NSW LABOR SUBMISSION
OPTIONS FOR FULL PUBLIC FUNDING AND REFORM OF POLITICAL DONATIONS.

CONTENTS

Background: Existing Public Funding Arrangements ............................................. 2
Campaign Funding for Political Parties ............................................................... 2
Campaign Funding for Candidates ..................................................................... 3
Administrative Funding of political parties ....................................................... 5

Labor Proposal: Strengthen System & Introduce Opt-In Full Public Funding ... 7
Retain Prohibited Donors, Donor/Spending Caps & Partial Public Funding ....... 7
Combine and Reduce Cap for Political Parties & Their Candidates .................... 7
Extend Public Funding to Non-Communication Expenditure .............................. 8
Allow Membership Fees to be used for Campaign Funding ............................... 8
Extend the Statute of Limitations for Breaches of Electoral Funding Laws ......... 9
Increase Penalties for Breaches of Electoral Funding Laws ............................ 9
Require Political Material to be Authorised for 6 Month Capped Period .......... 9
More Transparent & Frequent Public Declaration of Political Donations .......... 9
Opt-In Full Public funding for Political Parties not Taking Donations .......... 10
Administrative Funding Reform ........................................................................ 16
BACKGROUND: EXISTING PUBLIC FUNDING ARRANGEMENTS

CAMPAIGN FUNDING FOR POLITICAL PARTIES

At the 2011 State Election political parties received public funding based on the amount spent on electoral communications. To be eligible for funding a party must be successful in electing at least one member to the parliament (in the upper or lower house).

SPENDING CAP FOR POLITICAL PARTIES

The total amount a party could spend on political communications was capped at:

- $1,050,000 for parties that endorses (0-5) candidates for the Legislative Assembly;
- or $100,000 per electorate being contested (i.e. $9.3 million if contesting all seats).

Within this total cap, political parties can spend no more than $50,000 in support of any endorsed candidate in an electorate.

For Labor this resulted in a six per cent (6%) advantage to Labor in the spending cap over the Coalition, as Country Labor endorsed five (5) candidates in the 2011 election.

PUBLIC FUNDING FOR POLITICAL PARTIES

To be eligible to receive funding an endorsed candidate must be successfully elected or the party must receive four per cent (4%) of first preference votes in all districts contested.

Political parties receive a (roughly) seventy-five per cent (75%) rebate on their actual communications expenditure. Specifically parties receive:

- 100% rebate on actual expenditure within the first 10% of the cap;
- 75% rebate on actual expenditure between 10% and 90% of the cap;
- 50% rebate on actual expenditure for the last 10% of the cap.

2011 ELECTION PUBLIC FUNDING FIGURES

The table below shows the electoral communications spending by political parties during capped period of the 2011 State Election and the amount of public funding received.

<table>
<thead>
<tr>
<th>Political Party</th>
<th>Spending Cap</th>
<th>Audited Spend</th>
<th>Public Funding</th>
<th>Gap</th>
</tr>
</thead>
</table>

Page | 2
CAMPAIGN FUNDING FOR CANDIDATES

At the 2011 State Election candidates received public funding based on the amount spent on electoral communications. To be eligible for funding a candidate must be elected or receive at least four per cent (4%) of first preference votes.

SPENDING CAP FOR CANDIDATES

The total amount a candidate could spend was capped at:

- $100,000 for candidates endorsed by a political party; or
- $150,000 for unendorsed (independent) candidates.

Note political parties are entitled to spend $50,000 per electorate in support of an endorsed candidate, giving a combined party and candidate spending cap of $150,000.

PUBLIC FUNDING FOR CANDIDATES

Candidates currently receive public funding under a rebate model similar to that applied to political parties. The key difference being a lower rebate rate for candidates. Independent candidates receive a higher rebate than those belonging to a political party.
Political Party Candidates

- 100% rebate on actual expenditure within the first 10% of the cap; 50% rebate on actual expenditure between 10% and 50% of the cap; No rebate on actual expenditure for the last 50% of the cap.

A political party candidate who spends $50,000 to $100,000 will receive the maximum public funding rebate of $30,000. Independent Candidates:

- 100% rebate on actual expenditure within the first 10% of the cap; 50% rebate on actual expenditure between 10% and 80% of the cap; No rebate on actual expenditure for the last 20% of the cap.

An independent candidate who spends $120,000 to $150,000 will receive the maximum public funding rebate of $67,500.

2011 ELECTION PUBLIC FUNDING FIGURES

More than seventy per cent (70%) of candidates at the last election qualified for public funding by achieving a primary vote of at least four per cent (4%).

There were one hundred and forty two (142) candidates who did not qualify for public funding at the 2011 Election. Ninety (90) candidates endorsed by political parties and fiftytwo (52) independents.

The average spend by candidates polling between four and six per cent (4-6%) primary was $3,455. As such we expect that the total spending by candidates ineligible for public funding was less than $500,000.

The table following shows the electoral communications spending by eligible candidates during capped period of the 2011 State Election and the amount of public funding received.

Note these figures do not include spending by candidates who did not qualify for public funding.

<table>
<thead>
<tr>
<th>Party</th>
<th>Candidates</th>
<th>Spending</th>
<th></th>
<th></th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Eligible for Funding</td>
<td>Cap</td>
<td>Actual¹</td>
<td>Public Funding</td>
</tr>
<tr>
<td>Labor</td>
<td>88</td>
<td>87</td>
<td>8,800,000</td>
<td>3,616,861</td>
<td>1,615,990</td>
</tr>
<tr>
<td>Country Labor</td>
<td>5</td>
<td>5</td>
<td>500,000</td>
<td>313,707</td>
<td>124,436</td>
</tr>
<tr>
<td><strong>TOTAL LABOR</strong></td>
<td><strong>93</strong></td>
<td><strong>92</strong></td>
<td><strong>9,300,000</strong></td>
<td><strong>3,930,568</strong></td>
<td><strong>1,740,426</strong></td>
</tr>
</tbody>
</table>

¹ Does not include spending by candidates not eligible for public funding.
<table>
<thead>
<tr>
<th>Party</th>
<th>Elected Members</th>
<th>Base Funding</th>
<th>Electorate Fund</th>
<th>Total Funding</th>
<th>Total Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberal</td>
<td>73</td>
<td>7,300,000</td>
<td>2,887,314</td>
<td>1,438,834</td>
<td>1,448,481</td>
</tr>
<tr>
<td>National</td>
<td>20</td>
<td>2,000,000</td>
<td>1,247,766</td>
<td>560,183</td>
<td>687,584</td>
</tr>
<tr>
<td><strong>TOTAL COALITION</strong></td>
<td><strong>93</strong></td>
<td><strong>9,300,000</strong></td>
<td><strong>4,135,081</strong></td>
<td><strong>1,999,017</strong></td>
<td><strong>2,136,064</strong></td>
</tr>
<tr>
<td>CDP</td>
<td>86</td>
<td>8,600,000</td>
<td>19,136</td>
<td>19,136</td>
<td>0</td>
</tr>
<tr>
<td>Shooters &amp; Fishers</td>
<td>1</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Greens</td>
<td>93</td>
<td>9,300,000</td>
<td>693,216</td>
<td>690,050</td>
<td>3,166</td>
</tr>
<tr>
<td>Family First</td>
<td>15</td>
<td>1,500,000</td>
<td>16,636</td>
<td>13,551</td>
<td>3,085</td>
</tr>
<tr>
<td>Fishing</td>
<td>3</td>
<td>300,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Outdoor Rec.</td>
<td>3</td>
<td>300,000</td>
<td>5,589</td>
<td>5,589</td>
<td>0</td>
</tr>
<tr>
<td>Democrats</td>
<td>1</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Save Our State</td>
<td>2</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Socialist Alliance</td>
<td>5</td>
<td>500,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Independent</td>
<td>103</td>
<td>15,450,000</td>
<td>2,125,995</td>
<td>1,070,135</td>
<td>1,055,861</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>498</strong></td>
<td><strong>54,950,000</strong></td>
<td><strong>10,926,222</strong></td>
<td><strong>5,537,903</strong></td>
<td><strong>5,388,319</strong></td>
</tr>
</tbody>
</table>

**ADMINISTRATIVE FUNDING OF POLITICAL PARTIES**

Political parties with at least one elected member are entitled to administrative funding from the government, to be used specifically for party administration (not campaigning).

This amount is determined by the number of members (from both houses) elected by the party. The maximum amounts payable are adjusted for inflation each year. The current maximum amounts from 1 January 2014 are:

- $209,000 if there is only one elected member, or
- $365,500 if there are only 2 elected members, or
• $469,900 if there are only 3 elected members, or
• $469,900 if there are more than 3 elected members plus $86,800 for each such member in excess of 3 up to a maximum of 22 members.

The resignation or suspension of ten (10) Liberal MPs will not impact administrative funding for the Liberal Party. The results in the Newcastle and Charlestown by-elections will not change administrative funding if Labor wins the seats (as Labor already holds 32 seats in both houses).

In 2014 the maximum entitlements for Administrative Funding of political parties will be:

<table>
<thead>
<tr>
<th>Political Party</th>
<th>MPs/MLCs</th>
<th>Maximum Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Labor Party (NSW Branch)</td>
<td>32</td>
<td>2,379,500</td>
</tr>
<tr>
<td>Country Labor Party</td>
<td>3</td>
<td>469,900</td>
</tr>
<tr>
<td>TOTAL LABOR</td>
<td>35</td>
<td>2,849,400</td>
</tr>
<tr>
<td>Liberal Party of Australia New South Wales Division</td>
<td>54</td>
<td>2,379,500</td>
</tr>
<tr>
<td>National Party of Australia – NSW</td>
<td>26</td>
<td>2,379,500</td>
</tr>
<tr>
<td>TOTAL COALITION</td>
<td>80</td>
<td>4,759,000</td>
</tr>
<tr>
<td>Christian Democratic Party (Fred Nile Group)</td>
<td>2</td>
<td>365,500</td>
</tr>
<tr>
<td>Shooters and Fishers Party</td>
<td>2</td>
<td>365,500</td>
</tr>
<tr>
<td>The Greens</td>
<td>6</td>
<td>730,300</td>
</tr>
<tr>
<td>Alexander Greenwich</td>
<td>1</td>
<td>209,000</td>
</tr>
<tr>
<td>Gregory Piper</td>
<td>1</td>
<td>209,000</td>
</tr>
<tr>
<td>TOTAL ALL PARTIES</td>
<td>127</td>
<td>9,487,700</td>
</tr>
<tr>
<td>Suspended Liberal MPs &amp; MLCs</td>
<td>6</td>
<td>N/A</td>
</tr>
<tr>
<td>By-Elections (Newcastle &amp; Charlestown)</td>
<td>2</td>
<td>TBC</td>
</tr>
</tbody>
</table>
LABOR PROPOSAL: STRENGTHEN SYSTEM & INTRODUCE OPT-IN FULL PUBLIC FUNDING

RETAIN PROHIBITED DONORS, DONOR/SPENDING CAPS & PARTIAL PUBLIC FUNDING

Labor supports the existing safeguards introduced in the previous term including:

- Caps on campaign spending by political parties and candidates;
- Caps on donations by individuals and entities; and
- Prohibition on donations from property development, tobacco, liquor and gambling businesses.

These safeguards should be retained along with the existing partial public funding methodology based on a rebate of total spending by parties and candidates.

The rebate model provides certainty for political parties and eliminates the needs to over fundraise to avoid a shortfall in the case of a low first preference vote count.

COMBINE AND REDUCE CAP FOR POLITICAL PARTIES & THEIR CANDIDATES

Under the existing system there are separate caps for political parties and their candidates.

These should be combined into one overall cap.

At the 2011 State Election:

- Each political party was capped at $100,000 per seat contested;
- Each endorsed candidate is capped at $100,000 x 93 endorsed candidates.

Note, that political parties were not permitted to spend more than $50,000 in support of a candidate in a particular seat. Independent candidates were capped at $150,000.

This meant a political party contesting all 93 seats was capped at a total spend of $18.6 million ($9.3 million through the party and $9.3 million through candidates):

Both Labor and the Coalition spent close to the maximum for political party expenditure.

However no political party came close to the capped expenditure by endorsed candidates.

NSW Labor proposes that these caps be combined such that (using 2011 figures):
1. Total aggregate spending by a political party and its candidates is capped at $150,000 per electorate being contested;
2. No more than $150,000 can be spent by a political party (or its candidates) in support of a candidate in any particular seat.

In 2011 this would have meant a cap of $13.95 million on spending by political parties contesting all seats. Declarations show Labor spent $13.02 million and the Coalition spent $12.97 million.

The $18.6 million cap was not effective in constraining overall political expenditure by the major parties. Combining and reducing the cap would provide a more effective constraint on overall spending by the major parties and align this with the cap on independent candidates.

**EXTEND PUBLIC FUNDING TO NON-COMMUNICATION EXPENDITURE**

Spending caps and public funding currently only apply to communications expenditure (material, advertising, office, telecommunication expenses, etc). This does not cover research, travel, accommodation or other expenditure even if it is directly connected to the election.

A full public funding system will need to ensure parties are capable of funding these election campaign activities in addition to electoral communication. As such public funding should be extended to include all election campaign specific expenditure.

Given the vast majority of campaign expenditure is on electoral communications this is unlikely to require substantial additional funding. The level of public funding for noncommunications expenditure could be capped at a percentage of communications expenditure.

This could potentially be accommodated within the existing spending caps along with a change to eligibility for public funding to include all expenditure directly related to the election campaign.

**ALLOW MEMBERSHIP FEES TO BE USED FOR CAMPAIGN FUNDING**

NSW Labor believes that under the existing system parties should have the option of using membership fees as a source of campaign funding. This is currently specifically prohibited under 96(6)(a) of the Election, Funding, Expenditure and Disclosures Act 1981 (‘the EFED Act’).

Political parties are already required to disclose any funds received from membership, subscriptions or levies from party members. Allowing the use of membership fees will help reduce the level of private donations needed for campaign funding.
EXTEND THE STATUTE OF LIMITATIONS FOR BREACHES OF ELECTORAL FUNDING LAWS

The recent inquiries at the Independent Commission Against Corruption (ICAC) have exposed breaches of the Election, Funding, Expenditure and Disclosures Act 1981 (‘the EFED Act’). These breaches are now beyond the three (3) year statute of limitations.

NSW Labor believes this statute of limitations should be extended to seven (7) years to allow more time for audit, compliance and enforcement of any breaches of electoral funding laws.

INCREASE PENALTIES FOR BREACHES OF ELECTORAL FUNDING LAWS

Similarly the penalties for breaches of electoral funding laws need to be increased also to discourage breaches and increase compliance. NSW Labor proposes that the maximum penalties should be doubled for offences in the EFED Act.

Consideration should also be given to introducing laws similar to those in Canada to make it an offence to attempt to circumvent caps or collude to do so.

REQUIRE POLITICAL MATERIAL TO BE AUTHORISED FOR 6 MONTH CAPPED PERIOD

Political material is only required to be authorised for the last month (40 days) of the campaign, after the issuing of the writs.

NSW Labor believes all political material should be authorised from the commencement of the capped expenditure period in October and cover the full six (6) months of the campaign. This will help with public accountability as well as monitoring and compliance of parties expenditure under the cap.

MORE TRANSPARENT & FREQUENT PUBLIC DECLARATION OF POLITICAL DONATIONS

There should be more transparency about major political donations before the election. This should be in addition to greater transparency of the source of funding for individual candidates’ campaigns.

Reforms should be introduced to stop the system used by the Liberal Party to hide political donations by sending them through slush funds and then head office.
OPT-IN FULL PUBLIC FUNDING FOR POLITICAL PARTIES NOT TAKING DONATIONS

Labor proposes extending the existing system to include an opt-in full public funding scheme for political parties who do not accept donations.

This would be an alternative to the existing rebate based partial public funding model and make it possible for the first time for political parties to run effective campaigns without the need to accept or solicit campaign donations.

CONSTITUTIONAL CONSIDERATIONS

The proposed opt-in model for full public funding is put forward mindful of constitutional constraints. It also aims to achieve the goal of eliminating the influence of donations in politics and on public officials.

No prohibition on donations is proposed, to avoid any potential conflicts with the constitution or recent court judgements. However, we believe that given the option major political parties will choose full public funding and refuse to take donations.

We are disappointed that recent public comments against full public funding have been narrowly focused on legal and constitutional questions. The focus of the debate should be to achieve a constitutionally valid public funding regime which can eliminate the influence of donors and donations on our democratic system.

Labor believes an opt-in full public funding approach for parties who refuse to accept donations can achieve this within constitutional constraints.

LANGE TEST OF IMPLIED FREEDOM OF POLITICAL COMMUNICATION

Consideration of such a proposal should be mindful of the Lange test of implied freedom of political communication in the Australian Constitution.²

² Lange v Australian Broadcasting Corporation (1997) 189 CLR 520
1. Does the law effectively burden freedom of communication about government or political matters?
2. If the law does burden that freedom, is the law reasonably appropriate and adapted to serve a legitimate end which is compatible with the maintenance of representative and responsible government?

IMPLICATIONS FOR FREEDOM OF COMMUNICATION

An opt-in model would not prohibit individuals or entities from donating to political parties or fund third-party campaigns under existing arrangements. There is limited or no impact on freedom of communication or political participation as this proposal will not prohibit:

- Parties and candidates will continue to have the right to accept donations and receive partial public funding through the existing mechanisms;
- Individuals and entities will continue to have the right to make donations to candidates and political parties; and
- Third parties will continue to have the right to fund and run third party campaigns as permitted under existing legislation.

Arguably the provision of full-public funding will increase the capacity for freedom of political communication allowing parties to run an effective campaign without taking donations for the first time.

This will also empower voters to make a choice about supporting parties which do or do not accept donations.

Political parties already have the discretion to refuse donations. Labor has refused donations from tobacco companies on a voluntary basis since 2004. The Greens have, largely, refused to accept donations most companies and corporations.

LEGITIMACY OF ANY IMPACT ON POLITICAL COMMUNICATION

In considering the legitimacy of any impact the court will look at the objectives of the government in making the law.

While we do not believe the proposed opt-in model does not inhibit political communication, it does provide clear public benefits in regards to.

Most importantly this approach will eliminate the real, potential and perceived conflicts of interest arising from elected public officials participating in decisions relating to donors to their campaign or the campaign of their political party.

This will provide a broader benefit in restoring public confidence in our system of government and elected public officials.

FINANCIAL CONSIDERATIONS

The cost to taxpayers must also be considered in reforming electoral laws, political donations and public funding.
At the last election $28 million was provided from the budget to the Electoral Funding Authority to cover public funding obligations. From this $20 million in public funding was paid to political parties and candidates.

The total amount of spending by political parties and candidates eligible for public funding was $30 million. Fully funding this amount would be a small increase from the original allocation in 2011, and a moderate increase on the level of public funding at the last election.

This could be partially offset by donations parties have already accepted prior to the date the new full funding model is put into effect. Parties will be permitted to spend the money already raised but the amount of public funding offered will be reduced by an equal amount to ensure there is no advantage (or disadvantage).

Eligibility for full public funding should be limited to parliamentary political parties to reduce the overall cost, to focus the scheme on removing conflicts of those who become elected public officials and to avoid creating 'shell' political parties.

There are also opportunities to make budget savings resulting from the implementation of this reform including:

- Reduced cost of compliance and auditing of political donations;
- Reduction in tax deductions from political donations; and
- Lower corruption risk and, if effective, level of corruption enforcement activity.

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**SETTING THE APPROPRIATE LEVEL FOR FULL PUBLIC FUNDING**

To be effective the level of full public funding offered to parties must be sufficient for them to run a competitive campaign and choose not to accept donations.

The benchmark for this would be the level of spending at the previous election. This was the amount which parties were capable of raising and spending through donations, supplemented with public funding rebate.

If an amount lower than this is offered it is likely political parties will continue to choose to accept donations unless there is a change in the rebate rate or eligibility. There are two options for determining the level of full public funding to political parties:

- Eligible spending in 2011 State Election; or
- Tiered funding model based on party status.

Given the time available, we propose that the amount of funding be based on eligible spending by political parties and their endorsed candidates at the 2011 Election.

**OPTION 1: FULL PUBLIC FUNDING OF AMOUNT SPENT IN 2011**

Labor supports opt-in full public funding being provided to parliamentary political parties at the level of their actual spending in the 2011 election.

This is a quick, simple and fair way to calculate the level of funding. This will allow full public funding to be in place for the 2015 election while a medium to long term methodology is being developed for future elections.
It is implicitly fair, based on what the parties were capable of raising and spending at the previous election. This would be the minimum which political parties would consider as a fair offer to opt-out from accepting donations without limiting their capacity to participate in the democratic election process.

This should include eligible expenditure by parliamentary political parties and endorsed candidates who received at least 4 per cent of first preference votes at the 2011 election.

As per under existing funding arrangements this public funding will be provided to the political party. Funding can then be allocated to individual candidates and electorates at the discretion of the political party subject to the existing spending caps.

<table>
<thead>
<tr>
<th>Party</th>
<th>Total Candidates</th>
<th>Eligible Candidates</th>
<th>Total Spending</th>
<th>2011 Election Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>88</td>
<td>87</td>
<td>3,621,618</td>
<td>8,585,856</td>
</tr>
<tr>
<td>Country Labor</td>
<td>5</td>
<td>5</td>
<td>313,707</td>
<td>496,822</td>
</tr>
<tr>
<td><strong>TOTAL LABOR</strong></td>
<td><strong>93</strong></td>
<td><strong>92</strong></td>
<td><strong>3,935,325</strong></td>
<td><strong>9,082,678</strong></td>
</tr>
<tr>
<td>Liberal</td>
<td>73</td>
<td>73</td>
<td>2,887,314</td>
<td>7,023,577</td>
</tr>
<tr>
<td>National</td>
<td>20</td>
<td>20</td>
<td>1,247,766</td>
<td>1,816,130</td>
</tr>
<tr>
<td><strong>TOTAL COALITION</strong></td>
<td><strong>93</strong></td>
<td><strong>93</strong></td>
<td><strong>4,135,081</strong></td>
<td><strong>8,839,707</strong></td>
</tr>
<tr>
<td>CDP</td>
<td>86</td>
<td>26</td>
<td>19,136</td>
<td>286,374</td>
</tr>
<tr>
<td>Shooters</td>
<td>7</td>
<td>5</td>
<td>0</td>
<td>783,466</td>
</tr>
<tr>
<td>Greens</td>
<td>93</td>
<td>85</td>
<td>693,216</td>
<td>1,376,476</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>372</strong></td>
<td><strong>301</strong></td>
<td><strong>8,782,758</strong></td>
<td><strong>20,368,701</strong></td>
</tr>
</tbody>
</table>

The indicative funding amount above shows that this would result in Labor and the Coalition receiving almost identical levels of funding. The level of public funding for the minor parties is in line with their spending at the last election and their level of representation in Parliament.

Funding could be extended to include spending by candidates endorsed by parliamentary parties who did not reach the 4 per cent threshold in their seat. This would see a $5,000 increase for Labor (Northern Tablelands).

It would also see an increase for the minor parties for the seats where they did not reach the threshold CDP (60), Greens (8) and Shooters & Fishers (2) parties. The amount spent by the parties in these seats is not clear but is not likely to be a significant increase on an aggregate basis. It is also likely to see greater parity in public funding between the Christian Democratic Party and the Shooters & Fishers Party, both of which have two elected representatives.

**OPTION 2: TIERED PUBLIC FUNDING BASED ON PARTY STATUS**
In the medium term, a more detailed ongoing basis for calculating the level of full public funding could be developed based on a range of factors.

Thought needs to be given to the methodology of such an approach to ensure that there is predictability and stability in this level of funding between elections. The vote for parties can fluctuate largely in individual elections.

**STABILITY AND CERTAINTY IN PUBLIC FUNDING LEVEL**

It is important that funding is predictable to ensure that parties are able to budget for campaigns and make a decision not to take donations confident that this won’t result in a shortfall in funding for their campaign at the current or future elections.

As such a model which is entirely or primarily based on first preference votes at the last or upcoming election is undesirable. This will introduce volatility and uncertainty into the level of funding and discourage parties from opting into a full public funding system.

Ideally the methodology should recognise the status of the party, its level of public support and its role in providing a robustly contested democratic election.

**EQUAL FUNDING FOR GOVERNMENT AND OPPOSITION PARTIES**

We believe the parties of Government and Opposition should be entitled to equal public funding to ensure a strong democratic contest. The Opposition carries the primary burden of holding the Government to account and offering an alternative choice to the public.

This has been recognised in funding regimes implemented in other jurisdictions including the United States for full public funding of Presidential Elections which provides equal funding to the two major parties. Funding to minor parties and independents is provided based on their historical electoral support.

The United Kingdom also recognises the need for equality in funding the major political parties. Under its public funding scheme equal funding is provided to the Conservatives, Labour and Liberal Democrats through policy development grants.

**REDUCE POLITICAL PARTY SPENDING CAP AND FULLY FUND THIS AMOUNT**

NSW Labor has proposed to simplify and merge the spending cap for political parties and their endorsed candidates. This would see mean:

- A twenty-five percent (25%) reduction in the overall spending cap for political parties and their endorsed candidates;
- Political parties and candidates have the same overall spending cap as independents ($150,000 per electorate at 2011 levels); and
- The aggregate cap for political parties and endorsed candidates would be $13.95 million – roughly the same as what was spent by each Labor and the Coalition at the last election.

Providing full public funding to Labor and the Coalition up to this amount would:
• Removing any incentive for the major parties to continue to take private donations;
• Links the level of funding to what the major parties have demonstrated they are capable of raising and spending at the previous election; and
• Will mean a fair contest between the Government and Opposition not linked to capacity to raise donations.

ENSURE ADEQUATE FUNDING OF OTHER PARLIAMENTARY PARTIES AND INDEPENDENTS

Sufficient level of public funding should be provided to other major and minor parliamentary political parties along with incumbent independents. This should reflect the level of public support for these parties and provide certainty over the amount of funding to be received ahead of the election.

Limiting full public funding to parliamentary parties serves three benefits:

1. Reduces the overall burden on taxpayers to only cover the cost of campaigns run by political parties and candidates who successfully gain office;
2. Targets funds at the main corruption risk, being candidates who become public officials, rather than unsuccessful candidates; and
3. Removes any incentives for creation of speculative political parties which do not have a track record of public support.

Consideration should be given to extending this to independent candidates who receive a significant portion of the vote or were the last excluded candidate in a district despite not being elected.

FUNDING OFFSETS

There are potential funding offsets available in addition to the one off saving by reducing public funding by the amount of political donations received since April 2011 by parties who opt in. This includes from reduced tax deductions from political donations and savings in the auditing, compliance and enforcement of political donations.

FEDERAL GOVERNMENT TAX SAVING

Eliminating or dramatically reducing political donations will help to reduce tax deductions for the federal government.

In 2010/11 financial year alone, the parliamentary political parties (Labor, Coalition, Shooters & Fishers, Greens and Christian Democrats) received $19 million in political contributions.

The average marginal tax rate for individuals is 35 per cent, and corporate tax rate is 30 per cent. Eliminating $19 million worth of potential tax deductions would save the Federal Government $5.7 to $6.65 million in an election year alone.
It may be appropriate for the Federal Government to make a matching contribution towards a NSW Public Funding regime given this will help to increase tax revenue for the Commonwealth.

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LOWER COMPLIANCE AND AUDITING COSTS

The government currently spends between $3 million and $4 million per annum running the Electoral Funding Authority (EFA). A major component of the EFAs role is auditing, compliance and enforcement of political donations. Reducing the total amount of donations and political parties receiving donations could result in cost savings at the EFA.

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REDUCED CORRUPTION RISK AND EXPENDITURE

Labor supports the role of ICAC in exposing corruption and commits to provide funding required by the ICAC to fill this role. The aim of providing full public funding is to remove the potential for real, potential or perceived conflicts or corrupt conduct arising from political donations.

As such there is the potential that this may help to reduce corrupt conduct or make it easier to expose. There would no longer be a legitimate reason for an elected public official or political party to receive money from a company or corporation.

The recent public hearings for Operation Credo and Spicer have largely focused on allegation about illegal donations being used to influence public officials.

Funding for the Independent Commission Against Corruption (ICAC) has risen substantially in recent years with its annual budget rising from $18.2 million in 2008 to $25 million in 2014. This is an increase of around $28 million over the parliamentary term.

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ADMINISTRATIVE FUNDING REFORM

Administrative funding of political parties should be calculated based on the number of financial members rather than parliamentary representation.

Parliament provides MPs and MLCs with a budget and staff to assist with their duties. Additional funding is available to those with parliamentary party status providing additional funding for roles including party whips.

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ADMINISTRATIVE FUNDING BASED ON POLITICAL PARTY MEMBERSHIP

Setting administrative funding at $350 per financial member (the current average across the parliamentary political parties) would provide fairer funding between the major parties and keep roughly in line with current public funding levels.

<table>
<thead>
<tr>
<th>Political Party</th>
<th>Party</th>
<th>Current Funding</th>
<th>Current Funding per</th>
<th>Labor Model ($350 per party member)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Members</td>
<td>Member</td>
<td></td>
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<td>------------------</td>
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<td>--------</td>
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<td></td>
</tr>
<tr>
<td>Labor</td>
<td>9,152</td>
<td>2,379,500</td>
<td>260</td>
<td></td>
</tr>
<tr>
<td>Country Labor</td>
<td>2,140</td>
<td>469,900</td>
<td>220</td>
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<tr>
<td><strong>TOTAL LABOR</strong></td>
<td><strong>11,292</strong></td>
<td><strong>2,849,400</strong></td>
<td><strong>252</strong></td>
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</tr>
<tr>
<td>Liberal</td>
<td>4,164</td>
<td>2,379,500</td>
<td>571</td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>5,208</td>
<td>2,379,500</td>
<td>457</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL COALITION</strong></td>
<td><strong>9,372</strong></td>
<td><strong>4,759,000</strong></td>
<td><strong>508</strong></td>
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</tr>
<tr>
<td>CDP</td>
<td>1,073</td>
<td>365,500</td>
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<tr>
<td>Shooters</td>
<td>1,325</td>
<td>365,500</td>
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<tr>
<td>Greens</td>
<td>2,854</td>
<td>730,300</td>
<td>256</td>
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</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>25,916</strong></td>
<td><strong>9,069,700</strong></td>
<td><strong>350</strong></td>
<td></td>
</tr>
</tbody>
</table>

**EXTENSION TO NON-PARLIAMENTARY PARTIES**

This model could be extended to include funding for non-parliamentary parties at the same or a lower funding rate. A cursory review of the paid membership of non-parliamentary parties shows membership numbers of less than 200.

Funding would be around $70,000 for the Socialist Alliance and Family First who each have around 200 financial members. Others such as the Democrats, Democratic Labour Party, Save Our State, have much smaller paid memberships.

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3 2010/11 Electoral Disclosure Returns.