

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1 (Delegate Taylor and Chairman, Commerce and Government Matters
Committee, *et al.*)
Commerce and Government Matters Referred to Economic & Environmental Affairs

Campaign Finance and Ethics Law - Fund-Raising, Disclosure, and Enforcement

This enrolled bill provides for changes in campaign finance laws and ethics laws, including certain prohibitions regarding lobbying activities. The bill also requires that all campaign finance reports filed with the State Administrative Board of Election Laws (SABEL) be submitted and maintained in an electronic storage format, beginning with the reports due in November 1999. However, reports of statewide candidates and their political committees must be filed electronically beginning with the November 1997 reports. In addition, the bill increases the statute of limitations for violations of the Fair Election Practices Act from two to three years.

Fiscal Summary

State Effect: The FY 1998 budget includes \$75,000 for FY 1997 for consultant fees and \$291,100 for FY 1998 to implement the computerization of campaign finance reports. Out-year expenditures reflect annualization and inflation, and no consultant fees. Potential minimal increase in general fund revenues and expenditures due to the applicable penalties.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	-	-	-	-	-
GF Expenditures	\$75,000	\$291,100	\$231,400	\$238,100	\$245,100
Net Effect	(\$75,000)	(\$291,100)	(\$231,400)	(\$238,100)	(\$245,100)

Note: () - decrease; GF - general funds

Local Effect: Potential minimal increase in expenditures due to the applicable penalties. Potential significant increase in expenditures due to the computerization of campaign finance reports. No effect on revenues.

Small Business Effect: Potential minimal effect on small businesses as discussed below.

Fiscal Analysis

Bill Summary: The bill expands the prohibition against lobbyists from soliciting or transmitting contributions to include the campaigns of Governor, Lieutenant Governor, Attorney General, and Comptroller. Currently, the provision only applies to members of the General Assembly. The bill also prohibits lobbyists from serving on fund-raising committees or political committees, or acting as treasurers or chairmen of political committees for the benefit of such State officials.

The bill also prohibits the Governor, Lieutenant Governor, Attorney General, Comptroller, General Assembly member, or any person acting on their behalf from collecting contributions, conducting fund-raising events, or soliciting or selling tickets to fund-raising events during a regular session of the General Assembly. However, an affected individual may conduct fund-raising activities during the time period above if the individual is a candidate for election to a federal or local government office. Also, a candidate who receives public funds under the Fair Campaign Financing Act may accept money from eligible private contributions, but only in the year of the election. Violators are subject to a civil penalty of \$1,000 and the amount of the contribution received in violation of these provisions. Any funds received in violation of these provisions must be returned to the contributor.

In addition, the bill requires that all campaign finance reports filed with SABEL be submitted and maintained in an electronic storage format beginning with the reports due in November 1999. However, statewide candidates and their political committees must file campaign reports in an electronic medium beginning with the reports due in November 1997. Local elections boards may also require that copies of such reports be filed in an electronic storage format. Beginning in November 1999, upon request, SABEL must supply the necessary computer software and the disks on which the campaign finance information is to be entered. SABEL must make the campaign finance information easily accessible to the public. SABEL must submit a report to the Legislative Policy Committee by December 15, 1997 that includes a plan for the full implementation of electronic filing.

The bill also provides that members of the General Assembly and other State officials do not have to include as a gift on financial disclosure forms attendance at special events that are reported by regulated lobbyists. Also, the bill expands the definition of "special events" for lobbyist reporting requirements to include events where all members of a county or regional delegation of the General Assembly are invited to attend. Further, the bill provides that the presiding officer of the House or Senate is an ex-officio member of any standing committee. Further, the bill establishes a civil citation procedure for unintentional (and without criminal intent) violations of the Fair Election Practices Act. The State Prosecutor and/or a State's Attorney can issue a civil citation to each violator. The District Court has original civil jurisdiction over each case. Any fines cannot exceed \$5,000, plus any late fees owed to

SABEL. The District Court must remit such fines and late fees to SABEL.

The bill also increases the amount of fines for certain offenses. Any person who knowingly and willfully violates the Fair Election Practices Act is subject to a fine not exceeding \$25,000. However, any person who commits a violation without knowledge of the illegal act is subject to a fine not exceeding \$5,000. Currently, violators of the Fair Election Practices Act are subject to a fine not exceeding \$1,000.

State Expenditures: Currently, there are approximately 1,200 filers that submit campaign finance reports to SABEL. These filers submit approximately 6,000 reports over the four-year election cycle. Under the bill, beginning in November 1999, all such reports must be filed with SABEL in an electronic medium. As of January 1997, SABEL estimates that slightly more than 10% of its 1,000 open campaign accounts have computerized their campaign data. Based on this, SABEL envisions developing its own software program which would be provided to the filers. The fiscal 1998 budget includes \$75,000 for one-time consultant costs and \$291,100 for the implementation of computerized campaign finance reports. The funds for the consultant fees are available immediately upon passage of the budget. The fiscal 1998 figure reflects the cost of hiring one computer programmer, two office clerks, and seven contractual office clerks to prepare, maintain, and update the computerized campaign finance reports. It includes salaries, fringe benefits, consultant fees (\$75,000), and ongoing operating expenses. Fiscal Services notes that SABEL would only need the services of a consultant in fiscal 1997. As such, the fiscal 1998 budget includes excess funds of \$75,000.

Salaries and Fringe Benefits	\$96,082
Software Consultant	75,000
Computer Equipment	44,594
Contractual Services	65,829
Operating Expenses	<u>9,600</u>
Total FY 1998 State Expenditures	\$291,105

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover for the permanent employees; (2) 2% annual increases in contractual services costs and other operating expenses; and (3) no consultant fees.

Local Expenditures: There are approximately 200 county candidates that have continuing committees that file with SABEL. Under existing law, these candidates must also file a copy of their campaign finance reports with their local elections boards. To the extent that the local elections boards require these reports be filed in an electronic medium, county expenditures could increase depending upon the boards' existing computer technology and its

compatibility with the SABEL-designed software. If the existing technology allows for easy use of the SABEL software, county expenditures would not be directly affected. However, if they are not compatible, county expenditures could increase due to the costs of upgrading the existing system or purchasing a new system. Although such costs cannot be determined beforehand, they could be significant.

Small Business Effect: Currently, there are between 550 and 650 registered lobbyists in Maryland. This bill would prohibit lobbyists from engaging in certain activities related to the solicitation and transmittal of political contributions to the Governor, Lieutenant Governor, Attorney General, Comptroller, or a member of the General Assembly. To the extent that a lobbyist has provided these services in the past, this bill would eliminate a portion of the lobbyist's business, resulting in an indeterminate loss of revenue for the lobbyist. In addition, the lobbyist may find it more difficult to attract new clients if he or she is unable to provide the services prohibited by the bill.

The bill increases the statute of limitations period for prosecution of violations of fair election practices laws from two to three years. To the extent that this provision leads to more convictions, lobbyists could experience an increase in costs due to the additional fines. In addition, the bill increases the amount of fines for violations of fair election practices laws. As a result, small businesses that are convicted of violating such laws could experience an increase in costs. Although the number of such violations cannot be determined, it is likely to be small.

Also, fund-raising activities for State-elected officials that normally would occur year-round would be shifted to the last nine months of the year. This shift may impact small businesses that provide or support fund-raising activities by affecting their cash flow or level of services. Although the actual impact cannot be determined, it is assumed to be minimal.

Information Source(s): State Administrative Board of Election Laws, State Ethics Commission, Department of Fiscal Services

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Analysis by: Thomas Himler
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710