ENGROSSED SUBSTITUTE HOUSE BILL 2938

State of Washington 65th Legislature 2018 Regular Session

By House State Government, Elections & Information Technology (originally sponsored by Representatives Hudgins, Dolan, Kagi, Wylie, Ormsby, and Pollet)

READ FIRST TIME 02/02/18.

- AN ACT Relating to campaign finance law enforcement 1 and 2 reporting; 42.17A.055, 42.17A.110, amending RCW 42.17A.225, 3 42.17A.235, 42.17A.240, 42.17A.255, 42.17A.265, 42.17A.450, 42.17A.750, 42.17A.755, and 42.17A.765; reenacting and amending RCW 4 5 42.17A.005 and 42.17A.220; adding new sections to chapter 42.17A RCW; creating a new section; and making appropriations. 6
- 7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- Sec. 1. The legislature finds that state campaign 8 NEW SECTION. 9 finance laws are intended to provide maximum transparency to the public and voters so they may know who is funding political campaigns 10 11 and how those campaigns spend their money. Additionally, our campaign 12 finance laws should not be so complex and complicated that volunteers 13 and newcomers to the political process cannot understand the rules or 14 have difficulty following them. The legislature believes that our campaign finance laws should not be a barrier to participating in the 15 16 political process, but instead encourage people to participate in the 17 by ensuring a level playing field and a predictable legislature intends to simplify the 18 enforcement mechanism. The political reporting and enforcement process without 19 sacrificing 20 transparency and the public's right to know who funds political 21 campaigns. The legislature also intends to expedite the public

p. 1 ESHB 2938

disclosure commission's enforcement procedures so that remedial campaign finance violations can be dealt with administratively.

The intent of the law is not to trap or embarrass people when they make honest remediable errors. A majority of smaller campaigns are volunteer-driven and most treasurers are not professional accountants. The public disclosure commission should be guided to review and address major violations, intentional violations, and violations that could change the outcome of an election or materially affect the public interest.

- Sec. 2. RCW 42.17A.005 and 2011 c 145 s 2 and 2011 c 60 s 19 are each reenacted and amended to read as follows:
- The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.
- 14 (1) "Actual malice" means to act with knowledge of falsity or 15 with reckless disregard as to truth or falsity.
- 16 (2) <u>"Actual violation" means a violation of this chapter that is</u>
 17 <u>not a remedial violation or technical correction.</u>
 - (3) "Agency" includes all state agencies and all local agencies. "State agency" includes every state office, department, division, bureau, board, commission, or other state agency. "Local agency" includes every county, city, town, municipal corporation, quasimunicipal corporation, or special purpose district, or any office, department, division, bureau, board, commission, or agency thereof, or other local public agency.
 - $((\frac{3}{2}))$ $\underline{(4)}$ "Authorized committee" means the political committee authorized by a candidate, or by the public official against whom recall charges have been filed, to accept contributions or make expenditures on behalf of the candidate or public official.
 - ((\(\frac{(4+)}{4+}\)) (5) "Ballot proposition" means any "measure" as defined by RCW 29A.04.091, or any initiative, recall, or referendum proposition proposed to be submitted to the voters of the state or any municipal corporation, political subdivision, or other voting constituency from and after the time when the proposition has been initially filed with the appropriate election officer of that constituency before its circulation for signatures.
- $((\frac{(5)}{)})$ <u>(6)</u> "Benefit" means a commercial, proprietary, financial, economic, or monetary advantage, or the avoidance of a commercial, proprietary, financial, economic, or monetary disadvantage.
 - $((\frac{6}{1}))$ <u>(7)</u> "Bona fide political party" means:

p. 2 ESHB 2938

- 1 (a) An organization that has been recognized as a minor political party by the secretary of state;
 - (b) The governing body of the state organization of a major political party, as defined in RCW 29A.04.086, that is the body authorized by the charter or bylaws of the party to exercise authority on behalf of the state party; or
 - (c) The county central committee or legislative district committee of a major political party. There may be only one legislative district committee for each party in each legislative district.

$((\frac{7}{1}))$ (8) "Books of account" means:

3

4

5

7

8

9

10

11 12

13

14

15 16

17

18 19

2021

28

- (a) In the case of a campaign or political committee, a ledger or similar listing of contributions, expenditures, and debts, such as a campaign or committee is required to file regularly with the commission, current as of the most recent business day; or
- (b) In the case of a commercial advertiser, details of political advertising or electioneering communications provided by the advertiser, including the names and addresses of persons from whom it accepted political advertising or electioneering communications, the exact nature and extent of the services rendered and the total cost and the manner of payment for the services.
- 22 <u>(9)</u> "Candidate" means any individual who seeks nomination for 23 election or election to public office. An individual seeks nomination 24 or election when he or she first:
- 25 (a) Receives contributions or makes expenditures or reserves 26 space or facilities with intent to promote his or her candidacy for 27 office;
 - (b) Announces publicly or files for office;
- 29 (c) Purchases commercial advertising space or broadcast time to 30 promote his or her candidacy; or
- 31 (d) Gives his or her consent to another person to take on behalf 32 of the individual any of the actions in (a) or (c) of this 33 subsection.
- $((\frac{(8)}{)})$ (10) "Caucus political committee" means a political committee organized and maintained by the members of a major political party in the state senate or state house of representatives.
- ((+9)) (11) "Commercial advertiser" means any person who sells the service of communicating messages or producing printed material for broadcast or distribution to the general public or segments of

p. 3 ESHB 2938

- the general public whether through the use of newspapers, magazines, television and radio stations, billboard companies, direct mail
- 3 advertising companies, printing companies, or otherwise.
- 4 $((\frac{10}{10}))$ (12) "Commission" means the agency established under RCW 5 42.17A.100.
- 6 ((\(\frac{(11)}{11}\)) (13) "Committee" unless the context indicates otherwise,
 7 includes any candidate, ballot measure, recall, political, or
 8 continuing committee.
- 9 (14) "Compensation" unless the context requires a narrower 10 meaning, includes payment in any form for real or personal property or services of any kind. For the purpose of compliance with RCW 12 42.17A.710, "compensation" does not include per diem allowances or other payments made by a governmental entity to reimburse a public official for expenses incurred while the official is engaged in the official business of the governmental entity.
 - $((\frac{12}{12}))$ (15) "Continuing political committee" means a political committee that is an organization of continuing existence not established in anticipation of any particular election campaign.
 - $((\frac{13}{13}))$ (16)(a) "Contribution" includes:

18

19

24

25

26

2728

37

40

- (i) A loan, gift, deposit, subscription, forgiveness of indebtedness, donation, advance, pledge, payment, transfer of funds between political committees, or anything of value, including personal and professional services for less than full consideration;
 - (ii) An expenditure made by a person in cooperation, consultation, or concert with, or at the request or suggestion of, a candidate, a political committee, the person or persons named on the candidate's or committee's registration form who direct expenditures on behalf of the candidate or committee, or their agents;
- 29 (iii) The financing by a person of the dissemination, 30 distribution, or republication, in whole or in part, of broadcast, 31 written, graphic, or other form of political advertising or 32 electioneering communication prepared by a candidate, a political 33 committee, or its authorized agent;
- (iv) Sums paid for tickets to fund-raising events such as dinners and parties, except for the actual cost of the consumables furnished at the event.
 - (b) "Contribution" does not include:
- 38 (i) ((Standard)) <u>Legally accrued</u> interest on money deposited in a political committee's account;
 - (ii) Ordinary home hospitality;

p. 4 ESHB 2938

(iii) A contribution received by a candidate or political committee that is returned to the contributor within ((five)) ten business days of the date on which it is received by the candidate or political committee;

- (iv) A news item, feature, commentary, or editorial in a regularly scheduled news medium that is of primary interest to the general public, that is in a news medium controlled by a person whose business is that news medium, and that is not controlled by a candidate or a political committee;
- (v) An internal political communication primarily limited to the members of or contributors to a political party organization or political committee, or to the officers, management staff, or stockholders of a corporation or similar enterprise, or to the members of a labor organization or other membership organization;
- (vi) The rendering of personal services of the sort commonly performed by volunteer campaign workers, or incidental expenses personally incurred by volunteer campaign workers not in excess of fifty dollars personally paid for by the worker. "Volunteer services," for the purposes of this subsection, means services or labor for which the individual is not compensated by any person;
- (vii) Messages in the form of reader boards, banners, or yard or window signs displayed on a person's own property or property occupied by a person. However, a facility used for such political advertising for which a rental charge is normally made must be reported as an in-kind contribution and counts towards any applicable contribution limit of the person providing the facility;
 - (viii) Legal or accounting services rendered to or on behalf of:
- (A) A political party or caucus political committee if the person paying for the services is the regular employer of the person rendering such services; or
- (B) A candidate or an authorized committee if the person paying for the services is the regular employer of the individual rendering the services and if the services are solely for the purpose of ensuring compliance with state election or public disclosure laws; or
- (ix) The performance of ministerial functions by a person on behalf of two or more candidates or political committees either as volunteer services defined in (b)(vi) of this subsection or for payment by the candidate or political committee for whom the services are performed as long as:

p. 5

(A) The person performs solely ministerial functions;

ESHB 2938

(B) A person who is paid by two or more candidates or political committees is identified by the candidates and political committees on whose behalf services are performed as part of their respective statements of organization under RCW 42.17A.205; and

(C) The person does not disclose, except as required by law, any information regarding a candidate's or committee's plans, projects, activities, or needs, or regarding a candidate's or committee's contributions or expenditures that is not already publicly available from campaign reports filed with the commission, or otherwise engage in activity that constitutes a contribution under (a)(ii) of this subsection.

A person who performs ministerial functions under this subsection $((\frac{13}{13}))$ (16) (b) (ix) is not considered an agent of the candidate or committee as long as he or she has no authority to authorize expenditures or make decisions on behalf of the candidate or committee.

- (c) Contributions other than money or its equivalent are deemed to have a monetary value equivalent to the fair market value of the contribution. Services or property or rights furnished at less than their fair market value for the purpose of assisting any candidate or political committee are deemed a contribution. Such a contribution must be reported as an in-kind contribution at its fair market value and counts towards any applicable contribution limit of the provider.
- $((\frac{14}{1}))$ (17) "Depository" means a bank, mutual savings bank, savings and loan association, or credit union doing business in this state.
 - $((\frac{15}{15}))$ (18) "Elected official" means any person elected at a general or special election to any public office, and any person appointed to fill a vacancy in any such office.
 - ((\(\frac{(16)}{)}\)) (19) "Election" includes any primary, general, or special election for public office and any election in which a ballot proposition is submitted to the voters. An election in which the qualifications for voting include other than those requirements set forth in Article VI, section 1 (Amendment 63) of the Constitution of the state of Washington shall not be considered an election for purposes of this chapter.
- (((17))) (20) "Election campaign" means any campaign in support of or in opposition to a candidate for election to public office and any campaign in support of, or in opposition to, a ballot proposition.

p. 6 ESHB 2938

((\(\frac{(18)}{18}\))) (21) "Election cycle" means the period beginning on the first day of January after the date of the last previous general election for the office that the candidate seeks and ending on December 31st after the next election for the office. In the case of a special election to fill a vacancy in an office, "election cycle" means the period beginning on the day the vacancy occurs and ending on December 31st after the special election.

- 8 (((19))) <u>(22)</u>(a) "Electioneering communication" means any 9 broadcast, cable, or satellite television ((or)), radio transmission, 10 <u>digital communication</u>, United States postal service mailing, 11 billboard, newspaper, or periodical that:
 - (i) Clearly identifies a candidate for a state, local, or judicial office either by specifically naming the candidate, or identifying the candidate without using the candidate's name;
 - (ii) Is broadcast, transmitted <u>electronically or by other means</u>, mailed, erected, distributed, or otherwise published within sixty days before any election for that office in the jurisdiction in which the candidate is seeking election; and
 - (iii) Either alone, or in combination with one or more communications identifying the candidate by the same sponsor during the sixty days before an election, has a fair market value of one thousand dollars or more.
 - (b) "Electioneering communication" does not include:
 - (i) Usual and customary advertising of a business owned by a candidate, even if the candidate is mentioned in the advertising when the candidate has been regularly mentioned in that advertising appearing at least twelve months preceding his or her becoming a candidate;
 - (ii) Advertising for candidate debates or forums when the advertising is paid for by or on behalf of the debate or forum sponsor, so long as two or more candidates for the same position have been invited to participate in the debate or forum;
- 33 (iii) A news item, feature, commentary, or editorial in a 34 regularly scheduled news medium that is:
 - (A) Of primary interest to the general public;
- 36 (B) In a news medium controlled by a person whose business is 37 that news medium; and
- 38 (C) Not a medium controlled by a candidate or a political 39 committee;
 - (iv) Slate cards and sample ballots;

p. 7 ESHB 2938

(v) Advertising for books, films, dissertations, or similar works(A) written by a candidate when the candidate entered into a contract for such publications or media at least twelve months before becoming a candidate, or (B) written about a candidate;

(vi) Public service announcements;

 (vii) ((A mailed)) An internal political communication primarily limited to the members of or contributors to a political party organization or political committee, or to the officers, management staff, or stockholders of a corporation or similar enterprise, or to the members of a labor organization or other membership organization;

- (viii) An expenditure by or contribution to the authorized committee of a candidate for state, local, or judicial office; or
- 13 (ix) Any other communication exempted by the commission through 14 rule consistent with the intent of this chapter.
 - ((\(\frac{(20+)}{20}\))) (23) "Expenditure" includes a payment, contribution, subscription, distribution, loan, advance, deposit, or gift of money or anything of value, and includes a contract, promise, or agreement, whether or not legally enforceable, to make an expenditure. "Expenditure" also includes a promise to pay, a payment, or a transfer of anything of value in exchange for goods, services, property, facilities, or anything of value for the purpose of assisting, benefiting, or honoring any public official or candidate, or assisting in furthering or opposing any election campaign. For the purposes of this chapter, agreements to make expenditures, contracts, and promises to pay may be reported as estimated obligations until actual payment is made. "Expenditure" shall not include the partial or complete repayment by a candidate or political committee of the principal of a loan, the receipt of which loan has been properly reported.
- $((\frac{(21)}{)})$ <u>(24)</u> "Final report" means the report described as a 31 final report in RCW 42.17A.235(2).
- $((\frac{(22)}{)})$ (25) "General election" for the purposes of RCW 42.17A.405 means the election that results in the election of a person to a state or local office. It does not include a primary.
- $((\frac{(23)}{2}))$ (26) "Gift" has the definition in RCW 42.52.010.
- $((\frac{24}{}))$ (27) "Immediate family" includes the spouse or domestic partner, dependent children, and other dependent relatives, if living in the household. For the purposes of the definition of "intermediary" in this section, "immediate family" means an individual's spouse or domestic partner, and child, stepchild,

p. 8 ESHB 2938

- 1 grandchild, parent, stepparent, grandparent, brother, half brother,
- 2 sister, or half sister of the individual and the spouse or the
- 3 domestic partner of any such person and a child, stepchild,
- 4 grandchild, parent, stepparent, grandparent, brother, half brother,
- 5 sister, or half sister of the individual's spouse or domestic partner
- 6 and the spouse or the domestic partner of any such person.
- $((\frac{(25)}{)})$ (28) "Incumbent" means a person who is in present 8 possession of an elected office.
- $((\frac{26}{26}))$ (29)(a) "Independent expenditure" means an expenditure that has each of the following elements:
- $((\frac{1}{2}))$ <u>(i)</u> It is made in support of or in opposition to a candidate for office by a person who is not $((\frac{1}{2}))$:
- (A) A candidate for that office((, (ii)));

- 14 (B) An authorized committee of that candidate for that office((τ 15 (iii))); and
 - (C) A person who has received the candidate's encouragement or approval to make the expenditure, if the expenditure pays in whole or in part for political advertising supporting that candidate or promoting the defeat of any other candidate or candidates for that $office((\frac{\cdot}{\cdot}, or(\frac{\cdot}{\cdot})))$:
 - (ii) It is made in support of or in opposition to a candidate for office by a person with whom the candidate has collaborated for the purpose of making the expenditure, if the expenditure pays in whole or in part for political advertising supporting that candidate or promoting the defeat of any other candidate or candidates for that office;
 - ((\(\frac{\(\)\)}}}}}} \) \chon \chi \chi \chi \) \rac{\(\frac{\(\frac{\(\frac{\(\frac{\(\frac{\(\circ \fince\fint\}}} \) \chi \chi \chi \chi \) \rac{\(\frac{\(\frac{\(\circ \frac{\(\circ \frac{\(\frac{\(\circ \circ \frac{\(\circ \circ \frac{\(\frac{\(\circ \circ \frac{\(\circ \circ \
 - (((c))) <u>(iv)</u> The expenditure, alone or in conjunction with another expenditure or other expenditures of the same person in support of or opposition to that candidate, has a value of eight hundred dollars or more. A series of expenditures, each of which is under eight hundred dollars, constitutes one independent expenditure if their cumulative value is eight hundred dollars or more.
- ((\(\frac{(27+)}{27+}\)) (b) "Independent expenditure" does not include: Ordinary
 home hospitality; communications with journalists or editorial staff
 designed to elicit a news item, feature, commentary, or editorial in
 a regularly scheduled news medium that is of primary interest to the

p. 9 ESHB 2938

- general public, controlled by a person whose business is that news medium, and not controlled by a candidate or a political committee; participation in the creation of a publicly funded voters pamphlet statement in written or video form; an internal political communication primarily limited to contributors to a political party organization or political action committee, the officers, management staff, and stockholders of a corporation or similar enterprise, or the members of a labor organization or other membership organization; or the rendering of personal services of the sort commonly performed by volunteer campaign workers or incidental expenses personally incurred by volunteer campaign workers not in excess of two hundred fifty dollars personally paid for by the worker.
 - (30)(a) "Intermediary" means an individual who transmits a contribution to a candidate or committee from another person unless the contribution is from the individual's employer, immediate family, or an association to which the individual belongs.

- (b) A treasurer or a candidate is not an intermediary for purposes of the committee that the treasurer or candidate serves.
 - (c) A professional fund-raiser is not an intermediary if the fund-raiser is compensated for fund-raising services at the usual and customary rate.
- (d) A volunteer hosting a fund-raising event at the individual's home is not an intermediary for purposes of that event.
 - (((28))) <u>(31)</u> "Legislation" means bills, resolutions, motions, amendments, nominations, and other matters pending or proposed in either house of the state legislature, and includes any other matter that may be the subject of action by either house or any committee of the legislature and all bills and resolutions that, having passed both houses, are pending approval by the governor.
- $((\frac{(29)}{)})$ (32) "Legislative office" means the office of a member of the state house of representatives or the office of a member of the state senate.
 - ((\(\frac{(30)}{)}\)) (33) "Lobby" and "lobbying" each mean attempting to influence the passage or defeat of any legislation by the legislature of the state of Washington, or the adoption or rejection of any rule, standard, rate, or other legislative enactment of any state agency under the state administrative procedure act, chapter 34.05 RCW. Neither "lobby" nor "lobbying" includes an association's or other organization's act of communicating with the members of that association or organization.

p. 10 ESHB 2938

(((31))) (34) "Lobbyist" includes any person who lobbies either 2 in his or her own or another's behalf.

- $((\frac{32}{32}))$ <u>(35)</u> "Lobbyist's employer" means the person or persons by whom a lobbyist is employed and all persons by whom he or she is compensated for acting as a lobbyist.
- 6 (((33))) <u>(36)</u> "Ministerial functions" means an act or duty 7 carried out as part of the duties of an administrative office without 8 exercise of personal judgment or discretion.
- (((34))) <u>(37)</u> "Participate" means that, with respect to a 10 particular election, an entity:
- 11 (a) Makes either a monetary or in-kind contribution to a 12 candidate;
 - (b) Makes an independent expenditure or electioneering communication in support of or opposition to a candidate;
 - (c) Endorses a candidate before contributions are made by a subsidiary corporation or local unit with respect to that candidate or that candidate's opponent;
 - (d) Makes a recommendation regarding whether a candidate should be supported or opposed before a contribution is made by a subsidiary corporation or local unit with respect to that candidate or that candidate's opponent; or
 - (e) Directly or indirectly collaborates or consults with a subsidiary corporation or local unit on matters relating to the support of or opposition to a candidate, including, but not limited to, the amount of a contribution, when a contribution should be given, and what assistance, services or independent expenditures, or electioneering communications, if any, will be made or should be made in support of or opposition to a candidate.
 - (((35))) <u>(38)</u> "Person" includes an individual, partnership, joint venture, public or private corporation, association, federal, state, or local governmental entity or agency however constituted, candidate, committee, political committee, political party, executive committee thereof, or any other organization or group of persons, however organized.
- (((36))) (39) "Political advertising" includes any advertising displays, newspaper ads, billboards, signs, brochures, articles, tabloids, flyers, letters, radio or television presentations, <u>digital</u> communication, or other means of mass communication, used for the purpose of appealing, directly or indirectly, for votes or for financial or other support or opposition in any election campaign.

p. 11 ESHB 2938

(((37))) (40) "Political committee" means any person (except a candidate or an individual dealing with his or her own funds or property) having the expectation of receiving contributions or making expenditures in support of, or opposition to, any candidate or any ballot proposition.

1

2

3

4

5

21

22

23

26

27

28

29

30

37

38

- 6 ((\(\frac{(38)}{)}\)) (41) "Primary" for the purposes of RCW 42.17A.405 means
 7 the procedure for nominating a candidate to state or local office
 8 under chapter 29A.52 RCW or any other primary for an election that
 9 uses, in large measure, the procedures established in chapter 29A.52
 10 RCW.
- 11 (((39))) <u>(42)</u> "Public office" means any federal, state, judicial, 12 county, city, town, school district, port district, special district, 13 or other state political subdivision elective office.
- 14 $((\frac{40}{10}))$ <u>(43)</u> "Public record" has the definition in RCW 15 42.56.010.
- 16 $((\frac{41}{1}))$ $\underline{(44)}$ "Recall campaign" means the period of time 17 beginning on the date of the filing of recall charges under RCW 18 29A.56.120 and ending thirty days after the recall election.
- 19 $((\frac{42}{1}))$ <u>(45) "Remedial violation" means any violation of this</u> 20 <u>chapter that:</u>
 - (a) Involved expenditures totaling no more than the contribution limits set out under RCW 42.17A.405(2) per election, or one thousand dollars if there is no statutory limit;
- (b) Occurred more than thirty days before an election, where the commission entered into an agreement to resolve the matter;
 - (c) Does not materially affect the public interest, beyond the harm to the policy of this chapter inherent in any violation; and
 - (d)(i) Involved expenditures totaling no more than the contribution limits set out under RCW 42.17A.405(2) per election, or one thousand dollars if there is no statutory limit and the person:
- 31 (A) Took corrective action within five business days after the 32 commission first notified the person of noncompliance, or where the 33 commission did not provide notice and filed a required report within 34 twenty-one days after the report was due to be filed; and
- 35 <u>(B) Substantially met the filing deadline for all other required</u> 36 reports within the immediately preceding twelve-month period; or
 - (ii) Involved a candidate who:
 - (A) Lost the election in question; and

p. 12 ESHB 2938

1 (B) Did not receive contributions over one hundred times the 2 contribution limit in aggregate per election during the campaign in 3 question.

4

5 6

7

8

28

29

30 31

32

33

34

3536

37

- (46)(a) "Sponsor" for purposes of an electioneering communications, independent expenditures, or political advertising means the person paying for the electioneering communication, independent expenditure, or political advertising. If a person acts as an agent for another or is reimbursed by another for the payment, the original source of the payment is the sponsor.
- 10 (b) "Sponsor," for purposes of a political committee, means any 11 person, except an authorized committee, to whom any of the following 12 applies:
- 13 (i) The committee receives eighty percent or more of its 14 contributions either from the person or from the person's members, 15 officers, employees, or shareholders;
- 16 (ii) The person collects contributions for the committee by use 17 of payroll deductions or dues from its members, officers, or 18 employees.
- 19 (((43))) (47) "Sponsored committee" means a committee, other than 20 an authorized committee, that has one or more sponsors.
- ((\(\frac{44}{44}\)\)) (\(\frac{48}{0}\) "State office" means state legislative office or the office of governor, lieutenant governor, secretary of state, attorney general, commissioner of public lands, insurance commissioner, superintendent of public instruction, state auditor, or state treasurer.
- 26 $((\frac{45}{}))$ (49) "State official" means a person who holds a state 27 office.
 - ((\(\frac{46}\))) (50) "Surplus funds" mean, in the case of a political committee or candidate, the balance of contributions that remain in the possession or control of that committee or candidate subsequent to the election for which the contributions were received, and that are in excess of the amount necessary to pay remaining debts incurred by the committee or candidate with respect to that election. In the case of a continuing political committee, "surplus funds" mean those contributions remaining in the possession or control of the committee that are in excess of the amount necessary to pay all remaining debts when it makes its final report under RCW 42.17A.255.
- $((\frac{47}{1}))$ (51) "Treasurer" and "deputy treasurer" mean the individuals appointed by a candidate or political committee, pursuant to RCW 42.17A.210, to perform the duties specified in that section.

p. 13 ESHB 2938

- 1 **Sec. 3.** RCW 42.17A.055 and 2013 c 166 s 2 are each amended to 2 read as follows:
 - (1) The commission shall make available to candidates, public officials, and political committees that are required to file reports under this chapter an electronic filing alternative for submitting financial affairs reports, contribution reports, and expenditure reports.
- 8 (2) The commission shall make available to lobbyists and 9 lobbyists' employers required to file reports under RCW 42.17A.600, 10 42.17A.615, 42.17A.625, or 42.17A.630 an electronic filing 11 alternative for submitting these reports.
- 12 (3) State agencies required to report under RCW 42.17A.635 must 13 file all reports electronically.
- 14 (4) The commission shall make available to candidates, public 15 officials, political committees, lobbyists, and lobbyists' employers 16 an electronic copy of the appropriate reporting forms at no charge.
 - (5) If the electronic filing system provided by the commission is inoperable for any period of time, the commission must keep a record of the date and time of each instance and post outages on its web site. If a report is due on a day the electronic filing system is inoperable, it is not late if filed the first business day the system is back in operation. The commission must provide notice to all reporting entities when the system is back in operation.
 - (6) All persons required to file reports under this section shall, at the time of initial filing, provide the commission an email address that shall constitute the official address for purposes of all communications from the commission. The person required to file one or more reports must provide any new email address to the commission within ten days, if the address has changed from that listed on the most recent report. The executive director may waive the email requirement and allow use of a postal address, on the basis of hardship.
- 33 <u>(7) The commission must publish a calendar of significant</u> 34 <u>reporting dates on its web site.</u>
- 35 **Sec. 4.** RCW 42.17A.110 and 2015 c 225 s 55 are each amended to 36 read as follows:
- The commission may:

4

5

6 7

17

18 19

2021

22

23

2425

26

2728

29

30 31

32

38 (1) Adopt, amend, and rescind suitable administrative rules to 39 carry out the policies and purposes of this chapter, which rules

p. 14 ESHB 2938

shall be adopted under chapter 34.05 RCW. Any rule relating to campaign finance, political advertising, or related forms that would otherwise take effect after June 30th of a general election year shall take effect no earlier than the day following the general election in that year;

- (2) Appoint an executive director and set, within the limits established by the office of financial management under 43.03.028, the executive director's compensation. The executive director shall perform such duties and have such powers as the commission may prescribe and delegate to implement and enforce this chapter efficiently and effectively. The commission shall delegate its authority to adopt, amend, or rescind rules nor may it delegate authority to determine ((whether)) that an actual violation of this chapter has occurred or to assess penalties for such violations;
 - (3) Prepare and publish reports and technical studies as in its judgment will tend to promote the purposes of this chapter, including reports and statistics concerning campaign financing, lobbying, financial interests of elected officials, and enforcement of this chapter;
- 21 (4) Conduct, as it deems appropriate, audits and field 22 investigations;
 - (5) Make public the time and date of any formal hearing set to determine whether a violation has occurred, the question or questions to be considered, and the results thereof;
 - (6) Administer oaths and affirmations, issue subpoenas, and compel attendance, take evidence, and require the production of any records relevant to any investigation authorized under this chapter, or any other proceeding under this chapter;
 - (7) Adopt a code of fair campaign practices;
 - (8) Adopt rules relieving candidates or political committees of obligations to comply with the election campaign provisions of this chapter, if they have not received contributions nor made expenditures in connection with any election campaign of more than five thousand dollars; and
 - (9) ((Adopt rules prescribing reasonable requirements for keeping accounts of, and reporting on a quarterly basis, costs incurred by state agencies, counties, cities, and other municipalities and political subdivisions in preparing, publishing, and distributing legislative information. For the purposes of this subsection,

p. 15 ESHB 2938

"legislative information" means books, pamphlets, reports, and other materials prepared, published, or distributed at substantial cost, a substantial purpose of which is to influence the passage or defeat of any legislation. The state auditor in his or her regular examination of each agency under chapter 43.09 RCW shall review the rules, accounts, and reports and make appropriate findings, comments, and recommendations concerning those agencies; and

- 8 (10))) Develop and provide to filers a system for certification 9 of reports required under this chapter which are transmitted by 10 facsimile or electronically to the commission. Implementation of the 11 program is contingent on the availability of funds.
- **Sec. 5.** RCW 42.17A.220 and 2010 c 205 s 3 and 2010 c 204 s 405 are each reenacted and amended to read as follows:
 - (1) All monetary contributions received by a candidate or political committee shall be deposited by ((the treasurer or deputy treasurer)) candidates, political committee members, paid staff, and treasurers in a depository in an account established and designated for that purpose. Such deposits shall be made within five business days of receipt of the contribution. For online or credit card contributions, the contribution is considered received at the time the transfer is made from the merchant account to a political committee account, except that a contribution made to a candidate who is a state official or legislator outside the restriction period established in RCW 42.17A.560, but transferred to the candidate's account within the restricted period, is considered received outside of the restriction period.
 - (2) Political committees that support or oppose more than one candidate or ballot proposition, or exist for more than one purpose, may maintain multiple separate bank accounts within the same designated depository for such purpose only if:
 - (a) Each such account bears the same name;
 - (b) Each such account is followed by an appropriate designation that accurately identifies its separate purpose; and
- 34 (c) Transfers of funds that must be reported under RCW 35 ((42.17A.240(1)(e))) 42.17A.240(5) are not made from more than one 36 such account.
- 37 (3) Nothing in this section prohibits a candidate or political 38 committee from investing funds on hand in a depository in bonds, 39 certificates, or tax-exempt securities, or in savings accounts or

p. 16 ESHB 2938

other similar instruments in financial institutions, or in mutual funds other than the depository but only if:

3

4

2223

24

25

2627

28

2930

31

32

33

34

38

- (a) The commission ((are [is])) is notified in writing of the initiation and the termination of the investment; and
- 5 (b) The principal of such investment, when terminated together 6 with all interest, dividends, and income derived from the investment, 7 is deposited in the depository in the account from which the 8 investment was made and properly reported to the commission before 9 any further disposition or expenditure.
- (4) Accumulated unidentified contributions, other than those made 10 11 by persons whose names must be maintained on a separate and private list by a political committee's treasurer pursuant to 12 RCW ((42.17A.240(1)(b))) 42.17A.240(2), in excess of one percent of the 13 total accumulated contributions received in the current calendar 14 year, or three hundred dollars, whichever is more, may not be 15 16 deposited, used, or expended, but shall be returned to the donor if 17 his or her identity can be ascertained. If the donor cannot be 18 ascertained, the contribution shall escheat to the state and shall be paid to the state treasurer for deposit in the state general fund. 19
- 20 **Sec. 6.** RCW 42.17A.225 and 2011 c 60 s 22 are each amended to 21 read as follows:
 - (1) In addition to the provisions of this section, a continuing political committee shall file and report on the same conditions and at the same times as any other committee in accordance with the provisions of RCW 42.17A.205, 42.17A.210, and 42.17A.220.
 - (2) A continuing political committee shall file with the commission a report on the tenth day of each month detailing expenditures made and contributions received for the preceding calendar month. This report need only be filed if either the total contributions received or total expenditures made since the last such report exceed two hundred dollars. The report shall be on a form supplied by the commission and shall include the following information:
 - (a) The information required by RCW 42.17A.240;
- 35 (b) Each expenditure made to retire previously accumulated debts 36 of the committee identified by recipient, amount, and date of 37 payments;
 - (c) Other information the commission shall prescribe by rule.

p. 17 ESHB 2938

(3) If a continuing political committee makes a contribution in support of or in opposition to a candidate or ballot proposition within sixty days before the date that the candidate or ballot proposition will be voted upon, the committee shall report pursuant to RCW 42.17A.235.

- (4)(a) A continuing political committee shall file reports as required by this chapter until ((it is dissolved)) the committee has ceased to function and intends to dissolve, at which time, when there is no outstanding debt or obligation and the committee is concluded in all respects, a final report shall be filed. Upon submitting a final report, the continuing political committee must file notice of intent to dissolve with the commission and the commission must post the notice on its web site.
- 14 <u>(b) The continuing political committee may dissolve sixty days</u> 15 <u>after it files its notice to dissolve, only if:</u>
 - (i) The continuing political committee does not make any expenditures or engage in any political activity or any other activities that generate additional reporting requirements under this chapter after filing such notice;
 - (ii) No complaint or court action, pursuant to this chapter, is pending against the continuing political committee; and
 - (iii) All penalties assessed by the commission or court order are paid by the continuing political committee.
 - (c) The continuing political committee must continue to report regularly as required under this chapter until all the conditions under (b) of this subsection are resolved.
 - (d) The treasurer may not close the continuing political committee's bank account before the political committee has dissolved.
- (e) Upon dissolution, the commission must issue an acknowledgment of dissolution, the duties of the treasurer shall cease, and there shall be no <u>further</u> obligations ((to make any further reports)) under this chapter.
 - (5) The treasurer shall maintain books of account, current within five business days, that accurately reflect all contributions and expenditures. During the ((eight)) ten calendar days immediately preceding the date of any election that the committee has received any contributions or made any expenditures, the books of account shall be kept current within one business day and shall be open for

p. 18 ESHB 2938

- public inspection in the same manner as provided for candidates and other political committees in RCW 42.17A.235((44))) (6).
- 3 (6) All reports filed pursuant to this section shall be certified 4 as correct by the treasurer.
- 5 (7) The treasurer shall preserve books of account, bills, 6 receipts, and all other financial records of the campaign or 7 political committee for not less than five calendar years following 8 the year during which the transaction occurred.
- **Sec. 7.** RCW 42.17A.235 and 2015 c 54 s 1 are each amended to 10 read as follows:

- (1) In addition to the information required under RCW 42.17A.205 and 42.17A.210, ((on the day the treasurer is designated,)) each candidate or political committee must file with the commission a report of all contributions received and expenditures made ((prior to that date, if any)) as a political committee on the next reporting date pursuant to the timeline established in this section.
- (2) Each treasurer shall file with the commission a report, for each election in which a candidate or political committee is participating, containing the information required by RCW 42.17A.240 at the following intervals:
- 21 (a) On the twenty-first day and the seventh day immediately 22 preceding the date on which the election is held; and
 - (b) On the tenth day of the first $\underline{\text{full}}$ month after the election($(; \underline{\text{and}})$).
 - $((\frac{c}{c}))$ (3) Each treasurer shall file with the commission a report on the tenth day of each month $((\frac{in}{c}))$ during which $((\frac{in}{c}))$ other reports are required to be filed under this section)) the candidate or political committee is not participating in an election campaign, only if the committee has received a contribution or made an expenditure in the preceding calendar month and either the total contributions received or total expenditures made since the last such report exceed two hundred dollars.
 - (4) The report filed twenty-one days before the election shall report all contributions received and expenditures made as of the end of one business day before the date of the report. The report filed seven days before the election shall report all contributions received and expenditures made as of the end of one business day before the date of the report. Reports filed on the tenth day of the month shall report all contributions received and expenditures made

p. 19 ESHB 2938

from the closing date of the last report filed through the last day of the month preceding the date of the current report.

1

2

4

5

7

8

9

10 11

12

1314

15

16 17

18

19

2021

22

23

24

25

26

2728

29

30 31

32

33

34

35

36

37

3839

 $((\frac{3}{3}))$ (5) For the period beginning the first day of the fourth month preceding the date of the special election, or for the period beginning the first day of the fifth month before the date of the general election, and ending on the date of that special or general election, each Monday the treasurer shall file with the commission a report of each bank deposit made during the previous seven calendar days. The report shall contain the name of each person contributing the funds and the amount contributed by each person. However, persons who contribute no more than twenty-five dollars in the aggregate are not required to be identified in the report. A copy of the report shall be retained by the treasurer for his or her records. In the event of deposits made by ((a deputy treasurer)) candidates, political committee members, or paid staff other than the treasurer, the copy shall be ((forwarded)) immediately provided to the treasurer for his or her records. Each report shall be certified as correct by the treasurer ((or deputy treasurer making the deposit)).

(((4))) (6)(a) The treasurer or candidate shall maintain books of account accurately reflecting all contributions and expenditures on a current basis within five business days of receipt or expenditure. During the ((eight)) ten calendar days immediately preceding the date of the election the books of account shall be kept current within one in the committee's business day. As specified statement organization filed under RCW 42.17A.205, the books of account must be open for public inspection by appointment at ((the designated)) a place agreed upon by both the treasurer and the requestor, for inspections between ((8:00)) 9:00 a.m. and ((8:00)) 5:00 p.m. on any day from the ((eighth)) tenth calendar day immediately before the election through the day immediately before the election, other than Saturday, Sunday, or a legal holiday. It is a violation of this chapter for a candidate or political committee to refuse to allow and keep an appointment for an inspection to be conducted during these authorized times and days. The appointment must be allowed at an authorized time and day for such inspections that is within ((twentyfour)) forty-eight hours of the time and day that is requested for the inspection. The treasurer may provide digital access or copies of the books of account in lieu of scheduling an appointment at a designated place for inspection.

p. 20 ESHB 2938

(b) At the time of making the appointment, a person wishing to inspect the books of account must provide the treasurer the name and telephone number of the person wishing to inspect the books of account. The person inspecting the books of account must show photo identification before the inspection begins.

- (c) A treasurer may refuse to show the books of account to any person who does not make an appointment or provide the required identification. The commission may issue limited rules to modify the requirements set forth in this section in consideration of other technology and best practices.
- $((\frac{(5)}{(5)}))$ (7) Copies of all reports filed pursuant to this section shall be readily available for public inspection by appointment, pursuant to subsection $((\frac{(4)}{(4)}))$ (6) of this section $(\frac{(1)}{(4)})$ at the principal headquarters or, if there is no headquarters, at the address of the treasurer or such other place as may be authorized by the commission)).
- $((\frac{(6)}{(6)}))$ (8) The treasurer or candidate shall preserve books of account, bills, receipts, and all other financial records of the campaign or political committee for not less than $((\frac{\text{five}}{(6)}))$ two calendar years following the year during which the transaction occurred or for any longer period as otherwise required by law.
- $((\frac{7}{}))$ (9) All reports filed pursuant to subsection (1) or (2) of this section shall be certified as correct by the candidate and the treasurer.
- - (a) The report is accurately amended;
- 29 <u>(b) The corrected report is filed more than thirty days before an</u> 30 election;
- 31 (c) The total aggregate dollar amount of the adjustment for the 32 individual report is within three times the contribution limit per 33 election or two hundred dollars, whichever is greater; and
- 34 (d) The committee reported all information that was available to
 35 it at the time of filing, or made a good-faith effort to do so, or if
 36 a refund of a contribution or expenditure is being reported.
 - (11)(a) When there is no outstanding debt or obligation, the campaign fund is closed, ((and)) the campaign is concluded in all respects ((or in the case of a political committee)), and the committee has ceased to function and ((has dissolved)) intends to

p. 21 ESHB 2938

- 1 <u>dissolve</u>, the treasurer shall file a final report. Upon submitting a
- 2 final report, the committee must file notice of intent to dissolve
- 3 with the commission and the commission must post the notice on its
 4 web site.
- 5 <u>(b) Any committee may dissolve sixty days after it files its</u> 6 <u>notice to dissolve, only if:</u>
- 7 (i) The political committee does not make any expenditures or 8 engage in any political activity or any other activities that 9 generate additional reporting requirements under this chapter after 10 filing such notice;
- 11 <u>(ii) No complaint or court action under this chapter is pending</u>
 12 against the political committee; and
- (iii) All penalties assessed by the commission or court order are paid by the political committee.
- 15 <u>(c) The political committee must continue to report regularly as</u>
 16 <u>required under this chapter until all the conditions under (b) of</u>
 17 <u>this subsection are resolved.</u>
- 18 <u>(d) The treasurer may not close the political committee's bank</u> 19 account before the political committee has dissolved.
- (e) Upon dissolution, the commission must issue an acknowledgment of dissolution, the duties of the treasurer shall cease, and there ((is)) shall be no further obligations ((to make any further reports)) under this chapter.
- 24 **Sec. 8.** RCW 42.17A.240 and 2010 c 204 s 409 are each amended to 25 read as follows:
- Each report required under RCW 42.17A.235 (1) and (2) must be certified as correct by the treasurer and the candidate and shall disclose the following:
 - (1) The funds on hand at the beginning of the period;

- (2) The name and address of each person who has made one or more contributions during the period, together with the money value and date of each contribution and the aggregate value of all contributions received from each person during the campaign, or in the case of a continuing political committee, the current calendar year, with the following exceptions:
- 36 (a) ((Pledges in the aggregate of less than one hundred dollars
 37 from any one person need not be reported;
- $\frac{\text{(b)}}{\text{(b)}}$) Income that results from a fund-raising activity conducted in accordance with RCW 42.17A.230 may be reported as one lump sum,

p. 22 ESHB 2938

with the exception of that portion received from persons whose names and addresses are required to be included in the report required by RCW 42.17A.230;

- $((\frac{c}{c}))$ (b) Contributions of no more than twenty-five dollars in the aggregate from any one person during the election campaign may be reported as one lump sum if the treasurer maintains a separate and private list of the name, address, and amount of each such contributor; and
- (((d))) (c) The money value of contributions of postage shall be 10 the face value of the postage;
 - (3) Each loan, promissory note, or security instrument to be used by or for the benefit of the candidate or political committee made by any person, including the names and addresses of the lender and each person liable directly, indirectly or contingently and the date and amount of each such loan, promissory note, or security instrument;
 - (4) All other contributions not otherwise listed or exempted;
 - (5) The name and address of each candidate or political committee to which any transfer of funds was made, including the amounts and dates of the transfers;
 - (6) The name and address of each person to whom an expenditure was made in the aggregate amount of more than fifty dollars during the period covered by this report, the amount, date, and purpose of each expenditure, and the total sum of all expenditures;
 - (7) The name and address of each person directly compensated for soliciting or procuring signatures on an initiative or referendum petition, the amount of the compensation to each person, and the total expenditures made for this purpose. Such expenditures shall be reported under this subsection in addition to what is required to be reported under subsection (6) of this section;
 - (8)(a) The name and address of any person and the amount owed for any debt((, obligation, note, unpaid loan, or other liability in the amount)) with a value of more than ((two)) seven hundred fifty dollars ((or in the amount of more than fifty dollars that has been outstanding for over thirty days)) that has not been paid for any invoices submitted, goods received, or services performed, within five business days during the period within thirty days before an election, or within ten business days during any other period.
 - (b) For purposes of this subsection, debt does not include:

p. 23 ESHB 2938

- 1 <u>(i) Regularly recurring expenditures of the same amount that have</u> 2 <u>already been reported at least once and that are not late or</u> 3 <u>outstanding; or</u>
 - (ii) Any obligations already reported to pay for goods and services made by a third party on behalf of a candidate or political committee after the original payment or debt to that party has been reported;
- 8 (9) The surplus or deficit of contributions over expenditures;

5

7

1516

17

18

19 20

21

22

2324

25

2627

28 29

30

31

32

33

34

35

3637

38 39

- 9 (10) The disposition made in accordance with RCW 42.17A.430 of 10 any surplus funds; and
- 11 (11) Any other information required by the commission by rule in 12 conformance with the policies and purposes of this chapter.
- 13 **Sec. 9.** RCW 42.17A.255 and 2011 c 60 s 24 are each amended to 14 read as follows:
 - (1) ((For the purposes of this section the term "independent expenditure" means any expenditure that is made in support of or in opposition to any candidate or ballot proposition and is not otherwise required to be reported pursuant to RCW 42.17A.220, 42.17A.235, and 42.17A.240. "Independent expenditure" does not include: An internal political communication primarily limited to the contributors to a political party organization or political action committee, or the officers, management staff, and stockholders of a corporation or similar enterprise, or the members of a labor organization or other membership organization; or the rendering of personal services of the sort commonly performed by volunteer campaign workers, or incidental expenses personally incurred by volunteer campaign workers not in excess of fifty dollars personally paid for by the worker. "Volunteer services," for the purposes of this section, means services or labor for which the individual is not compensated by any person.
 - (2)) Within five days after the date of making an independent expenditure that by itself or when added to all other such independent expenditures made during the same election campaign by the same person equals ((one hundred dollars or more)) the contribution limit per election found in RCW 42.17A.405 for that office, or within five days after the date of making an independent expenditure for which no reasonable estimate of monetary value is practicable, whichever occurs first, the person who made the independent expenditure shall file with the commission an initial

p. 24 ESHB 2938

- report of all independent expenditures made during the campaign prior to and including such date. Any expenditure in excess of one thousand dollars for a local measure or two thousand dollars for a statewide measure in support of or opposition to a ballot measure must be reported as an in-kind contribution to a political committee associated with support or opposition to that ballot measure or, in the event no such committee exists, reported as an independent expenditure.
 - $((\frac{(3)}{3}))$ (2) At the following intervals each person who is required to file an initial report pursuant to subsection $((\frac{(2)}{3}))$ (1) of this section shall file with the commission a further report of the independent expenditures made since the date of the last report:

- (a) On the twenty-first day and the seventh day preceding the date on which the election is held; and
 - (b) On the tenth day of the first month after the election; and
 - (c) On the tenth day of each month in which no other reports are required to be filed pursuant to this section. However, the further reports required by this subsection (((3))) (2) shall only be filed if the reporting person has made an independent expenditure since the date of the last previous report filed.
 - ((The report filed pursuant to paragraph (a) of this subsection (3) shall be the final report, and upon submitting such final report the duties of the reporting person shall cease, and)) If the reporting person has not made any independent expenditures since the date of the last report on file, there shall be no obligation to make any further reports.
- ((4))) (3) All reports filed pursuant to this section shall be certified as correct by the reporting person.
 - ((+5)) (4) Each report required by subsections ((+2)) (1) and ((+3)) (2) of this section shall disclose for the period beginning at the end of the period for the last previous report filed or, in the case of an initial report, beginning at the time of the first independent expenditure, and ending not more than one business day before the date the report is due:
 - (a) The name and address of the person filing the report;
- (b) The name and address of each person to whom an independent expenditure was made in the aggregate amount of more than fifty dollars, and the amount, date, and purpose of each such expenditure. If no reasonable estimate of the monetary value of a particular independent expenditure is practicable, it is sufficient to report

p. 25 ESHB 2938

instead a precise description of services, property, or rights furnished through the expenditure and where appropriate to attach a copy of the item produced or distributed by the expenditure;

- (c) The total sum of all independent expenditures made during the campaign to date; and
- 6 (d) Such other information as shall be required by the commission 7 by rule in conformance with the policies and purposes of this 8 chapter.
- **Sec. 10.** RCW 42.17A.265 and 2010 c 204 s 414 are each amended to 10 read as follows:
 - (1) Treasurers shall prepare and deliver to the commission a special report when a contribution or aggregate of contributions ((totals one thousand dollars or more, is)) exceeds three times the contribution limit per election from a single person or entity, and is received during a special reporting period.
 - (2) A political committee <u>treasurer</u> shall prepare and deliver to the commission a special report when ((it)) the political committee makes a contribution or an aggregate of contributions to a single entity that ((totals one thousand dollars or more)) exceeds three times the contribution limit per election during a special reporting period.
 - (3) An aggregate of contributions includes only those contributions made to or received from a single entity during any one special reporting period. Any subsequent contribution of any size made to or received from the same person or entity during the special reporting period must also be reported.
- 27 (4) Special reporting periods, for purposes of this section, 28 include:
 - (a) The period beginning on the day after the last report required by RCW 42.17A.235 and 42.17A.240 to be filed before a primary and concluding on the end of the day before that primary;
 - (b) The period twenty-one days preceding a general election; and
 - (c) An aggregate of contributions includes only those contributions received from a single entity during any one special reporting period or made by the contributing political committee to a single entity during any one special reporting period.
 - (5) If a campaign treasurer files a special report under this section for one or more contributions received from a single entity during a special reporting period, the treasurer shall also file a

p. 26 ESHB 2938

special report under this section for each subsequent contribution of any size which is received from that entity during the special reporting period. If a political committee files a special report under this section for a contribution or contributions made to a single entity during a special reporting period, the political committee shall also file a special report for each subsequent contribution of any size which is made to that entity during the special reporting period.

- (6) Special reports required by this section shall be delivered electronically or in written form((, including but not limited to mailgram, telegram, or nightletter)). The special report may be transmitted orally by telephone to the commission if the written form of the report is postmarked and mailed to the commission or the electronic filing is transferred to the commission within the delivery periods established in (a) and (b) of this subsection.
- (a) The special report required of a contribution recipient under subsection (1) of this section shall be delivered to the commission within forty-eight hours of the time, or on the first working day after: The <u>qualifying</u> contribution ((of one thousand dollars or more)) amount is received by the candidate or treasurer; the aggregate received by the candidate or treasurer first equals ((one thousand dollars)) the qualifying amount or more; or any subsequent contribution from the same source is received by the candidate or treasurer.
- (b) The special report required of a contributor under subsection (2) of this section or RCW 42.17A.625 shall be delivered to the commission, and the candidate or political committee to whom the contribution or contributions are made, within twenty-four hours of the time, or on the first working day after: The contribution is made; the aggregate of contributions made first equals ((one thousand dollars)) the qualifying amount or more; or any subsequent contribution to the same person or entity is made.
 - (7) The special report shall include:
 - (a) The amount of the contribution or contributions;
 - (b) The date or dates of receipt;
- (c) The name and address of the donor;
- (d) The name and address of the recipient; and
- 38 (e) Any other information the commission may by rule require.
- 39 (8) Contributions reported under this section shall also be 40 reported as required by other provisions of this chapter.

p. 27 ESHB 2938

1 (9) The commission shall ((prepare daily a summary of)) make the 2 special reports made under this section and RCW 42.17A.625 available 3 on its web site within one business day.

- (10) Contributions governed by this section include, but are not limited to, contributions made or received indirectly through a third party or entity whether the contributions are or are not reported to the commission as earmarked contributions under RCW 42.17A.270.
- **Sec. 11.** RCW 42.17A.450 and 1993 c 2 s 5 are each amended to 9 read as follows:
- 10 (1) Contributions by ((a husband and wife)) spouses are 11 considered separate contributions.
- (2) Contributions by unemancipated children under eighteen years of age are considered contributions by their parents and are attributed proportionately to each parent. Fifty percent of the contributions are attributed to each parent or, in the case of a single custodial parent, the total amount is attributed to the parent.
- **Sec. 12.** RCW 42.17A.750 and 2013 c 166 s 1 are each amended to 19 read as follows:
 - (1) In addition to the penalties in subsection (2) of this section, and any other remedies provided by law, one or more of the following civil remedies and sanctions may be imposed by court order in addition to any other remedies provided by law:
 - (a) If the court finds that the violation of any provision of this chapter by any candidate or political committee probably affected the outcome of any election, the result of that election may be held void and a special election held within sixty days of the finding. Any action to void an election shall be commenced within one year of the date of the election in question. It is intended that this remedy be imposed freely in all appropriate cases to protect the right of the electorate to an informed and knowledgeable vote.
 - (b) If any lobbyist or sponsor of any grass roots lobbying campaign violates any of the provisions of this chapter, his or her registration may be revoked or suspended and he or she may be enjoined from receiving compensation or making expenditures for lobbying. The imposition of a sanction shall not excuse the lobbyist from filing statements and reports required by this chapter.

p. 28 ESHB 2938

- 1 (c) A person who violates any of the provisions of this chapter 2 may be subject to a civil penalty of not more than ten thousand 3 dollars for each violation. However, a person or entity who violates 4 RCW 42.17A.405 may be subject to a civil penalty of ten thousand 5 dollars or three times the amount of the contribution illegally made 6 or accepted, whichever is greater.
 - (d) When assessing a civil penalty for RCW 42.17A.405, the court may consider the nature of the violation and any relevant circumstances, including the following factors:

8

9

10

11 12

13

14

15 16

17

18 19

20

- (i) The respondent's compliance history, including whether the noncompliance was isolated or limited in nature, indicative of systematic or ongoing problems, or part of a pattern of violations by the respondent, or in the case of a political committee or other entity, part of a pattern of violations by the respondent's officers, staff, principal decision makers, consultants, or sponsoring organization;
- (ii) The impact on the public, including whether the noncompliance deprived the public of timely or accurate information during a time-sensitive period or otherwise had a significant or material impact on the public;
- (iii) Experience with campaign finance law and procedures or the financing, staffing, or size of the respondent's campaign or organization;
- 24 <u>(iv) The amount of financial activity by the respondent during</u> 25 <u>the statement period or election cycle;</u>
- 26 <u>(v) Whether the late or unreported activity was within three</u>
 27 <u>times the contribution limit per election, including in proportion to</u>
 28 <u>the total amount of expenditures by the respondent in the campaign or</u>
 29 statement period;
- 30 <u>(vi) Whether the respondent or any person benefited politically</u>
 31 <u>or economically from the noncompliance;</u>
- (vii) Whether there was a personal emergency or illness of the respondent or member of his or her immediate family;
- 34 (viii) Whether other emergencies such as fire, flood, or utility
 35 failure prevented filing;
- (ix) Whether there was commission staff or equipment error,
 including technical problems at the commission that prevented or
 delayed electronic filing;
- 39 <u>(x) The respondent's demonstrated good-faith uncertainty</u> 40 <u>concerning commission staff guidance or instructions;</u>

p. 29 ESHB 2938

(xi) Whether the respondent is a first-time filer;

1

7

13 14

15 16

17

18

19

2021

22

23

2425

26

34

3536

- 2 (xii) Good faith efforts to comply, including consultation with
- 3 <u>commission staff prior to initiation of enforcement action and</u>
- 4 cooperation with commission staff during enforcement action and a
- 5 <u>demonstrated wish to acknowledge and take responsibility for the</u> 6 violation;
 - (xiii) Penalties imposed in factually similar cases; and
- 8 (xiv) Other factors relevant to the particular case.
- 9 <u>(e)</u> A person who fails to file a properly completed statement or 10 report within the time required by this chapter may be subject to a 11 civil penalty of ten dollars per day for each day each delinquency 12 continues.
 - (((e))) <u>(f)</u> Each state agency director who knowingly fails to file statements required by RCW 42.17A.635 shall be subject to personal liability in the form of a civil penalty in the amount of one hundred dollars per statement. These penalties are in addition to any other civil remedies or sanctions imposed on the agency.
 - $((\frac{f}{f}))$ (g) A person who fails to report a contribution or expenditure as required by this chapter may be subject to a civil penalty equivalent to the amount not reported as required.
 - $((\frac{(g)}{g}))$ (h) Any state agency official, officer, or employee who is responsible for or knowingly directs or expends public funds in violation of RCW 42.17A.635 (2) or (3) may be subject to personal liability in the form of a civil penalty in an amount that is at least equivalent to the amount of public funds expended in the violation.
- $((\frac{h}{h}))$ (i) The court may enjoin any person to prevent the doing of any act herein prohibited, or to compel the performance of any act required herein.
- 30 (2) The commission may refer the following violations for 31 criminal prosecution:
- 32 (a) A person who, with actual malice, violates a provision of 33 this chapter is guilty of a misdemeanor under chapter 9.92 RCW;
 - (b) A person who, within a five-year period, with actual malice, violates three or more provisions of this chapter is guilty of a gross misdemeanor under chapter 9.92 RCW; and
- 37 (c) A person who, with actual malice, procures or offers any 38 false or forged document to be filed, registered, or recorded with 39 the commission under this chapter is guilty of a class C felony under 40 chapter 9.94A RCW.

p. 30 ESHB 2938

Sec. 13. RCW 42.17A.755 and 2011 c 145 s 7 are each amended to 2 read as follows:

- (1) The commission may (((a) determine whether an actual violation of this chapter has occurred; and (b) issue and enforce an appropriate order following such a determination.)) initiate or respond to a complaint, request for a technical correction, or otherwise resolve matters of compliance with this chapter, in accordance with this section. If a complaint is filed with or initiated by the commission, the commission must:
- 10 <u>(a) Dismiss the complaint or otherwise resolve the matter in</u>
 11 <u>accordance with subsection (2) of this section, as appropriate under</u>
 12 <u>the circumstances after conducting a preliminary review;</u>
 - (b) Initiate an investigation to determine whether an actual violation has occurred, conduct hearings, and issue and enforce an appropriate order, in accordance with chapter 34.05 RCW; or
- 16 (c) Refer the matter to the attorney general, in accordance with subsection (4) of this section.
 - (2)(a) For complaints of remedial violations or technical corrections, the commission may, by rule, delegate authority to its executive director to resolve these matters in accordance with subsection (1)(a) of this section, so long as the executive director consistently applies such authority, and all resolutions are approved by the commission.
 - (b) The commission must, by rule, develop additional processes by which a respondent may agree by stipulation to any allegations and pay a penalty subject to a schedule of violations and penalties, unless waived by the commission as provided for in this section. Any stipulation must be referred to the commission for review. If approved or modified by the commission, agreed to by the parties, and the respondent complies with all requirements set forth in the stipulation, the case is then considered resolved and no further action or review is allowed.
 - (c) All matters resolved by the commission as remedial violations or technical corrections must be approved by the commission.
- 35 (3) If the commission initiates an investigation, an initial
 36 hearing must be held within ninety days of the complaint being filed.
 37 Following an investigation, the commission((, in cases where it
 38 chooses to determine whether an actual violation has occurred,
 39 shall)) must hold a hearing pursuant to the administrative procedure
 40 act, chapter 34.05 RCW, if it chooses to make a determination whether

p. 31 ESHB 2938

an actual violation has occurred. Any order that the commission issues under this section shall be pursuant to such a hearing.

- (((3) In lieu of holding a hearing or issuing an order under this section,)) (a) The person against whom an order is directed under this section shall be designated as the respondent. The order may require the respondent to cease and desist from the activity that constitutes a violation and in addition, or alternatively, may impose one or more of the remedies provided in RCW 42.17A.750(1) (b) through (h), or other requirements as the commission determines appropriate to effectuate the purposes of this chapter.
- (b) The commission may assess a penalty in an amount not to exceed ten thousand dollars per violation, unless the parties stipulate to a higher amount. Any order that the commission issues under this section that imposes a financial penalty must be made pursuant to a hearing, held in accordance with the administrative procedure act, chapter 34.05 RCW.
- (c) The commission has the authority to waive a penalty for a first-time actual violation. A second actual violation of the same requirement by the same person, regardless if the person or individual committed the actual violation for a different political committee, shall result in a penalty. Successive actual violations of the same requirement shall result in successively increased penalties. The commission may suspend any portion of an assessed penalty contingent on future compliance with this chapter. The commission must create a schedule to enhance penalties based on repeat actual violations by the person.
- (d) Any order issued by the commission is subject to judicial review under the administrative procedure act, chapter 34.05 RCW. If the commission's order is not satisfied and no petition for review is filed within thirty days, the commission may petition a court of competent jurisdiction of any county in which a petition for review could be filed under that jurisdiction, for an order of enforcement. Proceedings in connection with the commission's petition shall be in accordance with RCW 42.17A.760.
- (4) For cases where the commission has determined that an actual violation, or an aggregate of violations, involves an amount greater than ten thousand dollars, the commission may refer the matter to the attorney general ((or other enforcement agency as provided in RCW 42.17A.105)) if:
 - (a) All other administrative remedies have been exhausted;

p. 32 ESHB 2938

- (b) The commission believes the maximum penalty it is able to 1 levy is not enough to address the severity of the violation; or 2
- (c) Additional authority is needed to ensure full compliance with 3 this chapter.

5 6

7

8 9

10

11

12

13

14 15

16

17

18

19

20

21

22

23 24

25

28 29

30

31

32

33

34

35

36

37 38

- ((4) The person against whom an order is directed under this section shall be designated as the respondent. The order may require the respondent to cease and desist from the activity that constitutes a violation and in addition, or alternatively, may impose one or more of the remedies provided in RCW 42.17A.750(1) (b) through (e). The commission may assess a penalty in an amount not to exceed ten thousand dollars.
 - (5) The commission has the authority to waive a fine for a firsttime violation. A second violation of the same rule by the same person or individual, regardless if the person or individual committed the violation for a different political committee, shall result in a fine. Succeeding violations of the same rule shall result in successively increased fines.
- (6) An order issued by the commission under this section shall be subject to judicial review under the administrative procedure act, chapter 34.05 RCW. If the commission's order is not satisfied and no petition for review is filed within thirty days, the commission may petition a court of competent jurisdiction of any county in which a petition for review could be filed under that section, for an order of enforcement. Proceedings in connection with the commission's petition shall be in accordance with RCW 42.17A.760.))
- Sec. 14. RCW 42.17A.765 and 2010 c 204 s 1004 are each amended 26 to read as follows: 27
 - (1)(a) Only after a matter is referred by the commission, under RCW 42.17A.755, the attorney general ((and the prosecuting authorities of political subdivisions of this state)) may bring civil actions in the name of the state for any appropriate civil remedy, including but not limited to the special remedies provided in RCW 42.17A.750. If the attorney general fails to commence an action within forty-five days of receiving a referral, the attorney general must provide notice on the attorney general's office web site including a reasonably supported explanation for not commencing an action and that such decision is consistent with the policy in (b) of this subsection.

p. 33 **ESHB** 2938 (b) The attorney general should use the enforcement powers in this section in a consistent manner that provides quidance in complying with the provisions of this chapter to candidates, political committees, or other individuals subject to the regulations of this chapter.

1

2

3

4 5

6

7

8

9

1112

13

14 15

16

17

18 19

2021

22

23

2425

26

2728

29

30 31

32

33

34

35

36

3738

39

40

- (2) The attorney general ((and the prosecuting authorities of political subdivisions of this state)) may investigate or cause to be investigated the activities of any person who there is reason to believe is or has been acting in violation of this chapter, and may require any such person or any other person reasonably believed to have information concerning the activities of such person to appear at a time and place designated in the county in which such person resides or is found, to give such information under oath and to produce all accounts, bills, receipts, books, paper and documents which may be relevant or material to any investigation authorized under this chapter.
- (3) When the attorney general ((or the prosecuting authority of any political subdivision of this state)) requires the attendance of any person to obtain such information or produce the accounts, bills, receipts, books, papers, and documents that may be relevant or material to any investigation authorized under this chapter, he or she shall issue an order setting forth the time when and the place where attendance is required and shall cause the same to be delivered to or sent by registered mail to the person at least fourteen days before the date fixed for attendance. The order shall have the same force and effect as a subpoena, shall be effective statewide, and, upon application of the attorney general ((or the prosecuting authority)), obedience to the order may be enforced by any superior court judge in the county where the person receiving it resides or is found, in the same manner as though the order were a subpoena. The court, after hearing, for good cause, and upon application of any person aggrieved by the order, shall have the right to alter, amend, revise, suspend, or postpone all or any part of its provisions. In any case where the order is not enforced by the court according to its terms, the reasons for the court's actions shall be clearly stated in writing, and the action shall be subject to review by the appellate courts by certiorari or other appropriate proceeding.
- ((4) A person who has notified the attorney general and the prosecuting attorney in the county in which the violation occurred in writing that there is reason to believe that some provision of this

p. 34 ESHB 2938

chapter is being or has been violated may himself or herself bring in the name of the state any of the actions (hereinafter referred to as a citizen's action) authorized under this chapter.

(a) This citizen action may be brought only if:

1

2

3 4

8

9

10

16

17

18

19

2021

2223

24

25

2627

28

2930

31

32

3334

35

38

39

- 5 (i) The attorney general and the prosecuting attorney have failed 6 to commence an action hereunder within forty-five days after the 7 notice;
 - (ii) The person has thereafter further notified the attorney general and prosecuting attorney that the person will commence a citizen's action within ten days upon their failure to do so;
- 11 (iii) The attorney general and the prosecuting attorney have in 12 fact failed to bring such action within ten days of receipt of said 13 second notice; and
- 14 (iv) The citizen's action is filed within two years after the 15 date when the alleged violation occurred.
 - (b) If the person who brings the citizen's action prevails, the judgment awarded shall escheat to the state, but he or she shall be entitled to be reimbursed by the state of Washington for costs and attorneys' fees he or she has incurred. In the case of a citizen's action that is dismissed and that the court also finds was brought without reasonable cause, the court may order the person commencing the action to pay all costs of trial and reasonable attorneys' fees incurred by the defendant.
 - (5) In any action brought under this section, the court may award to the state all costs of investigation and trial, including reasonable attorneys' fees to be fixed by the court. If the violation is found to have been intentional, the amount of the judgment, which shall for this purpose include the costs, may be trebled as punitive damages. If damages or trebled damages are awarded in such an action brought against a lobbyist, the judgment may be awarded against the lobbyist, and the lobbyist's employer or employers joined as defendants, jointly, severally, or both. If the defendant prevails, he or she shall be awarded all costs of trial, and may be awarded reasonable attorneys' fees to be fixed by the court to be paid by the state of Washington.))
- NEW SECTION. Sec. 15. A new section is added to chapter 42.17A RCW to read as follows:
 - (1) A person who has reason to believe that a provision of this chapter is being or has been violated may bring a citizen's action in

p. 35 ESHB 2938

- the name of the state, in accordance with the procedures of this section.
- 3 (2) A citizen's action may be brought and prosecuted only if the 4 person first has filed a complaint with the commission and:

- (a) The commission has failed to take action authorized under RCW 42.17A.755(1) within ninety days of the complaint being filed with the commission; and
- (b) For matters referred to the attorney general within ninety days of the commission receiving the complaint, the attorney general has failed to commence an action within forty-five days of receiving referral from the commission.
 - (3) To initiate the citizen's action, after meeting the requirements under subsection (2) of this section, a person must notify the attorney general and the commission that he or she will commence a citizen's action within ten days upon the attorney general's failure to do so.
 - (4) The citizen's action must be commenced within two years after the date when the alleged violation occurred and may not be commenced against a committee before the end of such period if the committee has received an acknowledgment of dissolution.
 - (5) If the person who brings the citizen's action prevails, the judgment awarded shall escheat to the state, but he or she shall be entitled to be reimbursed by the state for reasonable costs and reasonable attorneys' fees the person incurred. In the case of a citizen's action that is dismissed and that the court also finds was brought without reasonable cause, the court may order the person commencing the action to pay all trial costs and reasonable attorneys' fees incurred by the defendant.
- NEW SECTION. Sec. 16. A new section is added to chapter 42.17A RCW to read as follows:

In any action brought under this chapter, the court may award to the commission all reasonable costs of investigation and trial, including reasonable attorneys' fees to be fixed by the court. If the violation is found to have been intentional, the amount of the judgment, which shall for this purpose include the costs, may be trebled as punitive damages. If damages or trebled damages are awarded in such an action brought against a lobbyist, the judgment may be awarded against the lobbyist, and the lobbyist's employer or employers joined as defendants, jointly, severally, or both. If the

p. 36 ESHB 2938

- 1 defendant prevails, he or she shall be awarded all costs of trial and
- 2 may be awarded reasonable attorneys' fees to be fixed by the court
- 3 and paid by the state of Washington.
- 4 <u>NEW SECTION.</u> **Sec. 17.** A new section is added to chapter 42.17A 5 RCW to read as follows:
- 6 The public disclosure transparency account is created in the 7 custody of the state treasurer. All receipts from penalties collected
- 8 pursuant to enforcement actions under this chapter must be deposited
- 9 into the account. Such funds may not be used to supplant general fund
- 10 appropriations to the commission. Only the legislature may authorize
- 11 expenditures from the account for purposes consistent with the
- 12 implementation and administration of duties under this chapter.
- NEW SECTION. Sec. 18. (1) The sum of one hundred twenty-five
- 14 thousand dollars is appropriated for the fiscal year ending June 30,
- 15 2018, from the general fund—state account to the public disclosure
- 16 commission solely for the purposes of administering chapter 42.17A
- 17 RCW.
- 18 (2) The sum of one hundred twenty-five thousand dollars is
- 19 appropriated for the fiscal year ending June 30, 2019, from the
- 20 general fund—state account to the public disclosure commission solely
- 21 for the purposes of administering chapter 42.17A RCW.
- 22 <u>NEW SECTION.</u> **Sec. 19.** If any provision of this act or its
- 23 application to any person or circumstance is held invalid, the
- 24 remainder of the act or the application of the provision to other
- 25 persons or circumstances is not affected.

--- END ---

p. 37 ESHB 2938