



# MINNESOTA

## CAMPAIGN FINANCE BOARD

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**Presentation to the State Government Finance Division – January 16, 2019**

### **Overview**

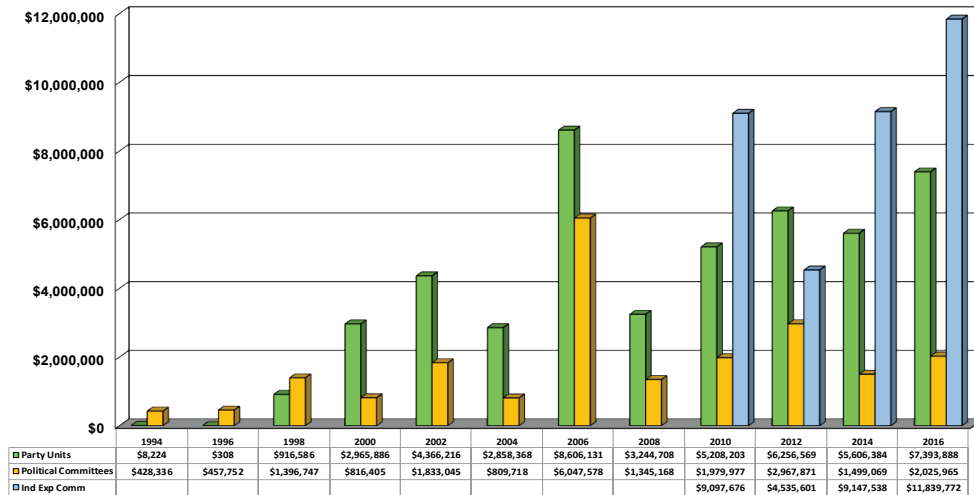
#### **Campaign Finance and Public Disclosure Board**

- Mission – To promote public confidence in state government through administration and enforcement of disclosure and campaign finance programs that ensure public access to and understanding of information filed with the Board.
- The Board is an independent agency. The Board does not report to the Governor's office although the Governor's overall budget does include a recommendation for the Board's budget.
- The Board consists of six members. No more than half of the members may come from any one party. At least two members are former legislators, one from each party. Members are appointed by the Governor and must be confirmed by both the Senate and the House. Two appointments will occur this year. The Board meets monthly.
- The Board has a staff of nine full-time positions that administer three programs.

#### **Campaign Finance Program**

- The Board administers Chapter 10A and certain provisions of Chapter 211B. The Board's jurisdiction for the purpose of campaign finance is limited to state-level candidates, political committees, political funds, and party units.
- Approximately 700 candidate committees, 340 political committees and funds, 320 political party units, and 70 independent expenditure committees are registered with the Board. During an election year, the Board processes about 4,800 original campaign finance reports.
- To assist in filing the reports and in complying with applicable contribution and expenditure limits the Board provides free software to registered committees.
- The Board conducts compliance-training classes and is developing online training as resources allow.

- The Board enforces provisions of Chapters 10A and 211B through investigations and may impose civil penalties for violations. Investigations start through complaints filed with the Board or through staff review of documents filed with the Board.
- The Board also administers the public subsidy program. In 2018, the Board issued payments totaling \$2,257,000 to 245 qualified house and constitutional candidates. In 2018, 91% of the candidates who filed for constitutional or legislative office signed the public subsidy agreement.
- The contributions and expenditures reported to the Board continue to grow. For example, independent expenditures continue to increase. Independent expenditures reported through the 2018 pre-general report are already a record \$23,371,000.



## Lobbying Program

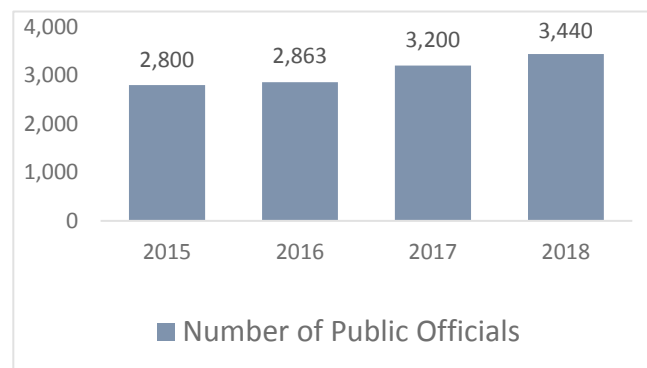
- Lobbyists register on behalf of lobbyist principals that wish to influence official actions of public officials and certain local officials.
- Lobbying is defined as attempting to influence one of the following four actions: legislative action (which includes asking the Governor to support or oppose legislation); the adoption of administrative rules; the setting of rates and granting of permits by the Public Utilities Commission; or the actions of the city councils of 17 cities in the metro area or the county boards of the seven counties in the metro area.
- The Board enforces the gift prohibition between lobbyists and public officials.
- There are approximately 1,450 lobbyists registered with the Board representing about 1,400 principals. Lobbyists report disbursements twice a year. Lobbyist principals report once a year the total lobbying expenditures made in Minnesota.

- The total amount spent on lobbying and reported to the Board has increased over the years, with the expenditures in 2017 representing a new high. Lobbying expenditures for 2018 will be reported in March.

Year	Amount Spent to Influence Legislative Actions, Administrative Actions, and Actions of Metropolitan Governmental Units	Amount Spent to Influence the Actions of the MN Public Utilities Commission	Total Amount of Spending Reported by Principals
2017	\$65,829,222	\$9,840,778	\$75,670,000
2016	\$62,094,344	\$6,222,560	\$68,316,904
2015	\$63,979,699	\$5,177,019	\$69,156,718
2014	\$64,733,179	\$5,673,292	\$70,406,471
2013	\$69,420,091	\$5,337,767	\$74,757,858
2012	\$59,725,768	\$2,749,590	\$62,475,358

### Economic Interest Program

- Through the economic interest program the Board collects information on the employment and investments of public officials that may under certain circumstances create a conflict of interest.
- Approximately 3,440 public officials filed with the Board in 2018. There are 369 state offices, boards, agencies, and commissions with elected or appointed public officials.
- Original statements are filed with the Board at the time of appointment as a public official, or for state legislative and constitutional candidates when filing for office.
- Annual certification of the economic interest statement occurs every January for individuals who were public officials in the prior year. The certification deadline for 2018 is January 28.
- The number of public officials required to file with the Board has increased.



## Budget Requests

### Agency Profile

- Agency financing by fund (page 5). The 1000 – general fund includes a direct appropriation of \$1,020,000 in odd-numbered fiscal years. This is a pass through of the general account appropriation for public subsidy payments provided in Minnesota Statutes section 10A.31.
- The current appropriation for Board operations is \$1,048,000 per fiscal year.
- The Board last asked for an increase to the operating budget at the 2013 legislative session. The operating budget increased to \$1,000,000 for fiscal years 2014 and 2015. The Governor in subsequent budget years made small increases to all small agency budgets, which over six years resulted in another \$48,000 to the base.

### Change Item Requests

#### Operating Budget

- The change item requests an increase of \$75,000 per fiscal year, to an annual appropriation of \$1,123,000.
- The request is needed to maintain the current Board staff of 9 FTEs.
- The estimated salary and benefits for fiscal years 2020 and 2021 consume a percentage of the operating budget that is not sustainable.

	Base Budget	Salary and Benefits	% of Budget
FY 2014	\$ 1,000,000	\$ 635,000	64%
FY 2015	\$ 1,000,000	\$ 778,000	78%
FY 2016	\$ 1,014,000	\$ 771,000	76%
FY 2017	\$ 1,028,000	\$ 834,000	81%
FY 2018	\$ 1,036,000	\$ 846,000	82%
FY 2019	\$ 1,048,000	\$ 888,000	85%
FY 2020	\$ 1,048,000	\$ 930,000	89%
FY 2021	\$ 1,048,000	\$ 949,000	91%

- The addition of rent alone to staff compensation raises the percentage of budget dedicated to fixed costs to 94% in fiscal year 2021. Other required costs and unforeseen expenses cannot be met with the remaining 6% of the budget.
- Without an increase the Board staff will have be reduced by one FTE, which is 11% of the staff.
- The impact of a staff reduction would be felt by the regulated community, and would result in slower disclosure of information to the public.

### **One-time Change Item for Web-based Campaign Finance Reporter Application**

- The change item requests a onetime appropriation of \$50,000 for development of a web-based version of Campaign Finance Reporter.
- The current software was developed in 1998 with Visual Basic, which is no longer supported by Microsoft.
- Campaign Finance Reporter will not work with the Apple operating system, or on Chrome computers.
- The majority of the programming will be done by Board staff. The additional funds will be used to supplement programming so that the development is done in 2019, a non-election year.



<https://cfb.mn.gov>

### AT A GLANCE

#### Campaign Finance Regulation and Disclosure

- Administers registration and reporting for about 700 candidates, 320 political party units, and 345 political committees and funds, and 60 independent expenditure committees and funds.
- Approximately 4,800 campaign financial reports will be filed with the Board in 2018.
- Between 2000 and 2016, independent expenditures reported to and regulated by the Board increased from \$3.7 million to \$21.3 million.
- Will distribute approximately \$2.2 million in public subsidy money to constitutional and house candidates in 2018.

#### Lobbyist Registration and Disclosure

- Administers registration and reporting for about 1,450 lobbyists.
- Approximately 4,500 lobbyist reports filed each year.
- In 2017, the 1,427 principals represented by lobbyists reported \$75.7 million in expenditures to influence the official actions of public officials. This is the highest amount ever reported to the Board.

#### Public Officials Financial Disclosure

- Currently maintain disclosure for 3,100 public official positions. Disclosure reported to the Board now includes county commissioners and judges.

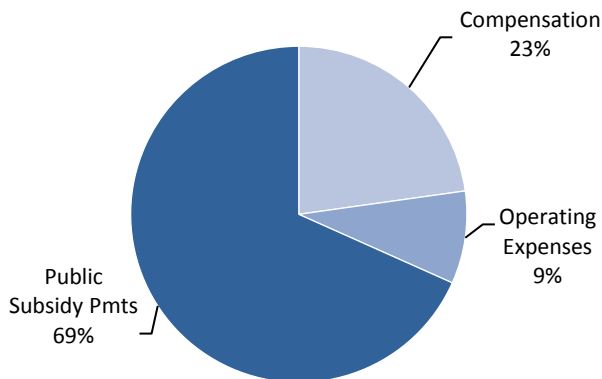
### PURPOSE

The Board's mission is to promote public confidence in state government decision-making through development, administration, and enforcement of disclosure and public financing programs that will ensure public access to, and understanding of, information filed with the Board. The Board contributes to the statewide goal of **providing efficient and accountable government services**:

- The Board uses technology to gather and publish data, and to facilitate candidates, lobbyists, and officials in providing financial information to citizens and complying with legal requirements.
- Through the Board's financial disclosure and public official integrity programs, citizen confidence in state government is maintained.
- The Board administers a public subsidy program that provides partial funding to candidates who agree to limit their campaign spending; this helps challengers compete with incumbents, and reduces the fundraising demands placed on candidates compared to elections in similar states.
- The Board provides support to candidates so that they can comply with Minnesota's various laws related to campaign finance, which makes running for office easier for ordinary citizens.

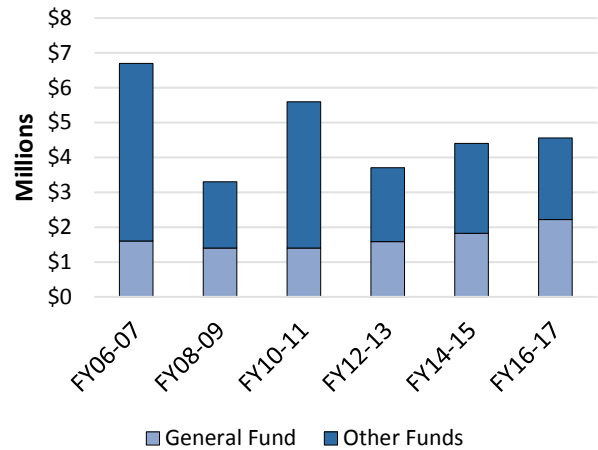
## BUDGET

**Spending by Category  
FY 17 Actual**



Source: BPAS

**Historical Spending**



*Other Funds represents public subsidy payments. Public subsidy funds are derived from a \$1,020,000 biennial general fund appropriation and transfers to the special revenue fund based on political party check-off by individuals on state income and property tax forms.*

## STRATEGIES

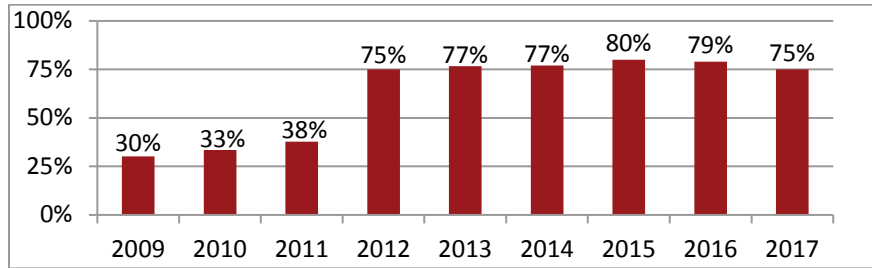
The Campaign Finance and Public Disclosure Board achieves its mission using these strategies:

- Facilitate easier and more universal compliance with Chapter 10A (Minnesota’s campaign finance and public disclosure statutes) by providing strong support for treasurers, most of whom are volunteers, and for other filers so that they can understand and meet the obligations of their positions.
- Cultivate an environment of voluntary compliance by providing educational programs, publications, training, consultation, software, internet applications, and other aids to enable those governed by Chapter 10A to understand and comply with their statutory obligations.
- Provide consistent, non-partisan administration of the compliance and disclosure statutes so that regulated entities understand that when compliance is not voluntary, it will be required through agency action and to ensure that subjects of compliance procedures are treated fairly and impartially.
- Help citizens become better informed about public and private financing of election campaigns and about lobbying. With access to campaign finance and lobbying data, citizens will have a higher level of confidence that elected officials’ decision-making is not unduly influenced by outside interests.
- Provide transparency concerning money in Minnesota politics by publishing campaign finance and other data filed with the Board in easily accessible and meaningful formats for citizen use through its worldwide website, printed materials, and electronic communications.
- Ensure the integrity of the state’s program of partial public financing of political campaigns by determining eligibility, calculating amounts, and distributing public subsidy funding to qualified candidates and parties.



## RESULTS

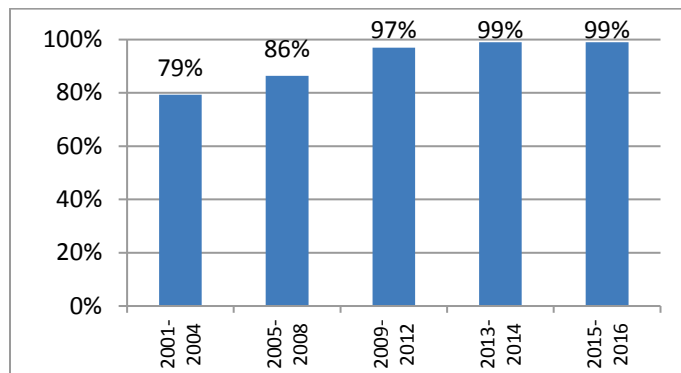
**Measure: Quantity** – Percentage of campaign finance filers reporting electronically



**Outcome:**

- Electronically filed reports are available for public inspection sooner than paper reports.
- The software used to generate electronic reports also performs a compliance check on data entry, helping treasurers identify contributions that should not be accepted, and expenditures that are prohibited.

**Measure: Quantity** – Percent of transactions where donor and recipient reports of contributions reconcile



**Outcome:**

- Accurate campaign finance data is published so that citizens are better informed about money used to influence elections.
- Increased compliance with campaign finance disclosure laws.

**Note:** Differences of \$100 or less excluded from this analysis.

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Minnesota Statutes Chapter 10A provides the legal authority for the Campaign Finance and Public Disclosure Board. ([revisor.mn.gov/statutes/?id=10A](http://revisor.mn.gov/statutes/?id=10A))



## Campaign Finance and Public Disclosure Board

### FY 2020-21 Biennial Budget Change Item – Operating Budget

#### Change Item Title: Increase to Operating Budget

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	75	75	75	75
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	75	75	75	75
<b>FTEs</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

#### Request:

The requested change item is to increase the base operating budget of the Campaign Finance and Public Disclosure Board by \$75,000 per fiscal year. This will result in a base budget of \$1,123,000 per fiscal year. This increase will allow the Board to maintain its current staff of nine FTEs.

At the current base operating funding level of \$1,048,000 per fiscal year, the projected staff salary and benefit costs for FY 2020 and FY 2021 will require a reduction in staff of one FTE, which represents eleven percent of Board staff. The change item will not be used to increase the size of the Board staff, it will remain at nine FTEs.

The requested increase of \$75,000 per fiscal year represents approximately a 7.25% increase to the current base budget.

#### Rationale/Background:

The Board last asked for, and received, a change to its base budget for the fiscal year 2014 – 2015 biennium. At that time, the base budget was increased to \$1,000,000 to allow for a staff of nine and for IT related projects. The Governor in subsequent budget years made small increases to all small agency budgets to partially compensate for contractual increases to employee salaries. The fiscal year 2019 base budget is \$1,048,000. In the past two biennial budgets the Board has not asked for any increase to its operating base budget.

During the six budget years from 2014 to 2019, the percentage of the Board's budget that is tied to salary and benefits has increased significantly, as shown in the chart below. The projected salary and benefits for fiscal years 2020 and 2021, shown in bold, increases the percentage to 89% and 91% respectively.

	Base Budget	Salary and Benefits	% of Budget
FY 2014	\$ 1,000,000	\$ 635,000	64%
FY 2015	\$ 1,000,000	\$ 778,000	78%
FY 2016	\$ 1,014,000	\$ 771,000	76%
FY 2017	\$ 1,028,000	\$ 834,000	81%
FY 2018	\$ 1,036,000	\$ 846,000	82%
FY 2019	\$ 1,048,000	\$ 888,000	85%
<b>FY 2020</b>	<b>\$ 1,048,000</b>	<b>\$ 930,000</b>	<b>89%</b>
<b>FY 2021</b>	<b>\$ 1,048,000</b>	<b>\$ 949,000</b>	<b>91%</b>

(Note the salary and benefits listed in the table is the budgeted amount for that fiscal year. Because of staff vacancies actual expenditures were lower than the budgeted amount in some years.)

The Board considered reducing other operating expenses as an alternative to requesting an increase to the operating base. However, other fixed operating expenses make that alternative impractical. For example, when the fixed cost of office space and MNIT services are added to the cost of salary and benefits the total represents 95% of the current base budget in fiscal year 2020, and 97% of the current base budget in fiscal year 2021. Reducing all other operating expenses, including postage, supplies, equipment, and other contracted services to fit within 3% of the budget is not doable, and certainly not sustainable. Without the requested increase to the operating budget, the only feasible option is to reduce staff size to operate within the current base budget.

At the July 2018, monthly meeting the Board authorized the Executive Director to request an increase to the operating budget sufficient to maintain the agency's current operations and staffing level.

**Proposal:**

This change item provides an additional \$75,000 per fiscal year to the operating funds of the Board. The additional funding is not for a new initiative and does not represent a significant change to an existing program. The funding is necessary to: 1) offset increases in staff salary and benefit costs that have occurred in the past six years since the last increase to the Board's operating budget; and 2) offset projected increases in staff salary and benefits in the next four years.

Without the increase Board staff will be reduced by one FTE in the upcoming biennium. In an agency with a small staff of nine FTEs, the loss of even a single position will result in reduced customer service and slower management of statutorily-required disclosure and enforcement functions. Board staff currently administers the registration, reporting, and enforcement actions needed for a combined 1,400 candidate committees, political party units, political committees, and political funds in the campaign finance program; 1,450 lobbyists in the lobbying program, and over 2,800 public officials in the economic interest program. All Board staff work in the administration of all three programs to some extent, so a reduction in staff will negatively affect the support provided to the regulated community in all three programs and to the speed and quality of the disclosure provided to the public.

**Equity and Inclusion:**

Not applicable to this request.

**IT Related Proposals:**

Not Applicable to this request.

**Results:**

- The Board's programs typically are not subject to simple performance measures. However, by all measures, the time it takes the Board to complete its work is directly related to the staff available to complete the work. As recently as fiscal year 2012, the Board operated with only seven staff. A staff of seven resulted in the Board taking months to issue advisory opinions and complete even simple investigations. Additionally the lack of staff resulted in the end of client training sessions in greater Minnesota, and a lack of progress in critical web-based public disclosure and reporting applications. Restoring staff levels to nine FTEs allowed the Board to restart training in greater Minnesota, develop online reporting for the lobbyist and economic interest programs, upgrade the disclosure provided on the Board's website, and resolve most citizen-initiated Board actions in less time.
- The Board's mission is to foster citizen confidence in government by providing and administering programs of regulation and disclosure. This mission requires staff that is experienced in program administration, the conduct of investigations, client training, and producing meaningful data in a context

relevant to citizens. This proposal will allow the Board to maintain the staff needed to complete this mission.

**Statutory Change(s):**

No statutory changes are required.



## Campaign Finance and Public Disclosure

### FY 2020-21 Biennial Budget Change Item

#### Change Item Title: Web-based Campaign Finance Reporter Application

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	50	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	50	0	0	0
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Request:

The requested change item is to fund up to \$50,000 in fiscal year 2020 for programming, and consultant services to evaluate system load balancing and security for the Board's web-based campaign finance reporting application.

The Board currently provides at no charge the Campaign Finance Reporter software for use in filing required periodic reports of receipts and expenditures by candidate committees, political party units, political committees and political funds. The current version of the software is PC based, and was first released in 1998. Board staff is in the process of developing a web-based reporting application that will replace Campaign Finance Reporter. To insure that the web-based application is completed during a non-election year, the Board requests a one-time increase of \$50,000 for professional/technical services in support of the application's development.

The one-time increase of \$50,000 in fiscal year 2020 represents approximately a 4.75% increase over the base budget appropriation.

#### Rationale/Background:

In 2011, the legislature enacted the Board's recommendation that campaign finance reports of receipts and expenditures must be filed electronically. Minn. Stat. § 10A.20, subd. 1(c). The electronic filing may be completed by using the free Campaign Finance Reporter software provided by the Board, or by using third-party vendor software that complies with standards developed by the Board. Electronic filing eliminates the need for manual data entry of reports by Board staff, and makes the data in the Board's systems available to the public more quickly.

The Board does waive the requirement to file electronically for good cause. The Board considers good cause to include the use of a computer that is not compatible with Campaign Finance Reporter. Without a Windows emulation program, Campaign Finance Reporter will not work on an Apple computer, and to the Board's knowledge it is not possible to use the software on a Chrome computer. This limitation has forced a number of political committees to file by paper when they would prefer to file electronically.

The Board is also concerned that future versions of Microsoft Windows may not be compatible with Campaign Finance Reporter. This concern is based on past experience. The version of Campaign Finance Reporter developed for Windows 95 was incompatible with Windows 2000. In response, the Board requested and received an appropriation of \$250,000 in order to contract with a vendor to reprogram elements of Campaign Finance Reporter so that it would work with the latest version of Windows. While the Board has no specific knowledge

that future versions of Windows will be incompatible with Campaign Finance Reporter, moving to a web-based application will eliminate that possibility.

Additionally, Campaign Finance Reporter provides a number of compliance checks on receipts, contributions, spending limits, and other reporting requirements. Each time there is a statutory change to the compliance requirements of Chapter 10A the code for Campaign Finance Reporter must be modified, and then the upgrade must be provided to each treasurer who uses the software. Although the software alerts users when an upgrade is available, the experience of the Board is that many treasurers ignore this message and continue using a version of Campaign Finance Reporter that is out of date. This problem would be resolved by moving to a web-based reporting system. If the web-based reporting application were modified to reflect a statutory change each treasurer would automatically have the most up-to-date reporting application when they next signed on to work on a report.

**Proposal:**

The Board is using existing IT staff who currently support Campaign Finance Reporter to develop the on-line reporting application. However, the web-based reporting application must be ready for initial release during calendar year 2019, which is a non-election year for state-level candidates. During a non-election year there is only one report due from registered committees for the year. Releasing the application during a state election year would be too risky because there are multiple reports due during the course of that year.

To insure that the application is ready for release during the non-election year the Board will contract for programming and other professional services related to the web-based reporting application that will supplement the work of staff. In effect, the contracted services will spread out the workload and buy time for staff to complete the project in time for release in 2019.

The Board also intends to use salary savings available in fiscal year 2019 to purchase professional/technical services through June of 2019. The requested funds will provide resources for the project in the second half of calendar year 2019.

**Equity and Inclusion:**

Not applicable to this request.

**IT Related Proposals:**

<i>Category</i>	<i>FY 2020</i>	<i>FY 2021</i>	<i>FY 2022</i>	<i>FY 2023</i>	<i>FY 2024</i>	<i>FY 2025</i>
Payroll	0	0	0	0	0	0
Professional/Technical Contracts	50	0	0	0	0	0
Infrastructure	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Training	0	0	0	0	0	0
Enterprise Services	0	0	0	0	0	0
Staff costs (MNIT or agency)	0	0	0	0	0	0



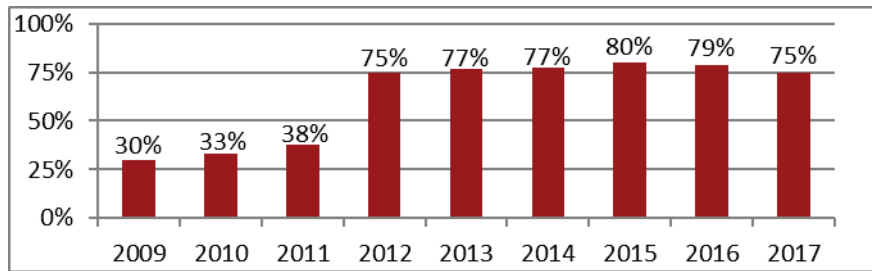
<i>Category</i>	<i>FY 2020</i>	<i>FY 2021</i>	<i>FY 2022</i>	<i>FY 2023</i>	<i>FY 2024</i>	<i>FY 2025</i>
<b>Total</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
MNIT FTEs	0	0	0	0	0	0
Agency FTEs	0	0	0	0	0	0

(Note: No additional agency staff will be required. The Board is not a part of the MNIT consolidation, so no MNIT employees are included in this change order.)

**Results:**

The Board has tracked the number of political committees that file electronically. The percentage of all campaign finance reports filed electronically has been in decline over the last two years. This trend is alarming because committees that file by paper are more likely to have compliance errors that would have been identified if the transactions had been entered into Campaign Finance Reporter. Further, reports filed on paper require staff data entry and therefore are not available for public disclosure as readily as electronic reports.

**Percentage of campaign finance filers reporting electronically**



The Board will consider the move to a web-based reporting application successful if the percentage of reports filed electronically increases during calendar year 2020.

**Statutory Change(s):**

No statutory changes are required.