



ANNUAL REPORT WASHINGTON STATE PUBLIC DISCLOSURE COMMISSION

FY 2017

MESSAGE FROM CHAIR

The Public Disclosure Commission was established as an independent state agency in 1972 when Washington voters gave their overwhelming support to Initiative 276, which made it the policy of the state that “political campaign and lobbying contributions and expenditures be fully disclosed to the public and that secrecy is to be avoided.” The initiative, which created one of the nation’s earliest and strongest sunshine laws, says it clearly: “The people have the right to expect from their elected representatives at all levels of government the utmost of integrity, honesty, and fairness in their dealings.”

Four and a half decades later, the PDC’s mission of helping to ensure the fairness and integrity of the political process is more important than ever.

Despite limited resources and a sharp increase in complaints filed, 2017 was a time of progress and transition for the agency, as the PDC made significant advances on several fronts.



HIGHLIGHTS

The PDC is committed to providing the public timely access to meaningful information about the financing of political campaigns, lobbying expenses, and the financial affairs of public officials and candidates. We’ve implemented a case tracking system that makes it easy for the public, media and the parties involved in enforcement actions to view online the status of all complaints and investigations. And we worked with stakeholders to develop new ways to provide easy and open access to data from the PDC’s database. Our open data program is now providing more than 5 million records that are updated every 24 hours. Our goal is to make it easy for infrequent users who want information about a particular race or candidate, while at the same time providing sophisticated tools for researchers, media and others to do more in-depth analysis.

We’re also building on the website and filer application enhancements we made last year. All filers should be able to file any report online and in a format that is easy to use. We’ll provide YouTube videos with each online filing app that will help filers when they get stuck or have questions about what state law requires them to report. And in 2018, we also hope to begin the process of overhauling the campaign software system (“ORCA”) to bring it up to date to meet users’ expectations for modern technology.

After having nearly eliminated the investigation backlog through our process improvements and the alternative resolution approaches we adopted in 2016, this year we saw a steep increase in cases. In 2008, the PDC opened approximately 100 cases. In 2017, we opened nearly 800. This primarily reflected a new practice of some complainants to comb through online filings to spot reports that did not provide all the information required by state law. In some instances, the errors made were significant. In others, the errors were minor and technical in nature. But the PDC could not effectively triage and use rapid resolution alternatives as appropriate because current statutory language has been interpreted to require action by the Attorney General to conclusively resolve these types of complaints. We are working with the Legislature to get that changed.

There are 10,000-11,000 filers each year who file between 80,000-100,000 required reports. The agency has two investigators, two staff for intake, two staff for data entry and two staff to assist filers. To accomplish our goal of effective and prompt enforcement of campaign finance laws, we’ve requested funding for additional investigators. We’ve also requested funding to have additional filer support and training staff -

MESSAGE FROM CHAIR

enabling the PDC to provide filers with greater assistance. Our goal is to move toward a model where we can offer filers more help in understanding the law and an immediate opportunity to correct errors prior to a formal complaint process being initiated, while still providing timely disclosure to the public.

Despite the significant increase in case filings, the enforcement team resolved more than 300 cases in Fiscal Year 2017. That team's previous work led to a \$2.1 million lawsuit against initiative sponsor Tim Eyman and his for-profit company. The Commission recommended the Attorney General's Office take action after the staff investigation showed apparent misconduct that included concealing the personal use of contributions. That case is pending.

LOOKING AHEAD

During the 2018 legislative session we'll be working with the Governor and Legislature to:

- Improve technology, customer support and enforcement, and to make sure any new laws passed come with staff capacity to implement them effectively.
- Streamline the F-1 reporting modification request process for filers by allowing modifications for the term of office rather than having to renew the request annually, where there is no material change, and allowing modification requests to be heard by a single Commissioner instead of the full Commission, so requests can be addressed quickly.
- Address the 45-day Citizen Action complaint process so that the independent authority of the PDC is retained and so the PDC can prioritize complaints and investigations based on impact to the public, using alternative approaches for quick resolution, when traditional complaint and investigation processes aren't warranted.
- Update requirements of the campaign finance law that have created unnecessary barriers to effective enforcement. Ultimately, we'd like the Legislature to work with us on a broad review of our state's campaign finance law, to simplify and streamline it wherever possible, while still ensuring it fully lives up to the public expectation of full, robust and timely disclosure.

After the session concludes, we will embark on another series of rule-makings to provide guidance on a range of issues. Topics we hope to address by rule or other guidance, in addition to those resulting from new legislation, include clarifying when committees must start reporting for ballot measure campaigns, reviewing language used on ballot measure petitions, and considering use of public funds to conduct polls about ballot propositions. We'll explain how candidates should document and report reimbursement for lost wages. We'll update requirements regarding inspections of campaign records, including social media expenditures. And we'll review segregation of expenditures between primary and general election campaigns. As members of the public or the regulated community make suggestions or highlight areas of the law they find especially challenging, we'll add more rule-makings, training, and other ways to help.

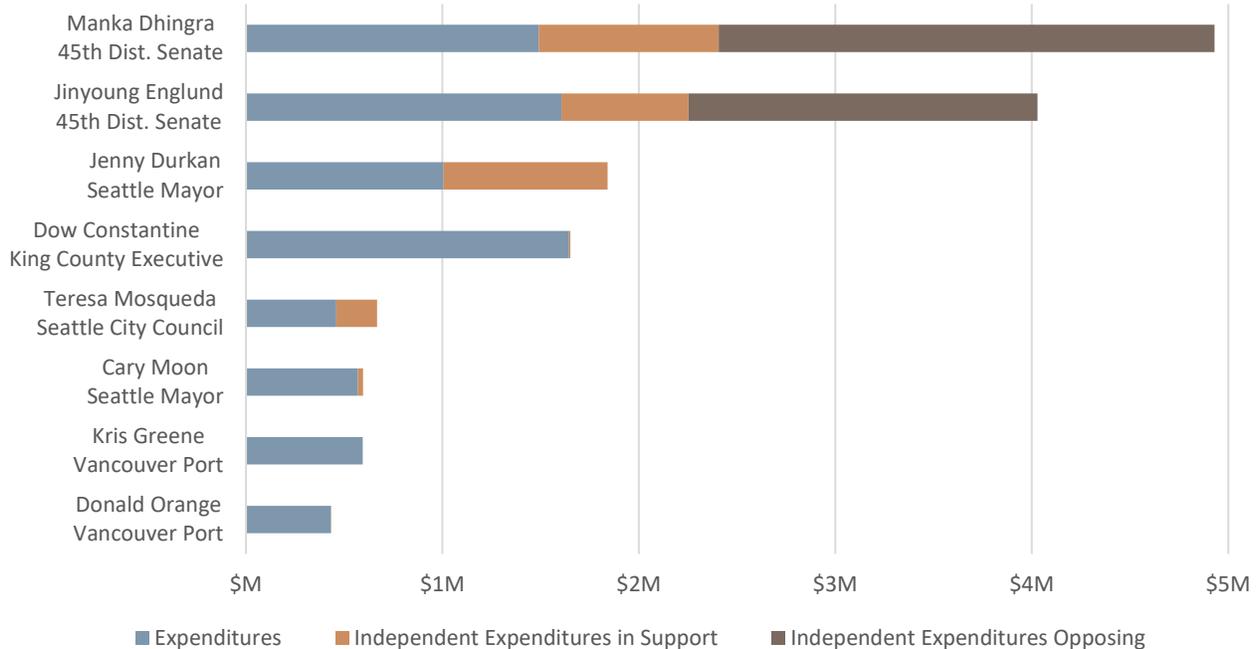
Anne Levinson

Public Disclosure Commission Chair

January 25, 2018

TRACKING MONEY IN POLITICS

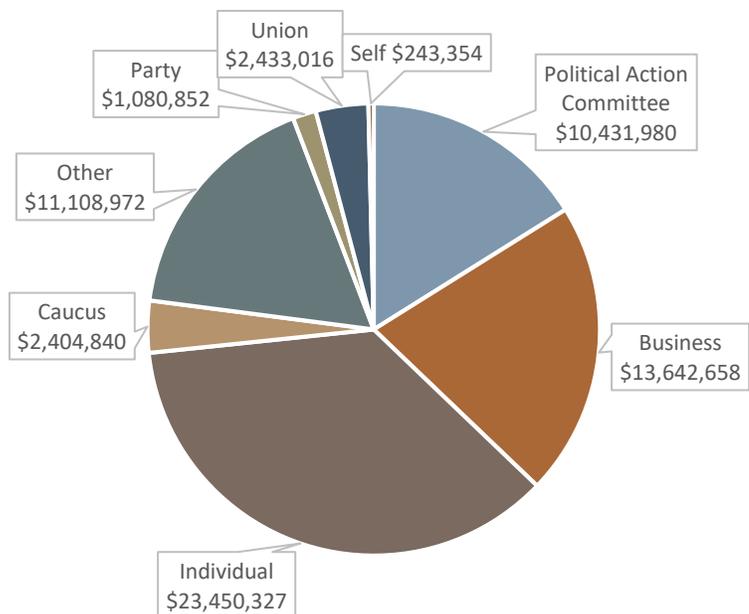
2017 Candidate Campaign Spending



The Public Disclosure Commission has tracked more than **\$1 billion** in contributions to candidates and political committees, and nearly **\$615 million** in spending on state lobbying since 2007.

During the 2017 election cycle, campaigns reported more than **\$64 million** in contributions, with individuals being the largest type of contributor. High profile races for state Senate, Seattle mayor and City Council, and the Port of Vancouver commission were among the contests that led campaign spending.

2017 Contributions by Contributor Type



TRACKING MONEY IN POLITICS

New state record

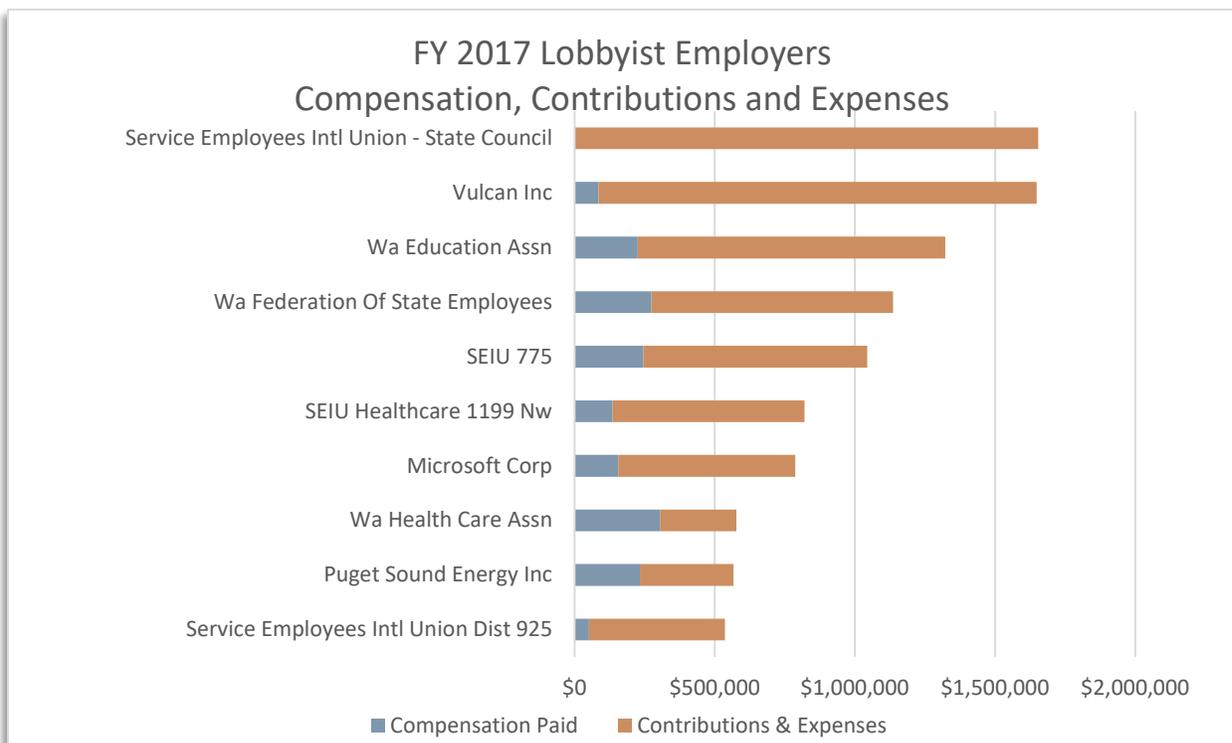
Candidate spending in the 45th Legislative District race in a 2017 special election set a record for a state legislative race.

Expenditures by Democrat Manka Dhingra and Republican Jinyoung Lee Englund together totaled more than **\$3 million**. Dhingra's win transferred control of the state Senate from a GOP-led coalition to the Democrats.

The prior campaign spending record for a legislative race also was set in the 45th District in 2014, when the late Sen. Andy Hill, R-Redmond, and Democratic challenger Matt Isenhower together spent \$1.49 million.

LOBBYING EXPENSES

Organizations that employed lobbyists to influence state legislation and rule-making reported spending more than **\$69 million** on compensation, political contributions and other expenses in FY17. Employers who spent the most on lobbying in FY17 included unions and prominent Washington state businesses.



PROVIDING EXPERT GUIDANCE

CUSTOMER SERVICE BY THE NUMBERS

The Public Disclosure Commission's customer service and filer assistance staff answers questions and requests for assistance from candidates, political committees, lobbyists and the public at large. The staff manage these requests through a helpdesk system that tracks response timeliness and customer feedback.

Helpdesk requests answered in FY 2017

7,500



Average first response time



4h 31m

Simple requests



9h 36m

Complex requests

Customer satisfaction

90 percent of survey



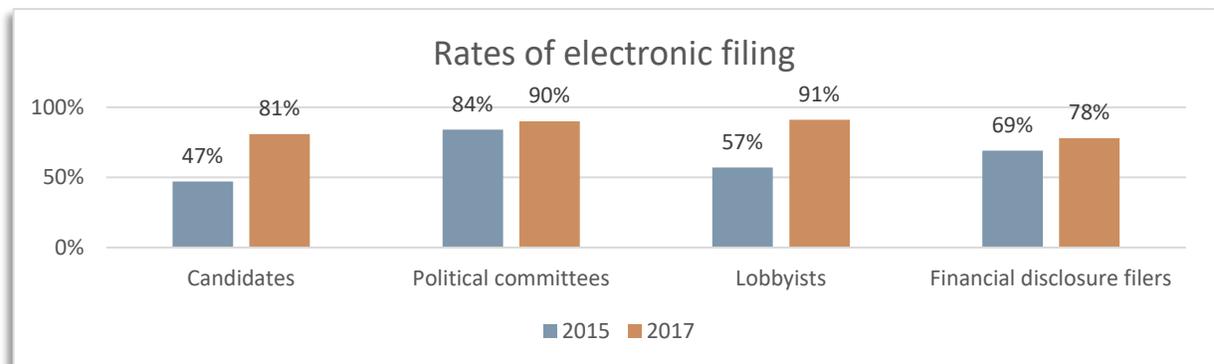
respondents rated their service "awesome"

TRAINING

The PDC offered 21 in-person training sessions in Fiscal Year 2017. These sessions ranged from short overviews for new candidates to more in-depth tutorials on electronic filing systems and reporting compliance. In all, 475 filers attended an in-person training. The PDC also partnered with TVW to produce videos of its most popular trainings that have been viewed nearly 1,000 times in just four months.

ELECTRONIC FILING

PDC assistance to campaigns, coupled with improvements in filer applications, continue to help drive higher rates of electronic reporting, which enables the PDC to make data available faster and in greater detail.



EMPOWERING THE PUBLIC

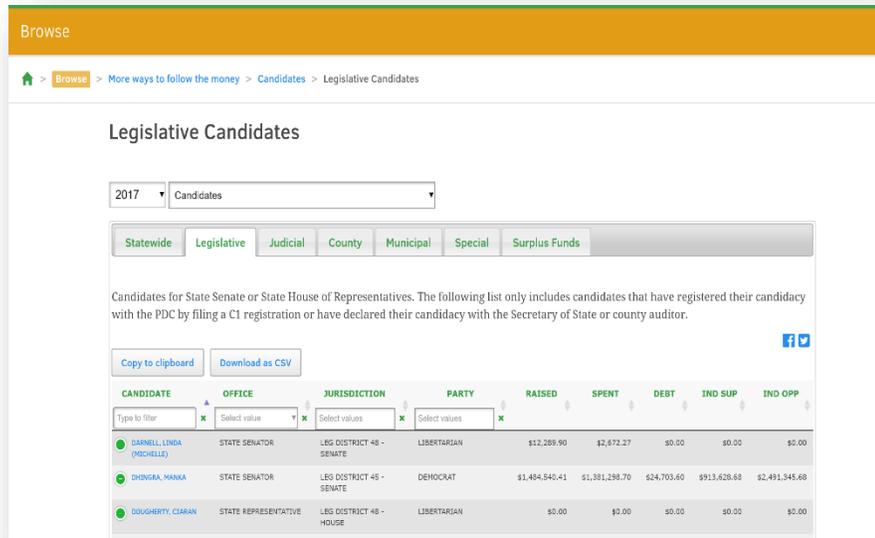
NEXT GENERATION DATA ACCESS PROJECT

The Public Disclosure Commission completed a year-long project to overhaul how the PDC delivers information about campaigns and lobbyists to the public.

The project delivered a more intuitive and functional replacement of the website's database

search, a new Campaign Explorer tool to help users navigate the races, and the ability for website visitors to narrow results based on their home address. All of the new features draw from datasets created and maintained as part of the agency's Open Data initiative, which has made more than **5 million** records available to the public in a way that allows deep searching and analytics.

In all, the changes represent the biggest improvement to the agency's data access systems since 2008. The work included participation from the regulated community, members of the public, and technical experts. Done in-house and on budget, it has drawn national attention.



WEBSITE TRAFFIC

The website is the PDC's primary vehicle for informing the public and providing meaningful disclosure. Visits peak in the fall when voters are searching for information about the candidates and ballot measures on their ballots, especially during even-year elections when statewide and legislative races are decided. Campaigns that expect to spend more than \$5,000 are required to report electronically, and most campaign finance information is available to the public online within 24 hours of filing.

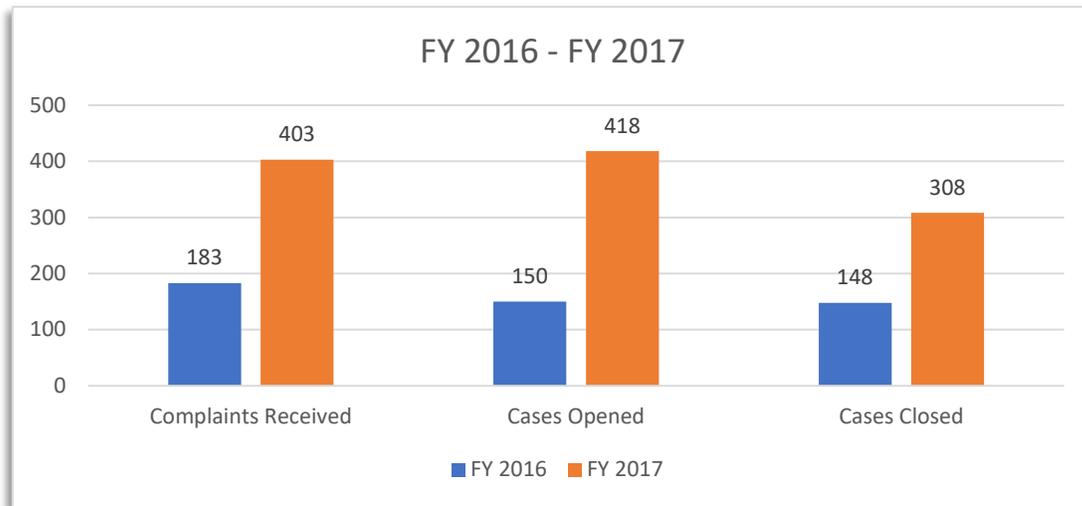
In Fiscal Year 2017, the PDC website had **3.1 million** page views, compared to 1.7 million in FY 16.



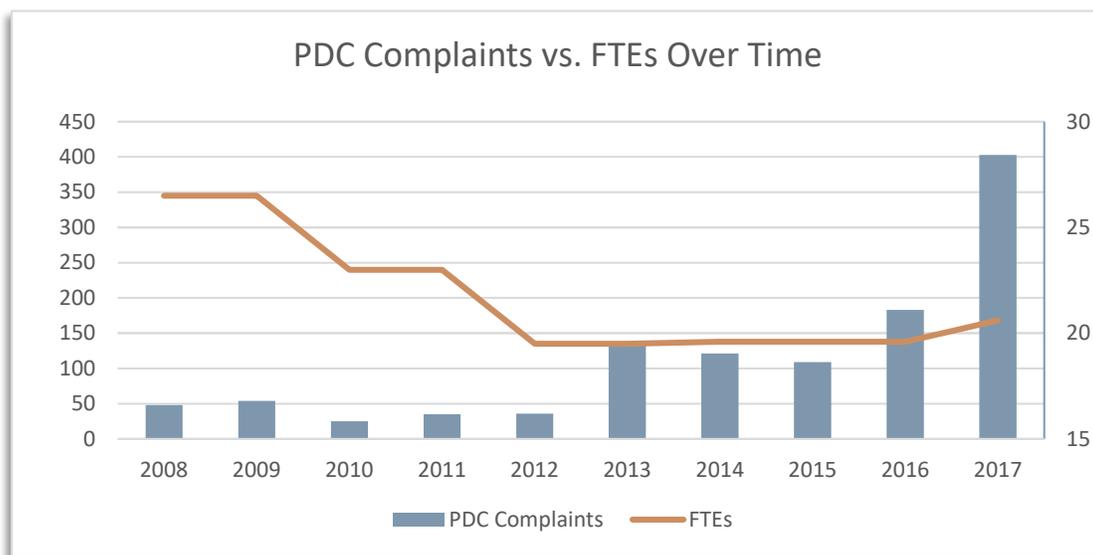
ENSURING COMPLIANCE

GROWTH OF COMPLIANCE COMPLAINTS

The PDC experienced a 120% increase in the number of complaints received and a 179% increase in the number of cases opened during Fiscal Year 2017 compared to Fiscal Year 2016. (A single complaint can generate multiple cases depending on the number of respondents and the complexity of the charges.) While PDC staff also closed significantly more cases in FY 2017, the increase in incoming complaints did take its toll by increasing overall case resolution times. The agency expects delays to grow as caseload in the first half of Fiscal Year 2018 outpaced even FY 17's growth.



The year saw a growing practice of complainants filing identical complaints simultaneously with PDC and the Attorney General's Office. State law (RCW 42.17A.765) permits members of the public to file what are known as 45-day Citizen Action notices directly with the Attorney General's Office, and that office has 45 days in which to review the matter and decide whether to commence a legal action. In the meantime, PDC staff must continue to do at least initial processing of the twin complaint.



ENSURING COMPLIANCE

ONGOING CAMPAIGN FINANCE LITIGATION AND SIGNIFICANT DECISIONS

❖ Grocery Manufacturers Association

A state lawsuit stemming from a PDC investigative review and Commission recommendation produced a record-breaking \$18 million judgment in 2016 against the Grocery Manufacturers Association for intentionally violating Washington campaign finance laws in opposing Initiative 522, which would have required labeling of genetically modified organisms, or GMOs, in food sold to consumers.

❖ Food Democracy Action!

In November 2016, a Thurston County judge ordered Food Democracy Action! to pay \$319,281 for concealing the source of contributions in support of Initiative 522. The organization belatedly registered a political committee and reported the contributions after the 2013 election. A PDC investigative review found that the contributions were reported as late as 109 days, prompting the Commission to recommend the Attorney General take action.

❖ Tim Eyman and Citizen Solutions

A PDC staff investigation and Commission recommendation led to the state's 2017 lawsuit against Tim Eyman alleging improper personal use of \$308,000 in contributions made to political committees, concealment of contributions totaling \$490,185 and misleading reporting. The lawsuit also accuses for-profit signature gathering firm Citizen Solutions of participating in a scheme to conceal campaign money the company funneled to Eyman.

❖ Freedom Foundation

The PDC recommended the state take legal action against Freedom Foundation, leading to a 2016 lawsuit alleging the Foundation failed to timely and properly file reports of expenditures made in opposition to statewide propositions including Initiative 1501.

❖ Grant County Concerned Voters

Following a staff investigation, the PDC recommended the state take legal action against former Grant County Superior Court judge Jerry Moberg and Moses Lake business owner Ken Greene. The 2017 lawsuit alleges Moberg and Greene intentionally concealed the fact they were behind a political mailer attacking a candidate in the 2014 Grant County prosecutor election.

❖ Jared Karstetter

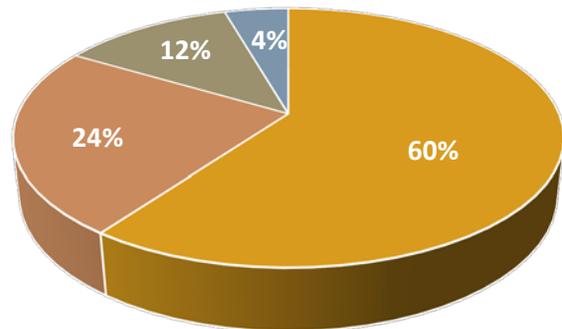
The state, acting on a PDC recommendation, filed suit against Jared Karstetter, an attorney who formerly represented the King County Corrections Guild and King County Court Protection Guild, for allegedly concealing the true source of at least \$16,170 in campaign contributions to various candidates and one political committee.

BUILDING AGILE, RESPONSIVE ORGANIZATION

The Public Disclosure Commission’s 19 staff members serve the public, campaigns, lobbyists and the media through three groups: Filer Assistance and Customer Service; Compliance and Enforcement; and Information Technology. A five-member Commission appointed by the Governor, with no more than three Commissioners from the same party, 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, determining the appropriate penalty.

In the spring, the Commission appointed a new leadership team. Peter Lavallee was named as the new Executive Director, BG Sandahl as the Deputy Director, and Kim Bradford as the Communications and Outreach Director, joining the agency’s Chief Technology Officer, James Gutholm. As soon as the new team was aboard, the Commission and staff embarked on a series of process improvement initiatives throughout the agency, work which will continue in 2018.

FY17 Employees



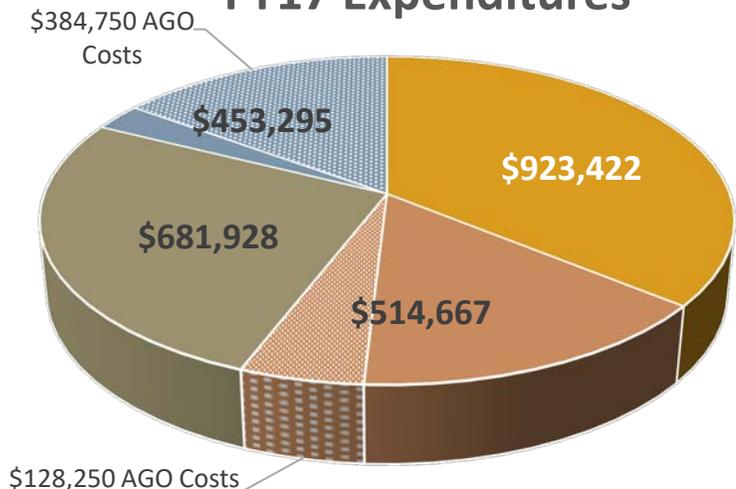
■ ACCESS ■ ENFORCEMENT ■ OPERATIONS ■ POLICY

SPENDING BY SERVICE AREA

The majority of the Public Disclosure Commission’s \$2.5 million in Fiscal Year 2017 expenditures were salaries and benefits, which totaled \$1.5 million for 19 full-time equivalent employees. 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 35 percent dedicated to that effort. Expenditures in the policy and enforcement areas included reimbursements for Attorney General’s Office (AGO) costs. AGO expenses totaled \$513,000 in FY17, roughly one-third of the PDC’s spending.

FY17 Expenditures



■ ACCESS ■ ENFORCEMENT ■ OPERATIONS ■ POLICY

AGENCY LEADERSHIP

Anne Levinson
Commission Chair



Jack Johnson
Commission Vice Chair



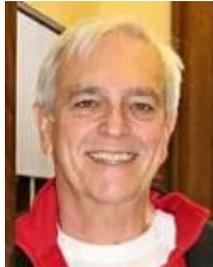
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