

**HF2073 - 0 - "Public Subsidy Program Repealed"**

Chief Author: **Steve Drazkowski**  
 Committee: **State Government Finance**  
 Date Completed: **03/15/2017**  
 Agency: **Campaign Finance Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
<b>Local Fiscal Impact</b>		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
<b>General Fund</b>	-	-	-	-	-	-
<b>Other Misc. Special Revenue</b>	-	(414)	(2,584)	(85)	(2,584)	(2,584)
<b>Total</b>	-	<b>(414)</b>	<b>(2,584)</b>	<b>(85)</b>	<b>(2,584)</b>	<b>(2,584)</b>
<b>Biennial Total</b>			<b>(2,998)</b>			<b>(2,669)</b>

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Other Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**Executive Budget Officer's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund		-	-	-	-	-
Other Misc. Special Revenue		-	(414)	(2,584)	(85)	(2,584)
<b>Total</b>		-	<b>(414)</b>	<b>(2,584)</b>	<b>(85)</b>	<b>(2,584)</b>
<b>Biennial Total</b>				<b>(2,998)</b>		<b>(2,669)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures		-	5	-	-	-
Absorbed Costs		-	(5)	-	-	-
Other Misc. Special Revenue						
Expenditures		-	(85)	(2,584)	(85)	(2,584)
Transfers Out		-	(329)	-	-	-
<b>Total</b>		-	<b>(414)</b>	<b>(2,584)</b>	<b>(85)</b>	<b>(2,584)</b>
<b>Biennial Total</b>				<b>(2,998)</b>		<b>(2,669)</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund						
		-	-	-	-	-
Other Misc. Special Revenue						
		-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

Starting on July 1, 2017, the public subsidy program established in Minn. Stat. §10A.322 is eliminated. The elimination of the public subsidy program results in the closing of existing candidate and party accounts established by Minn. Stat. §10A.30 and the return of money currently in those accounts to the state general fund. Additionally, the ongoing funding of the public subsidy accounts provided by the designation of funds on the state income and property tax forms and a \$1,020,000 general appropriation (Minn. Stat. §10A.31) also is eliminated.

The campaign expenditure limit imposed on candidates who sign the public subsidy agreement is replaced by a voluntary pledge that a candidate may sign to abide by spending limits. The Board is directed to track and publicize candidates who sign the pledge. However, the Board may not investigate or audit any candidate in order to determine if the candidate abided by a spending limit pledge. The Board may not issue findings against any candidate who does not abide by a spending limit pledge. Further, the Board may not issue an advisory opinion on the topic of a voluntary spending limit pledge.

**Assumptions**

1. The expenditures for public subsidy payments are based in part by the rate of tax payers participating in the party check-off on state tax forms. This fiscal note assumes that the most recent estimates that the Board has provided to MMB are accurate. These estimates are adjusted regularly to accommodate changing levels of participation in the checkoff program.

2. The bill eliminates public subsidy payments to special election candidates. The state has never included special elections in budget estimates because special elections cannot be anticipated or quantified. As a result, no fiscal impact has been assumed for the elimination of special election public subsidy.

3. This bill will affect the workload of agency staff. The elimination of the public subsidy program will mean that a management level staff person will not have to administer that program. This will free up some management staff time to supervise the changes to other processes and systems needed to implement this statutory change. In particular the Board will need to rewrite and republish candidate treasurer handbooks, provide training sessions on the statutory changes to candidates and treasurers, reprogram portions of the Campaign Finance Reporter software, and modify programming in Board databases related to expenditures limits and internal compliance checks related to spending limits. In the future, the saved management time will be dedicated to other management tasks that are now not undertaken. The agency believes that this bill will result in no net change in the need for agency management staff time.

4. The likely result of replacing the public subsidy program with a voluntary pledge to limit spending will be significant increases in fundraising and spending by affected candidates. This, in turn, will result in increased storage needs in the agency's technology systems, increased staff work in reconciling contributions between donors and recipients, and increased work in reviewing contributions for compliance with applicable statutes. However, staff will no longer need to monitor campaign spending by candidate committees and compliance with the public subsidy program. This fiscal note assumes that the provisions in this legislation will reallocate staff workload, but that additional program staff will not be needed to administer the provisions of this bill.

5. There will be a need for additional storage in the agency's computer systems. However this need can be absorbed without new expense.

6. The cost of revising online training materials, which are professionally produced by an outside vendor, will be approximately \$5,000. This approximation is based on an extrapolation from the cost of producing the original materials. Assuming that the Board's budget appropriation is that provided in the Governor's budget proposal, the agency can absorb this cost.

#### **Expenditure and/or Revenue Formula**

The estimate of potential financial impact of the bill on expenditures in Section 3.1 is based on the following:

The Board projects \$85,000 in public subsidy payments to political party units per fiscal year. Under the bill, the political party payments continue until the end of FY 17. The public subsidy payments to both political party units and candidates are paid from a special revenue fund appropriation. Payments to political party units occur each fiscal year, payments to candidates (not including special elections) occur only in the odd numbered fiscal years.

In FY18 there is a onetime transfer of funds in section 3.3 of \$329,000. This transfer represents the best estimate of the funds currently in the public subsidy accounts that will otherwise be used as carryforward from the 2016 election to the 2018 election. The carryforward represents money collected from tax years 2014 and 2015, which are allocated, to constitutional offices. Constitutional offices were not on the ballot in 2016, so the funds would normally be carried forward to the next election when the office is on the ballot (2018).

If there is no public subsidy program then the \$329,000 can be transferred back to the state general fund in FY18. This will empty out the public subsidy accounts, so no further transfers occur.

In FY19 there is a decrease in expenditures of \$2,584,000. This is the amount estimated for payments to qualified candidates at the 2018 election. The \$2,584,000 is derived from two sources. A statutory appropriation of \$1,020,000 that occurs once a biennium (Minn. Stat. §10A.31), and approximately \$1,564,000 derived by the party check off on state income and property tax forms.

In FY20 there is a \$85,000 decrease in expenditures from canceling the payment to political party units. In FY21 the

decrease in expenditures of \$2,584,000 represents the payments that would otherwise been made at the 2020 election.

### **Long-Term Fiscal Considerations**

The costs and savings projected will be permanent.

### **Local Fiscal Impact**

### **References/Sources**

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