# GENERAL ASSEMBLY OF NORTH CAROLINA

## **SESSION 1997**

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# SENATE BILL 381 Judiciary Committee Substitute Adopted 6/4/97

Short Title: N.O	C. Clean Election Act. (Public)
Sponsors:	
Referred to: Ap	ppropriations.
	March 12, 1997
ELECTION ASSEMBLY The General As	A BILL TO BE ENTITLED ESTABLISH A SYSTEM OF COMPLETE PUBLIC FINANCING OF S FOR GOVERNOR, COUNCIL OF STATE, AND GENERAL Y; AND TO MAKE RELATED CHANGES. sembly of North Carolina enacts: on 1. Chapter 163 of the General Statutes is amended by adding a new
••	" <u>ARTICLE 22D.</u> THE NORTH CAROLINA CLEAN ELECTION ACT.
" <u>§ 163-278.61.</u>	
	n this Article:
<u>(1)</u>	The term 'certified candidate' means a candidate running for office who
	chooses to participate in the North Carolina Clean Election Act and who is certified as a Clean Election Act candidate under G.S. 163-278.64(e).
(2)	The term 'Commission' means the North Carolina Commission on
<del>-,</del>	Election Practices, as established under G.S. 163-278.65.
<u>(3)</u>	The terms 'contested primary election' and 'contested general election'
	mean elections in which there are more candidates than the number to
	be elected.

1	<u>(4)</u>	The terms 'contribution' and 'expenditure' have the same meaning as
2	(1)	defined in G.S. 163-278.6.
3	<u>(5)</u>	The term 'election cycle' comprises the primary, runoff primary, and
4	<u>(5)</u>	general election for election to the same term of the same office.
5	<u>(6)</u>	The term 'Fund' means the North Carolina Clean Election Fund
6	<del>\</del>	established in G.S. 163-278.63.
7	<u>(7)</u>	The term 'nonparticipating candidate' means a candidate running for
8	<del>* / /</del>	Governor, Lieutenant Governor, other office in the Council of State,
9		State Senator, or State Representative who does not choose to
10		participate in the North Carolina Clean Election Act and who is not
11		seeking to be certified as a Clean Election Act candidate under G.S.
		163-278.64(e).
12 13	<u>(8)</u>	The term 'office', as used in this Article, means Governor, Lieutenant
14	<del>-, -</del>	Governor, other office in the Council of State, State Senator, or State
15		Representative.
16	<u>(9)</u>	The term 'participating candidate' means a candidate who is running for
17		office who is seeking to be certified as a Clean Election Act candidate
18		under G.S. 163-278.64(e).
19	<u>(10)</u>	The term 'qualifying contribution' means a donation of five dollars
20		(\$5.00) in the form of a check or money order payable to the Clean
21		Election Fund in support of a candidate that is:
21 22 23 24 25 26 27 28		a. Made by any registered voter who is eligible to vote for the
23		office which the candidate is seeking;
24		b. Made during the designated qualifying period and obtained
25		through efforts made with the knowledge and approval of the
26		candidate; and
27		c. Acknowledged by a written receipt that identifies the name,
		address, occupation, and place of employment of the donor on
29		forms provided by the Commission.
30	<u>(11)</u>	The term 'qualifying period' means:
31		<u>a.</u> <u>For participating candidates for Governor, Lieutenant Governor, </u>
32		and other offices in the Council of State, the period beginning
33		November 1 immediately preceding the election year and ending
34		at noon on the third Monday in February of the election year.
35		b. For participating candidates for State Senator and State
36		Representative, the period beginning January 1 of the election
37		year and ending at noon on the first Monday in February of the
38		election year.
39	<u>(12)</u>	The term 'seed money contribution' means a contribution of no more
40		than one hundred dollars (\$100.00) made to a candidate by an individual
41		but not a political committee, including contributions from the candidate
42		and that candidate's spouse, parents, brothers, and sisters. A candidate
13		may collect and spend seed money contributions throughout the

qualifying period and during the 30 days immediately preceding the 1 2 qualifying period. Seed money contributions are for the primary 3 purpose of enabling participating candidates to collect qualifying contributions and shall be reported according to procedures developed 4 5 by the Commission in the same method as qualifying contributions 6 under subdivision (10) of this section. A candidate may not collect seed 7 money contributions after certification as a Clean Election Act 8 candidate. Candidates may not spend seed money after certification for 9 campaign purposes, and may not spend seed money for any purpose 10 after certification and before the general election of the election cycle for which they were certified, but after the election cycle may spend 11 12 unspent seed money for noncampaign purposes. 13

### "§ 163-278.62. Purpose and establishment of North Carolina Clean Election Act.

The purpose of this Article is to ensure the vitality of democratic elections in North Carolina, to the end that any citizen of this State, regardless of personal wealth or income, can realistically choose to seek and run for public office. It is also the purpose of this Article to protect the First Amendment rights of candidates from being financially overwhelmed by the expenditures of their opponents or by independent expenditures. Accordingly, this Article establishes the North Carolina Clean Election Fund as an alternative campaign finance option available to candidates running for office. This Article is available to candidates for elections to be held in 2000 and thereafter. The Commission shall administer this Article and the North Carolina Clean Election Fund. Candidates participating in this Article must also comply with all other applicable election and campaign laws and rules.

## "§ 163-278.63. North Carolina Clean Election Fund established; sources of funding.

- Establishment of Fund. The North Carolina Clean Election Act is established to finance the election campaigns of certified candidates for office and to pay administrative and enforcement costs of the Commission related to this Article. The Fund is a special, dedicated, nonlapsing fund. Any interest generated by the Fund is credited to the Fund. The Commission shall administer the Fund.
- Sources of Funding. Money received from the following sources must be deposited in the Fund:
  - The qualifying contributions required of Clean Election Act candidates (1) under G.S. 163-278.64, once submitted to the Commission:
  - <u>(2)</u> Other unspent Clean Election Act revenues distributed to any Clean Election Act candidate who does not remain a candidate until the primary or general election for which they were distributed, or such revenues that remain unspent by a candidate following the date of the primary election or general election for which they were distributed;
  - Any money transferred to the Clean Election Fund from the North (3) Carolina Candidates Financing Fund:
  - (4) Contributions made to the Clean Election Fund by individual taxpayers pursuant to G.S. 105-269.6;

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- (5) Voluntary donations made directly to the Clean Election Fund; and
- (6) General Fund monies appropriated for the use of the Clean Election Fund by the General Assembly pursuant to subsection (c) of this section.
- (c) Determination of Fund Amount. By April 1, 1999, and every two years thereafter, the Commission shall prepare and provide to the General Assembly a report documenting, evaluating, and making recommendations relating to the administration, implementation, and enforcement of the North Carolina Clean Election Act. In its report, the Commission shall set out the funds received to date, the expected needs of the Fund during the next election cycle, and the amount of the appropriation from the General Assembly that will be needed for the biennium. The General Assembly shall include in its appropriations from the General Fund that year at least the amount that the Commission states in its report will be needed. In addition, the General Assembly shall reserve for the first fiscal year of the biennium at least fifteen percent (15%) of the amount of funds the Commission states in its report that it will need during the biennium, to be used by the Commission to cover any disbursement under G.S. 163-278.64 in excess of the amount of its direct appropriation.

#### "§ 163-278.64. Terms of participation.

(a) Declaration of Intent. – Any individual choosing to participate in the North Carolina Clean Election Act shall first file with the Commission a declaration of intent to participate in the act as a candidate for a stated office. The declaration of intent shall be filed with the Commission prior to or during the qualifying period, except as provided under subsection (l) of this section, according to forms and procedures developed by the Commission. A candidate choosing to participate in the Clean Election Act must submit a declaration of intent prior to collecting any qualifying contributions under this Article.

A candidate who files a declaration of intent shall swear or affirm that the candidate has complied with and will continue to comply with Clean Election Act contribution and expenditure limits and will comply with all other requirements set forth in this Article, or promulgated by the Commission.

- (b) Restrictions on Contributions and Expenditures for Participating Candidates. After becoming a participating candidate as defined by G.S. 163-278.61(6) and prior to certification, participating candidates shall not accept contributions, except for seed money contributions or qualifying contributions. A participating candidate shall limit expenditures and seed money contributions to the following amounts:
  - (1) For a candidate for Governor, two hundred thousand dollars (\$200,000).
  - (2) For a candidate for Lieutenant Governor or other office in the Council of State, one hundred thousand dollars (\$100,000).
  - (3) For a candidate for State Senator, six thousand dollars (\$6,000).
  - (4) For a candidate for State Representative, four thousand dollars (\$4,000).
- (c) Qualifying Contributions. Participating candidates must obtain qualifying contributions as follows:

- For a candidate for Governor, at least 6,000 verified registered North
  Carolina voters shall have supported the candidacy by providing a
  qualifying contribution to that candidate.
  - (2) For a candidate for Lieutenant Governor or other office in the Council of State, at least 3,000 verified registered North Carolina voters shall have supported the candidacy by providing a qualifying contribution to that candidate.
  - (3) For a candidate for State Senator, at least 300 voters shall have supported the candidacy by providing a qualifying contribution to that candidate.
  - (4) For a candidate for State Representative, at least 200 voters shall have supported the candidacy by providing a qualifying contribution to that candidate.

No payment, gift, or anything of value shall be given in exchange for a qualifying contribution.

- (d) Filing With the Commission. All participating candidates shall file qualifying contributions with the Commission during the qualifying period according to procedures developed by the Commission, except as provided under subsection (1) of this section.
- (e) <u>Certification of Clean Election Act Candidates. Upon receipt of a final submittal of qualifying contributions by a participating candidate, the Commission shall determine whether or not the candidate has:</u>
  - (1) Signed and filed a declaration of intent to participate in this Article;
  - (2) Submitted the appropriate number of qualifying contributions;
  - (3) Qualified as a candidate under G.S. 163-106, 163-98, 163-122, 163-123, or 163-114;
  - (4) Complied with seed money contributions or expenditure restrictions; and
  - (5) Otherwise met the requirements for participation in this Article.

The Commission shall certify candidates complying with the requirements of this section as Clean Election Act candidates as soon as possible and no later than three days after final submittal of qualifying contributions.

<u>Certified candidates shall comply with all requirements of this Article after certification and throughout the primary election and general election periods. Failure to do so is a violation of this Article.</u>

After certification, a candidate shall limit campaign expenditures and debts to the revenues distributed to the candidate from the Fund and may not accept any contributions unless specifically authorized by the Commission, provided that a candidate may accept in-kind contributions from political party executive committees, up to an aggregate value of ten percent (10%) of a candidate's public financing. All revenues distributed to certified candidates must be used for campaign-related purposes. The Commission shall publish guidelines outlining permissible campaign-related expenditures. A candidate shall return to the Fund any amount that is unspent and uncommitted at the time that

person ceases to be a candidate before a primary or election for which the Fund money was distributed. A candidate shall return to the Fund any amount that was unspent and uncommitted after the date of the primary election or general election for which the Fund money was distributed.

- (g) <u>Timing of Fund Distribution. The Commission shall distribute to certified candidates revenues from the Fund in amounts determined under subsection (h) of this section in the following manner:</u>
  - (1) Within three days after certification, for candidates certified before the first Monday in February of the election year, revenues from the Fund as if the candidates are in an uncontested primary election.
  - Within three days after the first Monday in February of the election year, for primary election certified candidates, revenues from the Fund according to whether the candidate is in a contested or uncontested primary election, reduced by any amounts previously distributed under subdivision (1) of this subsection.
  - Within the earlier of the following: within three days after the primary election, or within three days after the certification pursuant to G.S. 163-122, 163-123, or 163-98 of the first opposition candidate, for general election certified candidates, revenues from the Fund according to whether the candidate is in a contested general election. No funds are distributed for uncontested general elections.

Funds may be distributed to certified candidates under this section by any mechanism that is expeditious, ensures accountability, and safeguards the integrity of the Fund.

- (h) Amount of Fund Distribution. By March 1, 1999, and no less frequently than every two or four years thereafter, as appropriate, the Commission shall determine the amount of funds to be distributed to participating candidates based on the type of election and office as follows:
  - (1) Contested Primary Elections. The amount of revenues to be distributed is the average amount of campaign expenditures made by the number of highest vote-receiving candidates equal to twice the number of candidates to be nominated during all contested primary election races for the immediately preceding two primary elections for that office, provided that each of the following shall be considered a separate office for purposes of calculating the average:
    - <u>a.</u> <u>Governor.</u>
    - <u>b.</u> <u>Lieutenant Governor and other offices in the Council of State</u> <u>shall be considered together as one separate office.</u>
    - <u>c.</u> Each State Senate district seat, except that the amount to be distributed to a candidate in a two-seat district shall be double the amount for a candidate in a single-seat district.
    - d. Each State Representative district seat, except that the amount to be distributed to a candidate in a two-seat district shall be double the amount for a candidate in a single-seat district, and the

1 amount to be distributed to a candidate in a three-seat district shall be triple the amount for a candidate in a single-seat district.

- (2) Uncontested Primary Elections. The amount of revenues to be distributed is the average amount of campaign expenditures made by each candidate during all uncontested primary election races, or for contested races if the amount is lower, for the immediately preceding two primary elections for that office as defined in subdivision (1) of this subsection.
- (3) Contested General Elections. The amount of revenues to be distributed is the average amount of campaign expenditures made by the number of highest vote-receiving candidates equal to twice the number to be elected during all contested general election races for the immediately preceding two general elections for that office as defined in subdivision (1) of this subsection.
- (4) <u>Uncontested General Elections. No revenues shall be distributed for uncontested general elections.</u>

If the immediately preceding two election cycles do not contain sufficient data for the Commission to determine the amount to be distributed for an office, the Commission shall use data from the most recent applicable elections for that office. If no applicable elections for that office contain sufficient data, the Commission shall set an amount based on data from elections for comparable offices.

- (i) Reporting by Noncertified Candidates. Any noncertified candidate who has as an opponent a certified candidate shall report to the Commission 20 days before any election an estimate of the amount that the noncertified candidate intends to spend. Any individual or political committee that intends to make expenditures to influence an election containing a certified candidate shall report to the Commission 20 days before the day of the election the amount that individual or political committee intends to spend to influence the election. Reports required by this subsection shall be made according to procedures which shall be developed by the Commission.
- (j) Matching Funds. When any campaign, finance, or election report or group of reports show that the sum of a candidate's expenditures or obligations made, or funds raised or borrowed, whichever is greater, alone or in conjunction with expenditures made independently of the candidate to influence the election on behalf of the candidate or in opposition to an opposing Clean Election Act candidate, exceeds the distribution amount under subsection (h) of this section, the Commission shall issue immediately to any opposing Clean Election Act candidate an additional amount equivalent to the reported excess. Any estimate reported pursuant to subsection (i) of this section shall be treated as an expenditure for purposes of release of matching funds under this subsection. Total matching funds to any candidate in an election are limited to an amount equal to the amount originally distributed under subdivision (1), (2), or (3) of subsection (h), whichever is applicable.
- (k) <u>Unaffiliated Candidates. Unaffiliated candidates certified pursuant to G.S.</u> 163-122 before 12:00 noon on the first Monday in February of the election year shall be

- eligible for revenues from the Fund in the same amounts and at the same time as uncontested primary election candidates and general election candidates as specified in subsections (g) and (h) of this section. For unaffiliated candidates not certified by 12:00 noon on the first Monday in February, the deadline for filing qualifying contributions is 12:00 noon on the last Friday in June of the election year. Unaffiliated candidates certified after noon on the first Friday in February shall be eligible for revenues from the Fund in the same amounts as general election candidates, as specified in subsections (g) and (h).
- (l) Other Procedures. For races involving special elections, recounts, vacancies, withdrawals, or replacement candidates, the Commission shall establish by rule procedures for qualification, certification, disbursement of Fund revenues, and return of unspent Fund revenues.
- (m) Reporting by Participating and Certified Candidates. Notwithstanding other provisions of law, participating and certified candidates shall report any money collected, all campaign expenditures, obligations, and related activities to the Commission according to procedures developed by the Commission. Upon the filing of a final report for any losing primary election, special election, or general election, each candidate who has revenues from the Fund remaining unspent shall return all revenues to the Commission. In developing these procedures, the Commission shall utilize existing campaign reporting procedures wherever practicable. The Commission shall ensure timely public access to campaign finance data and may utilize electronic means of reporting and storing information.
- (n) Appeals. The procedure for challenging a certification decision by the Commission is as follows:
  - (1) A person aggrieved by a certification decision may appeal to the full Commission within three days of the certification decision. The appeal shall be in writing and shall set forth the reasons for the appeal.
  - Within five days after an appeal is properly made, and after due notice is given to the parties, the Commission shall hold a hearing. The appellant has the burden of providing evidence to demonstrate that the Commission's decision was improper. The Commission shall rule on the appeal within three days after the completion of the hearing.
  - (3) The challenger or a candidate may appeal the decision of the Commission by commencing an action in superior court.
  - (4) Candidates whose certification by the Commission as a Clean Election Act candidate is revoked on appeal shall return to the Commission any unspent revenues distributed by the Fund. If the Commission or court finds that an appeal was made frivolously or to result in delay or hardship, the Commission or court may sanction the moving party by requiring the party to pay costs of the Commission, court, and opposing parties, if any.
- "§ 163-278.65. The Commission on Election Practices.

- (a) Establishment of the Commission. There is established the North Carolina Commission on Election Practices.
  - (b) The Commission shall consist of five members to be appointed as follows:
    - (1) By March 31, 1998, and as needed thereafter, the Governor, with the advice of the President Pro Tempore of the Senate and the Speaker of the House of Representatives, shall establish and publish a nomination period for members of the public, groups, and organizations to nominate qualified individuals to the Governor for appointment to the Commission.
    - The Governor shall appoint the members of the Commission, taking into consideration nominations made during the nomination period, subject to confirmation by the General Assembly by joint resolution. No more than two Commission members shall be affiliated with the same political party. No elected official or candidate for elective office shall be eligible to be a member of the Commission. The Commission members shall be appointed and confirmed by October 1, 1998.
    - Of the initial appointees, two are appointed for one-year terms, two are appointed for two-year terms, and one is appointed for a three-year term according to random lot under the supervision of the Secretary of State. Thereafter, appointees are appointed to serve four-year terms. A person may not serve more than two full terms. The appointed members receive the legislative per diem pursuant to G.S. 120-3.1.
    - (4) One of the Commission members shall be elected by the members as chair.
    - (5) A vacancy during an unexpired term must be filled as provided in this subsection, but only for the unexpired portion of the term.

#### "§ 163-278.66. Commission to adopt rules.

The Commission shall adopt rules to ensure effective administration of this Article. Such rules shall include, but not be limited to, procedures for obtaining qualifying contributions, certification as a Clean Election Act candidate, addressing circumstances involving special elections, vacancies, recounts, withdrawals, or replacements, collection of revenues for the Fund, distribution of Fund revenue to certified candidates, return of unspent Fund disbursements, and compliance with the Clean Election Act.

#### "§ 163-278.67. Violations.

(a) Civil Penalty. – In addition to any other penalties that may be applicable, any person who violates any provision of this Article is subject to a civil penalty of up to ten thousand dollars (\$10,000) per violation. In addition to any fine, for good cause shown, a candidate found in violation of this Article may be required to return to the Fund all amounts distributed to the candidate from the Fund. If the Commission makes a determination that a violation of this Article has occurred, the Commission shall impose a fine or transmit the finding to the Attorney General for prosecution. Fines paid under this section must be deposited in the Fund. In determining whether or not a candidate is in

violation of the expenditure limits of this Article, the Commission may consider as a mitigating factor any circumstances out of the person's control.

(b) Class I Felony. – Any person who willfully or knowingly violates this Article or rules of the Commission or knowingly makes a false statement in any report required by this Article is guilty of a Class I felony and, if certified as a Clean Election Act candidate, must return to the Fund all amounts distributed to the candidate."

Section 2. Article 22C of Chapter 163 of the General Statutes is repealed.

Section 3. (a) G.S. 105-269.6 reads as rewritten:

# "§ 105-269.6. Contribution of individual income tax refund to Candidates Financing Fund. the North Carolina Clean Election Fund.

An individual entitled to a refund of income taxes under Division II of Article 4 of this Chapter may elect to contribute all or part of the refund to the North Carolina Candidates Financing Fund for the use of political campaigns as provided in Article 22C of Chapter 163 of the General Statutes. North Carolina Clean Election Fund created in Article 22D of Chapter 163 of the General Statutes. The Secretary of Revenue shall provide appropriate language and space on the individual income tax form in which to make the election. The election becomes irrevocable upon filing the individual's income tax return for the taxable year. The Secretary of Revenue shall, on a quarterly basis, transmit the contributions made pursuant to this section to the State Treasurer for credit to the North Carolina Candidates Financing Fund. North Carolina Clean Election Fund. Any interest earned on funds so credited shall be credited to the Fund."

(b) The Secretary of Revenue shall transfer to the North Carolina Clean Election Fund any funds contributed to the North Carolina Candidates Financing Fund pursuant to G.S. 105-269.6 before its amendment by this section but not yet transferred to that Fund.

Section 4. G.S. 163-278.13 reads as rewritten:

#### "§ 163-278.13. Limitation on contributions.

- (a) No individual or political committee shall contribute to any candidate or other political committee any money or make any other contribution in any election in excess of four thousand dollars (\$4,000) five hundred dollars (\$500.00) for that election.
- (b) No candidate or political committee shall accept or solicit any contribution from any individual or other political committee of any money or any other contribution in any election in excess of four thousand dollars (\$4,000) five hundred dollars (\$500.00) for that election.
- (c) Notwithstanding the provisions of subsections (a) and (b) of this section, it shall be lawful for a candidate or a candidate's spouse, parents, brothers and sisters to make a contribution to the candidate or to the candidate's treasurer of any amount of money or to make any other contribution in any election in excess of four thousand dollars (\$4,000) five hundred dollars (\$500.00) for that election.
- (d) For the purposes of this section, the term 'an election' means any primary, second primary, or general election in which the candidate or political committee may be involved, without regard to whether the candidate is opposed or unopposed in the election. election, except that where a candidate is not on the ballot in a second primary, that second primary is not 'an election' with respect to that candidate.

1 2 precinct, or other executive committee committees of any political party. The limitation 3 in this section on contributions to or from political party executive committees shall 4 apply collectively to all executive committees of the same political party nationally or 5 within the State. For the purposes of this section only, the term 'political party' means only 6 those political parties officially recognized under G.S. 163-96.—Contributions by political 7 party executive committees under G.S. 163-278.42 are subject to the limitations of this

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19 20 section.

(e1) No referendum committee which received any contribution from a corporation. labor union, insurance company, business entity, or professional association may make any contribution to another referendum committee, to a candidate or to a political committee.

(e) This section shall not apply to any national, State, district or county district, county,

- (f) Any individual, candidate, political committee, or referendum committee who violates the provisions of this section is guilty of a Class 2 misdemeanor."
- Section 5. The provisions of this act are severable. If any provision of this act is held invalid by a court of competent jurisdiction, the invalidity does not affect other provisions of the act that can be given effect without the invalid provision.
- Section 6. This act is effective when it becomes law. Section 4 of this act applies to any contribution, primary, or election occurring on or after the date it becomes law.