

Department of Planning and Budget

2020 Fiscal Impact Statement

1. Bill Number: HB71

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Kory

3. Committee: Privileges and Elections

4. Title: Campaign finance; audits of campaign finance reports for certain campaign committees.

5. Summary: Requires the State Board of Elections to conduct audits of the campaign finance reports filed by the campaign committees of candidates for Governor, Lieutenant Governor, Attorney General, and the General Assembly. The campaign committees to be audited will be selected at random, with at least 50 percent of the campaign committees for candidates for Governor, Lieutenant Governor, and Attorney General and at least 10 percent of the campaign committees for candidates for the General Assembly being audited. The State Board is authorized to compel the production of all bank statements for the campaign depository; all copies of checks issued on the campaign depository; and bills, invoices, and receipts for all expenditures made by the candidate or his treasurer, of any campaign committee subject to an audit, in order to conduct the audit. The bill requires the audit to be conducted in accordance with generally accepted auditing standards and any procedures adopted by the State Board, and permits the State Board to employ certified public accountants or other additional personnel to conduct the audits. If the audit results in a determination that the balance in the campaign depository does not reconcile with the amounts reported in the campaign finance reports, the State Board is required to forward its report to the appropriate attorney for the Commonwealth. The bill provides that discrepancies or missing information discovered during the course of an audit be handled in accordance with current law for incomplete reports, including provisions for assessing civil penalties as appropriate.

6. Budget Amendment Necessary: See Item 8.

7. Fiscal Impact Estimates: Preliminary; see Item 8.

8. Fiscal Implications: The State Board of Elections (SBE) does not currently conduct audits of the campaign finance reports filed by candidates, as required in this proposed legislation. The bill requires SBE to conduct audits of at least 50 percent of the campaign committees of candidates for Governor, Lieutenant Governor, and Attorney General, and 10 percent of candidates for the General Assembly reporting \$10,000 or more in campaign contributions or expenditures. Audits would be required to be conducted within 90 days following the general

election for such offices and include reconciling the balance in the campaign's depository, reviewing the reports for mathematical accuracy and completeness using generally accepted auditing standards and any procedures adopted by the State Board.

Currently, SBE and the Department of Elections (ELECT) have limited capacity to absorb additional workload within current staffing levels and the level of expertise expected to be needed to conduct the required auditing process. Therefore, the services of a certified public accounting firm are expected to be required in order to carry out the provisions of this bill due to the short time period in which audits must be performed, the volume of audits required to be performed, and the level of expertise needed, the cost of which are not known at this time. The fiscal impact to SBE and ELECT would depend upon the number of audits to be performed based upon the given criteria, completeness of the campaign finance reports audited, and procedures adopted by SBE pursuant to the bill.

Some auxiliary costs to implement this legislation are expected to be able to be absorbed by SBE/ELECT, such as updating instructions, and guidance documents to include translation, if needed, changes to the campaign finance reporting system, and training to assure candidates and their campaigns are aware of any new requirements.

9. Specific Agency or Political Subdivisions Affected: State Board of Elections and the Department of Elections.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/16/2020