

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 999 (Delegate Dembrow. *et al.*)

Commerce and Government Matters

Election Laws - Public Financing Campaign Act for Candidates for the General
Assembly

This bill establishes the Public Financing Campaign Act for Candidates for the General Assembly and the Public Financing Campaign Fund to be administered by the Office of the Comptroller and the State Board of Elections.

Fiscal Summary

State Effect: General fund expenditures would increase by approximately \$111,000 in FY 2001 to write regulations and alter tax forms. Minimal decrease in income tax revenues of approximately \$1,440 in FY 2001. No net change in total donations to checkoff funds. Approximately \$1 million would be distributed among three funds. The exact amount contributed to each fund cannot be reliably estimated.

Local Effect: Minimal decrease in local income tax revenues. Notations identifying the candidates who are participants in the Public Financing Campaign Act could be added to election ballots with existing resources of the local boards of elections.

Small Business Effect: None.

Analysis

Bill Summary: This bill establishes the Public Financing Campaign Act for Candidates for the General Assembly and a Public Financing Campaign Fund to publicly finance political campaigns for eligible candidates to the General Assembly. The State Comptroller and the State Board of Elections will administer the fund, with the Comptroller collecting money received for the fund and the State Board of Elections adopting regulations to appropriately

distribute the funds to eligible candidates. The Comptroller will report annually on the amount in the fund and will disburse funds to candidates at the request of the State Board of Elections.

The Comptroller will place on personal State income tax returns a tax add-on system that allows donations of up to \$100 to the Public Financing Campaign Fund and contributions of up to \$100 for an eligible candidate to use as seed money. The bill provides a subtraction modification for contributions to candidates (up to \$100) and donations to the fund (up to \$100). Donations generated through the add-on system will be credited to the fund, as will State general fund revenues, voluntary donations to the fund, unspent money that is returned to the fund, and fines collected under the bill's provisions. The Comptroller may invest the money in the fund.

In order to qualify for funding through the Public Financing Campaign Act, a candidate must: (1) abide by specified spending limits; (2) limit all private contributions to \$100 per donor; and (3) collect a specified minimum number of qualifying contributions from voters in the district the candidate seeks to represent.

A candidate for election to the House of Delegates who applies for and accepts contributions from the fund may not expend an amount in excess of \$45,000 on a campaign and may not start with more than \$2,000 seed money. The candidate must collect eligible private contributions from at least one-tenth of 1% of the population in the legislative district that the candidate seeks to represent by January 1 of an election year.

A candidate for election to the Senate of Maryland who applies for and accepts contributions from the fund may not expend an amount in excess of \$90,000 on a campaign and may not start with more than \$5,000 seed money. The candidate must collect eligible private contributions from at least two-tenths of 1% of the population in the legislative district that the candidate seeks to represent by January 1 of an election year.

Up to 75% of the maximum allowable expenditures may be disbursed from the fund and the remaining 25% may be raised through private contributions or transfers of \$100 or less from individuals, political committees, or political parties. Candidates who receive public funds may not make a contribution to their own campaign in excess of \$100. Half of the allowable expenditures may be used for the primary election and the other half for the general election.

An unopposed candidate is only eligible to receive and expend half of the allowable funds. A partisan central committee may make contributions to candidates receiving money from the fund only in the general election. The contributions can be up to 5% of the maximum allowable expenditures for a candidate and do not count against the spending cap.

A candidate who did not receive public contributions for the primary election but is a nominee for the general election may receive public contributions if the candidate did not spend more than the maximum expenditures allowed for the primary election. A candidate running unopposed on the general election ballot may not receive public funds for the general election.

Funds from public contributions may only be used by candidates for reasonable expenses to further the candidate's nomination or election, and may only be expended with the authority of the candidate or the candidate's treasurer. Any unspent portion of a contribution must be repaid to the Comptroller for redeposit in the fund.

Candidates participating in the Public Financing Campaign Act for Candidates for the General Assembly may be designated as such on the election ballot. A person who violates any provision of the bill is guilty of a misdemeanor and on conviction is subject to a fine of up to \$5,000 or imprisonment up to one year, or both.

Current Law: There is a Public Financing Act applicable to the Governor and the Lieutenant Governor. No such act or fund applies to candidates for the General Assembly offices.

State Revenues: There are currently two tax check-offs: the Chesapeake Bay and Endangered Species Fund and the Fair Campaign Financing Fund (for Governor and Lieutenant Governor). For fiscal 1996 through 1999, the total amount contributed by taxpayers to check-off funds (about \$1 million annually) was approximately the same as before the introduction of the Fair Campaign Financing Fund. This implies that the addition of another new check-off would not result in increased check-off contributions by taxpayers, but would instead reallocate funds among the check-offs. The Chesapeake Bay and Endangered Species Fund and the Fair Campaign Financing Fund check-off contributions would likely decline to offset new check-off contributions to the Public Financing Campaign Fund. If this occurs, there would be a loss in revenues for those special funds.

In fiscal 1999, taxpayers contributed a total of \$102,000 to the Fair Campaign Financing Fund from individual contributions not exceeding \$500. Because the contribution limit for this fund is five times higher than the limit provided in this bill, it is expected that the new fund would generate about one-fifth of the amount of contributions, or about \$20,000 beginning in tax year 2000. It is assumed that the 50% of the check-off donations would be matched by contributions to candidates, bringing total contributions to \$30,000. Due to the subtraction modification available for donations to the fund and to candidates, State income taxes would decline by the effective State tax rate times the money donated to the fund and contributed to candidates. Assuming the subtraction would be available for all of calendar

2000, the total revenue loss in fiscal 2001 and the years thereafter would be approximately \$1,440. If contributions to the fund and to candidates are higher than this estimate, State income tax revenues would decline accordingly.

State Expenditures: General fund expenditures would increase by approximately \$111,000 in fiscal 2001. This estimate reflects the need for the State Board of Elections to hire a contractual attorney for one year at \$44,000 to write and publish the regulations, create forms and public information materials, and develop administrative procedures for determining eligible candidates and distributing public funds to those candidates. The cost for adding the additional check-off to the personal income tax return is estimated at \$67,000 for fiscal 2001. This cost includes all of the data processing changes to the tax return processing and imaging systems and full system testing. The cost of the contractual attorney and the changes to tax forms and systems are one-time costs, most of which would be incurred in fiscal 2001.

Based on past experiences with check-off funds, an appropriation from State general funds may be necessary to cover the costs of public financing of candidates for the General Assembly as proposed by the bill. The bill provides that general funds could be used to finance the fund.

Local Revenues: Local income tax revenues would decrease in proportion to the decrease in State income tax revenues. Based on the assumptions used for State revenue loss, local jurisdictions would only lose a total of about \$800 annually. However, if contributions to the fund and to candidates are higher than what is projected, revenue losses would increase accordingly.

Additional Information

Prior Introductions: A similar bill, HB 809, was introduced in the 1999 session and received an unfavorable report from the House Commerce and Government Matters Committee.

Cross File: SB 707 (Senator Pinsky, *et al.* - Economic and Environmental Affairs) is listed as a cross file though it is not exactly the same.

Information Source(s): Office of the Comptroller, State Board of Elections, Department of Legislative Services

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