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## FISCAL IMPACT REPORT

**SPONSOR** Smith **ORIGINAL DATE** 1/29/16  
**LAST UPDATED** 2/12/16 **HB** 105/aHGEIC/aHAFC

**SHORT TITLE** Electronic Campaign Reporting **SB** \_\_\_\_\_

**ANALYST** Jorgensen

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
		\$30	Recurring	Campaign Reporting System Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$985.0	\$75.0	\$1,060.0	Nonrecurring*	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Responses Received From  
 Attorney General's Office (AGO)  
 Secretary of State (SOS)

Responses Not Received From  
 Department of Information Technology (DOIT)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 105 removes the \$985 thousand appropriation. The removal of the appropriation will result in the SOS paying the costs of IT system upgrades out of the current operating budget. SOS estimates these costs to be up to \$985 thousand.

Synopsis of HGEIC Amendment

The House Government, Elections, and Indian Affairs Committee amendment to House Bill 105 changes the expenditure reporting requirement for individual lobbying expenses from \$75.00 to \$100.00 and removes the reporting category of gifts.

Synopsis of Original Bill

House Bill 105 amends the Campaign Reporting Act and the Lobbyist Regulation Act to require electronic filing of contribution and expenditure reports. The bill requires the SOS to maintain the filing data in an open and structured format so that it may be easily searched by the public and to provide for cross-checking and compliance monitoring.

HB 105 creates the non-reverting campaign reporting system fund in the state treasury. The fund receives revenue lobbyist registration fees, and money in the fund is appropriated to the SOS to pay for upgrades, maintenance and operations of the electronic reporting system.

In Section 3A (1), the bill strikes language requiring lobbyists to report “the cumulative total of expenditures...made...during the reporting period” and inserts in lieu thereof language requiring lobbyists to report “each expenditure of \$75 or more.” In addition, the bill requires lobbyists to report whether contributions came from the lobbyist’s employer or from the lobbyist on the lobbyist’s own behalf.

HB 105 requires reporting individuals under the campaign reporting act to be notified electronically within 24 hours of contributions to them being reported by registered lobbyists.

The bill appropriates \$985 thousand to the SOS for expenditure in FY17 and FY18 for implementation of an electronic reporting and registration system meeting the requirements of HB 105. Any unexpended or unencumbered balance remaining at the end of FY18 shall revert to the general fund.

**FISCAL IMPLICATIONS**

SOS noted it conducted a multi-state study to review the features, costs, and duration for implementation of other state campaign finance systems determined the \$985 thousand appropriation contained in HB 105 is adequate to cover development, and project management, as well as independent verification and validation costs as required by the Department of Information Technology Project Oversight Office.

The SOS anticipates annual system maintenance costs at up to \$75 thousand. While HB 105 does create a “campaign reporting system fund”, SOS anticipates that fee revenue would generate up to \$30 thousand annually, leaving \$45 thousand in unfunded maintenance costs for the new system.

Additionally, this bill creates a new fund (the campaign reporting system fund”) and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provision for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

## **SIGNIFICANT ISSUES**

IT appropriations made through legislation avoids the state's collaborative project review and selection process involving the Department of Finance and Administration, Legislative Finance Committee, and Department of Information Technology.

To provide the oversight necessary for successful integration and implementation of projects, IT initiatives should comply with the requirements of the state's project certification committee process overseen by DoIT.

## **ADMINISTRATIVE IMPLICATIONS**

According to the SOS, the current system is cumbersome and confusing to use for reporting individuals as well as for the SOS staff charged with administering it. The SOS staff must currently maintain separate systems and spreadsheets outside of the system to track compliance efforts, fines, and referrals for enforcement. The current system has no automatic mechanisms to remind candidates of upcoming reports or to notify them of missing reports or possible data errors. Performing examinations of the data to ensure compliance is labor intensive as there are no automated tools to assist staff with identifying discrepancies.

## **OTHER SUBSTANTIVE ISSUES**

The SOS writes:

While the current campaign finance information system (CFIS) meets the letter of the law, it lacks the automation, integration, and transparency features that the candidates, media, and general public expect in a system that should allow for easy disclosure and an ability to follow the money in politics.

Additionally, there is no ability in the current system to maintain uniformity of the names of reporting individuals or candidates, instead, each reporting entity builds its own list of contacts with slight variations of name spelling and no common and unique identifiers. This defect makes it nearly impossible to aggregate total contributions or perform other data analysis to follow the money trends in New Mexico politics without significant manual intervention.

The current system is based on providing fixed pdf reports as the basis for information disclosure. This data format is too difficult to search and use for data analysis. Sifting through the data is unnecessarily complicated.

CJ/jo/jle/al/jle