

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2866**

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 16, 2023

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Committee Substitute for Senate Bill No. 2866.

As amended by the committee, this substitute bill, “The Elections Transparency Act,” requires independent expenditure committees to report campaign contributions in excess of \$7,500 and all expenditures; requires candidates and various committees to report campaign contributions in excess of \$200; increases campaign contribution limits; and makes various changes to campaign contribution reports and other requirements. The bill establishes a cumulative reporting requirement for independent expenditure committees and further modifies the definitions of independent expenditure and independent expenditure committee. The bill also modifies the definition of electioneering communication.

Under current law, candidate committees, joint candidates committees, political committees, continuing political committees, political party committees, and legislative leadership committees are required to file with the Election Law Enforcement Commission (ELEC) a report of all contributions in the form of moneys, loans, paid personal services, or other things of value made to it and all expenditures made, incurred, or authorized by it in furtherance of the nomination, election, or defeat of any candidate, or in aid of the passage or defeat of any public question, or to provide political information on any candidate or public question. This bill requires candidates and various committees to report campaign contributions in excess of \$200. This bill changes from “within 48 hours” to “within 72 hours” the timing established under current law for candidates and committees to report certain contributions and expenditures that occur within a certain number of days before an election, except that the bill requires contributions received and expenditures made between the seventh day prior to an election and the day of the election to be reported “within 24 hours.” This change is not intended to alter the current regulations of ELEC that provide for the reporting of contributions received and expenditures made prior to the 13th day

preceding the date of an election to be reported together on a notice to be filed with ELEC no later than the 11th day before that election (N.J.A.C.19:25-9.3, N.J.A.C.19:25-9.4, and N.J.A.C.19:25-9.4A). The bill requires candidate committees and joint candidates committees to file cumulative quarterly reports, and independent expenditure committees to file cumulative reports.

The bill deletes the ability of campaign treasurers to report by telegram certain contributions and expenditures, and instead requires their reporting by electronic transmission.

This bill also doubles the statutory maximum contribution limits, and increases those limits further for State political party committees, legislative leadership committees, and county political party committees. The bill also provides for the index used by ELEC to adjust limits to be applied every two years for campaigns other than gubernatorial. Under the bill, those limits would reset every two years. Under the bill, ELEC would also be permitted to adjust the campaign contribution limits pursuant to the index, without the need for legislation to so. The bill also updates to 2021 levels, already indexed by ELEC, the contribution amounts eligible for matching funds and the maximum public funding amounts available for gubernatorial candidates under the public financing program, along with related program thresholds.

Under the bill, whenever any candidate declares a candidacy for any election and establishes a candidate committee, a joint candidates committee, or both, as the case may be, for the purpose of receiving contributions and making expenditures in connection with that election, the candidate must only accept from each entity permitted to make contributions to the candidate an amount not greater than the maximum contribution limit permitted by law to be made by the entity to the candidate for that election, even if the candidate declares a candidacy and establishes the committee or committees before the election year in which the candidate will run for office. The bill prohibits an entity from making additional contributions to a candidate for any election beyond the maximum contribution permitted by law.

The bill directs ELEC to create and maintain a database containing information that business entities are required to disclose and report to the commission under current law, concerning contributions made by the business entity and any contribution made during the duration of a public entity contract held by the business entity. Under the bill, a business entity who fails to disclose a contribution or the existence of a public contract would be subject to a fine of not less than \$250.

The bill also requires ELEC, within one year following the effective date, to make technical updates to its campaign contributions and expenditures reporting database to improve the performance and usability of the database. The bill requires the Legislature to appropriate to ELEC any funds necessary for the database improvements.

The bill sunsets any local ordinances, resolutions, or regulations limiting the awarding of public contracts to business entities that have made a contribution and limiting the contributions that the holders of a contract can make during the term of a contract. The bill would subject local units to the provisions of current law and this bill. This provision of the bill would affect such ordinances, resolutions, or regulations of a county, municipality, independent authority, board of education, or fire district, as appropriate. The bill also amends the current law public contract provisions to remove the prohibition against business entity contributions to the State committee of a political party; the State committee of the political party of a presiding officer of either or both houses of the Legislature and to a legislative leadership committee; to any county committee of a political party; and to any municipal committee of a political party. This bill retains the public contract prohibitions against business entity contributions to candidates in such State, county, and municipal governmental capacities. The bill extends to State Executive Branch contracts the “fair and open process” exemption that applies to contracts in the Legislative Branch, counties, and municipalities. The bill also amends the definition of “fair and open process” to include a contract awarded through public bidding or competitive contracting.

This bill provides that expenses incurred by the holder of a public office or a candidate or committee for litigation or legal costs arising from campaign activities would be permitted to be paid from campaign contribution funds.

The bill allows the two major political parties in this State and their respective county political party committees to create a segregated depository account, separate from any campaign depository account, to be deemed as the “housekeeping account.” Under the bill, the purpose of the housekeeping account would be to pay eligible expenses for non-political purposes including, but not limited to, legal activity, accounting, compliance, human resources, collective bargaining, capital expenses such as mortgage payments, rent, utilities, and taxes, and expenses related to county, State, or national political party conventions. The two major political parties in this State and their respective county political party committees would also be permitted to raise funds for deposit into the housekeeping account, except that the maximum contribution or limit on the funds raised from any given person, candidate, or committee would be equivalent to half the amounts established for the State committee of a political party or the county committee of a political party. The bill permits gubernatorial campaigns to utilize the funds deposited in a political party housekeeping account for any non-political expenditures incurred following the election in which the gubernatorial candidates participated, and those non-political expenditures would not be considered an in-kind contribution. Under the bill, State political party committees and county political party committees establishing a

housekeeping account would be required to file with ELEC a report of all contributions received for the housekeeping account in excess of \$200 and of all expenditures made from the account, containing the same information and filed in the same schedule as campaign contributions and expenditure reports required to be filed by political party committees.

Under the bill, following the effective date, any enforcement action brought by the ELEC for any violations under current law would be subject to a statute of limitations of two years following the occurrence of the alleged violation. The statute of limitations would apply retroactively to any alleged violations occurring prior to the effective date of the bill.

The bill also vacates the current four-member ELEC board, allows the Governor to make four bipartisan direct appointments to that board within 90 days of the bill's enactment date, provides for the current law advise and consent appointments after the expiration of the terms of the four new members, and requires a \$30,000 salary for each commission member.

COMMITTEE AMENDMENTS:

The committee amendments:

(1) add 501(c)(6) organizations to the definition of independent expenditure committee;

(2) specify that independent expenditure committees will report those contributions made to it "for the purpose of furthering the independent expenditure;"

(3) specify a 15-day pre-election reporting period for continuing political committees, political party committees, and legislative leadership committees, for the pre-election day 72-hour and 24-hour reporting requirements established by the bill;

(4) provide that State and county political party committees will be permitted to receive for the housekeeping account contributions amounting to "half" of those applicable to campaign contribution limits, rather than "double" those amounts;

(5) require State political party committees and county political party committees establishing a housekeeping account to file with ELEC a report of all contributions received for the housekeeping account in excess of \$200 and of all expenditures made from the account, containing the same information and filed in the same schedule as campaign contributions and expenditure reports required to be filed by political party committees;

(6) omit a provision that would have made changes to the appointment of the ELEC Executive Director; and

(7) add a provision to vacate the current four-member ELEC board, allow the Governor to make four bipartisan direct appointments to that board within 90 days of the bill's enactment date, provide for

the current law's advise and consent appointments after the expiration of the terms of the four new members, and require a \$30,000 salary for each commission member.

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.