



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	SB0375	<b>Title:</b>	Generally revise Montana campaign laws
<b>Primary Sponsor:</b>	Peterson, Jim	<b>Status:</b>	As Introduced

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact                | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$72,143	\$17,500	\$30,670	\$18,105
State Special Revenue	\$5,000	\$2,500	\$5,000	\$2,500
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$46,000	\$47,000	\$48,000
State Special Revenue	\$5,000	\$2,500	\$5,000	\$2,500
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	(\$72,143)	\$28,500	\$16,330	\$29,895

**Description of fiscal impact:** SB 375 revises campaign finance laws and removes the itemized deduction for political campaign contributions in calculating personal income tax. There are new time sensitive requirements that will require upgrades in IT and additional staff resources (see technical notes).

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. Section 15 of SB 375 eliminates the deduction for political campaign contributions.
2. Under current law, Montana allows taxpayers an itemized deduction of up to \$100 of contributions to candidates for political office or to political parties. Federal law does not allow a comparable deduction.

- The personal income tax model was modified to incorporate these changes, and the change in full-year residents was multiplied by the ratio of full year residents’ tax liability to all taxpayers’ tax liability. The following table shows these changes for TY 2014 through TY 2017.

<b>Tax Year</b>	<b>Change (Full Year Residents) (\$ Millions)</b>	<b>Change (All Taxpayers) (\$ Millions)</b>
<b>TY 2014</b>	\$0.042	\$0.046
<b>TY 2015</b>	\$0.041	\$0.047
<b>TY 2016</b>	\$0.041	\$0.048
<b>TY 2017</b>	\$0.041	\$0.049

- It is not anticipated that people will adjust their withholding patterns to incorporate this change, and the changes in a given tax year are assumed to occur when taxpayers file their taxes in the following fiscal year. The following table shows the change in revenue by fiscal year for FY 2015 through FY 2017.

<b>Fiscal Year</b>	<b>Change In Revenue (\$ millions)</b>
<b>FY 2015</b>	\$0.046
<b>FY 2016</b>	\$0.047
<b>FY 2017</b>	\$0.048

- Section 16 states that corporations may not deduct political contributions in calculating their corporate income tax liability. Corporations are not currently allowed to deduct the contributions and it is assumed this change will not have any additional fiscal impact.

**Commissioner of Political Practices (COPP)**

- All candidates and committees will be required to file their financial data electronically.
- Neither the existing database, nor the proposed database requested in HB 10 and online services, can accommodate amended searchable filings. SB 375 mandates that all required filings be searchable. Many forms will have to be included in the new database and online interface. To add amended filings and the additional forms to the IT system requested in HB 10, it will require a one-time-only additional cost of \$40,000. (see technical note below)
- The cost of maintenance and support of the database and online interface would increase by \$20,000 per fiscal year.
- Rulemaking is required. The cost of contracted services for formatting per ARM regulations will add an estimated \$2,000 in FY 2014 only-time-only.
- In order to meet the two day processing deadline, COPP would need an addition 0.50 FTE during an election year to meet the increase work load. Costs for Administrative Clerk are estimated to be \$15,143 in FY 2014 and \$15,457 in FY 2016.
- For purposes of estimating revenue from enforcement actions, COPP used the cyclical averages for the past 10 years. SB 375 calls for an increase from three times the unlawful contributions or expenditures to four times the amount. COPP estimates that for FY 2014, the revenue collected from penalties will be at least \$5,000 for an election year and \$2,500 for non-election years. For purposes of this fiscal note, it is assumed that the enforcement action revenue would be deposited in a state special revenue fund.
- A 1.5% per year inflation factor is used for the 2017 biennium.

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.50	0.00	0.50	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$15,143	\$0	\$15,370	\$0
Operating Expenses	\$62,000	\$20,000	\$20,300	\$20,605
<b>TOTAL Expenditures</b>	<u>\$77,143</u>	<u>\$20,000</u>	<u>\$35,670</u>	<u>\$20,605</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$72,143	\$17,500	\$30,670	\$18,105
State Special Revenue (02)	\$5,000	\$2,500	\$5,000	\$2,500
<b>TOTAL Funding of Exp.</b>	<u>\$77,143</u>	<u>\$20,000</u>	<u>\$35,670</u>	<u>\$20,605</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$46,000	\$47,000	\$48,000
State Special Revenue (02)	\$5,000	\$2,500	\$5,000	\$2,500
<b>TOTAL Revenues</b>	<u>\$5,000</u>	<u>\$48,500</u>	<u>\$52,000</u>	<u>\$50,500</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$72,143)	\$28,500	\$16,330	\$29,895
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. HB 10 includes an IT project for COPP that will allow data to be filed electronically which would help them comply with the requirements of this bill. The estimated cost for development and implementation of an adequate database and online interface is \$502,400.
2. If HB 10 does not become law with a \$502,400 appropriation to COPP for purchase of the IT system, the cost of SB 375 would need to be increased by an additional \$502,400 in FY 2014 only.
3. Implementation of SB 375 will require additional legal services. The 2015 biennium Executive Budget includes 1.00 FTE for additional COPP legal staff. COPP anticipates an additional five complaints would be filed per year at an annual cost of \$10,000. Provided that the additional legal staff requested in the executive budget is approved by the legislature, COPP estimates that they could absorb these additional costs.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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