



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

INITIAL FISCAL IMPACT STATEMENT

Date: December 31, 2019

Fiscal Analyst: Josh Abram (303-866-3561)

LCS TITLE: VOUCHERS FOR CAMPAIGNS

Fiscal Impact Summary		FY 2021-22	FY 2022-23
Revenue		-	-
Expenditure	General Fund	\$107,866,921	\$65,109,225

***Disclaimer.** This initial fiscal impact statement has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.*

Summary of Measure

The measure creates the Democracy Voucher Act in the state elections code. Democracy vouchers are used to publically fund contributions to political campaigns. Democracy vouchers must be distributed along with other election materials to all Colorado registered voters. The vouchers may be donated to and received by political campaigns of qualified candidates running for Governor, for the United States Senate or House of Representatives, or for the Colorado General Assembly.

The Secretary of State (SOS) is required to adopt rules and administer the voucher program, create the voucher format, print and distribute vouchers to county clerks, and verify proper assignment of vouchers for redemption by qualified political campaigns. County Clerks are responsible for distributing the vouchers to voters in their jurisdiction. Each voucher must include the voter's name and a unique voucher identification number, which may use a uniquely identifying bar code. The voucher must also include space for the voter to designate a qualified political campaign to receive the voucher. Qualified candidates may then redeem the voucher for public funds to apply to their campaign activities.

In odd-number election years, each voter receives 10 vouchers valued at \$5 dollars each, for a total of \$50 dollars; in even-number election years, each voter receives 10 vouchers valued at \$10 each for a total of \$100 dollars. Vouchers are non-transferable and have no value except when assigned to a qualified candidate's campaign and redeemed from the SOS. Voters may donate any number of his or her vouchers to any qualified candidate(s), including candidates for whom they may not be eligible to cast a vote. For example, vouchers may be donated to any state legislative race, including races outside of a given voter's district.

Democracy vouchers must be provided to voters no later than January 31, 2022, and no later than January 31 each year thereafter.

State Expenditures

For FY 2021-22, the measure is expected to increase state General Fund expenditures by at least \$107,868,921 and 55.7 FTE. For FY 2022-23, new state General Fund expenditures are expected to increase by up to \$65,109,225 and 55.7 FTE. These expenses may be higher during the forecast years if more voters assign vouchers than are assumed in this analysis. Similarly, these expenditures will increase in future years as more voters choose to assign their democracy vouchers to eligible political campaigns.

Democracy vouchers. The cost to pay campaigns for redeemed vouchers will depend on the number of registered voters who choose to use the vouchers. For example, although the measure requires that every registered voter receive vouchers, some may choose not to assign them to a campaign.

According to the Pew Research Center, 12 percent of Americans reported donating to a political campaign as of 2017. Recent polling indicates that up to 19 percent of Americans have contributed to a political campaign in 2019. This measure creates an incentive for more Coloradans to contribute. Using current voter registration data, this analysis assumes that 25 percent of active Colorado voters will choose to assign the full value of their annual voucher allotment to qualified campaigns. As of November 2019, There are 3,931,926 registered voters in Colorado. Of this amount, 87 percent, or 3,420,775, are considered active voters. If 25 percent of these active voters use the vouchers to fund political campaigns (855,194 voters), state expenditures increase by \$42,759,695 in odd election years and by \$85,519,391 in even election years. This cost is expected to grow in future years. For example, if every registered voter from 2019 elects to assign the full value of vouchers to campaigns, state expenditures to redeem vouchers is \$169.6 million in odd years and \$339.2 million in even years. These expenses do not include the administrative cost to print and mail vouchers, process redeemed vouchers to campaigns, and ensure program oversight and accountability, which are described below.

Administrative costs. Beginning FY 2021-22, the measure increases state expenditures in the Secretary of State and the Department of Personnel and Administration by \$22.3 million, including an estimated new 55.7 FTE, to create and administer the voucher program, including the printing and distribution of vouchers, and the process to redeem vouchers. Costs are also increased for signature verification, electronic storage of scanned images, and destruction of physical vouchers redeemed through the program. The administrative costs for state agencies are estimated assuming that all active voters receive the required vouchers, and that initially, 25 percent of those voters choose to assign vouchers to qualified campaigns. Under this scenario, state agencies must verify and process up to 8.6 million vouchers annually. That volume of voucher activity is anticipated to increase in subsequent years. For example, if every registered voter from 2019 assigns all 10 vouchers each year, state agencies must physically process in excess of 39.3 million vouchers. Administrative costs are estimated in Table 2.

**Table 2
 Administrative Expenditures Under Ballot Measure #106**

	FY 2021-22	FY 2022-23
Personal Services	\$2,507,069	\$2,507,069
Printing & Mailing Vouchers	\$17,289,904	\$17,289,904
Signature Verification	\$2,552,557	\$2,552,557
Total Cost	\$22,349,530	\$22,349,530
Total FTE	55.7 FTE	55.7 FTE

Total cost. Table 3 displays the total cost of the measure, including both administrative expenses, and the cost of the vouchers.

**Table 3
 Total Expenditures Under Ballot Measure #106**

	FY 2021-22	FY 2022-23
Administrative Costs	\$22,349,530	\$22,349,530
Democracy Vouchers	\$85,519,391	\$42,759,695
Total Cost	\$107,868,921	\$65,109,225

Local Government Impact

The measure requires that the county clerks or designated election officials provide democracy vouchers, instruction cards, and other necessary supplies in the same manner as election materials are provided to voters in a regular election. Given statewide implementation and the centralized nature of the program in the SOS, this analysis assumes that printing and mailing costs are borne by the implementing state agencies, and have not been calculated for local government offices. If county clerks and local election officials serve as the final distribution leg, mailing vouchers to voters with other regularly distributed election materials, or are otherwise required by rule to facilitate the distribution and redemption of vouchers, workload and local expenditures are increased; however, these expenses are assumed to be paid from state resources, and are estimated above in the State Expenditures section.

Economic Impact

The measure increases state spending, which can stimulate economic activity across markets. The measure also places pressure on the state budget without a corresponding revenue source, therefore reducing other state services and programs that compete for limited funding. The economic impact of reducing governmental service has not been estimated, and will depend on future legislative decisions. Providing a public source of campaign contributions allows certain political donors to reduce their personal monetary contributions to campaigns and therefore potentially increase other non-political economic activity.

Effective Date

If approved by voters at the 2020 general election, this measure takes effect January 1, 2022

State and Local Government Contacts

County Clerks
Personnel

Local Affairs
Secretary of State

Municipalities
Special Districts

Abstract of Initiative 106: VOUCHERS FOR CAMPAIGNS

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of December 31, 2019, identifies the following impacts:

State expenditures. For FY 2021-22, the measure is expected to increase state General Fund expenditures by at least \$107.9 million and 55.7 FTE. For FY 2022-23, new state General Fund expenditures are expected to increase by at least \$65.1 million and 55.7 FTE. These expenditures will increase in future years if more voters choose to assign their democracy vouchers to eligible political campaigns.

Local government impact. If county clerks and local election officials serve as the final distribution leg, mailing vouchers to voters with other regularly distributed election materials, or are otherwise required by rule to facilitate the distribution and redemption of vouchers, workload and local expenditures are increased; however, these expenses are assumed to be paid from state resources, and are described in the State Expenditures section above.

Economic impacts. The measure increases state spending, which can stimulate economic activity across markets. The measure also places pressure on the state budget without a corresponding revenue source, therefore reducing other state services and programs that compete for limited funding. The economic impact of reducing governmental service has not been estimated, and will depend on future legislative decisions. Providing a public source of campaign contributions allows certain political donors to reduce their personal monetary contributions to campaigns and therefore potentially increase other non-political economic activity.