

Fiscal Impact Review

2018 General Assembly Session

Date: January 30, 2018

Bill number: HB 263 (Introduced); Virginia Democracy Voucher Program; established

Review requested by: Chairman Cox, House Rules

JLARC Staff Fiscal Estimates

JLARC staff do not concur with the Fiscal Impact Statement prepared by the Department of Planning and Budget that the need for a budget amendment for HB 263 is indeterminate. The bill establishes public funding for candidates for governor, lieutenant governor, attorney general, and the General Assembly, by providing \$100 in vouchers to every registered voter in Virginia.

The bill's fiscal impact could exceed \$10 million (general funds) in FY19 because a large number of House and Senate candidates would qualify for the voucher program and may choose to participate.

An explanation of the JLARC staff review is included on the pages that follow.

Authorized for release:



Hal E. Greer, Director

Bill summary

HB 263 would establish a public financing system for elections for three statewide offices—governor, lieutenant governor, and attorney general—and for the 100 positions in the House of Delegates and 40 positions in the state Senate. Every registered voter in Virginia would receive \$100 in vouchers (four vouchers of \$25 each) in each statewide election year, to be assigned to the candidates of their choice.

To qualify for the voucher program, candidates would raise a minimum number of qualifying contributions and agree to limits on their campaign spending.

Fiscal implications

The fiscal impact would depend primarily on the number of vouchers redeemed. The program would also have administrative costs for Department of Elections staff, printing and mailing. The total cost is estimated to be about \$14 million in FY19. This estimate depends heavily on assumptions about the number of candidates who would qualify and participate in the voucher program, and the accuracy of those assumptions is difficult to predict. In non-election years, costs would be minimal and would primarily be for staffing at the Department of Elections.

Because the bill does not specify a funding source, this review assumes the cost would be entirely from general funds.

Cost of vouchers

The number of candidates who would choose to participate in the voucher program is unknown. The city of Seattle implemented a similar program in 2017, for candidates for three city council seats. All 13 of the candidates in the primary and general election chose to participate in the voucher program, although only six ultimately qualified. The percentage of candidates who would choose to participate in Virginia is likely to be substantially lower, partly because Virginia's spending limits are relatively restrictive compared to Seattle's and many candidates would choose not to be bound by the spending limits.

One way to estimate the participation rate for candidates is to use the percentage of candidates who would have qualified in the most recent elections for House and Senate. In 2017, one-third of candidates in the House primaries and general elections would have met the qualifications and spending limits for the voucher program, according to data provided by the Virginia Public Access Project. If one-third of House candidates met the criteria and chose to participate, and if the number of candidates in 2019 is similar to 2017, the total cost of vouchers would be about \$7 million.

Using a similar approach, the total voucher cost for Senate candidates in 2019 would be about \$3 million. In 2015, one-half of candidates in the Senate primaries and general elections would have met the qualifications and spending limits for the voucher program. The estimate of \$3 million assumes that the number of candidates in 2019 is similar to 2015, and that about half of the candidates would participate in the voucher program. The estimated cost is lower for the Senate because it has less than half of the seats as the House.

The actual total cost of vouchers for the 2019 election year could be higher than the combined House and Senate estimate of \$10 million if the program induced more candidates to participate. The actual cost could be lower if participating candidates do not use the maximum dollar amount of vouchers allowed by the spending limit.

In the 2021 election year, total spending could be higher than in 2019 because of the three statewide elections, but could be lower because there would be no Senate elections. If no candidates for the three statewide offices chose to participate in the voucher program, because they did not want to be bound by the spending limit or for other reasons, the estimated voucher cost would be about \$7 million, all for the House candidates.

Administrative costs

At least five staff FTEs would be needed by the Department of Elections to administer the voucher program in FY19. Seattle used three FTEs and three temporary staff to implement the program in 2017, when 21,000 people submitted vouchers. The number of Virginia residents submitting vouchers in 2019 is estimated to be at least five times as large.

Total administrative costs for FY19 are estimated to be about \$4 million. This estimate assumes a cost per FTE of \$75,000 and uses printing and mailing costs provided by the Department of Elections. This estimate does not include IT expenditures to develop a voucher tracking system. (These costs are not included in the DPB Fiscal Impact Statement.) Seattle has incurred \$220,000 in IT costs to date for their voucher program, with another \$250,000 pending to develop an online voucher system.

Budget amendment necessary? Yes

Agencies affected: Department of Elections

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