

## Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** HB275

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

2. **Patron:** Rasoul

3. **Committee:** Rules

4. **Title:** Voluntary public financing of certain campaigns.

5. **Summary:** Creates the Virginia Fair Elections Act (Act) of 2017, which establishes a program for administering public funds to qualified candidates for the purposes of campaigning for office. Funds are awarded as both a lump sum payment and as periodic matching payments for qualifying small contributions. Candidates who participate in the program are limited in the amount of money they may raise and spend for office. Participating candidates also commit to public debates with other participating candidates and to periodic reporting of contributions and expenditures. The bill establishes penalties for participating candidates who violate the provisions of the Act.

6. **Budget Amendment Necessary:** Estimates are preliminary, see Item 8.

7. **Fiscal Impact Estimates:** Preliminary - Indeterminate, see Item 8.

8. **Fiscal Implications:** This legislation would establish the Fair Elections Program, which provide for the public financing of elections to Virginia state offices. The bill establishes a new fund called the Elections Fund (the Fund). Candidates that choose to participate in the Fair Elections Program and meet the certification requirements establish in the bill would be eligible to receive funding from the Fund. The amount of funding available depends on the office being sought. Only candidates in contested elections are eligible to receive funding. Funding is available to participating candidates in both primary and general elections.

Participating candidates would receive a base amount from the Fund. The table below shows the base amounts by office as established in the bill. The bill also requires the Department of Elections (ELECT) to update base amounts following each election cycle to reflect the change in average expenditures over the last two election cycles by the winning candidate for each office.

Office	Base amount per candidate
Governor	\$2,000,000
OAG	\$500,000
LG	\$250,000
GA (House)	\$35,000
GA (Senate)	\$35,000

Participating candidates would also be eligible to receive matching payments for qualified small-dollar contributions. Once a participating candidate qualifies to be on the ballot, the candidate is able to receive matching funds equal to 500 percent of qualified small-dollar contributions. The bill does set a maximum per office for how much matching funds a candidate can receive, as detailed in the table below. For the three statewide elected offices, the maximum is a specific dollar amount multiplied by the number of registered voters in the state. For House and Senate districts, the maximum is a specific dollar amount per registered voters in the district the office represents. While House districts are roughly equivalent in size to each other in terms of total population, the number of registered voters may vary between districts. The same statement applies to Senate districts. For demonstrating purposes, the table below assumes that statewide registered voters are distributed equally across the 100 House districts and 40 Senate districts. As seen in the table below, the bill sets the matching fund limit at \$4 per registered voters for the office of the Governor. Each candidate would therefore be eligible for up to \$21.9 million in matching funds.

Office	Dollar per registered voter	Registered voters	Matching fund maximum per candidate
Governor	\$4	5,489,530	\$21,958,120
OAG	\$1	5,489,530	\$5,489,530
LG	\$0.50	5,489,530	\$2,744,765
GA (House)	\$10	54,895	\$548,953
GA (Senate)	\$10	137,238	\$1,372,383

It is currently unknown how many candidates for office would choose to participate in this program. The 2019 General Assembly primary and general elections would be the first elections subject to the provisions of this bill. For demonstrating purposes, if all 140 seats were contested and assuming only two participating candidates per each race in the general election, then a total of \$9.8 million of base funding would be provided to the candidates and they would be eligible to receive up to \$219.6 million in matching funds. If there are uncontested races, those candidates are not eligible for funding and so this amount would be reduced. Please note that this example only addresses the potential costs for the general election. Primary candidates would also be eligible for base funding and matching funds.

The bill indicates that the Fund shall be funded by any unspent funds distributed to participating candidates who do not remain a candidate until the election, unspent distributed funds that are unspent and unobligated by a participating candidate following the election, funds appropriated for the purposes of the program, and any gifts, donations, grants, or bequests. Following an election, participating candidates are to remit back to the fund the lesser of the amount of money in the candidate's campaign account or the sum of the base and matching fund amounts the candidate received from the Fund. It is unknown at this time how much funding would be returned to the Fund based on these provisions.

The bill requires the State Board to assess a civil penalty against participating candidates that violate the bill's provisions on accepting contributions or making expenditures. The civil penalty would be deposited in the general fund. The State Board may also assess a penalty if a participating candidate misuses or does not remit unspent public funding, which would also be deposited in the general fund. It is unknown how many candidates would be subject to these penalties and so the revenue impact on the general fund is indeterminate.

ELECT would be responsible for notifying the Governor and the General Assembly in time for inclusion in the annual budget bill of its estimates for how much public funding is necessary to provide candidates with sufficient financing for elections in the next year in which elections are scheduled, elections to fill vacancies prior to that year, and a reserve for contingencies.

ELECT would also be responsible for certifying that candidates qualify for the program, for auditing and verifying that participating candidates and their donors abide by the small-dollar contribution limits set by the bill, and ensuring that participating candidates abide by the fund raising and expenditures requirements of the bill. Following each primary and general election, ELECT would be responsible for submitting a report to the Governor and General Assembly detailing such information as the number and names of candidates who participated, who did not participate, or who failed to qualify, the amount of funds provided, and an analysis of the effect of this program on political campaigns. ELECT notes that these requirements will require additional staff and system development or modifications, however at the time that this legislation was heard in committee, the Department of Elections had not yet provided estimates for the costs of these activities.

**9. Specific Agency or Political Subdivisions Affected:** Department of Elections

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

Date: January 26, 2018