaign and political finance. Among other things, the measure limits campaign contributions, allows for the establishment of new political committees, and imposes new reporting requirements. The fiscal impact of the measure relates only to the reporting requirements, excluding any potential litigation which may result from the measure's passage.

## State Revenue

**Reporting Requirements.** The measure establishes new reporting requirements on both small donor committees and "electioneering" communications, which are defined by the measure. Under current law, a penalty of fifty dollars a day is imposed for each day that a required report is late. This fiscal note assumes that 2 committees will be 1 day late in filing each of 12 reports per year, resulting in an estimated \$1,200 in annual fine revenue. This additional fine revenue would be credited to the Department of State Cash Fund.

**Penalties.** Current law requires that persons violating the campaign contribution limits be subject to a civil penalty of double the amount contributed or received. This measure increases the penalty to at least double, and up to five times the amount contributed, received, or spent in violation of the law. Exceeding campaign contribution limits is considered a class 2 misdemeanor. Based on historical evidence, this fiscal note assumes that compliance will be very high. As a result, the additional penalties are not expected to change state revenue.

## State Expenditures

**Department of State.** The measure requires financial reports to be filed with the Secretary of State for small donor committees and electioneering communications. Handling these additional reports will increase the costs of the Department of State by the amounts shown in Table 1. These costs would be paid out of the Department of State Cash Fund and are based on the following assumptions:

- 350 new small donor committees will be established and will be required to report under the measure;
- 100 new committees will be required to file reports for electioneering communications under the measure;
- current law requires four reports in odd-year elections and sixteen reports in even-year elections; and
- the measure will take effect roughly January 1, 2003, if approved by voters.

<b>Table 1. Estimated Costs of Initiative #53 on the Department of State*</b>		
	<b>FY 2002/2003</b>	<b>FY 2003/2004</b>
Personal Services		
General Professional I	0.5 FTE - \$16,724	1.0 FTE - \$33,447
Administrative Assistant III	<u>0.5 FTE - \$15,793</u>	<u>1.0 FTE - \$31,586</u>
Subtotal	1.0 FTE - \$32,517	2.0 FTE - \$65,033
Operating Expenses	\$2,124	\$4,247
Computer Programming	\$32,056	\$0
Leased Space	\$12,600	\$25,200
Non-Recurring Expenses	\$7,472	\$0
<b>Total Expenses</b>	<b>1.0 FTE - \$86,768</b>	<b>2.0 FTE - \$94,480</b>

\* Note that some costs are prorated in FY 2002-03 to reflect the measure's effective date.

Some of the issues addressed by this measure have previously led to court challenges. In addition, campaign finance law has traditionally been a source of litigation. For these reasons, it is assumed that all or portions of this measure may also be subject to challenge in court. If the measure is challenged, the Department of State would also incur litigation costs for defending the measure against challenges. The actual litigation costs, if any, have not been estimated.

**Department of Law.** As noted above, this measure would may result in litigation. If the measure is challenged, the Department of Law would incur litigation costs. The actual litigation costs, if any, have not been estimated.

### **Other State Impacts**

The current revenue forecast indicates that the state will collect roughly \$116.7 million in surplus TABOR revenue during FY 2002-03. Under current law, these moneys are refunded in FY 2003-04. Current law also requires that the state refund 105 percent of the amount required to be refunded through the state's six-tier sales tax method.

This measure will increase state revenues in FY 2002-03 by an estimated \$1,200, thereby increasing the six-tier sales tax refund mechanism by \$1,260 (105 percent of \$1,200), and decreasing the excess General Fund reserve in FY 2003-04.

### **Local Government Impact**

The provisions of the measure apply to elections for local office as well as elections for state office. However, only a minimal number of filings are anticipated to occur at the local level.

### **State Appropriations**

The Department of State would require an appropriation of \$86,768 and 1.0 FTE for FY 2002-03 from the Department of State Cash Fund.