



**State of Washington
PUBLIC DISCLOSURE COMMISSION**

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To: Commission members
From: Kim Bradford, Communications and Outreach Director
Re: F-1 Regulatory Reform Recommendations and Outline

Background

Over the past year, the Commission has examined how to make personal financial affairs (F-1) disclosure more meaningful, with a significant portion of that work focused on regulatory reform. The agency conducted outreach among F-1 filers and the general public to identify areas where the current reporting requirements pose needless hurdles for filers or don't provide the information needed to assess conflicts of interest.

A June survey that drew 1,400 responses gave the PDC some insights into where there might be opportunities to streamline and improve F-1 disclosure. From those results and other outreach to interested parties, staff recommended several possible changes to reporting requirements to keep F-1 disclosure relevant. After discussion of those recommendations in July, the Commission asked staff to do further outreach and analysis, where needed, and to return in September with an outline of possible regulatory reforms.

Results of additional outreach

Last month, staff surveyed 225 respondents who had previously identified themselves as interested in discussions of improvements in F-1 reporting. We received responses from approximately 100 of those stakeholders, 94 percent of whom reported having filed a F-1.

The results generally favored the reform approaches last discussed with the Commission. They showed:

- Strong support for changing the asset value reporting requirement, with 81 percent saying they agreed or strongly agreed that end-of-year values are a sufficient measure.
- A majority of respondents said there are no privacy concerns with the collection of additional details about employment, but others expressed identify theft concerns.

- Support for expanding disclosure about lobbying connections and business interests. Seventy-four percent said F-1 filers should disclose when they are related or affiliated with a lobbyist, and 52 percent said filers should provide more information about their businesses.
- A preference for exempting client names protected by professional rules of conduct on a case-by-case basis (as opposed to categorical exceptions).

In written comments, some respondents provided additional suggestions for consideration:

- Exempt some retirement assets. (Suggestions included spousal retirement assets that aren't currently producing joint income, the value of pension accounts and the details of a self-managed retirement portfolio.)
 - Discussion: Retirement assets, especially those that are self-managed or are public pensions, can be sources of potential conflicts of interest. Additionally, making only certain spousal assets non-reportable could sow confusion for filers and the public. Staff is not recommending changes in this area.
- Eliminate reporting of mortgage and personal asset debts.
 - Discussion: The Commission might want to gather further input about the public interest in this information. WAC 390-24-110 already provides some additional definition for reportable debt and could be a vehicle for further refinement.
- Raise asset reporting thresholds
 - Discussion: The Commission can adjust monetary thresholds for inflation. Larger adjustments would require statutory changes. Of the current thresholds, the \$2,400 threshold for stocks, bonds and other investments seems to cause the most concern.

Outline of recommended regulatory reforms

- A. **Redraft for ease of understanding:** The structure and much of the text of RCW 42.17A.710 is original to the 1972 citizen initiative. Staff recommends the Commission propose a revision that clarifies and simplifies this section. This will complement the approach taken by the new F-1 application by making the requirements more accessible to the average filer and the public.
- B. **Clarify reporting requirements:** Filers over- or under-report based on a lack of understanding and instruction about the requirements. The new F-1 application will offer a one-stop resource in which filers are led through disclosure and provided on-the-spot resources to answer questions about what the requirements mean. Additionally, the Commission could choose to clarify through legislative means specific issues of concern and/or confusion such as minor children's names and reporting of nonprofit directorships.
- C. **Remove unnecessarily burdensome statutory requirements:** Outreach indicates that some statutory requirements present hurdles for the regulated community and are of little value to the public. The statutory requirements most often mentioned are:

- a. Addresses of publicly traded stocks. Staff believes that accurate identification of assets could be achieved instead with stock ticker symbol.
- b. High value of assets during the reporting period. Staff believes, based on stakeholder input, that disclosure of the year-end value would be an adequate measure of financial interest.

There may be other areas – such as the monetary thresholds previously discussed – where reporting could be eased without loss to the public’s understanding of potential conflicts of interest.

- D. **Provide better information about business interests and lobbying affiliations:** Stakeholders report these areas have fewer privacy concerns and higher public interest. The additional outreach work we did in August also indicated that there is support for expanding disclosure in these areas. Improvement here can take two tracks:
 - a. Additional reporting requirements. Staff recommends the Commission propose disclosure of lobbyists associated with a filer’s offices held, business interests and place of employment, and disclosure of the type and size of businesses with an ownership interest.
 - b. Changes in how information is collected. The ongoing development of a new F-1 electronic filing application provides opportunities for data standardization that will help make the information collected to meet existing requirements more useful and reliable.
- E. **Align reporting periods:** RCW 42.17A.700 requires a longer reporting period for elected officials who don’t file their F-1 until after they become a candidate. This creates inconsistent reporting. Staff recommends standardizing reporting to allow elected officials to file for the preceding calendar year at any time before April 15. The commission may decide to propose preservation of a longer reporting period for late filers.
- F. **Continue to make the reporting modification process a viable avenue to address manifestly unreasonable hardship for individual filers:** Staff recommends the Commission, in addition to its ongoing process improvement work for reporting modifications and implementation of new statutory authority, it also address exemptions for confidential and privileged relationships through rulemaking.

Recommendation for next steps

Staff plans to prepare agency-request legislation for presentation to the Commission in October. Given the authority provided to the Commission in RCW 42.17A.710(1)(n) to determine what information is necessary to meet the purposes of financial affairs disclosure as defined by the chapter, staff recommends legislation focus on clarity and establishing minimum requirements for financial affairs disclosures. The rulemaking the Commission anticipates doing next year could provide more specificity, as well as incorporate any additional insights gleaned from the process to build a F-1 filing application.