
**State Government & Tribal
Affairs Committee**

HB 1362

Brief Description: Regarding campaign finance reform.

Sponsors: Representatives Miloscia, Chase and Ormsby.

Brief Summary of Bill

- Establishes contributions limits for businesses, political action committees, and individuals.
- Prohibits businesses from using general treasury funds for campaign contributions.

Hearing Date: 2/7/07

Staff: Colleen Kerr (786-7168).

Background:

In 1992, the Legislature passed the Fair Campaign Practices Act in response to the passage of Initiative 134. Initiative 134 imposed campaign contribution limits on elections for statewide and legislative 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. In 2006, contribution limits were expanded to include elections for certain county and special purpose district offices and for judicial offices.

Campaign finance is protected as free speech under the First Amendment and any reform must meet strict constitutional requirements. In *Buckley v. Valeo*, 424 U.S. 1 (1976), the United States Supreme Court held that mandatory limits on campaign spending impacts core political speech. Subsequent cases have found ceilings on candidate expenditures, and on campaign expenditures that are not under the control of a candidate, to be impermissible restrictions under the First Amendment. Ceilings on a candidate's expenditures are effective only when a candidate voluntarily agrees to abide by the limits in exchange for public financing.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The following types of regulation are permitted:

- limitations on contributions to candidates by individuals or organizations;
- limitations on contributions to political action committees (PACs) by individuals or organizations;
- limitations on contributions to candidates by political action committees;
- limitations on total contributions by individuals in a calendar year to candidates and political committees;
- prohibition on the use of corporation and labor organization general treasury funds to support or oppose the nomination or election of a candidate through contributions to political action committees, independent expenditures, or electioneering communications;
- public financing of campaigns; and
- reporting and disclosure of independent expenditures and electioneering communications.

Summary of Bill:

The Public Disclosure Commission

The PDC is authorized to provide the Legislature with campaign finance reform recommendations that go toward increasing legislative and judicial independence, reducing the costs of campaigns, and reducing the influence of large organizational contributors.

Contribution Limits to Candidates

Candidates are prohibited from receiving contributions from all political committees that in the aggregate exceed \$5,000 in an election cycle. Donations from bona fide political parties or caucus political committees are not subject to this requirement.

Contribution Limits to Individual Donors

Contributions from individual donors to an individual political action committee (PAC) are not permitted to exceed a total of \$1,000 in any year. The PACs are prohibited from accepting such contributions.

Contributions from individual donors to all PACs are not permitted to exceed a total of \$3,500 in any given year.

Contribution Limits for Businesses and Political Committees

Any business not actually engaged in business in Washington may not make reportable campaign contributions.

In order to make campaign contributions, PACs must receive contributions of \$10 or more from at least 150 individuals registered to vote in Washington during the preceding 180 days.

General treasury funds of corporations, limited liability partnerships, and limited liability corporations may not be used to make campaign contributions for elections or party nominations. Those companies created solely to promote political ideas and that do not engage in other business activities, have shareholders, or other people with a vested financial interest in the company are not subject to this requirement.

A definition of labor organization is added to the statute. A labor organization is any kind of organization, including any agency, committee, or plan created for the purposes of employee

representation, that exists for the purpose of negotiating with employers regarding grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

Contribution Limits regarding State Contracts

Those individuals and entities that have contracts with the state that value \$100,000 or more may not make political contributions. This prohibition extends to managers, officers, directors, partners, and employees with managerial or discretionary responsibilities of entities with state contracts.

Notice to Voter Requirements

All political advertising undertaken as an independent expenditure by a person or organization that is not a political party must include a notice to voters that lists the all major contributors. Major contributors are those individuals or entities who have contributed more than \$5,000 during the 12-month period prior to the date of communication. Electioneering communications are also subject to this requirement.

Late Contributions

For donations made within 45 days of a general election, contributions from a single individual for any campaign other than statewide office may not exceed \$3,000. This does not apply to contributions from bona fide political parties

Appropriation: None.

Fiscal Note: Not requested.

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