

HOUSE BILL REPORT

EHB 1189

As Passed House:

March 7, 2007

Title: An act relating to campaign contributions by limited liability companies.

Brief Description: Regulating campaign contributions by limited liability companies.

Sponsors: By Representatives Dunshee, Lovick, Miloscia, Ormsby, Simpson and Hasegawa.

Brief History:

Committee Activity:

State Government & Tribal Affairs: 1/26/07, 1/30/07 [DP].

Floor Activity:

Passed House: 3/7/07, 59-36.

Brief Summary of Engrossed Bill

- Provides that a limited liability company and all of its affiliates are treated as a single person for contribution purposes.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 6 members: Representatives Hunt, Chair; Appleton, Vice Chair; Green, McDermott, Miloscia and Ormsby.

Minority Report: Do not pass. Signed by 3 members: Representatives Chandler, Ranking Minority Member; Armstrong, Assistant Ranking Minority Member and Kretz.

Staff: Marsha Reilly (786-7135).

Background:

The Fair Campaign Practices Act (Act) was enacted following passage of Initiative 134 in 1992. The initiative imposed campaign contribution limits on elections for state office, further regulated independent expenditures, restricted the use of public funds for political purposes, and required public officials to report gifts received in excess of \$50. The Act also prohibited the use of public funds to finance political campaigns. The stated purposes of the initiative were to: (1) give individuals and interest groups equal opportunities to influence

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elective and governmental processes; (2) reduce the influence of large organizational contributors; and (3) restore public trust in governmental institutions and the electoral process.

State law limits individual campaign contributions by an individual, a union or business, or a political action committee to a candidate for state legislative office to \$700, and to a candidate for statewide office to \$1,400. The limit applies for each election that the candidate appears on the ballot. Limits are also imposed on political parties, ranging from 35 cents to 70 cents per registered voter in the candidate's district. These dollar amounts are adjusted for inflation by the Public Disclosure Commission every two years.

State law also determines the attribution of campaign contributions when an entity or individual controls another entity. For example, a contribution by a political committee with funds that have all been contributed by one person who exercises exclusive control over the distribution of the funds of the political committee is deemed a contribution by the controlling person. A second example relates to subsidiaries of a corporation. If a corporation has multiple subsidiaries, branches, or departments, two or more subsidiaries of a corporation are treated as a single entity for purposes of campaign contributions if the corporation is participating in an election campaign or making contributions.

Summary of Engrossed Bill:

A limited liability company and all of its affiliates are treated as a single person for contribution purposes. An "affiliate" is defined as any person who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the limited liability company. The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person. Control is presumed to exist if a person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10 percent or more of the voting securities of any other person.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The problem is money and politics. There is a \$700 contribution limit to candidates for legislative office, and if you own several companies, each company can write a \$700 check. This goes against the intent of campaign contribution limits.

(Opposed) None.

Persons Testifying: Representative Dunshee, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.