

HOUSE BILL REPORT

HB 1732

As Reported by House Committee On:
State Government & Tribal Affairs

Title: An act relating to campaign finance disclosure.

Brief Description: Regarding campaign finance disclosure.

Sponsors: Representatives Kelley, Frockt, Eddy, Billig, Kirby, Goodman, Hasegawa, Stanford, Seaquist, Green, Liias, Fitzgibbon, Blake, Dunshee, Rolfes, Miloscia, Finn, Sells, Kagi, Jacks, Ryu, Probst, Carlyle, Kenney and Appleton.

Brief History:

Committee Activity:

State Government & Tribal Affairs: 2/9/11, 2/16/11 [DPS].

Brief Summary of Substitute Bill

- Requires identification of committee sponsors for sponsored political committees.
- Adds definitions for "sponsor" and "sponsored committee."
- Extends political advertising requirements to advertisements for ballot propositions.
- Requires political committees to keep copies of their political advertising for a period of five years and to provide copies of advertising to the Public Disclosure Commission (PDC) when requested by the PDC.
- Prohibits the PDC from waiving fines for a second violation of the same rule.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 6 members: Representatives Hunt, Chair; Darneille, Dunshee, Hurst, McCoy and Miloscia.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 4 members: Representatives Taylor, Ranking Minority Member; Overstreet, Assistant Ranking Minority Member; Alexander and Condotta.

Staff: Marsha Reilly (786-7135).

Background:

Public Disclosure Commission.

In 1972 the voters passed Initiative 276, which required the disclosure of campaign finances, lobbyist activities, financial affairs of elective officers and candidates, and access to public records. The initiative created the Public Disclosure Commission (PDC), a five-member, bipartisan citizen commission, to enforce the provisions of the campaign finance disclosure law. The PDC has the authority to develop procedures, adopt rules, investigate complaints, and enforce the laws relating to campaign disclosure and contributions, including the imposing of civil penalties.

Filing Requirements.

Every political committee is required to file a statement of organization with the PDC within two weeks of its organization, or within two weeks after the date the committee expects to either receive contributions or make expenditures in any election campaign, whichever is earlier. A political committee organized within three weeks before an election that expects to receive contributions or make expenditures must file its statement of organization within three business days. The statement of organization must include the following information:

- name and address of the committee;
- name and address of all related or affiliated committees or persons, and the nature of the affiliation;
- names, addresses, and titles of its officers, or if it has no officers, its responsible leaders;
- name and address of its treasurer and depository;
- a statement of whether or not the committee is a continuing committee;
- the names of candidates or ballot propositions supported or opposed;
- the planned distribution of surplus funds;
- the committee's street address and hours of operation;
- the name, address, and title of any person who authorizes expenditures or makes decisions on behalf of the candidate or committee;
- the name, address, and title of any person paid by, or volunteering for, a candidate or political committee that performs ministerial functions on behalf of two or more candidates or committees; and
- other information required by the PDC.

Political Advertising and Electioneering Communications.

All political advertising, whether relating to candidates or ballot propositions, must include the sponsor's name and address. Political advertising undertaken as an independent expenditure by a person or entity other than a party organization, and all electioneering

communications must include a statement indicating that the advertisement is not authorized by any candidate, as well as information on who paid for the advertisement. If an advertisement is an independent expenditure or electioneering communication sponsored by a political committee, the top five contributors making contributions in excess of \$700 must be listed. In 2010 the Legislature added an additional requirement that if the sponsor is a political committee established, maintained, or controlled directly, or indirectly through the formation of one or more political committees, by an individual, corporation, union, association, or other entity, the full name of that individual or entity also must be listed in the advertisement.

Summary of Substitute Bill:

Public Disclosure Commission.

A sample of any political advertising sponsored by a political committee within the past five years may be requested by the PDC. The PDC's discretion to waive second time violations by the same person or individual, regardless if the person or individual committed the violation for a different political committee, is removed. Succeeding violations of the same rule shall result in successively increased fines.

Filing Requirements.

Additional information is required to be included on the statement of organization for political committees. The name and address of the committee sponsor must be included if the committee is a sponsored committee.

If the committee has no officers, the names, addresses, and titles of the individuals who direct the activities of the committee and make decisions regarding soliciting contributions or making expenditures of committee funds also must be included.

The term "sponsor" for purposes of a political committee is defined as any person, except a candidate committee, to whom any of the following applies:

- the committee receives 80 percent or more of its contributions either from the person or from the person's members, officers, employees, or shareholders;
- the person collects contributions for the committee by use of payroll deductions or dues from its members, officers, or employees;
- the person provides, alone or in combination with other organizations, all or nearly all of the administrative services for the committee; or
- the person sets, alone or in combination with other organizations, the policies for soliciting contributions or making expenditures of committee funds.

A "sponsored committee" is defined as a committee, other than a controlled committee, that has one or more sponsors.

Political Advertising.

With the exception of committees subject to contribution limits, the requirement for listing the top five contributors is extended to all political advertising including political advertising that supports or opposes ballot measures. The statute relating to political advertising is reorganized for clarity.

With some exceptions, political committees are required to keep sample copies of all their political advertisements on file for a period of five years. In the eight days immediately preceding an election when a committee's books of accounts must be open for public inspection, samples of its political advertisements must be available as well. The committee must provide samples of its political advertisements to the PDC upon request by the PDC.

Substitute Bill Compared to Original Bill:

The substitute bill makes changes to indicate that a "controlled" committee is an "authorized" committee; clarifies that identification of the top five contributors does not apply to advertising by committees subject to contribution limits; clarifies that the PDC is not required to keep copies of all political advertising; clarifies that political advertising for partisan office must include a party preference, and when applicable, that no candidate authorized the advertisement; clarifies that advertising transmitted as a visual image must identify the top five contributors and allows the letter size on these advertisements to be equal to or greater than 4 percent of the visual screen height.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect on January 1, 2012.

Staff Summary of Public Testimony:

(In support) The bill addresses the issue of shadow political action committees, which are formed to hide the original source of the money. The bill requires that political advertisements must include the name of the entity that is the original sponsor, in addition to the top five contributors. Samples of political advertising must be kept for five years. When the advertising is not available, there is no chance for a discussion of differing views. Pieces must be kept along with the account of records. The bill also addresses repeat violations made by the same person. There is a need for the public to have accurate information regarding political campaigns. Political committee names do not accurately reflect the origin of the money. The public needs to know who is behind political advertisements. Citizens should not need legal training to find out who is persuading their vote. The only way to protect our democracy is for voters to know who is actually paying the bill. Money is moved through several political action committees in order to conceal the original source. The original donor needs to be identified.

(Neutral) The PDC has not taken a position on the bill, but staff are available for technical assistance on amendments.

(With concerns) In order to be consistent with federal law, an amendment is recommended to change the visual height of letters for purposes of advertising through a visual medium to indicate "equal to or greater than" 4 percent, instead of "greater than." Clarification is needed in terms of stating party preference in political ads.

(Opposed) None.

Persons Testifying: (In support) Representative Kelley, prime sponsor; Steve Breaux, Washington Public Interest Research Group; and Craig Salins, Washington Public Campaigns.

(Neutral) Doug Ellis, Public Disclosure Commission.

(With concerns) Mark Allen, Washington State Association of Broadcasters.

Persons Signed In To Testify But Not Testifying: None.