

**HOUSE COMMITTEE ON ELECTIONS AND RULES**  
**SUBCOMMITTEE ON CAMPAIGN FINANCE REFORM**

March 23, 2005 Hearing Room E

3:30 PM Tapes 1 - 2

**MEMBERS PRESENT:** Rep. Greg Smith, Chair

Rep. Paul Holvey

Rep. Dave Hunt

Rep. Kim Thatcher

**VISITING MEMBER:** Rep. Peter Buckley

**STAFF PRESENT:** Cletus Moore, Committee Administrator

Annetta Mullins, Committee Assistant

**MEASURES/ISSUES HEARD:**

**Campaign Finance Reform – Informational Meeting**

**These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.**

| <b>TAPE/#</b> | <b>Speaker</b> | <b>Comments</b> |
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TAPE 1, A

- 003 Chair G. Smith Calls meeting to order at 3:30 p.m. and introduces himself. Asks members to introduce themselves.
- 015 Rep. Thatcher Introduces herself.
- Rep. Holvey Introduces himself. Comments that he is hopeful this subcommittee will come forth with good reform that will help the legislature regain some trust by providing some transparency in the way campaigns are conducted.
- 023 Rep. Buckley A visiting member. Introduces himself. Comments he has been interested in campaign finance and campaign laws for a number of years and believes there is a direct relationship between the way campaigns are run and the policies that are set in state government.
- Chair G. Smith Acknowledges that Rep. Hunt will be arriving shortly.
- 032 Chair G. Smith Explains that House Speaker Minnis and House Democratic Leader Jeff Merkley announced that they wanted to have a bipartisan committee look at enhancing the accuracy and transparency of campaign finance reporting. The Speaker, in a press release, said that Oregonians need to have faith in our electoral system and have faith in the accuracy and truthfulness of financial reporting by candidates and political action committees. This subcommittee will look at the existing system for financial reporting by candidates and political action committees. The subcommittee will look at the historical background and try to see what is needed to provide transparency, reliability and accuracy. The subcommittee will hear invited testimony today. Opens the informational meeting on campaign finance reform.

### **CAMPAIGN FINANCE REFORM – INFORMATIONAL MEETING**

- 052 John Lindback Director of Elections, Secretary of State's office. Submits copies of webpage documents on the Campaign Finance Disclosure Panel **(EXHIBIT A)**. Provides summary of the work of the panel and the panel's recommendations. States that the Secretary of State asked the panel to get together and look at disclosure and see how to make it easy for Oregonians to follow the money. Reviews membership of the panel. States that the group distinguished the issue of finance disclosure from the issue of campaign finance reform, which is generally defined as making changes to the rules and what information is required to be disclosed. The group looked at the issue of disclosure itself, what changes should be made to make it easier for the public to receive and understand the information that

approximately 600 active political committees report to the state in any given election.

- 083 Lindback Reviews recommendation of the Campaign Finance Disclosure Panel on electronic filing and continuous reporting (**EXHIBIT A, page 5**). The panel recommended that an online web based system be developed for use by all political committees in Oregon, including state and local committees. After a candidate files for office they would be issued an account in the system. Under the continuous reporting proposal each committee would report each campaign donation and expenditure within seven days of receiving or spending the money. The system would have a Turbo Tax-like functionality in that the committee would have a work area that is private and exclusively theirs. They would enter the required information for expenditures and donations. The system itself would do the math, reporting aggregates, etc. They would dispense with the current forms. When the candidate is ready to report the information, they would push a submit button and it would be reported to the Secretary of State, which would make it immediately available to the public in a new online searchable database. Large committees would be accommodated by making it possible for them to download information to the SOS system in batches so they would not need to double enter the information.
- 124 Lindback Recommendation No. 2 related to treasurer-to-treasurer transfers and contributions under a false name. In past campaigns the Elections Division received complaints that candidates were making contributions under a false name because donations had first been routed from an individual to a political action committee (PAC) affiliated with the candidate and then to the candidate's principle committee. To follow the money an individual had to have some knowledge of who was behind the various committees and it was confusing for people. The panel recommended creating a classification of a candidate-controlled committee defined as any political committee that has the same treasurer or directors or same addresses as the principle campaign committee, or is controlled by the candidate or elected official, a member of their family or agent. It was determined that this new classification would make it easier for the public to follow the money flowing from one committee to another when they are all committees affiliated with or controlled by a single candidate.
- 133 Lindback Recommendation No. 3 was about campaign loans. The panel determined that masking of contributions can occur with loans that include PAC-to-PAC loans, candidate-to-committee loans, loans from non-profit foundations to closely related PACs, etc. The panel recommended disclosure of terms of any loans made or received by a

committee. All loans should be made by written agreement and a copy should be retained in the committees' records.

- 140 Lindback Recommendation No. 4 dealt with exemptions for small contributions and small expenditures. The panel discussed raising the threshold to \$50 for reporting contributions but decided it would be best to leave it at the current level. It also recommended allowing the committee to not itemize expenditures of \$100 or less. This recommendation, given the recent concerns about accurate reporting of expenditures has been a hot topic of discussion of late and if the panel were to convene again today, the outcome may be different.
- 149 Lindback The panel also recommended that committees be allowed to maintain petty cash funds not to exceed \$500 for the purpose of office supplies, transportation expenses, etc. The recent concerns about adequate disclosure of expenditures have caused the SOS to think again about that proposal. The Executive Office of the Secretary of State is feeling pretty uncomfortable about the concept of a petty cash fund.
- 156 Lindback Recommendation No. 5 focused on consistent reporting timelines. In years when statewide elected officials and state senators do not face election, they are not required to file pre-election or post-election reports even though some are actively involved in raising funds and spending those funds on races. They are only required to file a September report each year following the election. The panel recommended that all committees attempting to influence the outcome of an election be required to report their activities in that election.
- 164 Lindback Recommendation No. 6 focused on more complete occupational information. The panel found that currently campaigns are required to list either the contributor's occupation or the name and address of the contributor's employer. It is difficult for the public to determine when individuals from certain sectors have given money to a candidate. The panel recommended that committees be required to obtain both the occupation of the contributor and the name and address of the contributor's employer for a donor with aggregate contributions over \$50. The panel strongly recommended the seven-day continuous reporting system and establishing an online web based reporting system to make it easier for candidates to provide that information to the public. It also looked at an alternate proposal which would involve an online web based system that requires the campaigns to report their contributions and expenditures quarterly. It recommended committees active in an election under that scenario file detailed reports 30 days prior to election day and 15 days prior to an election day unless a quarterly report falls within the same timeframe. In the 15 days prior to an election, contributions and

expenditures that aggregate \$1,000 or more from a single source or to a single payee should be reported no later than one business day following the receipt of that contribution or making the expenditures. In review, they recommended quarterly reports and prior to an election, a 30-day report and a 15-day report if a quarterly report did not fall within that timeframe. In the 15 days prior to an election, they recommend daily reports for expenditures for donations that aggregate \$1,000 or more from a single source or to a single payee.

- 193 Lindback The recommendations made by the panel concerning the 7-day continuous reporting system and all the details that go with that were introduced in SB 160, which is currently before the Senate Rules Committee. They have held one hearing and are planning to form a workgroup on the issue.
- 203 Lindback Tells the committee that their office will do everything they can to provide the subcommittee accurate information on how the process works, pursue other ideas the subcommittee may have in regards to how they would affect the division administratively and candidates. They are happy to work with the subcommittee on the subject.
- 210 Chair G. Smith Acknowledges the presence of Rep. Hunt and asks Rep. Hunt to introduce himself.
- 213 Rep. Hunt Introduces himself. Comments he thinks there is a real opportunity to get things done that will reflect well on the legislature and prevent abuses in the future, incentivize good conduct and restore the public's trust in the process. Comments on chairing the elections commission at college after a big scandal had occurred in elections at the college.
- 237 Rep. Thatcher Asks if the on-line reporting program will be provided to the candidate.
- Lindback Responds it will be provided to the candidates free of charge. States that the system probably would not provide the features the very large campaigns want so they will probably want to use something more sophisticated.
- 252 Chair G. Smith Comments that in his opening comments he mentioned the need for transparency and accuracy but forgot to mention timeliness. Asks if Lindback can share the history on how due dates on contribution and expenditure (C&Es) were derived.

- Lindback States he would have to do some research and realizes it is confusing, and the names of the reports are confusing. States this is an opportunity to rename the reports, whether we go with the 7-days, which essentially eliminates reporting as we know it, or if we go with the alternative proposal on quarterly, they would be renamed so that they are associated with the date on the calendar on which they are due.
- 276 Chair G. Smith Comments it would be interesting to find out what the rationale was. The committee could then decide whether the rationale still makes sense in partnership with the SOS.
- 279 Rep. Holvey Asks if other recommendations not included in the Senate bill were discussed that did not come out of the committee that bear this committee's attention.
- 288 Lindback Responds that the Senate bill reflects the seven-day continuous reporting idea; it does not reflect the alternate proposal of quarterly reports. States there were some minority opinions on the recommendations by the panel. Explains the panel was divided into subcommittees on each subject areas. The recommendations were taken to the full committee for full discussion. If someone wanted to issue a minority opinion they could do that; those minority opinions are reflected in the report (**EXHIBIT A**).
- 310 Rep. Buckley Asks if a line to the donation would show up if the committee to elect Peter Buckley decided to make a large contribution to the committee to elect Paul Holvey.
- Lindback Responds, hopefully, but they have not worked out all the details. States that Oregon has been criticized by national groups because we do not have a searchable database. They will be looking at national models on the searchable database part of the system.
- 343 Rep. Hunt Asks if there are other issues Lindback has thought of since the panel made its recommendations.
- Lindback Responds he does not think so. The discussion was on disclosure and the focus was on how to make it easy for people to follow the money.
- 369 Rep. Hunt Asks Lindback if from his perspective as Director of Elections, there are still issues in campaign finance reform that he would encourage the subcommittee to make sure they are covering.

- Lindback Asks to be allowed to list those out.
- 384 Chair G. Smith Advises members that the subcommittee will bring Lindback for that discussion at a later meeting.
- Chair G. Smith Asks what the protection is to separate out the mistake from something that is an intentional misrepresentation.
- 398 Lindback Responds that they talked about people making an error such as keying in a wrong number. Under the current regulatory scheme there is a transaction deadline in which a mistake can be fixed. States they know they need that but have not decided what would be a fair thing to impose. It would be great to have the legislature weight in on what time length would be fair.
- Chair G. Smith Comments he thinks there should be some mechanism where corrections can be made but there should also be oversight to ensure there is compliance.
- 431 Lindback Responds they did feel it was important that the system have the private work area where everyone can enter their information, then review it and fix their mistakes before they hit the submit button.
- 451 Chair G. Smith Thanks Lindback for taking the leadership in exploring this.
- 458 Lynn Lundquist President, Oregon Business Association and Former Speaker of the House. States he was in the position of Majority Leader in 1996 when campaign finance reform went beyond what we are talking about today. Cautions committee to tread carefully and thoughtfully and think of second and third reactions and counter actions. Explains his role on the panel was to bring the grassroots perspective to the process. Believes the recommendations are very good and we should use the technology we have.

**TAPE 2, A**

- 022 Lundquist Comments that constant reporting should be a help to the campaigns because it gives certainty. There needs to be some oversight that everyone accepts as a very real oversight that will tend to keep us to making only honest mistakes. Makes analogy of someone with the intent to defraud a business and the need for audits in government.
- 050 Rep. Holvey

Asks if Lundquist thinks independent spot checks of particular transactions would accomplish the same thing as audits, or if he is talking about a complete audit of a PAC from start to finish.

- 067      Lundquist      Responds that his thought is that you would do a complete audit of a PAC or a candidate.
- 073      Chair G. Smith      Comments that an audit could be a blessing or curse; if someone were doing a good job with contributions and expenditures and had a full audit, and it came out very well, it is something the person could hold up saying he has a clean bill of health.
- 079      Rep. Thatcher      Comments their little accounting program has an audit trail, and wonders if something like that can be incorporated in the software so that people could see they entered \$1,500 but meant \$15.00. States she believes a random audit is a very good idea.
- 091      Chair G. Smith      Asks if there was discussion about limiting this to just statewide elected officials or whether they discussed elections down to local governments.
- 094      Lundquist      Responds it would be better to ask Lindback that question.
- 108      Andi Miller      Executive Director, Common Cause Oregon. Submits a prepared statement and Common Cause brochure (**EXHIBIT B**). States she had to take C&E training, which was very painful and nonsensical. States she served on the petty cash workgroup with Darlene Butler. States they looked at it being user friendly from both ends. The interactive piece is very important. States there is more to campaign finance reform than looking for corruption; it is looking for voting patterns and trends and all sorts of groups for all sorts of reasons.
- Miller      Notes the State Grading Disclosure document attached to her testimony and the citation of the website. They used the model law in a lot of discussions in the workgroup and the person in charge of that model law, Bob Stern, was very helpful. Thinks Oregon's statute has the potential to be one of the best. Believes a searchable database will help Oregon get there. States she was glad Lundquist mentioned the random audit. Does not believe the cost would be great because everyone would know they could be the one subject of the audit. States she does not see any items in the press release by Speaker Minnis and Rep. Merkley to be a serious obstacle in the legislation. They put as number six timely disclosure and to establish a web based reporting system. That is the huge piece.



- 178 Miller States that disclosure is the floor, not the ceiling. It is a good start. We need to work out what this committee intends to do. If the committee wants to go into campaign finance reform there are all sorts of levels and there are bills and initiatives and Common Cause can talk about that. Her organization's priority is seeing that the system gets in, and up and running.
- 191 Norman Turrill League of Women Voters and a member of the Disclosure panel. Submits and reads a prepared statement about the activities of the Disclosure panel and the League's position on campaign finance reform (**EXHIBIT C**).
- 271 Turrill States he is a computer analyst and software engineer and offers to answer technical questions about an online system.
- 276 Rep. Buckley Asks Turrill to describe what the resolutions he cites in his testimony (**EXHIBIT C**) would do.
- Turrill Responds that each resolution is one sentence. Effectively, they are correcting the law and our State Constitution for an interpretation by the Oregon Supreme Court that ruled that campaign contribution limits were illegal in Oregon. In order to have contribution limits, we need to overrule the Supreme Court. States that Oregon had contribution limits for decades, starting in the early 1900s and were replaced in the 1970s by a law that provided spending limits for candidates as part of the early Watergate reforms. Later, the U. S. Supreme Court ruled spending limits to be unconstitutional and wiped out Oregon's spending limits as well. We were left with nothing but public disclosure laws. The resolutions would allow contribution limits again for Oregon.
- 308 Rep. Hunt Comments he does not understand how the local offices would save time and money by the public disclosure change.
- Turrill Responds he believes the intent is to have all candidates in the state be using the same online system. They would not have to file the paper reports with the local officials and the local officials would not have to review them either.
- 327 Rep. Holvey Asks why Turrill thinks spot checks would be more effective than complete audits.
- Turrill Responds the purpose of the audits is to ensure the candidates are motivated to comply with the law. If the audit is spread over all the

candidates, he thinks the motivation would be there for everyone and the burden would be spread over everyone as well.

- 366 Chair G. Smith Asks Turrill what he envisions for online reporting versus what we currently have for online reporting.
- Turrill Responds that he always envisioned the seven-day system as a web based system. Explains one would only need a browser, similar to going to one's bank account now. It is done in a secure manner with encryption technology. The same would be used for the SOS's system. Explains the process for entering information online.
- 363 Chair G. Smith Comments that all reports are now on line and citizens of Oregon can go to the SOS web page and work through it. Suggests we need to remove a little bit of the sophistication on how to get there so citizens know how to get to the reports.
- 415 Turrill Responds that on the reporting side the system is presenting whole reports. They are suggesting a database that would be searchable on an individual transaction basis so one can follow a contributor throughout the whole system.
- 440 David Buchannan State Chair, Oregon Common Cause. States that one question earlier was how did the situation get to be such a hodge podge. Two factors lead to that. One was vote by mail and the other is technology. C&Es are based on polling place elections which were on a different time. Getting the information out was the crucial factor. Most people do not go to the SOS to get information; they read it in the newspaper. Comments on media obtaining and reporting information from the SOS in the olden days.

## **TAPE 1, B**

- 016 Buchannan States that the press by using the technology of database building on their own was able to transmit most of the information to the public in their news reports. That relieved a lot of the pressure because people were getting information, and some thought too much information and some thought not enough. During that time there was some effort by the SOS to move to a computerized system but the earlier computers had some shortcomings that made early attempts less than useful. A law was passed that mandated electronic reporting but there were more exceptions than uses of it.
- 036 Rep. Thatcher

Asks if Buchanan is open to the idea of simplifying and making the deadlines saner.

Buchanan Responds affirmatively.

042 Chair G. Smith Comments on press release by Rep. Merkley and Speaker Minnis announcing a bi-partisan committee to help ensure the accuracy, transparency of campaign finance reporting. In a joint press release they drafted a bill that included six items: increasing fine; end comingling of funds; establish public review and audit reconciliation process; ban candidate self-compensation; ban double-dipping; and timely disclosure, and this subcommittee is charged with moving that concept forward. States that the House Elections and Rules Committee has requested a bill that will be referred to the subcommittee and there are individual bills that the subcommittee will be looking at. States that staff will work with the subcommittee on the next step and to make sure we get notice out to the public on how the subcommittee plans to move forward because everyone on the committee is very serious about having an open, transparent, accurate and timely process.

062 Rep. Hunt Comments he thinks the subcommittee has an opportunity to do some good work that will reflect well on the subcommittee members and also on Oregon government. States he appreciates the comments to open the system to looking at the whole concept of having the application apply to local officials. Asks that members look at their calendar and try to set dates and times of future meetings.

082 Moore Advises members that staff will check with members' staff to find meeting times that will fit in with everyone's schedule.

087 Chair G. Smith Suggests the subcommittee will also want to invite members in the Senate to hear about the legislation they are advancing forward, and the subcommittee will hear more from the SOS on the historical perspective on the current system.

Rep. Holvey Suggests the SOS provide cost data on doing full audits as opposed to spot checks.

108 Chair G. Smith Asks Lindback if they can provide cost data.

Lindback Responds they will try to provide the information.

- Rep. Hunt                      Comments there may also be savings from some of the recommendations and it would be helpful to have those flagged. States he believes the online system will eliminate mistakes and provide cost savings and it would be helpful for the committee to evaluate both of those.
- 110                      Lindback                      Comments they are thinking of it in the same way. They want to build in safeguards so people do not make mistakes. States that the panel did recommend the system cover all local candidates as well. It would be very valuable to small campaigns that do not have the money to go out and hire sophisticated companies to help them. There is a varying quality in which those reports on the local level are reviewed by either county or city offices; some do it well and some don't do it so well. They could build a higher degree of quality into those reviews of that information if it is all done in one place. That information would be made more accessible to the public as well.
- 131                      Chair G. Smith                      Asks Lindback to talk to Sen. Johnson, Chair of the Ways and Means Subcommittee on General Government, to let her know this subcommittee is working on this issue and to give her a heads up on the budgetary issues that may be coming before that Ways and Means Subcommittee.
- 157                      Rep. Thatcher                      Asks how long it would take to get a system up and running if SOS had the money.
- 161                      Lindback                      Responds that their estimate is about \$1.5 million. Explains that within the Elections Division, they have a program called the Elections Business System that wraps in C&Es, candidate filings, initiative and referendum features; the various aspects of their office use this system. States they need to redo the system. Part of the money is involved in fixing the features that serve all the functions, not just C&E. Part of the money would be used for developing that web site and building it into the Election Business system. They believe the functions that serve all parts of the system can be paid for with federal Help America Vote Act (HAVA) funding. The remaining approximately \$700,000 would need to be paid for with General Funds. The HAVA applies to federal elections and federal candidates file their C&Es with the Federal Elections Commission so HAVA funds could not be used to pay for just the C&E portion of the project. They believe they could have it in the next cycle after the 2006 general election. Their goal would be to have it in place by January 1, 2007.
- 180                      Chair G. Smith                      Closes the informational meeting on campaign finance reform and adjourns the meeting at 1:45 p.m.

## **EXHIBIT SUMMARY**

- A. Campaign Finance Reform, webpage documents on the Campaign Finance Disclosure Panel, John Lindback, 9 pp**
- B. Campaign Finance Reform, prepared statement and Common Cause brochure, Andi Miller, 6 pp**
- C. Campaign Finance Reform, prepared statement, Norman Turrill, 1 p**