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FISCAL IMPACT REPORT

ORIGINAL DATE 2/17 /17
SPONSOR Steinborn **LAST UPDATED** **HB**

SHORT TITLE Estimated Lobbyist Expense Report Filing **SB** 225

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$985.0	$100.0	$1,185.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Senate Bill 225 relates to House Bill 10, Public Accountability Act; House Bill 73, Public Officials as Lobbyists; House Joint Resolution 8, State Ethics Commission, Ca; Senate Bill 72, Public Accountability Act; Senate Bill 168, Lobbyist Reporting Requirements & Fees; Senate Bill 218, State Ethics Commission Act; Senate Bill 228, Post-Session Lobbyists Reports.

SOURCES OF INFORMATION
LFC Files

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

SUMMARY

Synopsis of Bill

Senate Bill 225 (SB225) would amend the Lobbyist Regulation Act to add additional reporting requirements for lobbyists' employers. The bill adds a requirement for lobbyists' employers to make an estimated lobbying expense report with the Secretary of State (SOS) no later than January 15th and May 1st of each year and outlines the contents of the required reports. The reports are required to also contain the actual expenses incurred by lobbyists' employers for the previous reporting period. The bill defines "lobbying expenses" by enumerating six areas of required disclosure to be reported by lobbyists' employers including:

(1) Expenditures paid by a lobbyist that are reimbursed by the lobbyist's employer;
(2) The political contributions made by a lobbyist that are reimbursed by the lobbyist's employer;
(3) Other expenses incurred by a lobbyist that are reimbursed by the lobbyist's employer, including living expenses, expenses for maintaining an office and other expenses incidental to lobbying;

(4) All compensation paid to a lobbyist for lobbying;
(5) The salary paid to the lobbyist for the time that the lobbyist is engaged in lobbying if a lobbyist is an employee of the lobbyist's employer; and
(6) Any other lobbying expenditures made by the lobbyist's employer and not included in Paragraphs (1) through (5) of this subsection.

Section 2 amends Section 2-11-6 would remove the current $100 threshold for lobbyist expense reporting and instead would require the lobbyist to report the total expenditure to each recipient and adds "gift" as an expense category. Section 2-11-6 (E) proposes lobbyists' employers report the personal living expenses and the administrative costs paid to a lobbyist, and Section 2-11-6 (H) would clarify lobbyists' employers who also lobby must comply with all reporting requirements set forth for both lobbyists and lobbyist employers.

Section 3 would amend Section 2-11-7 to require the new lobbyist employer expense reports be posted online by the Secretary of State (SOS) within 48 hours of receipt, or within 24 hours during a legislative session.

FISCAL IMPLICATIONS

The Secretary of State's Office (SOS) notes its current Campaign Finance Information System (CFIS) is not equipped to make estimated expense reports as required by SB225. The proposed legislation would require the SOS to add an additional reporting type to the lobbyist module of the existing CFIS resulting in a fiscal impact to the SOS.

The SOS submitted an information technology (IT) special appropriation request for $985 thousand for consideration during this legislative session to replace the current Campaign Finance Information System (CFIS) to accommodate the system modification mandated in HB105 passed during the 2016 session. If this special appropriation is approved, the SOS would be able to accommodate the requirements of this bill in the new system design. Once implemented, the CFIS would need annual maintenance, repairs and upgrades which have an additional fiscal impact of at least $100 thousand annually based on current IT systems at SOS.

The HAFC recommendation computer systems enhancement funding for FY18 IT systems does not currently including funding for CFIS.

SIGNIFICANT ISSUES

The bill proposes to remove the current $100 reporting threshold for lobbyists; however, the amended language in Section 2-11-6(A) (1) is unclear regarding disclosure of total expenditures incurred "for each recipient." It is unclear whether the intent of the amendment is for the lobbyist to disclose the vendor providing the service as the "recipient" resulting in the expenditure, or if "recipient" is intended to mean the legislator or other official who may be benefitting from the expenditure incurred by the lobbyist.

The sponsor may want to consider adding a small dollar threshold such that small items such as a cup of coffee or a stick of gum do not require disclosure.

PERFORMANCE IMPLICATIONS

The Secretary of State's Office (SOS) notes only lobbyists' employers who incur lobbyist expenses, as defined by the bill, would be required to file the newly proposed expense reports. The absence of a report would lead to the assumption that no expenses were incurred which may make tracking and assessing compliance difficult.

The Office of the Attorney General (OAG) indicates SB225 contains no provisions for enforcement for violations of this Act. Also, OAG provides legal representation to SOS and implementation of the legislation may require funding for additional staff support.

ADMINISTRATIVE IMPLICATIONS

The Secretary of State's Office (SOS) indicates if the bill is enacted, the SOS would modify educational and outreach materials to inform lobbyists and lobbyists' employers of the additional reporting requirements. Additionally, the SOS would experience additional administrative overhead in tracking lobbyist compliance with the new reporting requirement.

Also, there could be an increase in complaints as the media or the public may attempt to distinguish reporting differences in reviewing lobbyist and lobbyists' employers report totals. This would result in additional administrative overhead in order for the SOS to review and investigate any complaints received.

TECHNICAL ISSUES

The Secretary of State's Office (SOS) notes the bill would require lobbyists' employers to file reports with the SOS, but fails to require a registration process for the employers. Currently, lobbyists are required to submit an authorization from their employers in order for the lobbyist to conduct activities on behalf of the employers. However, this bill would also require lobbyists' employers to file reports with the SOS necessitating registration so the SOS can appropriately setup lobbyists' employers access to the Campaign Finance Information System (CFIS). Additional registration processing will lead to an increased administrative burden on the SOS staff that is not funded by the bill.

Page 3, lines 11-17 require a lobbyist employer amend their report to update expenses after employing a lobbyist, but this assumes expenses were not estimated correctly when initially reported which may be incorrect.

By eliminating the dollar threshold, this legislation is expected to increase disclosure regarding the expenditures incurred by lobbyists; however, with no dollar threshold, tracking and reporting incidental items could become cumbersome.

RAE/al