

HOUSE BILL REPORT

HB 1677

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

Title: An act relating to improving transparency in campaign finance disclosure.

Brief Description: Concerning campaign finance disclosure.

Sponsors: Representatives Walsh, Gregerson and Pollet; by request of Public Disclosure Commission.

Brief History:

Committee Activity:

State Government & Tribal Relations: 2/8/23, 2/17/23 [DPS].

Brief Summary of Substitute Bill

- Requires political and incidental committees formed after the first day of the last full month before an election, rather than the last three weeks, to file statements of organization within three business days of organization.
- Requires candidates and political and incidental committees to file an additional contributions and expenditures report 34 days before a general election.
- Increases the threshold for contributions to trigger a special report from \$1,000 to be tied to the contribution limit for state officers, which is currently \$2,000, and increases the special reporting period for large contributions from 21 days before an election to the beginning of the last full month before an election.
- Requires purchasers of political advertising or electioneering communications to disclose to commercial advertisers that the purchase includes political advertising or electioneering communications, upon request of the commercial advertiser.

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

- Makes the Public Disclosure Transparency Account a nonappropriated account, and establishes purposes for which it may be spent.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL RELATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Ramos, Chair; Stearns, Vice Chair; Abbarno, Ranking Minority Member; Christian, Assistant Ranking Minority Member; Gregerson, Low and Mena.

Staff: Jason Zolle (786-7124).

Background:

Public Disclosure Commission.

The Public Disclosure Commission (PDC) was created in 1972 by Initiative 276. The PDC regulates many financial aspects of political campaigns, including contributions to candidates and expenditures related to ballot measures, as well as political advertisements and electioneering communications.

Political and Incidental Committees.

Among the entities that the PDC regulates are political committees, which are groups, except for candidates, that have the expectation of receiving contributions or making expenditures in support of or in opposition to any candidate or ballot measure. The PDC also regulates incidental committees, which are nonprofit organizations that incidentally make contributions or expenditures in excess of \$25,000 and receive at least \$10,000 from a single source.

Political committees and incidental committees must file a statement of organization with the PDC that includes names, addresses, and contact information for certain people associated with the committee. For political committees, this statement is generally due within two weeks after organization or two weeks after the committee first expects to receive contributions or make expenditures, whichever is earlier. For incidental committees, the statement is generally due within two weeks after the committee first expects to make expenditures above \$25,000, and the committee is required to disclose any payment received. However, if a political committee is formed, or an incidental committee is first required to file, beginning in the last three weeks before an election, they must file a statement of organization within three business days.

Contributions and Expenditure Reports.

Candidates and political committees must file reports with the PDC detailing all contributions received and expenditures made as of the end of one business day before the

report is filed. Incidental committees must also file such reports on the day they file a statement of organization. These reports are due 21 and 7 days immediately preceding an election, and the tenth day of the first full month after an election. This timeline applies to primaries and general and special elections. Sponsors of independent expenditures must also file expenditure reports on those dates. Reports also must be filed each month a candidate or committee spends at least \$200.

Special Reports.

Special reports are also required for many types of election-related activity in the days immediately preceding an election. For example, the sponsor of political advertising must file a special report to the PDC within a working day of the ad's first presentation to the public. Special reports are also required when a candidate receives, or a political committee makes, contributions of \$1,000 or more from or to a single entity in the 21 days preceding a general election.

Commercial Advertisers.

Any person or entity who sells the service of communicating messages or producing material for the general public is considered a commercial advertiser and is subject to regulation by the PDC. A commercial advertiser who has accepted or provided political advertising or electioneering communications during an election campaign must maintain current books of account that are open for public inspection. The documents must specify information about the sponsors of political advertising or electioneering communications, including their identity and the cost of the services. A commercial advertiser must provide this information to the PDC upon request.

The Public Disclosure Transparency Account.

Money collected from enforcement actions or settlements for violations of PDC-enforced laws is deposited into the Public Disclosure Transparency Account (Account). Money in the Account may be spent only after appropriation, and only for the purposes of implementing the PDC's statutory duties. The Account may not be used to supplant general fund appropriations to the PDC.

Summary of Substitute Bill:

Statements of Organization.

A political or incidental committee must file its statement of organization with the PDC within three business days if it is organized or first required to file within the period beginning the first day of the last full month before an election, rather than the three weeks before the election.

Contributions and Expenditures Reports.

Contributions and expenditures reports for candidates and political committees are due 20 and 6 days preceding any election, rather than 21 and 7, and an additional report is due 34

days before a general election. Those reports must include all contributions received and expenditures made through the end of two calendar days before the filing, rather than one business day. The same date changes are made to independent expenditure reports.

Special Reports.

The threshold contribution amount to trigger the requirement to file a special report is increased to more than the contribution limit to a candidate for state office other than legislative office, which is currently \$2,000, rather than \$1,000 or more. The special reporting period is modified to the beginning of the last full month preceding an election, rather than the 21 days preceding an election. Special reports are no longer required for political advertising if the advertising is otherwise required to be reported in a contributions and expenditures report.

Commercial Advertisers.

Any person who purchases political advertising or electioneering communications from a commercial advertiser must disclose, upon request from the commercial advertiser, that the purchase includes political advertising or electioneering communications, as well as any other information that the commercial advertiser is required by the PDC to maintain. A sponsor's failure to provide this information is a violation punishable by the PDC, but it does not relieve the commercial advertiser of its own responsibilities under the law.

The Public Disclosure Transparency Account.

The requirement that money in the Account may be spent only after an appropriation is removed. Instead, money in the Account may be spent only for the development and implementation of projects designed by the PDC for the purposes of improving the usability, transparency, and accessibility of its systems. The money may not be used for ongoing operating or enforcement expenses. The Account is not subject to appropriation; only the PDC may authorize expenditures from it.

Other minor technical changes are made.

Substitute Bill Compared to Original Bill:

The substitute bill changes the due date for the additional contributions and expenditures report before a general election from 27 days to 34 days before the election, and it removes the requirement to file an additional report before a primary or special election.

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) This is PDC-request legislation that is fairly standard with general updates and cleanups to relevant statutes around PDC operations. The most significant piece of the bill is to add an extra contributions and expenditures report in the weeks leading up to an election. Other changes are more technical in nature, including giving the agency greater control of money resources at its disposal for encouraging greater transparency. Making changes to commercial advertisement requirements is part of a series of steps to make social media advertising available while maintaining transparency. Changing the reporting schedules reflects how the way people vote has changed since 1972, with ballots all being mailed. There has been a lot of stakeholder outreach, agreement, and compromise to get this bill here. The committee should adopt one amendment that has been negotiated with professional treasurers to change the extra reporting date to 34 days before a general election, and eliminate the extra report before a primary. Treasurers support the bill with this amendment, especially because the bill permits an extra day to gather information to file reports.

(Opposed) None.

Persons Testifying: Representative Jim Walsh, prime sponsor; Conner Edwards; Sandra Bensley, Sierra Heights Consulting NW; Cindy Madigan, League of Women Voters of Washington; and Fred Jarrett and Sean Flynn, Public Disclosure Commission.

Persons Signed In To Testify But Not Testifying: None.