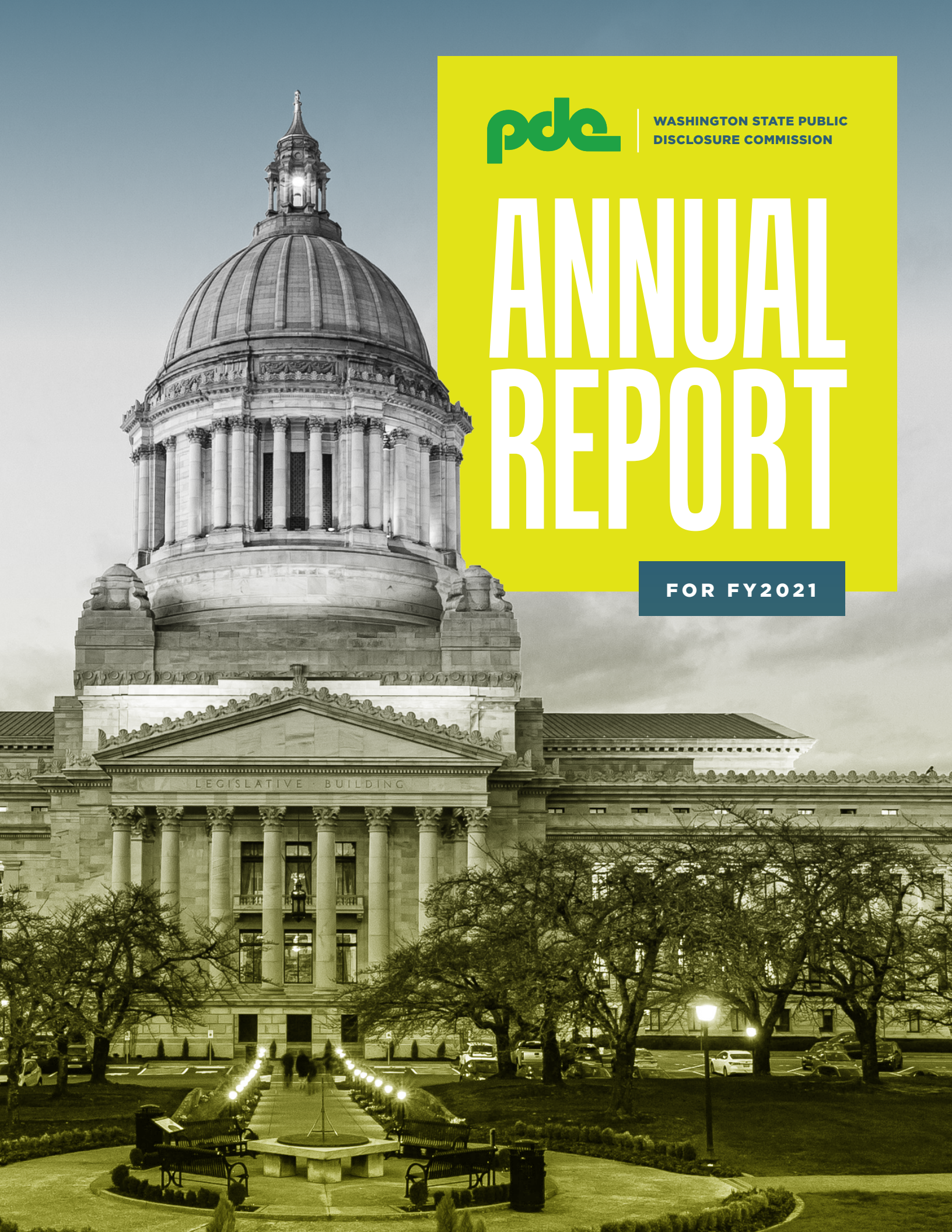




WASHINGTON STATE PUBLIC
DISCLOSURE COMMISSION

ANNUAL REPORT

FOR FY2021



“WE WILL CONTINUE TO DELIVER ON THE VOTER MANDATE ... TO SHINE A LIGHT ON MONEY IN POLITICS.”



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2021 ANNUAL REPORT
 WASHINGTON STATE PUBLIC DISCLOSURE COMMISSION

MESSAGE FROM THE CHAIR



The PDC has a great story to tell

It began with the passage in 1972 of Initiative 276, which created the PDC. That was the first year I voted in a presidential election, and I got to vote on creating the PDC.

Now, 50 years later, I've been able to watch the reforms take shape and watch the state lead the nation in shining light on money in politics.

In 2022, we will celebrate the 50th anniversary of that historic vote by the people of Washington state.

As that milestone approaches, we are working in partnership with the Legislature to continue improving how the PDC works for voters and for the thousands of candidates and committees who file reports with us each year.

During Fiscal Year 2021, we took the first steps toward making our Online Reporting of Campaign Activity (ORCA) software a full online experience. Within the next year, users will be able to store ORCA data in the cloud, which will eliminate the need to constantly back up data.

Streamlined processes for resolving cases allowed us to eliminate a backlog resulting from a historic surge in complaints that began in 2016. Thanks to the Legislature's approval of new tools and funding for additional staff over the past three years, we now are able to quickly address complaints and close cases, most within the first 90 days.

Increased staffing also helped us revive an audit program designed to provide the public with information about how well campaigns comply with state laws and PDC regulations. Audits also give the PDC insight into common errors filers make that can help us improve our guidance to campaigns as

well as the software we develop for campaign finance reporting.

The Legislature's foresight to create the Transparency Account to receive penalties for violations of campaign finance and political disclosure law has likewise paid dividends, allowing the PDC to build an improved, user-friendly website that's in the final stages of development. We are hopeful that the account will continue to be a source for technological improvements to how we collect and publish vital public information.

The next chapter of the PDC story will include a close inspection of how technology is also shaping campaigns. We are engaged with members of the public and the regulated community to adopt new rules for companies that provide political advertising to reflect the evolving digital environment. The state's "commercial advertiser" law that allows members of the public to seek information from digital platforms is a crucial part of political transparency in this state. Ensuring that the public can make use of it to get relevant information as the nature of political advertising orders changes is the challenge before us.

Looking forward to the 2022 legislative session, we plan to work closely with legislators to sync reporting deadlines with the vote-by-mail election calendar and increase transparency of grassroots lobbying efforts, and adjust the reporting of large last-minute contributions.

We also hope the new year brings a reopening of our Olympia office and the opportunity to visit communities around the state. PDC staff members have remained nimble as we entered our second year working remotely due to the pandemic, but this experience has also reminded us that meeting face-to-face has its own value.

As always, our aim is to continue to innovate and champion the public interest in service to the people of Washington state who put their trust in open government a half-century ago.

Fred Jarrett
Public Disclosure Commission Chair
 December 2021

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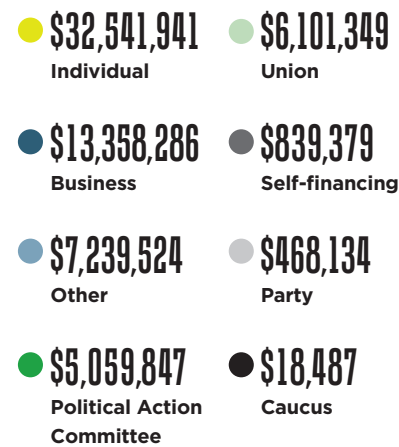
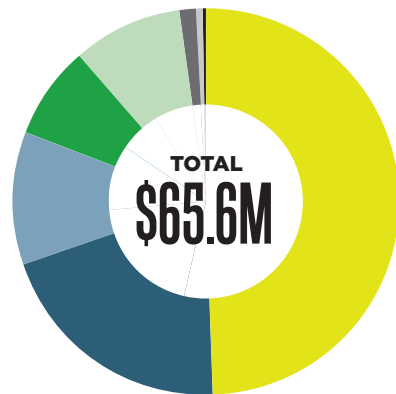
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TRACKING THE MONEY

Who gave, how much?

Total contributions to candidates and political committees in 2021



Note: Totals rounded to nearest dollar

Seattle races lead campaign spending

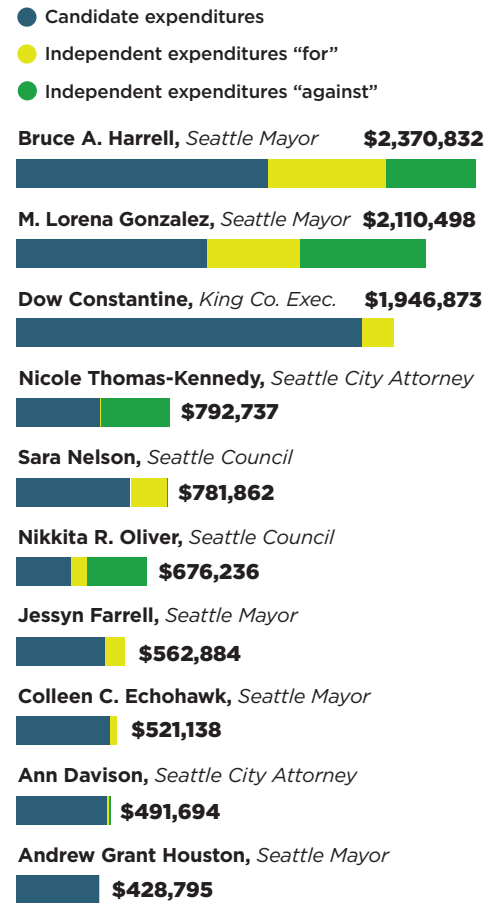
Hotly contested municipal races in Seattle — for mayor, city council and city attorney — dominated spending in the 2021 elections. Top expenditures were in races run by five mayoral candidates — including three who lost in the primary.

Also one of the top spenders was incumbent King County Executive Dow Constantine, who was re-elected. Constantine, who has held the office since 2009, spent more than \$1.7 million on his own, and got a boost of more than \$166,000 in independent expenditures supporting his candidacy. His opponent, state Sen. Joe Nguyen, reported spending more than \$209,000 on his own and benefitted from less than \$3,000 in independent expenditures supporting him.

In Seattle, the mayor's race was for an open seat, after current Mayor Jenny Durkan announced she would not seek re-election. Bruce Harrell, a former City Council president, spent more than \$1 million on a successful mayoral campaign. Independent expenditures favoring his candidacy reached over \$600,000, while more than \$465,000 in independent expenditures opposed him. His general election opponent, M. Lorena Gonzalez, a member of the current City

Top candidate campaign spending

For election year 2021



Note: Totals rounded to nearest dollar

Council, spent far less, at just over \$982,000, and was supported by more than \$479,000 in independent expenditures. But even more independent dollars opposed her candidacy, with nearly \$649,000 spent.

Three mayoral candidates who did not make it out of the primary election — former state lawmaker Jessyn Farrell, nonprofit executive Colleen Echohawk and architect and housing advocate Andrew Grant Houston — were also among the top-spending campaigns.

Statewide, contributions to candidates and political committees totaled more than \$62 million — with the majority of those contributions coming from individuals.

Total spending was more than \$47 million, with more than \$26 million spent by political committees and over \$21 million spent by candidates.

IE spending targets city races

Independent expenditure spending was down in 2021 and more narrowly focused on races in Seattle, where the mayor's race drew the biggest expenditures by groups operating independently of candidates.

The committee called Bruce Harrell for Seattle's Future spent over \$415,000 supporting the former City Council member in his successful bid for mayor. The same committee spent nearly \$650,000 against his opponent, Councilmember M. Lorena Gonzalez.

The pro-Gonzalez committee, the union-backed Essential Workers for Lorena, spent nearly \$440,000 supporting Gonzalez, and more than \$465,000 opposing Harrell.

Other high-dollar purchases came from frequent sponsors of independent expenditure campaigns. The National Association of Realtors Fund spent over \$715,000 supporting candidates, including Harrell, and city council candidates in Vancouver, Seattle, Olympia and elsewhere. The Washington Realtors Political Action Committee spent nearly \$350,000 supporting local city and school board candidates around the state.

Seattle for Common Sense spent more than \$350,000 opposing Nicole Thomas-Kennedy in the other hotly contested race for Seattle city attorney, a race in which the incumbent lost in the primary. Ann Davison, the winner of that race, drew far fewer opposition dollars.

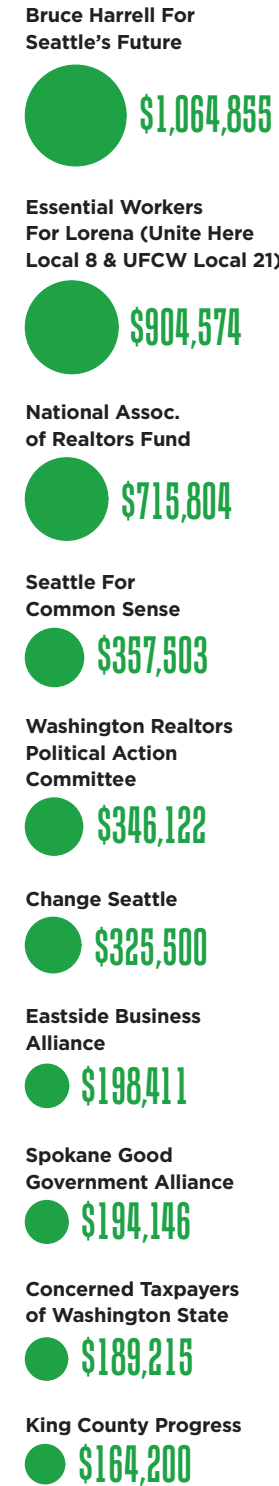
Outside of Seattle, the Eastside Business Alliance spent nearly \$200,000 supporting incumbent candidates for Bellevue City Council Jared Nieuwenhuis, Conrad Lee and Lynne Robinson. All three were re-elected.

And the Spokane Good Government Alliance spent about the same amount supporting two Spokane City Council candidates: small business owner and former pastor Jonathan Bingle and business person Mike Lish. The committee spent money opposing university official and scientist Naghmana Sherazi and teacher Zack Zappone.

Independent expenditures statewide totaled more than \$5.6 million, with \$3.3 million spent on Seattle races alone. That's compared to \$8.3 million statewide and \$1.2 million in Seattle in 2017, the closest most comparable election year.

Top independent expenditure sponsors

For election year 2021



Lobbying expenses

Unions, business groups and the health care sector dominated spending by lobbyist employers in Fiscal Year 2021.

All told, entities that hired lobbyists to influence state legislation and rule-making reported spending more than \$78 million during the fiscal year, which saw most of the Legislature's work conducted virtually due to the COVID-19 pandemic.

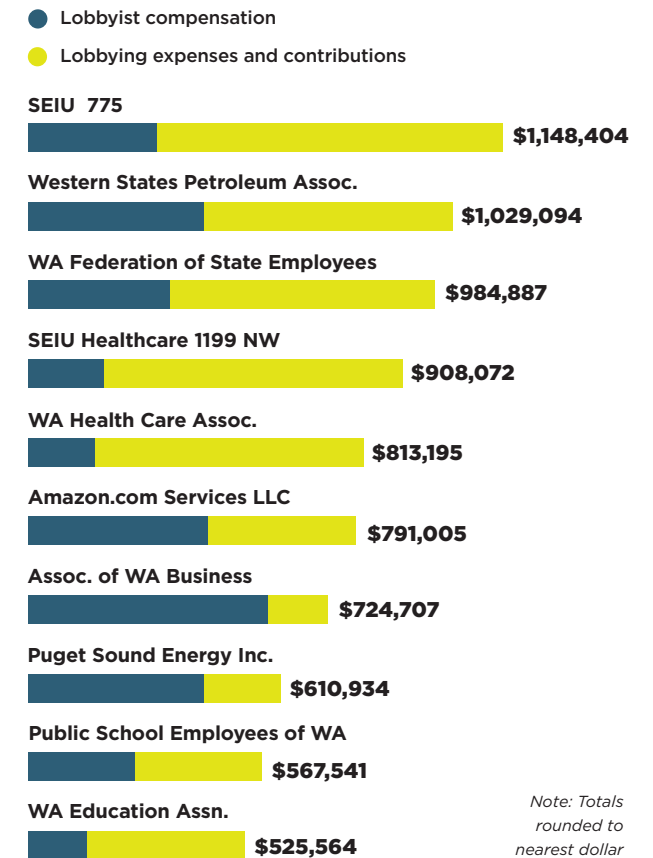
The spending — which includes compensation for lobbyists, expenses and over \$9.4 million in contributions to campaigns — was up from just over \$76 million in the previous fiscal year.

Big spenders included Service Employees International Union (SEIU) 775, which represents workers in the long-term care industry, along with another SEIU affiliate, SEIU Healthcare 1199 NW, which represents nurses and other hospital and health care employees in the state.

Amazon.com Services LLC, which was the top spender during the previous fiscal year with nearly \$2 million in spending, dropped just under \$800,000 in Fiscal Year 2021, landing in sixth place on the top 10 list.

Top lobbyist employers

For fiscal year 2021



Note: Totals rounded to nearest dollar

163

Public records requests fulfilled during FY21

EXPERT-LEVEL GUIDANCE



Expanding outreach and education

As they respond to inquiries from filers and members of the public, our customer service and filer assistance staff are constantly gathering feedback that helps them provide more efficient answers to the many questions they receive.

Anyone who needs help or wants information can send a request to our electronic help desk through a link from the PDC website. Most requests receive a response within 24 hours.

Filers may want information about filing requirements, or they may ask for help completing or submitting a report. Members of the public can make requests for public records, file a formal complaint about a suspected campaign violation or ask questions about PDC regulations.

With the opportunity for face-to-face encounters still on hold because of the pandemic, the PDC provided a full menu of education and training opportunities online.

Our staff reached more than 400 participants in over 40 virtual training and educational events during Fiscal Year 2021.

This included 32 PDC-sponsored training classes for candidates, committees and lobbyists, as well as presentations to civic and professional groups.

Our filer assistance specialists also participated in nine virtual candidate-education nights sponsored by elections offices in King and Thurston counties and by elected officials in Lewis County.

The PDC continued to expand its collection of training materials, including explanations of improvements to the ORCA software system that were rolled out as changes were implemented as well as videos to guide filers of the Personal Financial Affairs Statement (F-1) and others explaining reporting requirements for lobbyists.

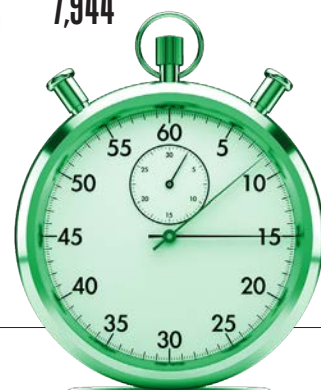
At the end of Fiscal Year 2021, we began work on two new projects: a monthly e-newsletter containing tips and reminders for filers, as well as an update of the PDC website that will improve user experience as it modernizes the look and feel of the site. Both those projects continue into the new fiscal year.

Customer service help desk

For fiscal year 2021

Type of request	Number of requests	Average first response time
Simple requests	5,399	2 hours and 8 minutes
Complex requests	2,545	5 hours and 58 minutes

TOTAL FY 2021 7,944



EMPOWERING THE PUBLIC

Moving into the cloud

This year our ORCA (Online Reporting of Campaign Activity) software took on a new look and mode of operation, in preparation for a transition to a fully online, cloud-based web application. When complete, the transformation will mirror other PDC applications that are already fully online, including the Personal Financial Affairs Statement (F-1) and the campaign registration systems.

ORCA changes rolled out incrementally, starting with a new landing page that — similar to our other web-based applications — requires users to sign in using a Secure Access Washington (SAW) account.

We also introduced new dropdown menus and clickable buttons to give ORCA users a more modern experience. ORCA software now updates automatically whenever a user opens it. Within the next year, records of contributions and expenditures entered by campaigns will live in the cloud — and campaigns will no longer need to constantly back up data on individual computers.

The focus is on making ORCA easier to use for campaigns, while giving the public faster access to campaign finance information. Along the way, we continue to seek feedback from ORCA users — the campaigns and campaign treasurers.



PDC website by the numbers

2.2M

Number of page views on the PDC website in FY21

691,949

Number of sessions

3.25

Number of pages viewed per session

414,432

Number of new visitors

VISIT ONLINE

Open Data

Data reported to the PDC by campaigns, lobbyists and others is maintained in our Open Data database, which allows anyone to perform complex analysis of that data or download it for future use.

There were 7.6 million records in PDC Open Data in Fiscal Year 2021, up from 7.1 million in Fiscal Year 2020.

www.pdc.wa.gov/browse/open-data

ENSURING COMPLIANCE

Caseloads return to manageable levels

In March 2021, the PDC resolved the last case from a backlog built by a historic surge in complaints from 2016 to 2019.

The agency's sustained focus on case closures, aided by the Legislature's approval of additional staff positions and new alternative resolution methods, steadily whittled down the caseload managed by staff from a high of nearly 500 cases to fewer than 50.

With that challenge behind them, staff members were able to spend more time spotting problems early by initiating more cases for missed reporting and by the reintroduction of audits aimed at spotting common errors. The agency also continued to improve case closure time. Staff resolved 81 percent of cases within 90 days. That compares to 75 percent from the previous fiscal year.

Nearly 17 percent of those cases were closed in less than 30 days.

A total of 743 cases were opened during FY 2021 – the bulk of them due to staff-initiated cases for missing reports, also known as group enforcement. Many of those group enforcement cases remained open at

the end of the fiscal year awaiting hearing or other resolution.

The PDC closed 374 cases in the fiscal year, most of them resolved before they reached the Commission for adjudication. Nearly 85 percent of PDC cases generated by the public have one of three outcomes: a dismissal, a reminder or a warning.

Complaint-generated case trends

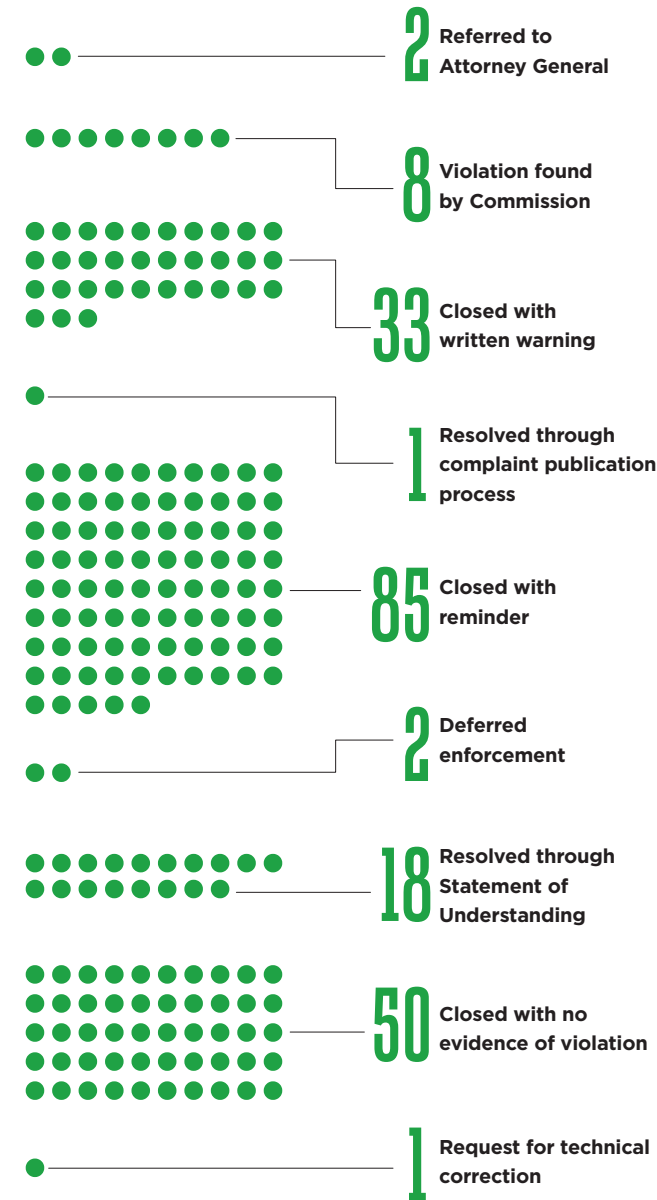
By fiscal year

- Complaints received
- Cases opened
- Cases closed



How the 200 cases were resolved

For fiscal year 2021



COMMISSION HEARINGS

Enforcement actions

These were among the most significant cases heard by the full Commission during FY2021.

PDC Case 59039

City of Olympia Officials

The Commission fined former Olympia City Manager Steve Hall \$10,000, with half suspended, for a 2019 campaign mailer that urged voters to reject Initiative 976.

The initiative sought to limit vehicle license fees and taxes. Olympia's two-page mailer explicitly urged recipients to reject it, stating "Vote NO on Initiative 976." Using public resources to support or oppose a candidate or ballot measure is forbidden under state law.

Hall, the former city manager who retired after the election, acknowledged in a stipulation negotiated with PDC staff that he approved the content of the mailer developed by city staff. He said he consulted with other city officials following a resolution opposing the initiative that was adopted unanimously by the Olympia City Council.

The city spent more than \$9,900 on the effort, including printing, mailing and staff time. The Commission suspended half of the \$10,000 fine, provided that the remaining \$5,000 was paid within 30 days of its final order being issued, that Hall commits no further violations of campaign law or regulation within four years and that he complies with PDC reporting requirements.

PDC Cases 48424 & 59475

Google LLC

In August 2020, the Commission referred two 2019 complaints against Google to the state attorney general's office, following a PDC investigation into allegations that the company violated state campaign finance laws.

The complaints alleged that Google violated laws that require commercial advertisers to maintain records known as "books of account" for political advertising. Those records must be made available to members of the public upon request, so that they can see details of political ads.

The company said its policy was to refuse political ads from Washington state because it could not collect all the information required by Washington law. But it said some ads were posted in violation of its policy.

Commissioners cited a desire to ensure consistency with other recent disclosure cases involving large digital political advertising platforms, as well as the attorney general's authority to seek higher penalties than the commission can impose.

In June 2021, Google paid \$423,659 to settle a lawsuit filed by the Attorney General's Office that stemmed from these two PDC cases.

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ENSURING COMPLIANCE

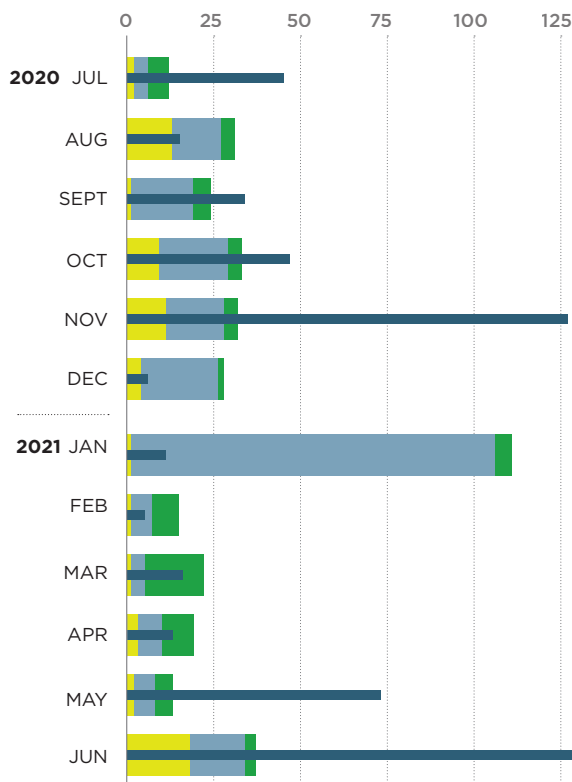


374

Total number of cases resolved in FY 21

Cases opened and closed and the time to resolution

- Resolved in less than 30 days
- Resolved in 30 to 90 days
- Resolved in more than 90 days
- New cases opened



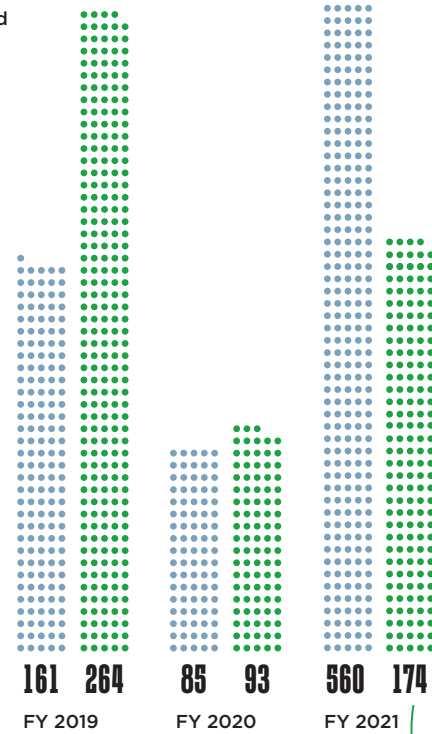
351

New cases opened in June 2021. Most were initiated by staff for missing F-1 reports.

Staff-generated cases

By fiscal year

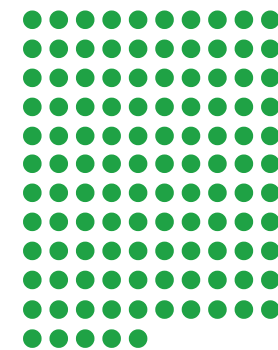
- Cases opened
- Cases closed



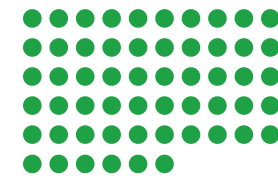
How the 174 cases were resolved

For fiscal year 2021

115

 Violation found by Commission


56

 Resolved through Statement of Understanding


3

 Dismissed by Commission


COMMISSION HEARINGS

Enforcement actions

CONTINUED FROM PAGE 9 >

PDC Case 66161

Joshua Freed

The Commission fined former Bothell Mayor Joshua Freed \$50,000 — with half the penalty suspended — for campaign violations related to personal loans to his unsuccessful 2020 campaign for governor.

Freed acknowledged in a stipulation negotiated with PDC staff that he exceeded the \$6,000-per-election limit on repayment of a personal loan to his campaign. The campaign repaid him at least \$450,000 of a \$500,000 loan — later characterized as a contribution — that he made at the start of his campaign. He also acknowledged that the campaign filed incorrect reports concerning the contribution and/or loan.

The stipulation cited aggravating factors in the case, noting that the loans and/or contributions made up the majority of Freed's campaign funds and that the public was deprived of significant information for a good portion of the 2020 primary election cycle.

Freed lost in the gubernatorial primary election and subsequently launched a write-in campaign for the office of lieutenant governor.

PDC Cases 26814 & 28028

Kennewick Public Facilities District

Each of the five members of the Kennewick Public Facilities District Board were fined for violating campaign finance laws during a 2017 unsuccessful campaign to increase sales taxes to support an event and entertainment center expansion known as The Link.

The Commission fined each board member \$2,000, with \$1,000 suspended, for a total penalty of \$10,000, with \$5,000 suspended, as long they avoid future violations and paid fines within 30 days of the Commission's final order.

In a written agreement, the five board members acknowledged that they authorized ads, website and other marketing materials in violation of state law that prohibits the use of public resources to promote a ballot measure.

PDC Cases 75003 & 87409

Recall Fortney and Hatcher Committees

Two recall committees seeking the ouster of sheriffs on opposite sides of the state sought relief from contribution limits as part of the settlement of cases against them. Under federal case law, limits do not apply to recall campaigns that do not coordinate with potential candidates or the appointing authority.

Both campaigns — the Committee to Recall Snohomish Sheriff Adam Fortney and the Recall Jerry Hatcher committee in Benton County — had accepted potential over-limit contributions. In both cases, the Commission agreed to defer action against the committees for exceeding limits provided they did not consult with potential candidates for the position or the county commissions that would appoint the sheriffs' replacements.

Only one of the campaigns made it to the ballot. In August 2021, voters recalled Hatcher, the Benton County sheriff.

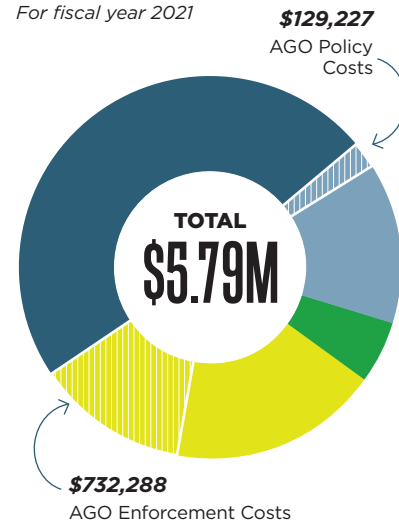




HOW WE ARE TAKING ACTION

Expenditures

For fiscal year 2021



\$2,793,268 Access

\$1,773,142 Enforcement

Note: Totals rounded to nearest dollar

Putting plans in motion

The PDC launched five projects during Fiscal Year 2021 to support components of the Strategic Plan.

1 Campaign audit program

Increases in staffing allowed the PDC to begin a new cycle of limited-scope audits in 2020 – the first since 2008.

These audits, authorized by RCW 42.17A.105 and RCW 42.17A.110, are designed to provide the public with information about how well campaigns comply with state laws and PDC regulations, and strengthen public confidence in campaign reporting transparency.

They also provide an opportunity to identify problems that campaigns encounter. Recognition of common errors can prompt improvements in PDC instructions to campaigns and the electronic filing systems used in reporting, as well as suggestions for changes in state law.

The first audits focused on past contested state legislative races that reported significant sums of contributions and expenditures. Future audits could include smaller cam-

paings, political committees, lobbyist and lobbyist employers and other activities that fall under the Fair Campaign Practices Act.

Audit findings are posted on the PDC website.

2 Political ad data accessibility

The Commission, recognizing that political advertising's shift from traditional print and broadcast media to digital has created powerful new tools for campaigns – and potential problems for the public's ability to track information – continued an in-depth look at the industry launched in January 2020.

Research during Fiscal Year 2021 focused on outreach to campaign professionals, industry representatives, academic experts and open government advocates, as well as regulators in other states, to learn more about the evolving digital advertising marketplace.

That research is helping inform policy and technical recommendations to improve the public's understanding of digital political ads. As the fiscal year closed, the Commission had begun the process to update the rules governing disclosures by commercial advertising outlets about the production of political ads. The goal is to connect that information to the ad purchases reported by campaigns.

3 Expansion and diversification of PDC training and outreach

PDC staff conducted an assessment of its training program, with an eye toward anticipating future filer and public needs.

An inventory of existing resources helped identify gaps in content and teaching techniques. From there, staff brainstormed ideas to fill the gaps and round out the training program. Those projects – including videos, written instructions, emailed newsletters, videoconferencing and in-person training opportunities, when possible – will be shaped by input from the filer assistance team, which talks daily with filers

to understand their needs.

A major component of this project involves updating and modernizing the PDC website, which is the primary source of information for both filers and the public. That effort is ongoing.

4 Modernization of PDC disclosure systems

Ensuring the public gets information starts with making it easy for the regulated community to maintain compliance through online reporting systems that are easy to use, provide guided help, spot common errors and continuously evolve to meet changing requirements.

The PDC is committed to customer-driven continuous improvement in this area through incremental enhancements that deliver new tools and functionality when they can be of most value and as soon as they are ready to be used.

The long-planned replacement of the Online Reporting of Campaign Activity system was the focus of this effort during FY21. A majority of PDC staff was involved in the planning and redevelopment of its components, work that remains ongoing in Fiscal Year 2022.

5 Timely resolution of compliance cases

This effort continues the agency's implementation of a 2018 law that gave the PDC new methods by which to resolve enforcement cases and a 90-day window to complete its initial reviews.

Following the law's passage, the agency mapped the enforcement process step-by-step to help understand the law's effects and plan for its execution.

The staff began revisiting that map in Fiscal Year 2021, using data from current cases to check the agency's understanding about the life of a case against reality. The goal is to identify challenges and best practices. Staff will use what is learned to make improvements to its enforcement process.

GOVERNANCE

Agency leadership

The PDC is governed by a five-member Commission appointed by the governor, with no more than three commissioners from the same political party. The Commission hires the executive director and provides budget and policy guidance for the agency. For enforcement matters, commissioners act as a quasi-judicial body, presiding over hearings, determining whether violations have occurred and, if warranted, setting appropriate penalties.

At the end of Fiscal Year 2021, there were two vacant seats on the Commission.



Fred Jarrett

Commission Chair



David Ammons

Commission Member
Served through December 2020



Bill Downing

Commission Member



Nancy Isserlis

Commission Member



Russell Lehman

Commission Member
Served through June 2021



Peter Frey Lavalley

Executive Director

STRATEGIC PLAN

Promoting confidence in the political process

Empower the public to "follow the money" in politics:

- > Provide real-time access to meaningful data
- > Ensure compliance with campaign finance laws and regulations
- > Pursue proactive and equitable enforcement
- > Enhance outreach

Help regulated community achieve and maintain compliance:

- > Provide expert guidance
- > Facilitate e-filing for all disclosures with accessible, technologically up-to-date options
- > Understand and anticipate filer needs
- > Provide additional training opportunities and methods

Continue to build a better, more agile, and more responsive organization:

- > Exercise flexible and nimble resource allocation
- > Seek enhanced funding/staffing
- > Identify and respond to emerging trends and issues
- > Implement timely process improvements
- > Plan for succession needs

Attract and retain a talented and dedicated workforce:

- > Sustain a culture of clean and open government, as embodied in the agency's grassroots heritage
- > Provide and encourage opportunities for growth
- > Accommodate work/life integration

VISION: The PDC will lead the nation in fostering full disclosure of money in politics.

**"WE WILL CONTINUE
TO DELIVER ON THE
VOTER MANDATE ...
TO SHINE A LIGHT ON
MONEY IN POLITICS."**



CONTACT US

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