

HOUSE BILL REPORT

ESB 5153

As Reported by House Committee On:
State Government

Title: An act relating to increasing transparency of campaign contributions.

Brief Description: Increasing transparency of campaign contributions.

Sponsors: Senators Billig, Roach, Sheldon, Fain, Liias, Mullet, Fraser, Dinsel, McCoy, Rolfes, Cleveland, Darneille, Habib, Padden, Nelson, Benton, Chase, Keiser, Jayapal, Hasegawa and Frockt.

Brief History:

Committee Activity:

State Government: 3/24/15, 4/1/15 [DPA].

**Brief Summary of Engrossed Bill
(As Amended by Committee)**

- Requires nonprofit organizations that make incidental political contributions and expenditures to report to the Public Disclosure Commission (PDC).
- Requires incidental committees to report on its top 10 contributors that exceed \$10,000, and any single contributor of at least \$100,000.
- Makes out-of-state political committees subject to the same reporting requirements to the PDC as in-state political committees.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: Do pass as amended. Signed by 6 members: Representatives S. Hunt, Chair; Bergquist, Vice Chair; Holy, Ranking Minority Member; Appleton, Gregory and Hawkins.

Minority Report: Do not pass. Signed by 1 member: Representative Van Werven, Assistant Ranking Minority Member.

Staff: Sean Flynn (786-7124).

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.

Background:

Washington's campaign finance and disclosure law was enacted by initiative in 1972. The law requires the disclosure of campaign finances, lobbyist activities, and financial affairs of elective officers and candidates. The Public Disclosure Commission (PDC) was created 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.

Under the campaign finance and disclosure law, a political committee is an entity organized to receive contributions and make expenditures to support or oppose any political candidate or ballot measure. Political committees must file a statement of organization with the PDC by the earlier period of within two weeks of its organization, or within two weeks after the committee expects to receive contributions or make expenditures in any election campaign. The statement requires the disclosure of certain information, including the names and addresses of committee members, officers or leaders, 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. 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. An out-of-state political committee must file a statement with the PDC when it makes an expenditure supporting or opposing a Washington candidate or political committee.

Summary of Amended Bill:

An incidental committee is defined as any nonprofit organization, not otherwise defined as a political committee or tax-exempt political organization subject to state or federal reporting requirements, which incidentally makes contributions or expenditures to support or oppose any candidate or ballot measure in Washington.

An incidental committee must file a statement of organization with the PDC if it makes contributions or expenditures of at least \$25,000 in a calendar year for an election campaign or political committee, and receives a contribution from a single source of at least \$10,000.

The statement of organization must include:

- the name and addresses of incidental committee members, officers and leaders, treasurer, and affiliated committees or persons;
- the candidates and ballot measures that the incidental committee supports or opposes; and
- any other information required by the PDC consistent with the policies and purposes of campaign finance laws.

An incidental committee must report to the PDC on its contribution and expenditure activities on the date it files its statement of organization as well as 21 days and seven days before the election, and one month after the election. The report must disclose the 10 largest aggregate contributors in a calendar year that exceed \$10,000, and any single contributor of

\$100,000 per year, and any expenditure of \$50 or more to an election campaign or political committee. Incidental committees must file an additional report if there are any changes within the top 10 contributors or single large contributor, as well as any expenditures to election campaigns or political committees if the total expenditures exceeds \$200. The PDC may suspend or modify the reporting requirements of contributions to an incidental committee in cases of manifestly unreasonable hardship.

Political committees located outside the state are no longer subject to different reporting requirements and must comply with the same requirements as committees in the state.

Amended Bill Compared to Engrossed Bill:

Under the amended bill, a organization subject to federal reporting requirements is only exempt from definition as an incidental committee if its federal filing requirements are at least as frequent as those of an incidental committee. Incidental committees must report expenditures in its initial report. Incidental committees must file an additional report when its expenditures total more than \$200. Incidental committees only need to report expenditures that are made to an election campaign or a political committee.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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) There are some holes in campaign finance laws that allow unreported contributions to political campaigns, known as dark money. As courts have eliminated restrictions on making political contributions, disclosure requirements are more critical. This bill advances the state policy favoring public disclosure and is similar to what other states are doing to address this issue.

Nonprofit organizations are able to spend money in political campaigns, but are not required under federal or state disclosure laws. There are examples of such activities on both political sides. Groups are able to organize to significantly participate in election campaigns without disclosing the source of their money. This kind of unregistered political activity is not uncommon.

Federally designated 527 organizations are not required to report as frequently and therefore should be included in the reporting requirements in this bill.

(Opposed) None.

(Other) This bill creates a bright line requirement that must be considered carefully in order to target the intended activity while respecting free speech rights. While this bill would require disclosure of donors who contribute for non-political purposes, nonprofits can create a political committee to separate political contributions with non-political donations. The dollar amount threshold for triggering the disclosure requirement should be lowered.

Persons Testifying: (In support) Senator Billig, prime sponsor; Alice Woldt, Fix Democracy First; and Rowland Thompson, Allied Daily Newspapers.

(Other) Andrea McNamara, Public Disclosure Commission.

Persons Signed In To Testify But Not Testifying: None.