



**State of Washington
PUBLIC DISCLOSURE COMMISSION**

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MINUTES –REGULAR MEETING

Evergreen Plaza Bldg. Room 206
711 Capitol Way South
Olympia, Washington

9:30 a.m.
June 26, 2014

COMMISSION MEMBERS PRESENT

Amit Ranade, Chair
Grant Degginger, Vice Chair
Katrina Asay, Member

STAFF PRESENT

Andrea McNamara Doyle, Executive Director
Callie Castillo, Assistant Attorney General
Lori Anderson, Communications & Training Officer
Chip Beatty, Filer Specialist
Phil Stutzman, Director of Compliance
James Gutholm, Chief Information Officer
Nancy Coverdell, Executive Assistant

The regular meeting of the Public Disclosure Commission was called to order by Commission Chair Amit Ranade at 9:30 a.m. in the Evergreen Plaza Building, Room 206 Olympia, Washington.

Opening Comments

Commissioner Ranade called the meeting to order.

Citizens Comments/Concerns

No comments or concerns were expressed.

Commissioner Comments/Concerns

No comments or concerns were expressed.

Minutes

Motion 14-103

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission adopt the minutes of May 22, 2014.

The motion passed unanimously.

Rule Making

1. Lobbying expenditure thresholds, inflationary adjustments

Public hearing and possible adoption of:

- Amendment to WAC 390-20-0101 Forms for lobbyist registration
- Amendment to WAC 390-20-020 Forms for lobbyist report of expenditures
- Amendment to WAC 390-20-052 Application of RCW 42.17A.635 -

A public hearing was held to consider proposed amendments and new rule that will affect lobbying threshold disclosure.

No public present or signed-up to speak.

Lori Anderson reviewed the proposed amendments to WAC 390-20-0101, 390-20-020, 390-20-052, WAC 390-20-111, WAC 390-20-120, WAC 390-20-125, WAC 390-20-143, WAC 390-20-144 and language for New WAC 390-20-150 changes in dollar amounts.

- Reports of agency lobbying
- Amendment to WAC 390-20-111
Forms for lobbyist employers report of political contributions
- Amendment to WAC 390-20-120
Forms for report of legislative activity by public agencies
- Amendment to WAC 390-20-125
Forms for registration and reporting by sponsors of grass roots lobbying campaigns
- Amendment to WAC 390-20-143
Application of lobbying provisions to organizations
- Amendment to WAC 390-20-144
Registration and reporting by lobbyist organizations
- New WAC 390-20-150 changes in dollar amounts

New WAC 390-20-150 summarizes the proposed inflationary changes to the \$500 threshold that affects the lobbyist registration, raising it to \$1,450. Other thresholds proposed for inflationary amendments are the casual lobbying threshold currently at \$25 to be amended to \$35; the trigger for itemizing entertainment expenditures currently \$25 to be amended to \$50; contributions disclosed by lobbyist employers on a monthly report currently \$100 or more to be amended to \$110; the non-public funds spent on gifts provided by public agencies currently \$15 or more spent during a three month period to be changed to \$95, and the grassroots lobbying reporting thresholds for campaigns that spend \$500 in a month or \$1,000 over three consecutive months to be changed to \$700 and \$1,400.

Staff requested the Commission adopt the proposed amendments to WACs 390-20-0101, 390-20-020, 390-20-052, 390-20-111, 390-20-120, 390-20-125, 390-20-143, 390-20-144, and new rule WAC 390-20-150.

Motion 14-104

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission adopt new rule WAC 390-20-150 as presented.

The motion passed unanimously.

Motion 14-105

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission adopt amendments to WACs 390-20-0101, 390-20-143, 390-20-020, 390-20-144, 390-20-111, 390-20-052, 390-20-120, and 390-20-125, as presented.

The motion passed unanimously.

2. Reporting Modifications, Personal Financial Affairs Statements

Public hearing and possible adoption of:

- Amendment to WAC 390-28-100
Reporting modifications-Possible qualifications-Statement of Financial Affairs

Ms. Anderson continued the rulemaking discussion with the proposed amendment to WAC 390-28-100. This rule sets out the standards for consideration of reporting modifications. The amendment would add to the rule the interpretations the Commission adopted in 2002 that explained how the reporting modification requests filed by lawyers, law firms, judges, judicial candidates, motor vehicle dealers, and applicants whose spouse has a disclosure

obligation would be treated.

Staff requested the Commission adopt the proposed amendments to WAC 390-28-100 as presented.

The Commissioner Degginger requested that the word “when” be changed and amended to “if” in section (e)(iv) *Applicants whose spouse or registered domestic partner creates a reporting obligation for the applicant...* in the rule. This is a grammatical change and not substantive.

Motion 14-106

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission adopt amendments to WACs 390-28-100 as presented and modified by discussion.

The motion passed unanimously.

Reporting Modifications – New

Chip Beatty presented several reporting modification requests to the Commission for consideration and possible approval.

Participants via telephone were Senator Pedersen and Commissioner Lora Petso. No other requestors participated in person or by telephone.

- Jamie Pedersen, State Senator, 43rd Legislative District

Senator Pedersen requested a reporting modification that would exempt him from disclosing the business and other governmental customers, other than state agencies, that paid \$10,000 or more during 2013 to McKinstry Company, LLC, and McKinstry Essention, LLC. Mr. Pedersen serves as Vice President and General Counsel for both entities.

Senator Pederson responded to questions from the Commission concerning governmental customers of the firms.

Motion 14-107

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

- Kaj Ahlburg, Candidate, Clallam County Charter Review Commissioner

Mr. Beatty presented Mr. Ahlburg's request and recommended approval of a reporting modification that would exempt him from disclosing the business customers that paid \$10,000 or more during the previous 12 months to Fritz Denninger GmbH & Co.

Motion 14-108

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

- Wendy Davis, Candidate, Jefferson County Sheriff

Mr. Beatty presented Ms. Davis's request and recommended approval of a reporting modification that would exempt her from disclosing her residential property address information, including street address, parcel number, or legal description, on her Personal Financial Affairs Statement for the previous 12 months.

Motion 14-109

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

- William Fleck, Candidate, Clallam County Charter Review Commissioner

Mr. Beatty presented Mr. Fleck's request and recommended approval of a reporting modification that would exempt him from disclosing the business customers that paid \$10,000 or more during the previous 12 months to Green Crow Corporation (GCC) and Green Crow Timber (GCT).

Motion 14-110

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

- Kevin Ranker, State Senator, 40th Legislative District

The motion passed unanimously.

Mr. Beatty presented Senator Ranker's request and recommended a reporting modification that would exempt him from disclosing the business customers that paid \$10,000 or more during 2013 to Coast Consulting.

Motion 14-111

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

- Lora Petso, Commissioner, Olympic View Water District 1

Ms. Petso participated via telephone; she requested a reporting modification that would exempt her from disclosing her spouse's name and financial information regarding her mortgage holder and financial institutions, pertaining to herself and her spouse on her Personal Financial Affairs Statement for calendar year 2013. She is also requesting a reporting modification that would retroactively exempt her from disclosing her spouse's name and financial information regarding her mortgage holder and financial institutions, pertaining to herself and her spouse on her Personal Financial Affairs Statement for calendar years 1997 to 2012.

Motion 14-112

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification in part, exempting disclosure of her mortgage and financial institution information but not the name of her spouse, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

Reporting Modifications – With Change

- Francois Forgette, Member, Washington State University

Mr. Beatty presented Mr. Forgette's request and recommended renewal of the reporting modification that would exempt him from disclosing the business customers that paid \$10,000 or more during 2013 to Rettig Osborne Forgette, LLP, with one change to remove the request related to TRIDEC.

Motion 14-113

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modification as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicant and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

Reporting Modifications – With No Change

- Laura C. Inveen, Superior Court Judge, King County
- Christine Schaller, Superior Court Judge, Thurston County

Commissioner Ranade stated that Commissioner Degginger's reporting modification renewal request will be postponed until there is a quorum available to review the request.

Motion 14-114

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission grant the partial reporting modifications as requested, finding that literal application would cause a manifestly unreasonable hardship on the applicants and that a limited modification would not frustrate the purposes of the act.

The motion passed unanimously.

Training – Open Public Meeting

In response to the new Open Government Act that will be in effect next week, which sets new public records and open meeting training requirements, the Commission participated in training by viewing a video regarding open public meetings act for the general public and public agencies.

Staff Reports

Executive Director

Andrea McNamara Doyle announced that Nancy Coverdell, Executive Assistant, has accepted a position with another state agency and that June 26, 2014 will be her last day. Jana Greer,

Communications Consultant, prior PDC Executive Assistant, will step-in as Acting Executive Assistant at this time.

Ms. Doyle discussed the upcoming biennial state budget development process for state agencies. The Office of Financial Management has issued instructions for agencies to begin work on budget scenarios that involve potential additional reductions of 15%.

Chief Information Officer

James Gutholm highlighted projects the Information Technology Division has been working on over the past weeks.

He updated the Commission on the recent purchases of equipment, hardware, and software for the agency.

He stated that a third party has been enlisted to perform a technology assessment for the PDC. The assessment will provide us with a baseline of the strengths and weaknesses as well as opportunities and recommendations going forward.

Mr. Gutholm complimented the IT team for its great efforts in bringing him onboard as the new Chief Information Officer.

Communications and Outreach Officer

Lori Anderson shared that staff have been working on the annual report that will be presented to the Commission once complete.

Outreach to media contacts was made to remind them of the tools that the PDC has for them to use as the campaigns ramp up thorough the election cycle.

In addition to its regular duties, outreach staff continues to prepare reporting modifications and has participated in agency records management.

Enforcement

1. *Yes on I-522 Committee*, Case No. 14-011 (45-day Citizen Action Complaint) involving alleged violations of RCW 42.17A.235 and .240 by failing to timely disclose in-kind contributions received from supporters of I-522.

Commissioner Ranade stated that the Commission has received a proposed Stipulation as to Facts, Violation and Penalty.

Callie Castillo, Assistant Attorney general, on behalf of the PDC Staff, presented the Stipulation as to Facts, Violation and Penalty in PDC Case 14-011 to the Commission.

She summarized the charges and facts of the case

for the Commission.

She stated that the parties agree that the I-522 Committee committed multiple violations of RCW 42.17A.235 and RCW 42.14A.240. The parties agreed to a civil penalty of \$4,000, and the Committee affirmed its intention to comply with the public disclosure laws in the future.

Staff recommends that the Commission adopt the Stipulation as presented.

Jim Frush, Counsel for I-522 Committee, and Phil Lloyd, Treasurer of the I-522 Committee, were present and addressed the Commission in support of the proposed stipulation.

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission accept the Stipulation as to Facts, Violation, and Penalty as presented and recommend that the Attorney General take no further action in this matter.

The motion passed unanimously.

2. *Jennifer Walther*, Spokane School District No. 81 (Spokane Public Schools) Case No. 14-053 involving alleged violations of RCW 42.17.130 (recodified January 1, 2012 as RCW 42.17A.555) by using or authorizing the use of school district facilities, including her email account, to promote a school district ballot proposition in 2009, and to assist the 2011 campaign of a candidate for school director. Ms. Walther has stipulated to a violation and a \$500 penalty with \$300 suspended.

Callie Castillo, Assistant Attorney general, on behalf of the PDC Staff, presented a Stipulation as to Facts, Violation and Penalty in PDC Case 14-053 to the Commission. Ms. Castillo summarized the charges and facts of the case for the Commission.

She stated that the parties agree that Ms. Walther violated RCW 42.17.130, and that a civil penalty of \$500 should be imposed with \$300 suspended based on the condition that there are no violations over the next 4-years and the suspended portion is paid within 30-days.

Ms. Walther did not appear.

Staff recommends that the Commission accept the Stipulation as to Facts, Violation, and Penalty.

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission accept the Stipulation as to Facts, Violation, and Penalty as presented.

The motion passed unanimously.

Motion 14-116

Staff Reports - continued

Director of Compliance

Phil Stutzman updated the Commission on the status of complaints, investigations, and dismissals.

F-1 filer notices and warning letters have been sent out and staff will continue its efforts to encourage voluntary compliance. Individuals not responding to the warning letters and notices will be taken to hearing.

Election of Officers

Commissioner Asay nominated, seconded by Commissioner Ranade that:

Commissioner Degginger serve as Chair for fiscal year 2015.

Commissioner Ranade nominated, seconded by Commissioner Degginger that:

Commissioner Asay serve as Vice Chair for fiscal year 2015.

Both Commissioner Degginger and Commissioner Asay accepted the nominations.

Executive Session/Working Lunch

The Commission went into executive session at 11:40 p.m. to discuss pending and potential litigation with legal counsel.

The Commission returned to public session at 1:00 p.m.

Work Session – Personal Financial Affairs Statements (F-1) Review

- Panel Presentations
- Additional Stakeholder Comments
- Discussion of Options re:
 - Dollar Threshold for Reporting Investments
 - Dollar Code Ranges for Reporting Value of Income, assets, debt, etc.
 - On-line Disclosure
 - Professional Staff

The Commission reviewed the recommendations and stakeholder comments received to date regarding the strategic plan action items related to the personal financial affairs statement (F-1).

Lori Anderson stated that this is a continuing discussion for the Commission that is regarding part of the agency strategic plan, the review of F-1 requirements and to adapt the Commissions way of delivering information to the public keeping with the technological advances.

She reviewed the outreach made to Stakeholders and their responses. Concerns and objections fell into the following categories:

- Internet security
- Identity theft

- Personal safety
- Protecting business clients

Individuals with expertise in these categories were invited to address the Commission:

Doug Selix, Washington State Risk Management

Shannon Smith, Sr. Asst. Attorney General

Detective Noahr, Washington State Patrol

Lieutenant Ashley, Washington State Patrol

Additional representatives from various stakeholder groups whose members file F-1 reports were invited to attend the work session and provide comments to the Commission:

Debbie Adelstein, Washington State Whatcom County Auditor, representing Washington Association of County Officials;

Adam Hall and Tim Sekerak, legislative staff members;

Blair Burroughs, Executive Director of Washington Association of Water and Sewer Districts;

Judge Scott Ahlf, Olympia Municipal Court;

Judge Brett Buckley, Thurston County District Court;

Mr. Bloom, West Richland City Council Member participated via telephone;

Ben Lindekugel, Executive Director of Association of Washington Public Hospital Districts; and

Roger Ferris, Executive Director of Washington Fire Commissioners Association.

Ms. Anderson discussed issues from her staff memo and stated that the workgroup rejected having an abbreviated filing option for certain local officials. Instead, it was suggested that the trigger of voters in a jurisdiction be raised to 2500 and to add a second trigger to capture those that serve in small jurisdictions; however, Staff recommends no change be made at this time.

Ms. Anderson continued the discussion regarding professional staff and whether F-1 filings should be placed online.

PDC Staff suggested that the Commission may

want to consider the feasibility of a different filing requirement for legislative professional staff.

Staff does not have a specific recommendation regarding on-line posting of F-1's at this time, but wanted the Commission to have as much information available in the event they wanted to proceed. To that end, Staff provided a checklist of questions and examples of possible ways the F-1 reports could be requested or accessed from the Commission's website.

The Commission discussed the highlighted issues and Staff recommendations.

Commissioner Degginger noted that the most challenging issue with on-line posting involves residential addresses and financial institution information, and he believes more discussion is needed about identifying spouses' information on-line.

Commissioner Asay agreed and noted that she wants to proceed with caution. She stated that a compromise to put some but not all F-1 information on-line may be the best option.

Commissioner Ranade noted that, for him, the harder issues to resolve are whether the Commission should include the name(s) of the filer's minor children and financial institutions on-line. He suggested that perhaps requestors should have to register to obtain on-line access to F-1 reports.

Rulemaking - Continued

- WAC 390-24-010 Forms for statement of financial affairs
- WAC 390-24-020 Forms for amending statement of financial affairs
- WAC 390-24-202 Report of compensation from sales commissions
- WAC 390-24-301 Changes in dollar amounts of reporting thresholds and code values

Ms. Anderson presented proposed draft language to amend WAC 390-24-010, 390-24-020, 390-24-202, and WAC 390-24-301, that would implement Staff's recommendations regarding inflationary adjustments to F-1 reporting thresholds and dollar code values.

Motion 14-117

Moved by Commissioner Degginger, seconded by Commissioner Asay that:

The Commission approve draft language WACs 390-20-010, 390-20-020, 390-20-202, 390-20-301 as presented.

The motion passed unanimously.

The Commission also requested Staff to prepare draft legislation to implement Staff recommendations concerning additional changes to the dollar code values and ranges, investment disclosure thresholds, mutual fund reporting, and the time frame in which the value of current investments must be identified.

Staff will do some additional research and outreach with legislative staff on issues raised related to the definition of "professional staff."

Adjournment

The meeting adjourned at 2:15 p.m.

Approved by the Commission on July 24, 2014.