

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2143

2007 SENATE POLITICAL SUBDIVISIONS

SB 2143

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2143**

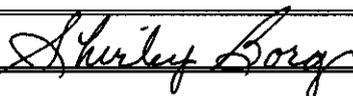
Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: **January 26, 2007**

Recorder Job Number: **2046**

Committee Clerk Signature



Minutes:

Chairman Cook called the Senate Political Subdivisions committee to order. All members (5) were present.

Chairman Cook opened the hearing on SB 2143 relating to public financing of clean election campaigns.

Senator Art Behm, District 19, Grand Forks, ND introduced SB 2143. (See Attachment #1)

Senator Cook asked what the problem is. You indicated that this came from students from NDSU and they did not have the resources or name recognition to raise the necessary funds to run an effective campaign. Is that the only problem?

Senator Behm answered that was the main reason. There is too much money being spent on these campaigns.

Senator Cook Is it the intent of this legislation to put a cap on the amount of money a candidate can raise.

Senator Behm answered yes, there would be a \$10,000 cap on each candidate. A clean candidate will have \$10,000 to spend from the state. The candidate has to have collected \$1500 from his constituents in his own district. They haven't decided if that is turned over to the state but it does need to be registered. This is not mandatory.

Senator Hacker asked if beside that cap limit how much others can spend on you.

Senator Behm you can't accept this money or what others include you in that they are paying for to his knowledge.

Senator Mathern, District 11, Fargo, ND testified in support of SB 2143. Basically one of the intents of this legislation is to move candidate from fund raising activities to friend raising. The other thing that is important that we are trying to see in this bill is opportunity for new people to get involved. One of the issues that your committee has raised is who will qualify for this seed money. The \$1500 would be the candidate's money that he has raised and if qualified with the other reasons would get and additional \$10,000 from the state. Senator Mathern passed out amendments. (See attachment #2) This would simplify how the \$1500 is raised.

Senator Behm had some talking points to hand out. (See attachment #3)

No further testimony on SB 2143.

Senator Cook asked Donnita Wald and Al Jaeger to come up with information.

Donnita Wald Attorney with the State Tax Department appeared to answer questions. She corrected the amount of the Fiscal Note. It is unclear whether the check off would work like the federal presidential election campaign check off or like the check off programs that we have for ND trees and the wildlife fund.

Al Jaeger, Secretary of State commented on the bill. His understanding is that in the check off the revenue raised would reduce the like amount to the general fund. This bill is pretty complicated. There would be expenses to do this.

Senator Hacker asked who would police this program. Would the Secretary of State do this?

Al Jaeger answered this would be enlisted to the Attorney Generals Office.

Chairman Cook closed the hearing on SB 2143.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2143**

Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: **January 26, 2007**

Recorder Job Number: **2054**

Committee Clerk Signature

Minutes:

Chairman Cook called the committee to order. All members (5) present.

Chairman Cook asked the committee to go SB 2143. This bill needs a lot of work. I offer this to any one in this committee that would like to make amendments and work on this bill, otherwise he would like to take action,

Senator Warner made a motion to move the Mathern Amendments.

Senator Hacker seconded the motion.

Discussion

Chairman Cook had a concern with the Mathern Amendment. The restriction on Secretary of State for \$10,000 per biennium.

Senator Warner withdrew his motion for the amendments. He moved to delete the page 2 line 11 amendment from the Mathern amendments. He moved again the amendments.

Senator Hacker seconded the motion.

No further discussion.

All (5) in favor.

Senator Hacker moved a Do Not Pass as amended.

Senator Olafson seconded the motion.

Discussion

Roll call vote: Yes 5 No 0 Absent 0

Carrier: **Chairman Cook Cook**

FISCAL NOTE

Requested by Legislative Council

02/02/2007

Amendment to: SB 2143

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$275,400	\$0	\$275,400
Expenditures	\$0	\$0	\$0	\$1,440,000	\$0	\$1,440,000
Appropriations	\$0	\$0	\$0	\$1,480,000	\$0	\$1,480,000

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Establishes clean election campaign fund for legislative candidates by giving taxpayers the option of a check off to provide the revenue needed to support distributions. When the optional check off is chosen, it reduces revenue to the state's general fund in a like amount.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

On page 2, lines 16 thru 20, the funding source is established.

On page 4, lines 20 thru 31, the method of distribution of funds to qualified candidates is established.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

According to the Tax Department, 328,000 individuals and 146,010 couples filed tax returns in 2006.

181,190 x \$3 = \$543,570

146,010 x \$6 = \$876,060

Potential Revenue = \$1,419,630

According to the IRS, 9.7% of taxpayers nationwide contribute to the presidential election fund. Assuming the same percentage of North Dakota contributors to the state's legislative clean election fund, the revenue generated would equal \$275,400 over a two year period.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

In 2008, there will be 24 legislative districts on the ballot. Each district will have 6 candidates for a total of 144 candidates. Although not every candidate may apply to receive funding, the estimated expenditures must be calculated on the assumption that all 144 candidates would be eligible to receive a distribution.

To provide a \$10,000 distribution to each candidate would require gross revenue of \$1,440,000. However, based on the estimated revenue, full distributions could only be made to 18 to 24 candidates and still provide funding to cover the administrative expenses of the agency.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

The appropriation is higher because the bill states the expenses of the Secretary of State would be covered under the revenue raised. Therefore, the special fund would need this level of spending authority. The higher amount is to cover the hiring of at least a part-time person because of the extensive administrative duties required by the bill, which are significant and cannot be absorbed by the agency's present staffing levels.

Name:	Al Jaeger	Agency:	Secretary of State
Phone Number:	328-2900	Date Prepared:	02/02/2007

FISCAL NOTE
 Requested by Legislative Council
 01/18/2007

REVISION

Bill/Resolution No.: SB 2143

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$360,850	\$0	\$360,850
Expenditures	\$0	\$0	\$0	\$1,440,000	\$0	\$1,440,000
Appropriations	\$0	\$0	\$0	\$1,480,000	\$0	\$1,480,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Establishes clean election campaign fund for legislative candidates by giving taxpayers the option of a check off to provide the revenue needed to support distributions. When the optional check off is chosen, it reduces revenue to the state's general fund in a like amount.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

On page 2, lines 16 thru 20, the funding source is established.

On page 4, lines 20 thru 31, the method of distribution of funds to qualified candidates is established.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

According to the Tax Department, 328,000 individuals and 146,010 couples filed tax returns in 2006.

328,000 x \$3 = \$984,000
 146,010 x \$6 = \$876,060
 Potential Revenue = \$1,860,060

According to the IRS, 9.7% of taxpayers nationwide contribute to the presidential election fund. Assuming the same percentage of North Dakota contributors to the state's legislative clean election fund, the revenue generated would equal \$360,850 over a two year period.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

In 2008, there will be 24 legislative districts on the ballot. Each district will have 6 candidates for a total of 144 candidates. Although not every candidate may apply to receive funding, the estimated expenditures must be calculated on the assumption that all 144 candidates would be eligible to receive a distribution.

To provide a \$10,000 distribution to each candidate would require gross revenue of \$1,440,000. However, based on

the estimated revenue, full distributions could only be made to 20 to 24 candidates and still provide funding to cover the administrative expenses of the agency.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The appropriation is higher because the bill states the expenses of the Secretary of State would be covered under the revenue raised. Therefore, the special fund would need this level of spending authority. The higher amount is to cover the hiring of at least a part-time person because of the extensive administrative duties required by the bill, which are significant and cannot be absorbed by the agency's present staffing levels.

Name:	Al Jaeger	Agency:	Secretary of State
Phone Number:	328-2900	Date Prepared:	01/19/2007

FISCAL NOTE
 Requested by Legislative Council
 01/10/2007

Bill/Resolution No.: SB 2143

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$180,425	\$0	\$180,425
Expenditures	\$0	\$0	\$0	\$1,440,000	\$0	\$1,440,000
Appropriations	\$0	\$0	\$0	\$1,480,000	\$0	\$1,480,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The purpose of the bill is to establish a clean election campaign fund for legislative positions. The provisions of the bill having a fiscal impact are related to the revenue required to support the expenditures authorized to be made to qualified candidates from the clean election fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

On page 2, lines 16 thru 20, the funding source is established.

On page 4, lines 20 thru 31, the level of distribution for qualified candidates is established.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

According to the Tax Department, 328,000 individuals and 146,010 couples filed tax returns in 2006.

328,000 x \$3 = \$984,000

146,010 x \$6 = \$876,060

Potential Revenue = \$1,860,060

According to the IRS, 9.7% of taxpayers nationwide contribute to the presidential election fund. Assuming the same percentage of North Dakota contributors to the clean election fund, the revenue generated would equal \$180,425.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

In 2008, there will be 24 legislative districts on the ballot. Each district will have 6 candidates for a total of 144 candidates. Although not every candidate may apply to receive funding, the estimated expenditures must be calculated on the assumption that all 144 candidates would be eligible to receive a distribution. To provide a \$10,000 distribution to each candidate would require expenditures of \$1,440,000. However, since the agency's administrative costs are to be covered by the revenue raised, full distributions could only be made to 10 to 12 candidates based on the estimated revenue.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

The appropriation is higher because the bill states the expenses of the Secretary of State would be covered under the revenue raised. Therefore, the special fund would need this level of spending authority. The higher amount is to cover the hiring of at least a part-time person because the extensive administrative duties required by the bill are significant and cannot be absorbed by the agency's present staffing levels.

Name:	Al Jaeger	Agency:	Secretary of State
Phone Number:	328-2900	Date Prepared:	01/10/2007

January 26, 2007

JB
1-26-07

PROPOSED AMENDMENTS TO SENATE BILL NO. 2143

Page 1, line 19, replace "five" with "ten"

Page 2, line 3, replace "one hundred" with "ten"

Page 3, line 8, replace "A" with "After December 31, 2009, a" and replace "shall" with "may"

Page 3, line 21, remove "at least"

Page 4, remove lines 27 through 31

Page 5, line 1, replace "4." with "3."

Page 6, line 2, remove ". up to the limits provided in subsections 2 and 3 of section 16.1-08.2-04"

Page 6, line 24, remove "The secretary of state may assess a fee of up to"

Page 6, remove lines 25 and 26

Page 6, line 27, remove "resulted in the late payment of matching funds."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2143: Political Subdivisions Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2143 was placed on the Sixth order on the calendar.

Page 1, line 19, replace "five" with "ten"

Page 2, line 3, replace "one hundred" with "ten"

Page 3, line 8, replace "A" with "After December 31, 2009, a" and replace "shall" with "may"

Page 3, line 21, remove "at least"

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Page 6, remove lines 25 and 26

Page 6, line 27, remove "resulted in the late payment of matching funds."

Renumber accordingly

2007 TESTIMONY

SB 2143

Senate Bill 2143 Summary

Senator Cook, thank you for your time today. I am Senator Art Behm, from district 19.

A bill relating to the public financing of clean election campaigns, to provide a penalty, and to provide a continuing appropriation.

Section 1

Provides definitions for: candidate, certified candidate, contribution, Nonparticipating candidate, Participating candidate, Qualifying contribution, Qualifying period, and Seed money contribution

The Clean Election Fund

Is a special fund in the state treasury, administered by the secretary of state and is established to finance the election campaign of any certified candidate and to pay administrative and enforcement costs of the secretary of state. The funds and any interested generated by the fund are appropriated on a continuing basis.

Page 2, line items 13 – 29 specifies what must be deposited in the clean election fund.

If secretary of state determines the fund has insufficient funding to cover the likely funding demands in the upcoming calendar year, the secretary of state must prepare a report for the governor and legislative assembly.

By September 1st, preceding each election year, the secretary of state shall publish a report estimating the amount of funding available to each candidate and the likely demand for clean election funding for that election.

Terms of Participation

A participating candidate is required to file a declaration of intent with the secretary of state. If a declaration is not submitted within five business days of collecting contributions, any contribution collected before the declaration is filed may not be counted toward the eligibility requirements.

After becoming a candidate, the candidate may not accept any contribution other than seed money contributions, not exceeding \$1,500.

Candidates are required to obtain qualifying contributions during the qualified period from at least 150 qualified electors from the candidate's legislative district. Candidates may not give any payment, gift or anything of value in exchange for a qualifying contribution.

Candidates are required to submit each qualifying contribution with the secretary of state during the qualifying period.

The secretary of state must determine if a candidate has signed and filed a declaration of intent, submitted the number of valid qualifying contributions, not accepted contributions other than seed money and not run for the same office as a nonparticipating candidate in a primary election.

If requirements are met, the secretary of state shall certify the candidate as a clean election candidate.

Upon certification, the candidate may only use the revenues distributed to the candidate from the clean election fund (including interest earned on the account) and may not accept any contribution unless authorized by the secretary of state.

Distribution of Funds

Approved candidates will receive \$10,000 from the clean election fund within three days of certification. Funds shall be placed in a campaign account in a bank or credit union or other financial institution.

If a private candidate's contributions received or expenditures exceed \$10,000, the clean candidate may received an additional amount, up to \$20,000.

The secretary of state cannot distribute revenues not in the fund

Reports Required

A participating and certified candidate shall report any contribution received and each expenditure, obligation or related activity for the month during the election year. A candidate shall file a cumulative or final report within thirty days after an election.

In addition, a certified candidate shall obtain and keep records specified in line items 15-22, page 5 and preserve these records for two years following the candidate's finally campaign finance report for the election year.

Appeals

A candidate who has been denied certification as a clean election candidate, or opponent of a candidate who has been granted certification may challenge a decision as specified in line items 4 -20, page 6.

Violations

Any person found in violation of the clean campaign legislation can be fined up to \$10,000.

Any person who knowing makes a false statement in any report required by this chapter is guilty of a class A misdemeanor and shall return to the fund any money distributed to the candidate.

70219.0101
Title.

Prepared by the Legislative Council staff for
Senator Mathern
January 23, 2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2143

Page 1, line 19, replace "five" with "ten"

Page 2, line 3, replace "one hundred" with "ten"

Page 2, line 11, after the underscored period insert "The secretary of state may expend up to ten thousand dollars per biennium from the fund to assist in administering this chapter."

Page 3, line 8, replace "A" with "After December 31, 2009, a" and replace "shall" with "may"

Page 3, line 21, remove "at least"

Page 4, remove lines 27 through 31

Page 5, line 1, replace "4." with "3."

Page 6, line 2, remove ". up to the limits provided in subsections 2 and 3 of section 16.1-08.2-04"

Page 6, line 24, remove "The secretary of state may assess a fee of up to"

Page 6, remove lines 25 and 26

Page 6, line 27, remove "resulted in the late payment of matching funds."

Renumber accordingly

Talking Points:

- Limit the amount of private influence over public policy
- Create an opportunity for more citizens to run for office
- Assure citizen control to the legislature
- Focus on meeting with the people in the district instead of meeting with the small group of people who have money to give to a campaign
- Changes the legislative races from one of who can raise the most money into who has the best ideas
- Time for a change
- Level the playing field
- **"Friendraising instead of fundraising"**

Summation of Senate Bill No. 2143

HOW THE FUND IS FUNDED:

- 1) Income tax checkoff program
- 2) Funds appropriated by the legislature
- 3) Any unspent money from other approved "clean campaign" candidates
- 4) Any voluntary donation made to the fund
- 5) Any penalty fee collected under this chapter

TERMS OF PARTICIPATION:

- 1) Receive 150 donations (no less than \$5 and no more than \$100)
- 2) The total amount of seed money cannot exceed more than \$1,500

DISTRIBUTION OF FUNDS:

- 1) Approved candidates will receive \$10,000
- 2) If outspent by a privately funded candidate, the "clean campaign candidate" can receive matching funds up to \$20,000
- 3) The Secretary of State cannot distribute revenues not in the fund

VIOLATIONS:

- 1) Any person found in violation of the "clean campaign" legislation can be fined up to \$10,000