

# HOUSE BILL REPORT

## HB 1294

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### As Passed Legislature

**Title:** An act relating to campaign finance reporting by out-of-state political committees.

**Brief Description:** Revising campaign finance reporting requirements for out-of-state political committees.

**Sponsors:** By Representatives McDermott, Haigh, Armstrong, Nixon, Miloscia, Dickerson and Mielke; by request of Public Disclosure Commission.

### Brief History:

#### Committee Activity:

State Government: 2/7/03, 2/14/03 [DP].

#### Floor Activity:

Passed House: 3/10/03, 95-0.

Passed Senate: 4/14/03, 48-0.

Passed Legislature.

### Brief Summary of Bill

- Repeals the forfeiture rule for contributions from out-of-state political committees.
- Exempts out-of-state political committees that already report to the Federal Elections Commission from the requirement to file a report with the Public Disclosure Commission.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** Do pass. Signed by 9 members: Representatives Haigh, Chair; Miloscia, Vice Chair; Armstrong, Ranking Minority Member; Shabro, Assistant Ranking Minority Member; Hunt, McDermott, Nixon, Tom and Wallace.

**Staff:** Katie Blinn (786-7114).

### Background:

The Public Disclosure Commission (PDC) enforces the campaign finance laws for candidates and ballot propositions in state and local elections. Political campaigns must

document and report almost all contributions and expenditures in campaign finance reports filed with the PDC at regular intervals.

Federal or out-of-state political committees are not required to file reports with the PDC unless they make a contribution to or an expenditure on behalf of a Washington political committee, which requires them to file a C-5 report with the PDC. Contributions received from federal or out-of-state political committees must be reported by the political committee operating in Washington. If the out-of-state political committee fails to file a C-5 report within 10 days of the contribution, the campaign must forfeit the contribution to the state.

The Federal Elections Commission (FEC) enforces campaign finance laws for candidates in federal elections. The FEC has a number of methods and schedules for political committees to file reports. Those committees that file monthly must list all contributions and expenditures for one month in a report filed by the 20th day of the following month.

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**Summary of Bill:**

Washington political committees are no longer required to forfeit contributions from federal or out-of-state political committees. A federal or out-of-state political committee that makes a contribution to or an expenditure on behalf of a Washington political committee must file a report with the PDC by the 20th day of the following month unless it already files regularly with the FEC, in which case it is exempt from the filing requirement.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** The pitfalls of a contributor failing to file a C-5 report are serious for candidates, and the candidates have no control over whether the C-5 report is filed. Out-of-state campaigns must still disclose their contributions, either in the PDC report or in the FEC report. Currently, when an out-of-state political action committee (PAC) fails to report a contribution to a Washington political committee, the remedy is borne by the in-state recipient, but it should be borne by the party obligated to file the report. Originally, either the donor or the recipient could file the C-5 report, but the law was amended in the 1980s to allow only the donor to file the C-5 report. The FEC reports are readily available over the internet.

Over \$6.6 million contributed to Washington campaigns in 2000, 2001, and 2002 by various Republican committees was not reported. Over \$1.4 million contributed during the same time by various Democratic committees was not reported. Because the violations occurred in prior campaigns for which the books had been closed, the forfeited money would have had to come from any campaign funds the candidate had in 2002. The parties requested a retroactive and prospective reporting modification based on the fact that all contributing organizations had properly filed reports with the FEC. The PDC concluded that the law should be amended to ameliorate the penalty for failing to report. Technology is able to streamline a government process without diminishing the public's access to the information. It is the responsibility of the FEC to properly monitor federal PAC's; the state PDC does not have authority to enforce reporting requirements over a "non-reporting" committee. The penalty authority of the FEC is broader than the penalty authority of the PDC.

**Testimony Against:** None.

**Testified:** Representative McDermott, prime sponsor; and Vicki Rippie, Public Disclosure Commission.