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Washington  
State Public  
Disclosure  
Commission

# ANNUAL REPORT

FOR FY 2018





The Public Disclosure Commission is the agency in Washington state that is vested with the primary responsibility for the impartial administration and enforcement of state laws regulating campaign finance. This includes overseeing full and timely reporting and disclosure of campaign contributions and expenditures, lobbyist expenditures, and the financial affairs of public officials and candidates. The PDC then ensures that the public is provided immediate and open access to this information to enhance trust in the political and governing processes and to help voters make informed decisions at the ballot box.

On behalf of my fellow Commissioners, I am pleased to offer this report on what was one of the most significant years for the Public Disclosure Commission since its founding.

## HIGHLIGHTS

In 2018, campaign contributions and expenditures in Washington state reached historic levels; the PDC received nearly 650 complaints; handled more than 10,000 required reports; and responded to more than 7,000 requests for assistance from the regulated community. In the meanwhile, we also developed a new strategic plan; continued our ongoing process improvement work to streamline operations, update forms, and enhance uses of technology; conducted rule-makings to adopt a number of new or amended rules; and worked with the Legislature and Governor to accomplish long-needed updates and improvements to our State's campaign finance laws.

As I noted in last year's report, we needed to better address the constantly changing landscape of campaign finance by restoring the PDC's capacity to keep up with new demands and providing the PDC stronger authority to fulfill its mission. I'm very pleased to report that significant progress was made in each of these areas.

State lawmakers worked collaboratively across the aisle and in both houses to pass important reforms. ESHB 2938, an important campaign finance bill, passed by wide margins in both houses (94-4 and 48-0, then the House concurred in Senate amendments, passing 92-4). This new law reformed a process that had been 'weaponized', with hundreds of complaints

being filed and complainants being able to 'forum-shop', making an end-run around the PDC, which in turn created inequity and unfairness in the system. The new law restores the PDC's role to bring its expertise to bear, assess a complaint on its merits, triage it based on the nature and impact on the public of the alleged violation, provide filer assistance where appropriate, and enforcement where warranted. It allows the PDC to prioritize cases based on the greatest impacts to the public while preserving the ability of members of the public to intercede in cases if the PDC is not operating as it should. The new law also provides the PDC the options we requested to be able to better address complaints when candidates, campaigns or public officials are trying to do the right thing, but make unintentional mistakes. Minor violations can now be addressed through a number of alternatives. For example, the staff can now give the filer an immediate opportunity to make any needed technical corrections to resolve the matter. These approaches help us with several goals: the public gets the most accurate information at the earliest time; interested citizens are not deterred from running for office because of fear about complaints being filed if they make an unintentional, minor error that doesn't harm the public; and taxpayer resources can be focused on the most significant alleged violations that will now be assessed and assigned to an investigator within 90 days.

Lawmakers also supported our request to update several sections of the statute where

we had identified areas with out-of-date definitions or terminology, and to help make statutory requirements filers have struggled with more understandable. And the Legislature provided some long-overdue resources to help us reduce the backlog of cases and tackle needed I.T. improvements. To be able to better assist the 10,000-11,000 filers each year who file between 80,000-100,000 required reports, instead of having only two staff for data entry and two staff to assist filers and provide training to those needing help, as of June, 2018, there are four filer assistance and three data entry staff. To be able to better enforce compliance and handle hundreds of complaints each year, instead of only two investigators, there are now five. And, funding was provided to begin to address a backlog of several million dollars in needed improvements to electronic filer applications and other out-of-date I.T. applications and systems over the next several years, to help us better meet our goal of transparency and open access to information.

These reforms and investments are already making a difference in faster resolution of complaints, and in quicker assistance for filers needing help. These are good steps forward toward our vision of someday being able to immediately triage cases within 24 hours, resolve all but the most complicated cases within 90 days, address as many cases as possible before the relevant election, have a wider range of campaign disclosure data that is searchable and downloadable, and be a national leader in tackling emerging campaign finance issues.

## LOOKING AHEAD

As agreed to with the bill's sponsors, we will return to the Legislature in 2019 with agency-request legislation that furthers the goals set in ESHB 2938, refining some elements that were not completed due to the short session, providing additional clarity and ease of understanding for the regulated

community, and making further improvements and updates.

Among these are clarifying the Attorney General's Office's authority, aligning political advertising expenditure reporting requirements, and streamlining F-1 personal financial affairs disclosure reporting requirements.

In the months ahead, the PDC also will be launching a new registration application that will help candidates and committees avoid errors and unnecessary duplication. We will also complete a new case management system that will provide everyone instant access to better information about the progress of complaints. And the staff will continue to build out the training program for filers to include more on-demand digital options and classes built around their schedules and needs.

We will also implement The Disclose Act, legislation passed in the 2018 session that created a new type of committee and disclosure requirements for nonprofits that spend \$25,000 or more on political campaigns in a calendar year — a growing area of campaign finance law across the nation. And we will keep working with policymakers and stakeholders on other emerging issues, such as new uses of technology to communicate with voters in different ways, and so-called "gray money" or "nesting doll" campaigns, where committees obscure the sources of funding by transferring money through different groups under different names in order to avoid disclosing their donors, which makes it difficult for the public to track where the money is actually coming from.

2019 promises to be another very busy year as the PDC continues to advance its mandate to help the public follow the money in politics.

**Judge Anne Levinson (ret.)**  
*Public Disclosure Commission Chair*  
December 6, 2018

**It is hereby declared by the sovereign people to be the public policy of the state of Washington: ...That political campaign and lobbying contributions and expenditures be fully disclosed to the public and that secrecy is to be avoided.**

— RCW 42.17A  
Declaration of Policy



## CONTACT US

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## FIND US ON SOCIAL MEDIA

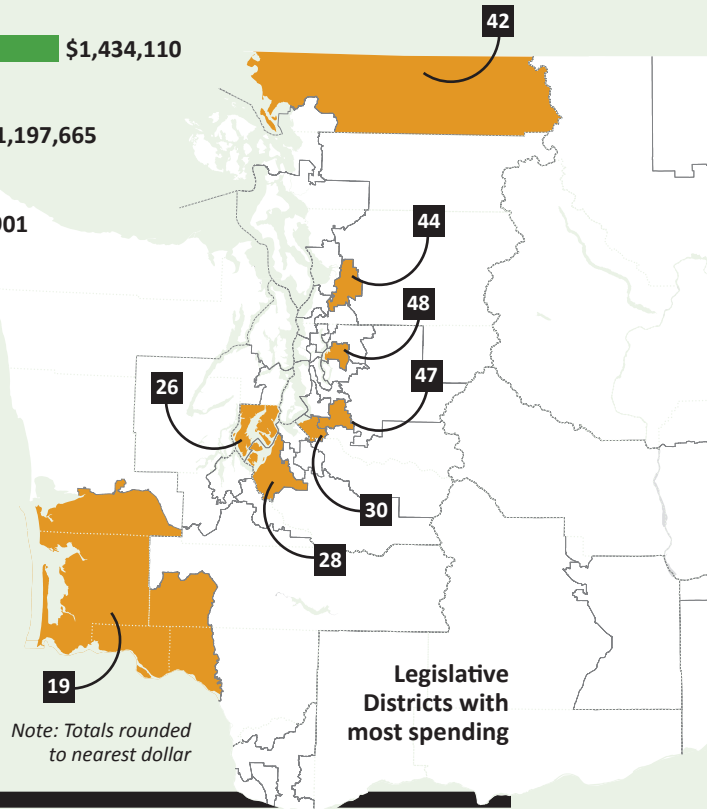
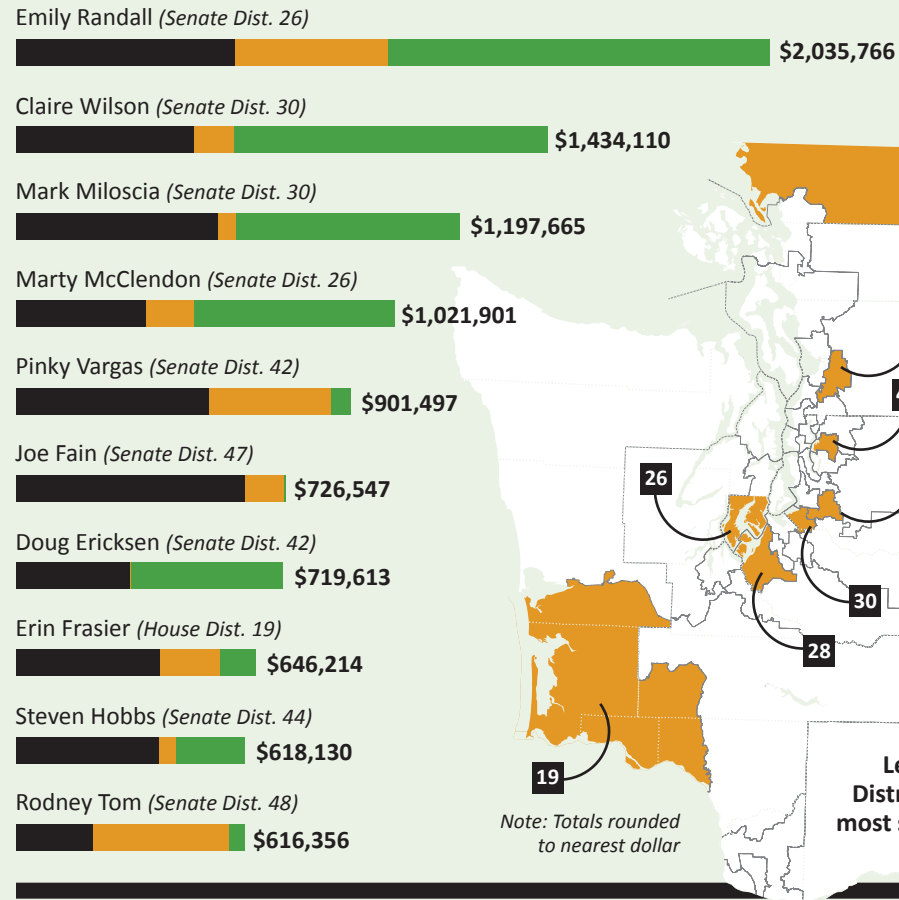


Cover image:  
Washington State  
Legislative Support Services



Top candidate campaign spending in 2018

● Candidate expenditures ● Independent expenditures for ● Independent expenditures against

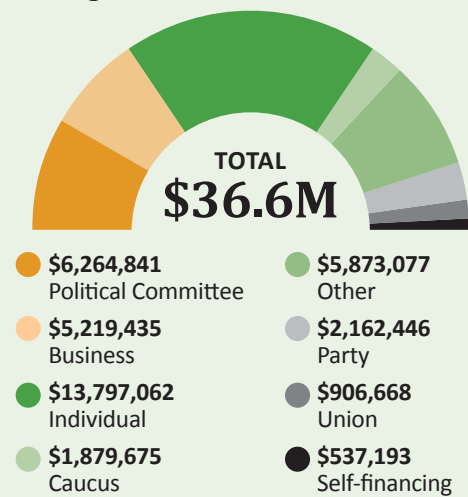


Note: Totals rounded to nearest dollar

CAMPAIGN FINANCES

Spending in the 2018 election was led by initiative campaigns, with a total of \$79 million spent on four statewide measures. State and local candidates spent another \$34 million. Races for state Senate were the most expensive as seats in the 26th, 30th and 42nd districts became battlegrounds for determining the size of the Democratic majority. Individuals were the largest source of contributions for campaigns for state and local office, followed by businesses and political committees.

Who gave how much?



Note: Totals rounded to nearest dollar

MILLIONS SPENT ON STATE INITIATIVES

New record set in spending



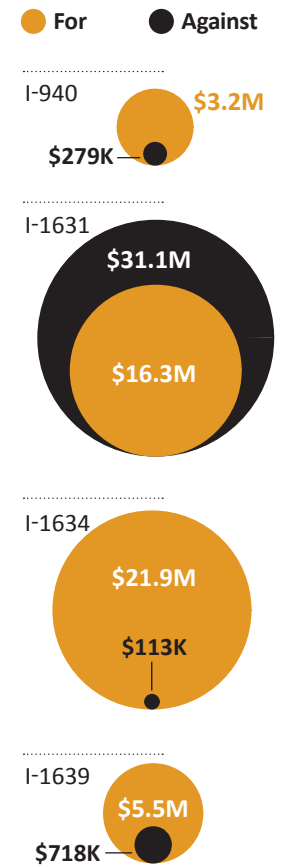
Initiative 1631, a proposed carbon fee on fossil-fuel emissions, spurred a costly campaign that broke state records for statewide initiative spending. No on 1631 (Sponsored by Western States Petroleum

Association) spent \$31 million to oppose the ballot proposition, topping the previous record of \$24.3 million set in 2013 by opponents of Initiative 522's effort to mandate labeling of genetically modified food. Expenditures by I-1631 supporters totaled another \$16 million, making the carbon fee measure the most expensive in state history at \$47 million.

An effort to ban local soda and grocery taxes, Initiative 1634, also broke new ground. Yes to Affordable Groceries, sponsored by the American Beverage Association, spent \$22 million, surpassing the \$20.24 million outlay in support of I-1183's liquor privatization in 2011.

Campaigns surrounding all four measures — Initiatives 1631 and 1634 in 2018, I-522 in 2013, and I-1183 in 2011 — had something in common besides being big-budget affairs: The side that spent the most prevailed with voters.

Top measure spending

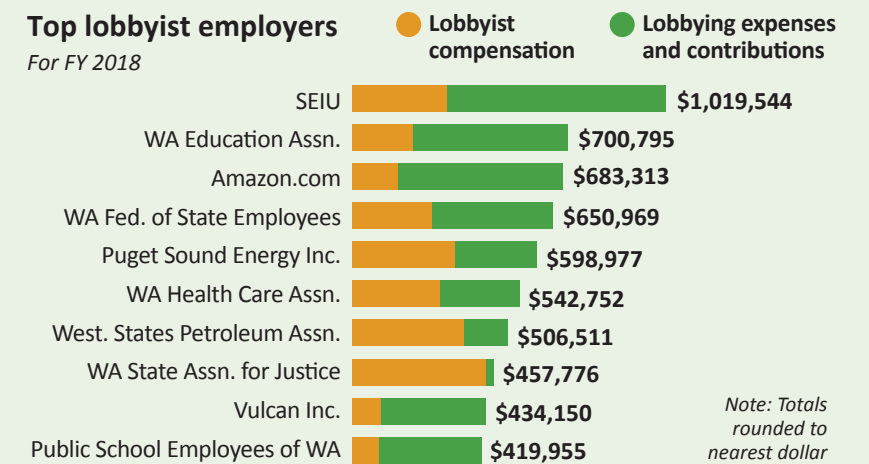


LOBBYING EXPENSES

Organizations that employed lobbyists to influence state legislation and rule-making reported spending \$63 million on compensation, political contributions and other expenses in FY 2018. Employers who spent the most on lobbying included unions, prominent Washington state businesses and a trade association that opposed carbon tax proposals in the Legislature and on the ballot.

Top lobbyist employers

For FY 2018

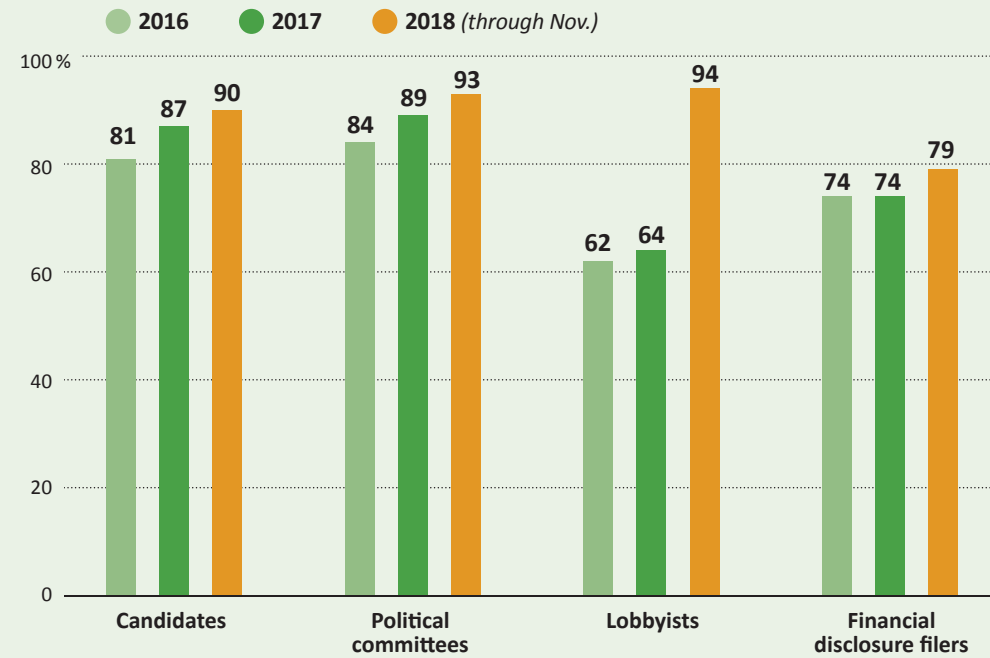


Note: Totals rounded to nearest dollar



**Rates of electronic filing by calendar year**

Amounts shown in percentage



**FILER ASSISTANCE**

The Public Disclosure Commission is committed to furthering the public's right to know by helping campaigns, elected officials and lobbyists report completely and correctly. The PDC dedicates more than one-third of its staff resources to filer assistance and outreach. Since Fiscal Year 2016, the agency has answered thousands of questions and requests through a helpdesk system that tracks response timeliness and customer feedback.

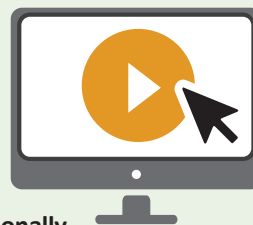
PDC assistance to campaigns falls into two main categories: explaining the law and reporting requirements, and providing support to help filers use electronic filing applications. The latter is partly responsible for the growing rates of electronic filing, which reduces errors and makes more data available to the public faster.

**Customer service help desk**

By the numbers

TYPE OF REQUEST	NUMBER OF REQUESTS	AVERAGE FIRST RESPONSE TIME
Simple requests	3,402	3 hours and 30 minutes
Complex requests	3,689	6 hours and 36 minutes
<b>TOTAL</b>	<b>7,091</b>	

**2,800 VIEWS**



The PDC's professionally produced videos of its most popular trainings have attracted thousands of viewings since their launch in 2017.



**ANTICIPATING FILER NEEDS**

**Building a culture of continuous improvement**

**TRENDS**

Campaign finance regulation is ever evolving, and identifying and responding to emerging trends is key to the PDC's ability to stay ahead of potential compliance issues. The

PDC, recognizing the need both to respond quickly and deliberately and to anticipate emerging trends, established filer assistance-compliance forums that allow staffers to develop consensus on updates to filer guidance. These forums institutionalize developing knowledge and ensure that it is both properly vetted across staff functions and widely distributed throughout the agency. Topics of discussion and analysis in 2018 included online political advertising and cryptocurrency.

**OUTREACH**

PDC staff participated in 30 training and outreach events in FY 2018. Two dozen were in-person training events. Attendees who were later surveyed gave the trainings a 90 percent rating for usefulness. The agency made progress on its long-term goal to expand the training resources available remotely and on-demand. This year, it added webinar classes as well as training videos, both professionally produced and staff-generated. Videos of the agency's most popular trainings attracted 2,800 views. The PDC also made strides in building improved stakeholder communication and outreach. It fully migrated its filer outreach to a third-party email delivery platform that provides streamlined distribution and performance monitoring. The new approach provides better management of filer communication, allows messages to be tailored to meet filer needs and gives filers more control over which messages they receive.

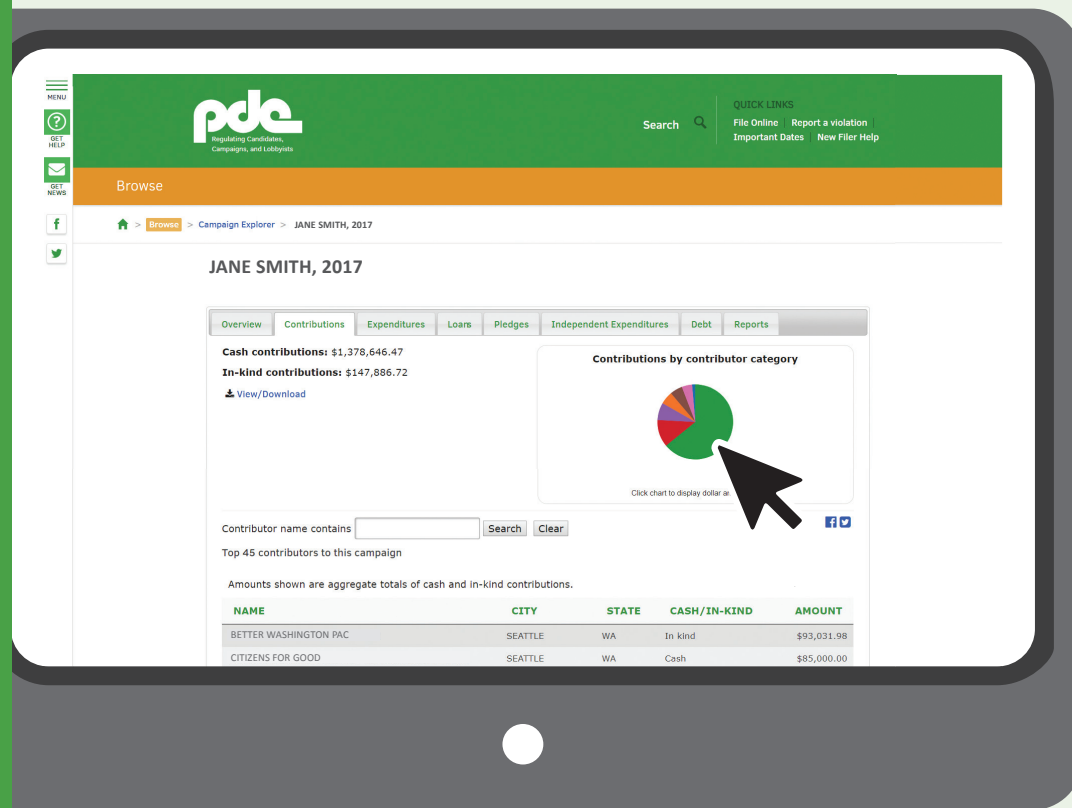


## IMPROVING ACCESS TO INFORMATION

In October 2017, the PDC launched the final piece in its new suite of tools for exploring and analyzing data on money in state and local politics, just in time for general-election voting. The final piece — a replacement for the Search the Database and View Reports features — dovetailed with the Campaign Explorer accordion-style menu of races and the Campaigns in Your Voting District filter that allows users to call up just those races appearing on their ballots. All three were part of the agency's Next Generation Data Access Project, which hit its first milestone in FY 2017 when the PDC made more than 5 million records available on a new Open Data catalog

Together, they represented the biggest improvement to the agency's data access systems since 2008.

Following the completion of that year-long project, the Information Technology team tackled targeted temporary fixes of two key filing systems that are due for complete replacements in the coming years: the personal financial affairs disclosure (F-1) application and the public agency lobbying reporting (L-5) system. The team improved the user experience and stability of the F-1 application and eased reporting requirements for large agencies by introducing data import capability to the L-5 system.



**+5 MILLION**

Number of records available in the PDC's Open Data catalog



BETTER DATA MANAGEMENT  
THROUGH AUTOMATION

## Building a culture of continuous improvement



One of the PDC's goals is to achieve better and more efficient data management through automation. In FY 2018, the agency surveyed veteran staff members to

determine what data quality checks they were performing manually and then programmed those queries to run daily. It also retooled two of its major annual processes: the creation of the annual officials list that drives personal financial affairs reporting (F-1) outreach and enforcement, and the incorporation of candidate declarations. Using data from the Secretary of State's office, the agency eliminated many manual steps and large amounts of data entry. The result was a less painful process for the 1,000 jurisdictions that contribute to the annual officials list each year, and more timely reminders to candidates about their reporting requirements.

## NEW SYSTEMS

The close of the fiscal year brought work on two projects mandated by ESHB 2938: A filing system outage alert and notification system, and an online mechanism for committees to begin the newly created process of dissolution. Both projects were done on a limited scope, in part to meet the deadlines imposed by the new law and also to preserve state resources until the agency can gauge demand for the services.



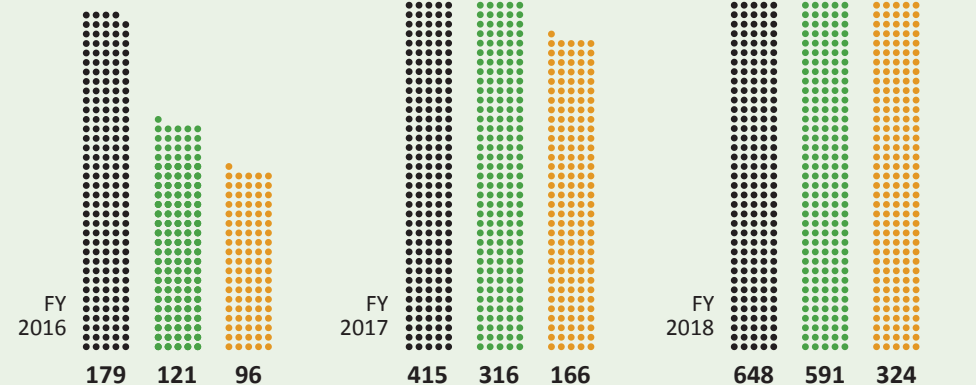


## CASELOAD CONTINUES TO GROW

The PDC's enforcement workload is largely driven by complaints filed by campaigns and other members of the public. In recent years, the agency has experienced dramatic growth in complaint volume and caseloads, limiting the agency's ability to respond to complaints quickly and remedy filing mistakes early. Complaints continued their upward climb in FY 2018, posting a 55 percent increase over FY 2017, which itself saw 132 percent growth in complaints.

In 2018, the Legislature made significant changes to the provisions governing enforcement of campaign finance, financial disclosure and lobbying laws. Among those changes was a reform of what was known as 45-day Citizen Action notices, which previously had permitted complainants to file large numbers of identical complaints simultaneously with the PDC and the Attorney General's Office in the hopes of prompting legal action.

The legislation gives the PDC primary jurisdiction over alleged violations of RCW 42.17A. The agency continues to work to clear old cases while also meeting new 90-day timelines the legislation established for triaging incoming cases. The new law provides additional alternative resolutions that could assist the agency in closing cases, and the PDC plans to work with state lawmakers in the 2019 session to ensure those tools can be used as expansively as they were intended.



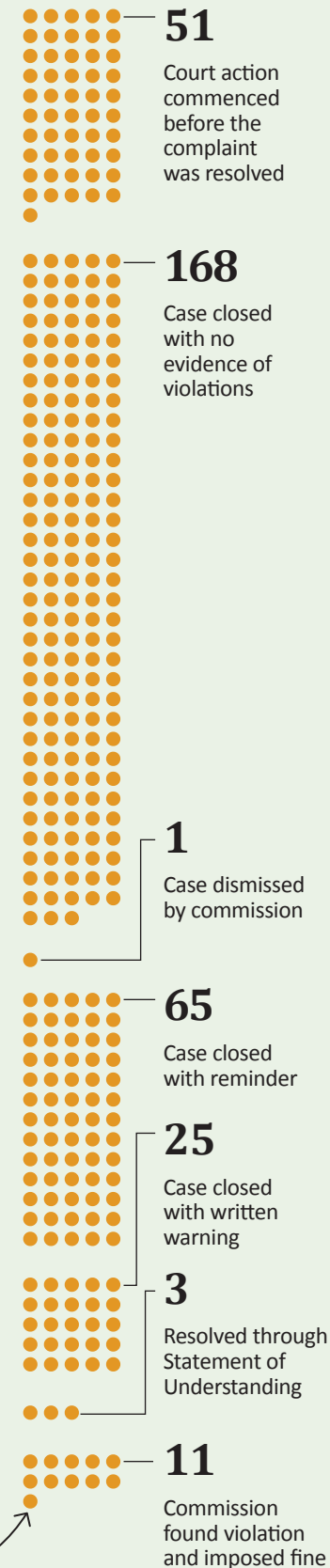
### Complaint-generated case trends

By fiscal year

- Complaints received
- Cases opened
- Cases closed

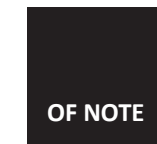
### How the 324 cases were resolved

For FY 2018



## COMMISSION HEARINGS: PART I

# Enforcement cases



### PDC Case 9059

#### Spokane for Honest Government

Spokane for Honest Government is a continuing political committee that made political advertising expenditures in the 2015 Spokane City Council elections. It stipulated to failing to report independent expenditures in a timely manner and failing to adequately describe expenditures for a large media buy in a monthly report of PAC expenditures. The Commission assessed a \$10,000 penalty with \$3,000 suspended provided there are no further violations for four years.

### PDC Case 9208

#### House Republican Organizational Committee

The House Republican Organizational Committee made \$85,000 in contributions to seven 2016 candidates for state representative and one bona-fide political party organization that were not timely disclosed. The Commission assessed a stipulated penalty of \$10,000.

### PDC Case 7561

#### Shift Washington

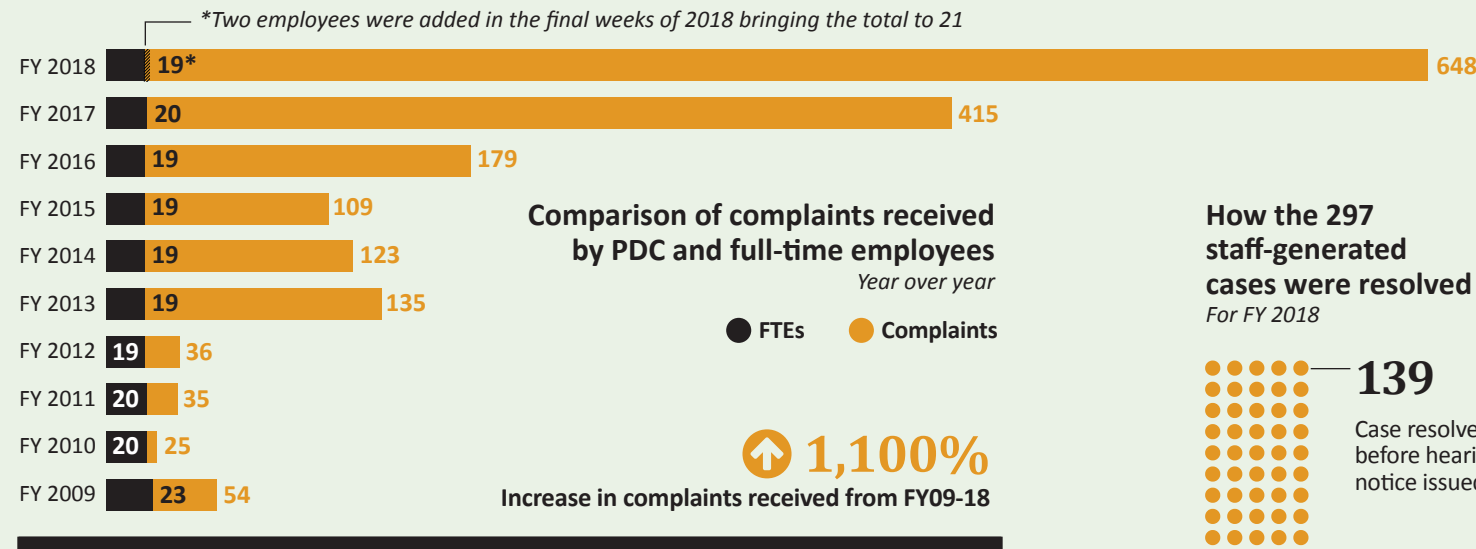
Shift Washington stipulated to failing to timely report independent expenditures in opposition to Initiative 732, a 2016 statewide ballot proposition concerning a carbon tax, and to failing to include complete sponsor identification on Facebook political advertising. The Commission assessed a penalty of \$2,500, with \$1,250 suspended provided there are no further violations for four years.

### PDC Case 6954

#### Go Big Tri-Cities

Go Big Tri-Cities spent money in support of a 2016 local ballot measure to secure funding for the Kennewick Public Facilities District. The organization accepted a stipulation that it failed to timely register as a political committee, failed to timely deposit contributions, failed to file timely and complete contribution and expenditure reports, failed to include sponsor identification on all political advertising, and failed to file all reports using the Commission's electronic filing alternative. The Commission assessed a penalty of \$1,000.

Continued on page 13



### STREAMLINING ENFORCEMENT

The PDC does annual audits of candidate registration and personal financial affairs disclosure records to check for missing reports. The process for taking noncompliant filers to hearing, called group enforcement, has been lengthy and labor intensive. The compliance team:

- Examined the process to identify potential bottlenecks and inefficiencies,
- Introduced automation into the collection of data as well as the production of outreach and enforcement communications,
- Experimented with messaging on email alerts to gauge different approaches' effect on open rates, and
- Sent enforcement notices by email and U.S. mail for the first time to achieve 100 percent service rate.

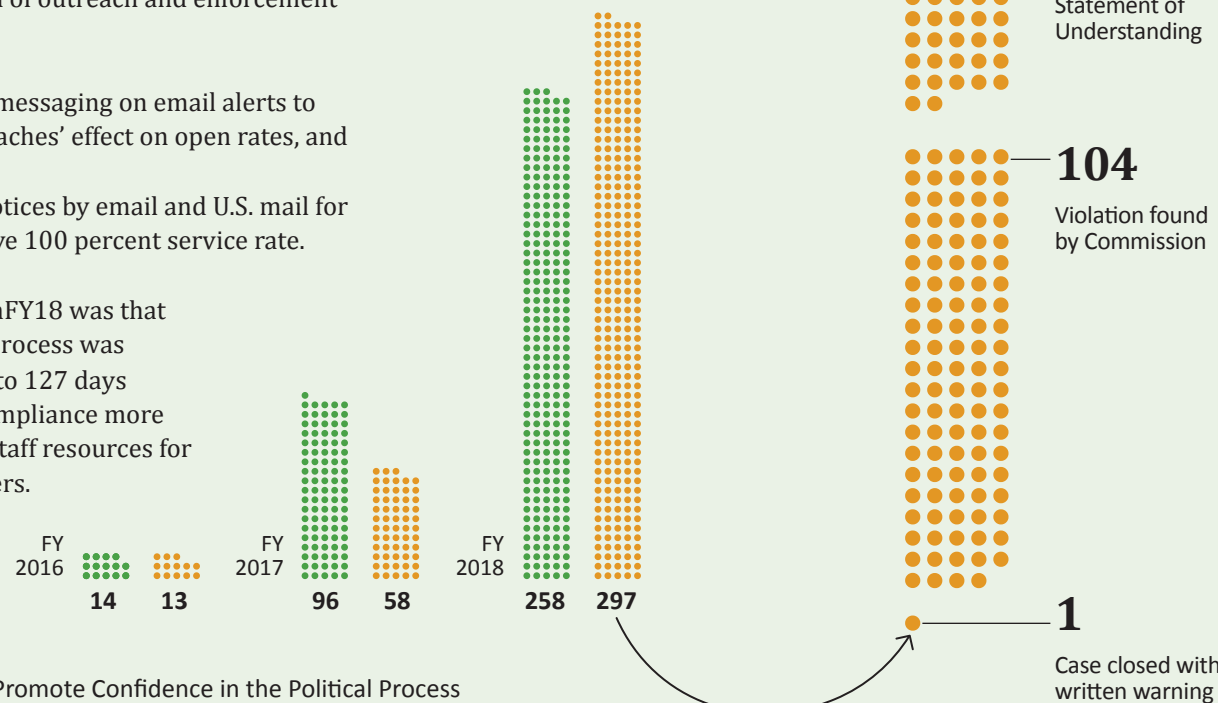
The result of this work in FY18 was that the group enforcement process was trimmed from 244 days to 127 days resolving cases of noncompliance more quickly and conserving staff resources for other enforcement matters.



#### Group enforcement

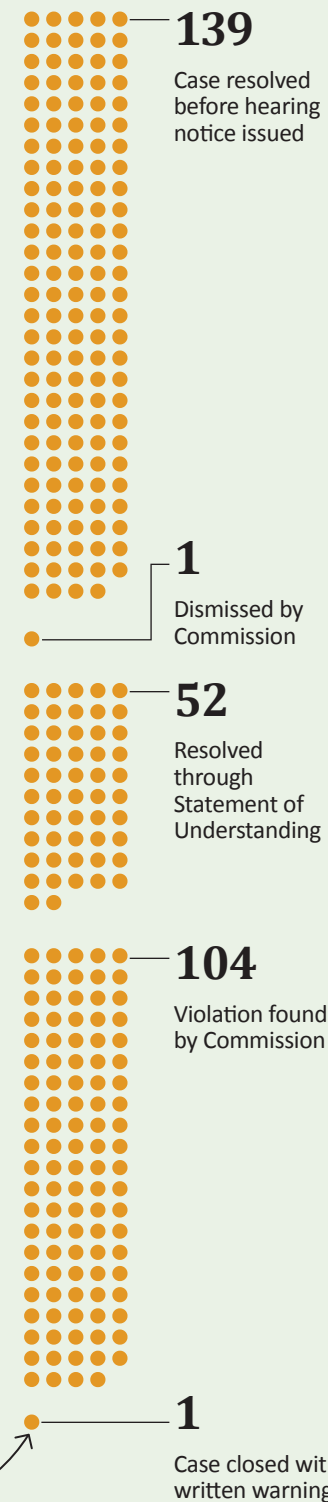
By fiscal year

- Cases opened
- Cases closed



#### How the 297 staff-generated cases were resolved

For FY 2018



### COMMISSION HEARINGS: PART II

## Enforcement cases



#### PDC Case 24298

#### John and Laurie Knutsen

John and Laurie Knutsen sponsored an anonymous mailer that opposed a Puyallup City council candidate in the 2017 election.

The Commission found that they failed to timely report the independent expenditures and to include their names and address as sponsors on an electioneering communication. The Commission assessed a penalty of \$1,500 with \$1,000 suspended provided there are no further violations for four years.

#### PDC Case 7946

#### Richard Anderson

Richard Anderson was a 2016 candidate for Pacific County PUD commissioner who filed under the "mini" reporting option available for campaigns that raise and spend no more than \$5,000. Mr. Anderson stipulated that he exceeded the mini reporting limits and failed to file the required campaign finance reports as a candidate under the full reporting option. The Commission assessed a penalty of \$1,500 with \$500 suspended provided there are no further violations for four years.

#### PDC Case 8116

#### Patrick Myers

Patrick Myers, publisher of the Willapa Harbor Herald and treasurer for the Richard Anderson campaign for Pacific County PUD commissioner, filed campaign finance reports disclosing newspaper advertisements supporting Mr. Anderson as independent expenditures. Myers stipulated that the advertising was an in-kind contribution to the candidate's campaign. The Commission assessed a penalty of \$1,500 with \$500 suspended provided there are no further violations for four years.

#### PDC Case 9343

#### The Reagan Fund

The Reagan Fund failed to timely disclose \$84,640 in expenditures for contributions to political party organizations and political committees, as well as expenditures for political advertising, surveys and research, and get-out-the-vote telephone calls in 2016. The committees stipulated to violations, and the Commission assessed a penalty of \$4,000 with \$2,000 suspended provided there are no further violations for four years.



MISSION

STRATEGIC PLAN: 2017-2020

Promote confidence in the political process

Empower the public to "follow the money" in politics:

- Provide real-time access to meaningful data
- Ensure compliance with campaign-finance laws and regulations
- Pursue proactive and equitable enforcement
- Enhance outreach

Help regulated community achieve and maintain compliance:

- Provide expert guidance
- Facilitate e-filing for all disclosures with accessible, technologically up-to-date options
- Understand and anticipate filer needs
- Provide additional training opportunities and methods

Continue to build a better, more agile, and more responsive organization:

- Exercise flexible and nimble resource allocation
- Seek enhanced funding/staffing
- Identify and respond to emerging trends and issues
- Implement timely process improvements
- Plan for succession needs

Attract and retain a talented and dedicated workforce:

- Sustain culture of clean and open government, as embodied in agency's grassroots heritage
- Provide and encourage opportunities for growth
- Accommodate work/life integration

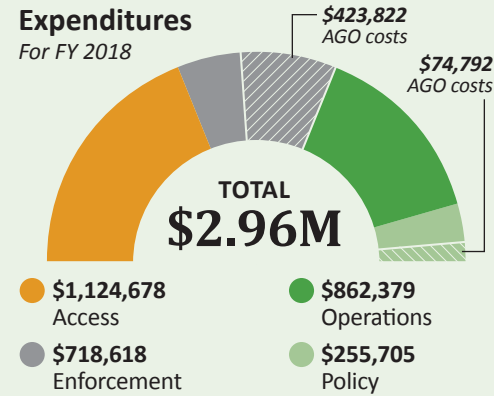
VISION: The PDC will lead the nation in fostering full disclosure of money in politics

FISCAL STEWARDSHIP

The majority of the PDC's \$2.9 million in FY18 expenditures went to legal fees and compensation for 19 full-time equivalent employees. (The agency added an additional 2 full-time equivalent employees days before the end of the fiscal year with additional funding provided by the Legislature in the 2018 session.)

Those costs, as well as other agency expenses, were distributed among four core service areas: Access, Enforcement, Policy and Operations. Access for the public and regulated community was the focus that drew the largest share of the PDC's expenses and staff resources, with 60 percent dedicated to that effort.

Expenditures in the policy and enforce-



ment areas included reimbursements for Attorney General's Office (AGO) costs. AGO billings totaled \$782,515 in FY18, more than the agency's allocation for the entire biennium. The biggest driver was litigation by the AGO's Campaign Finance Unit, including cases that originated at the PDC. The agency was able to use savings in other areas to cover some of the overage, but even so, some AGO payments had to be postponed until the next fiscal year.

CONTINUOUS PROGRESS: CROSS-TRAINING

Busy filing periods and major reporting deadlines often caused bottlenecks in the Public Disclosure Commission's customer service delivery. Many requests require the specialized attention of the two-member filer assistance team, which had not expanded since 2006. Recognizing the need for more nimble staff resources and the opportunity for professional development, the agency in 2018 offered three-month developmental assignments to data entry staff.

During those assignments, the staff members spent at least 15 hours a week learning how to answer more complex questions about reporting requirements and the PDC filing applications. The training allowed the PDC to shift customer service resources to meet immediate demands and provided staff an opportunity to gain valuable skills that led to promotions as more filer assistance specialist positions became available.

Agency leadership

LEADERS

The Public Disclosure Commission is governed by a five-member Commission appointed by the Governor, with no more than three Commissioners from the same party. The Commission hires the Executive Director and provides budget and policy guidance for the agency. For enforcement matters, Commissioners act in a quasi-judicial capacity, presiding over hearings, determining whether violations have occurred and, if so, setting the appropriate penalty.



Anne Levinson  
COMMISSION CHAIR



David Ammons  
COMMISSION VICE CHAIR



Bill Downing  
COMMISSION MEMBER (Joined in Jan. 2018)



Jack Johnson  
COMMISSION MEMBER (Served through Sept. 2018)



Katrina Asay  
COMMISSION MEMBER (Served through Dec. 2017)



John Bridges  
COMMISSION MEMBER (Served through Dec. 2017)



Peter Lavallee  
EXECUTIVE DIRECTOR





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