

HOUSE BILL REPORT

HB 1807

As Reported by House Committee On:
State Government, Elections & Information Technology

Title: An act relating to increasing transparency of contributions by creating the Washington state DISCLOSE act of 2017.

Brief Description: Increasing transparency of contributions by creating the Washington state DISCLOSE act of 2017.

Sponsors: Representatives Pellicciotti, Hudgins, Riccelli, Orwall, Kirby, Macri, Pollet, Appleton, Wylie, Fitzgibbon, Sawyer, Frame, Lovick, Reeves, Slatter, Chapman, Ryu, Kagi, Doglio, Ortiz-Self, McBride, Farrell, Ormsby and Bergquist.

Brief History:

Committee Activity:

State Government, Elections & Information Technology: 2/7/17, 2/14/17 [DPS].

Brief Summary of Substitute Bill

- Requires certain nonprofit organizations to report to the Public Disclosure Commission on its top contributors and its expenditures to political campaigns or groups.

HOUSE COMMITTEE ON STATE GOVERNMENT, ELECTIONS & INFORMATION TECHNOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Hudgins, Chair; Dolan, Vice Chair; Appleton, Gregerson and Pellicciotti.

Minority Report: Do not pass. Signed by 4 members: Representatives Koster, Ranking Minority Member; Volz, Assistant Ranking Minority Member; Irwin and Kraft.

Staff: Sean Flynn (786-7124).

Background:

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.

Washington's campaign finance and disclosure law was originally enacted by voter initiative in 1972. The law requires the disclosure of campaign finance activity, lobbyist activity, and financial affairs of elective officers and candidates. The Public Disclosure Commission (PDC) enforces the provisions of the campaign finance disclosure law and has authority to develop procedures, adopt rules, investigate complaints, and impose civil penalties for violations.

The campaign finance and disclosure law requires all political committees that receive contributions and make expenditures to file a statement of organization with the PDC. The statement requires the disclosure of certain information, including the names and addresses of committee members, officers or leaders, and treasurer, as well as which candidates and ballot measures the committee supports or opposes.

Political committees must periodically report to the PDC on their contribution and expenditure activities. An initial report is due the same day the statement of organization is filed. Subsequent reports are due 21 days and seven days before the election, one month after the election, and each month the committee receives or spends at least \$200. A political committee also must submit a special report each time it receives a contribution of \$1,000 or more during the period immediately preceding an election.

Summary of Substitute Bill:

An "incidental committee" is defined as any nonprofit organization that makes contributions or expenditures to support or oppose any candidate or ballot measure in state elections. The definition excludes tax-exempt political organizations registered under the federal tax code that report on political activities, or any organization that already reports to the PDC as a registered lobbyist.

An incidental committee is subject to certain reporting requirements under the campaign finance and disclosure law. An incidental committee must file a statement of organization with the PDC within two weeks after expecting to make contributions or expenditures of at least \$25,000 in a calendar year to an election campaign, political committee, or incidental committee. After filing its statement of organization, the incidental committee must report to the PDC on its contribution and expenditure activities. The first report is filed with its statement of organization. Other reports are due 21 days and seven days before the election, and one month after the election.

Each report must disclose the following information:

- the top 10 largest payments that exceed an aggregate of \$10,000 in a calendar year;
- any single large single-source payments of \$100,000 per year; and
- any expenditure of \$50 or more made to an election campaign, political committee, or other incidental committee.

Incidental committees must file an additional report if there are any changes within the top 10 contributors or any single large contributor, as well as any political expenditures that exceed \$200 in the period since its last report. The PDC may suspend or modify the

reporting requirements of contributions to an incidental committee in cases of manifestly unreasonable hardship.

The PDC must include a link on its website to the Federal Election Committee's searchable database of political organizations registered under the federal tax code. The contribution reports on the PDC website must link to lobbying disclosure reports of specific contributors who have filed such reports.

Substitute Bill Compared to Original Bill:

An incidental committee must report its top "payments" received, instead of "contributions."

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Currently, nonprofit organizations that engage in funding political activities are not required to disclose their donors. This creates a lack of transparency in who is spending money in campaigns. Requiring disclosure of large contributions made to nonprofit organizations who engage in lobbying activities will help to close this gap and provide more information about whose money is being spent. This does not limit the amount of contributions, but only identifies how such money is reported. The disclosure of financial information in political campaigns helps to inform citizens and combats the cynicism in the public regarding the influence of money on public officials.

(Opposed) This proposal is too broad and would affect many unintended entities. A requirement to disclose contributions would have a negative impact on smaller subsidiary organizations that generally do not engage in lobbying, but may occasionally take a stance on an issue affecting their interests.

Persons Testifying: (In support) Representative Pellicciotti, prime sponsor; and Nancy Sapiro, League of Women Voters of Washington.

(Opposed) Jan Himebaugh, Building Industry Association of Washington.

Persons Signed In To Testify But Not Testifying: None.