

HOUSE BILL REPORT

HB 2551

As Passed House:
February 11, 2006

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

Brief Description: Regulating campaign contributions by limited liability companies.

Sponsors: By Representative Dunshee.

Brief History:

Committee Activity:

State Government Operations & Accountability: 1/24/06, 1/30/06 [DP].

Floor Activity:

Passed House: 2/11/06, 66-29.

Brief Summary of Bill

- Establishes that, for campaign contribution purposes, two or more limited liability companies (LLCs) are treated as a single entity if one of the two or more LLCs is participating in an election campaign or making contributions and two or more members of the LLCs are the same person.

HOUSE COMMITTEE ON STATE GOVERNMENT OPERATIONS & ACCOUNTABILITY

Majority Report: Do pass. Signed by 6 members: Representatives Haigh, Chair; Green, Vice Chair; Clements, Assistant Ranking Minority Member; Hunt, McDermott and Miloscia.

Minority Report: Do not pass. Signed by 3 members: Representatives Nixon, Ranking Minority Member; Schindler and Sump.

Staff: Kathryn Leathers (786-7114).

Background:

The Fair Campaign Practices Act (Act) was enacted following passage of Initiative 134 in 1992. The initiative imposed campaign contribution limits on elections for state office, further regulated independent expenditures, restricted the use of public funds for political purposes, and required public officials to report gifts received in excess of \$50. The Act also prohibited the use of public funds to finance political campaigns. The stated purposes of the initiative were to: (1) give individuals and interest groups equal opportunities to influence elective and governmental processes; (2) reduce the influence of large organizational

contributors; and (3) restore public trust in governmental institutions and the electoral process.

State law limits individual campaign contributions by an individual, a union or business, or a political action committee to a candidate for state legislative office to \$700, and to a candidate for statewide office to \$1,400. The limit applies for each election that the candidate appears on the ballot. Limits are also imposed on political parties, ranging from \$0.35 to \$0.70 per registered voter in the candidate's district. These dollar amounts are adjusted for inflation by the Public Disclosure Commission every two years.

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

Summary of Bill:

Two or more limited liability companies (LLCs) are treated as a single entity for campaign contribution purposes if one of the two or more LLCs is participating in an election campaign or making contributions and two or more members of the LLCs are the same person.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: (In support) Campaign finance reform is fundamental to representative democracy. This bill is about the appearance of fairness and actual fairness. Multiple contributions made by the same person from many different LLCs violates the spirit of the one person, one contribution rule. The public sees this type of activity and thinks the candidates are bought.

(Neutral) The controlling factor for determining whether an entity may make a separate contribution is the entity's legal status. For example, a sole proprietorship shares its contribution limit with the proprietor, but corporations and partnerships have separate legal identities and therefore have separate limits from shareholders and officers. Federal tax status is not used as a determining factor. The Public Disclosure Commission has not taken a position on the bill because they believe it is a policy decision for the Legislature.

Testimony Against: None.

Persons Testifying: (In support) Representative Dunshee, prime sponsor.

(Neutral) Vicke Rippie, Public Disclosure Commission.

Persons Signed In To Testify But Not Testifying: None.