

**2007  
ANNUAL REPORT  
TO THE  
GOVERNOR AND THE GENERAL ASSEMBLY**



**TENNESSEE  
REGISTRY OF ELECTION FINANCE**

**MARCH 2008**

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## The Registry

The Tennessee Registry of Election Finance (Registry) was created by the General Assembly and Governor in 1989 as an independent entity of state government. The Registry is responsible for the enforcement of the following laws:

- Campaign Financial Disclosure Act (T.C.A. §2-10-101, et seq.)
- Campaign Contribution Limits Act (T.C.A. §2-10-301, et seq.)
- Gubernatorial Inauguration Finance Disclosure Act (T.C.A. §2-10-401, et seq.)

The Registry's board consists of a six member board appointed to five (5) year terms. Registry members receive no compensation; however, each member is reimbursed for travel expenses pursuant to state travel regulations. Registry members are appointed by the Governor and General Assembly. Below is a list of current Registry members with their appointing authority, city of residence and term expiration:

- Governor
  - Patricia Heim, Nashville, December 31, 2011
  - Wade Hinton, Chattanooga, December 31, 2011
- Senate Democratic Caucus
  - Lee Anne Murray, Nashville, December 31, 2012
- Senate Republican Caucus
  - Darlene McNeece, Loudon, December 31, 2007
- House Democratic Caucus
  - George Harding, Lebanon, December 31, 2009
- House Republican Caucus
  - William Long, Jr., Nashville, December 31, 2009

The Registry normally meets on the second Wednesday of each month. A meeting agenda is posted on the Registry's web site, [www.state.tn.us/tref](http://www.state.tn.us/tref), one week in advance of any meeting and the meetings are open to the public. Minutes of past meeting are available at the Registry's website after they have been approved by the Registry.

The Registry staff consists of an executive director and five additional staff. The staff of six employees operates the Registry office on a day to day basis. In addition to handling notification and input of campaign financial disclosure filings, some of the Registry's staff responsibilities include verifying the accuracy of the campaign finance filings, aiding filers with questions, answering questions from the press and public looking for information, advising Administrators of Elections on local election questions and working with the General Assembly and Governor on the statutes the Registry enforces.

The Registry has been administratively attached to the Secretary of State's office since its creation in 1989. The Secretary of State assists the Registry in administrative matters such as receipts, disbursements, expense accounts, budget and audit. This step was taken as a cost saving move and allows the Registry to operate without the costs of having their own administrative staff.

## Education and Information

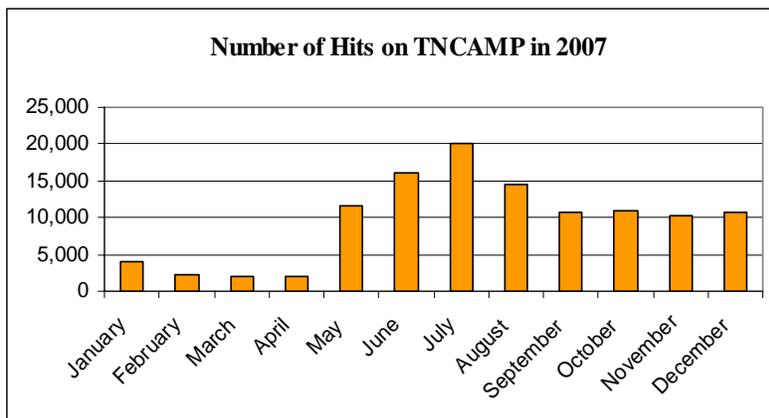
Two of the main functions of the Registry are to educate and to provide information to our customer base. This includes candidates, PACs, political parties, press and the general public. The Registry staff attempts to accomplish these functions through several methods.

The best tool the Registry has to educate and inform is our website ([www.state.tn.us/tref](http://www.state.tn.us/tref)). The Registry is continuously updating and making improvements to our website to ensure that we provide the best information available to our customer base in a cost efficient method.

For educational purposes, the website includes frequently asked question (FAQs) sections specifically for candidates, PACs and single measure committees (referendum committees). In addition, the web site contains filing calendars, blank reporting forms and links to the Registry's statutes and rules.

The Registry also uses the website to provide our customer base with the most up to date information available. This information includes summary data on candidate's and PAC's campaign financial disclosure statements since 1996, list of registered PACs and lists of qualified candidates.

In addition to the Registry's main website, the Registry maintains a website ([www.tennesseeanytime.org/tncamp/index.html](http://www.tennesseeanytime.org/tncamp/index.html)) that allows the public to view campaign financial disclosure statements on the Internet. Starting with the 2004 elections, the site allows you to search for complete campaign financial disclosure reports filed by candidates and PACs or to search for contributions made by a specific contributor. The campaign financial disclosure viewing site, which has been operational since June 2004, had 114,877 visits



in 2007. As the public continues to become more aware of the information available on the campaign financial disclosure viewing site, the Registry expects the number of users to continue to increase.

While the websites are a good starting point for educational purposes, the Registry staff uses several more direct methods to educate its customer base. The most obvious method is making sure that staff members are available to answer questions received by telephone and e-mail.

The Registry staff conducts seminars for candidates and committees on the campaign finance disclosure laws. These seminars are usually held throughout the state and not only include education on the laws but a detail discussion on how to complete the campaign financial disclosure reports.

The Registry staff also regularly attends conferences and seminars put on by other groups. The staff annually attends the county Administrators of Election seminars held on a statewide and regional basis. The Registry hopes that the training received at these seminars can be passed on to both state and local candidates by the Administrators of Elections.

Another seminar attended annually by the Registry staff is the Tennessee Lobbyist Association (TLA) seminar. While lobbyist registration and disclosure is now handled by the Tennessee Ethics Commission, many lobbyists are involved with PACs. As a result of the lobbyist's involvement with PACs, the TLA has requested the Registry to update them on campaign finance statutes at their annual seminar.

The Registry also publishes separate campaign financial disclosure guidelines for candidates and PACs. The booklets include frequently asked question sections, campaign financial disclosure laws and campaign finance rules. These booklets are made available to candidates, PACs and to the Administrators of Elections. In a cost saving attempt, the Registry has also made the guidelines available on our web site for printing by any interested party.

## **Enforcement**

The main goal of the Registry is for all disclosures to be filed in a timely and accurate manner. The Registry staff reviews all campaign financial disclosure reports for errors. When reports are filed with minor errors, the Registry returns these reports for correction and allows the filer a reasonable amount of time to correct the report. When a filer does not file on time or when other Registry statutes are violated, the Registry has civil penalty authority.

The Registry goes through several steps before assessing a civil penalty against an individual or organization. For example, a two week notification is sent to any candidate,

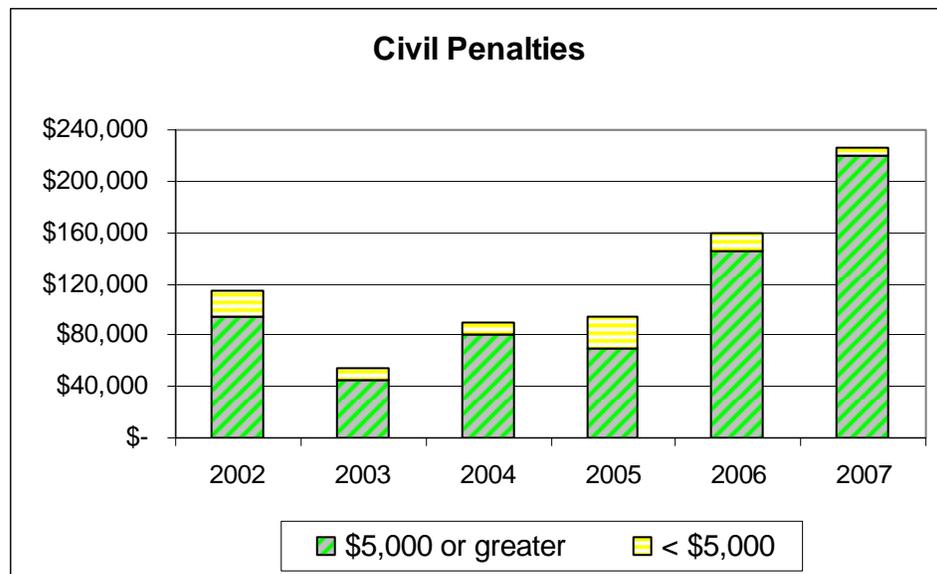
PAC, single measure committee owing a disclosure report notifying them of the report due and the due date. If the report is not filed by the due date, the Registry sends a certified notice to the individual or group notifying them that they have five (5) days to file the required report or civil penalties will begin to accrue. If the required report is filed during this five (5) day period no action will be taken by the Registry.

If a filing is not made during the five (5) day period, the matter will be presented by the Registry staff to the Registry for action. At this point, the Registry can vote to issue a show cause notice or to take no action. Before making this decision, the Registry will consider all the facts in the matter including how many days late the report was filed and whether the person or organization has had matters before the Registry in the past.

If the Registry votes to issue a show cause notice, a letter is sent to the individual or organization notifying them of the allegations in the matter and the maximum civil penalty that may be assessed. In addition, the individual or organization is notified that they may respond in a sworn statement or appear in person at the Registry's next meeting to explain why civil penalties should not be assessed against them.

Before assessing a civil penalty, the Registry will consider all information provided to them in response to the show cause notice. Most of the civil penalties assessed by the Registry are small. The largest civil penalty assessments are in cases where there is no response to the show cause notice or when an individual or group have had multiple violations of the statutes enforced by the Registry.

Breaking down the Registry civil penalty assessments between large civil penalties, \$5,000 and greater and the under \$5,000 civil penalties, it is easy to see that a small number of



penalties make up a large percentage of the civil penalty assessments. For example, in 2007 the chart to the right shows that the Registry assessed \$220,000 (97%) in the 12 civil penalty assessments where the civil penalty was \$5,000 or greater. The remaining \$6,550 in civil penalties assessments were assessed in 33 cases with each civil penalty being less than \$5,000. The trend is the same for the six years shown in the chart.

Overall during this six year period, approximately 88% of the total amount of civil penalties were assessed in just over 19 % of the civil penalty cases.

After any assessment of a civil penalty, the individual or group assessed the civil penalty has the right to request a reconsideration of the civil penalty assessment against them. The individual must notify the Registry in writing of the request for reconsideration within 14 days of the issuance of the Registry's civil penalty order.

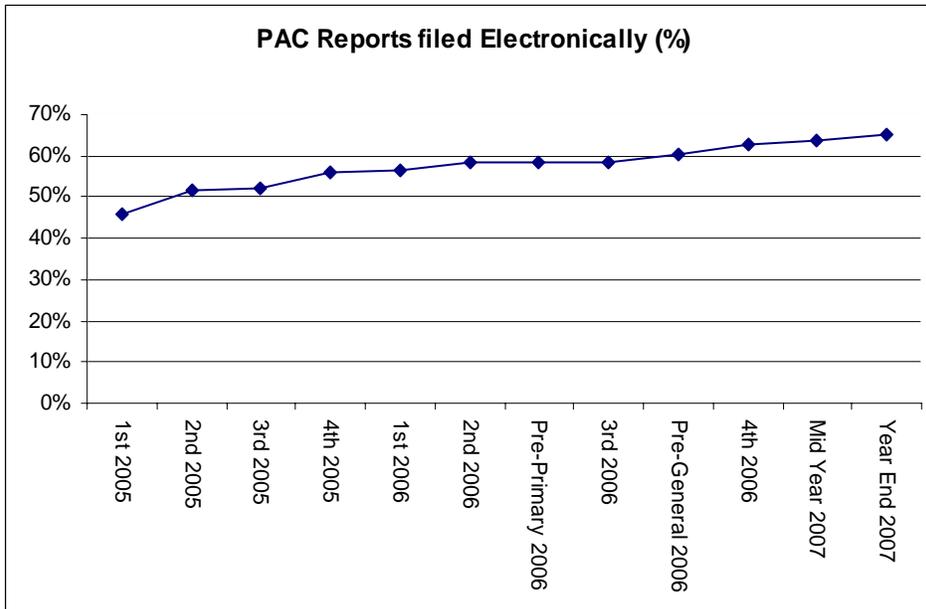
In addition to being subject to civil penalties, any candidate that is assessed a civil penalty or fails to file a campaign financial disclosure report is ineligible to qualify to run for state or local office until the penalty is paid and/or the report is filed.

The Registry also has the authority to assess civil penalties based on sworn complaints filed with our office. The Registry follows the same procedures with a sworn complaint as it does with late filing. All information available will be examined before any action is taking in a case involving a sworn complaint.

### Campaign Financial Disclosure Act

The Campaign Financial Disclosure Act requires candidates for state office, multi-candidates committees (PACs) and single-measure committees to file campaign financial disclosure reports with the Registry.

Over 90% of candidates file their campaign financial disclosure reports electronically. While the high electronic filing rate for candidates is due in part to a statute change that requires candidates to use the electronic filing system if they receive or spend over



\$1,000 during a reporting period, many candidates that were not required to file reports electronically still did (any candidate or PAC that files on paper will have their information entered into the system by the Registry staff). Another

indicator of the increase in use of the Internet filing system is the continued increase in usage by PACs, which use the system on a voluntary basis. The percentage usage by PACs has increased from 46% to 65% since 2005. The Registry believes this percentage will continue to rise due to two factors: almost 100% of new registered PACs choose to file by using electronic filing system and the continued acceptance by existing PACs of the filing system.

Any candidate or PAC wanting to use the system is given an ID and password which provides access to the Internet based system. By going to [www.tennesseeanytime.org/tncamp](http://www.tennesseeanytime.org/tncamp) and typing in their ID and password, candidates and PACs have secure access to their campaign financial disclosure information. At this site, candidates and PACs can enter their campaign financial disclosure information all at once or on an ongoing basis, build reports and submit them to the Registry.

The Registry continues to receive positive feedback on the electronic filing system. Many candidates and PACs that have used the system have stated that they do not know why anyone would file on paper with the electronic filing system available.

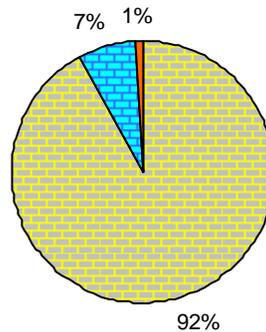
Candidates

Prior to 2005, there normally were no state elections in odd numbered years. In 2005 there were three (3) special elections held to fill four (4) vacancies. Again in 2007, three (3) special elections were held to fill four (4) vacant legislative seats: senate district 10; senate district 30; house district 89; and house district 92. Candidates for these four (4) offices and candidates with open campaign accounts from past and future elections were required to file campaign finance disclosure reports with the Registry.

Candidates in the special state elections were required to file pre-election and quarterly campaign financial disclosure reports for the primary and general elections. While candidates with open campaign accounts, from 1990 to 2010 elections, were required to file mid-year and year-end supplemental campaign financial disclosure reports covering their activity for the 2007 year.

For the 2007 year, candidates from past, present and future elections were required to file 632 campaign financial disclosure reports with the Registry. Of the 632 disclosure reports required to be filed with the Registry 584 were filed timely. Certified notices were sent to the remaining 48 candidates notifying them that civil penalties could be assessed if their disclosure reports were not filed within five days of their receipt of the notice.

**Candidate Filings**

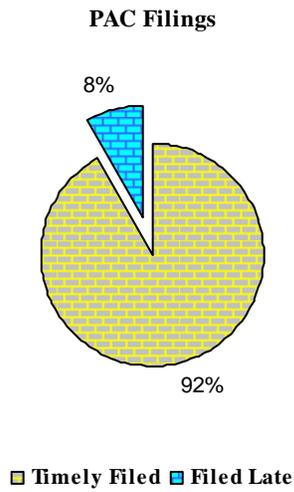


■ Timely Filed ■ Filed Late ■ Not Filed

Out of the 48 disclosure reports that were not filed timely, five (5) disclosure reports have not been filed. As in past years, the majority of candidates failing to file or filing late have been candidates that lost in the primary or general election but have an open campaign account.

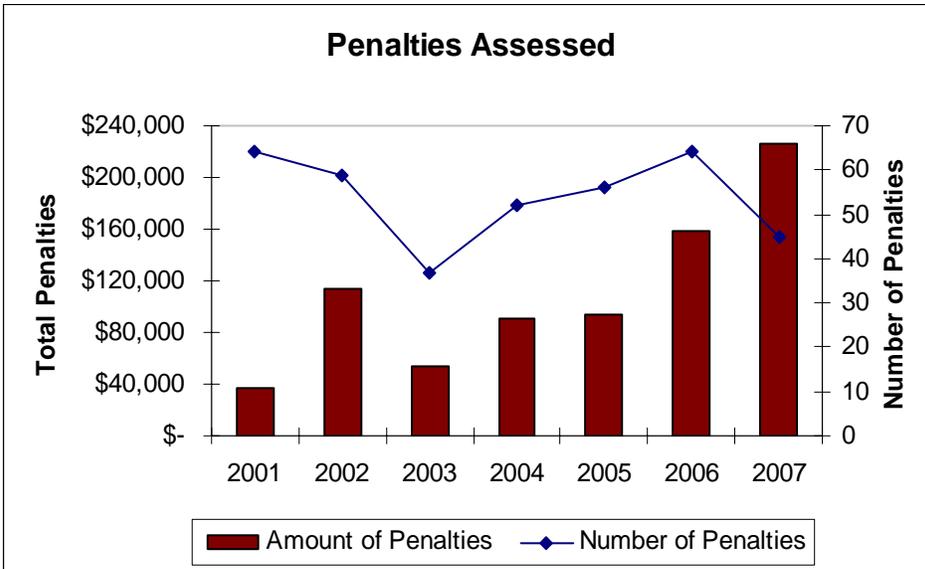
Multi-Candidate Committee (PACs)

Similar to candidates with open campaign accounts, all registered PACs are required to file two campaign financial disclosure statements with the Registry during odd numbered years. The reports disclose the PACs' receipts and the contributions they made to candidates. PACs registered with the Registry made contributions totaling \$ 2,170,824 to state candidates in 2007 (See Appendix A for a detailed list of PAC contributions to candidates).



During 2007, PACs were required to file a total of 865 campaign financial disclosure reports with the Registry. Of the 865 disclosure reports required to be filed with the Registry 793 were filed timely. Certified letters were sent to the remaining 72 PACs. Of the 72 late PAC reports for 2007, eight (8) reports have still not been filed.

To ensure compliance with the statutes that the Registry is mandated to enforce, the Registry assessed civil penalties against 45 individuals and organizations in 2007. In 12 of the cases the violations were class 1 violations, which carry a maximum \$750 civil penalty. The other 33 cases were class 2 violations, which carry penalties ranging from a

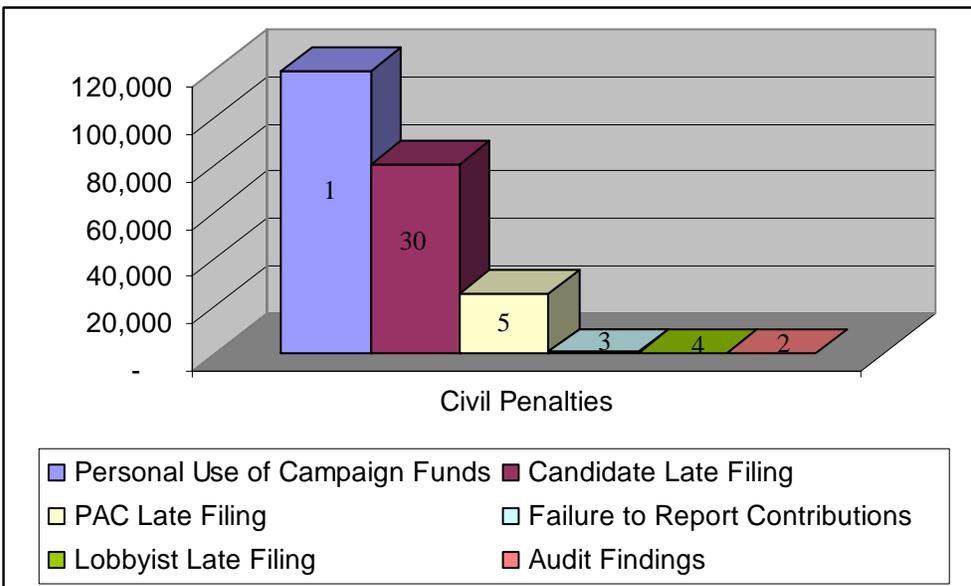


maximum penalty of \$10,000 per violation or 15% of the amount in controversy if the amount in controversy is greater than \$10,000.

In 2007, the 45 civil penalty assessments

by the Registry totaled \$226,550. As the chart to above shows, this compares with civil penalty assessments of \$94,442 for 2005 and \$158,875 for 2006. The number of civil penalty assessments in 2007 was the lowest since 2003; however, the total amount of civil penalties assessed by the Registry was the largest ever due to one civil penalty of \$120,000.

The chart below shows the breakdown by type of violation of the 45 civil penalty assessments by the Registry in 2007. The number on each bar shows the number of



penalties assessed for each type of penalty. As can be seen in the chart, the majority of civil penalties assessed by the Registry are for late filings by candidates.

## Statute Changes

The 2007 General Assembly passed the following legislation affecting the campaign finance statutes enforced by the Registry of Election Finance:

- The Registry may not assess a civil penalty against a candidate for failure to report a campaign contribution if the omission is corrected by the candidate within ten (10) business days of the date of notification by the Registry of the omission. Under this civil penalty exemption, a candidate is only allowed to correct up to two (2) omissions in a calendar year with the omissions not to exceed two thousand dollars (\$2,000).

## Goals

The Registry hopes to continue to improve its services to its customers in the future. The continued promotion of the Registry's electronic filing and viewing system is one of the main ways the Registry can better serve the public. This will not only improve the timeliness and accuracy of reports filed in our office but it will aid the Registry in making the information available in a more timely basis to the public.

The next step in improving our services to our customers will take place in March 2008. The Registry will deploy an updated version of its electronic filing and viewing system. The new system will provide an improved entry system for contributions and expenditures and an easier error checking mechanism.

The search side of the system will be highly improved over the current system. Currently you can print filed reports and search for contributors by name. The new system will still allow you to view and print reports but now you will also be able to download the information from the report. In addition, you will be able to create very specific searches on almost every field in the database. For example, you may look for contributors living in zip code 37221 that made contributions to candidates running for House District 56. The results of the searches can then be viewed and/or downloaded.

Another goal of the Registry is to reduce the number of reports filed late and the number of reports that are filed with errors. The reduction in late reports and reports with errors will not only allow the Registry to make the information available to the public sooner but it will reduce the Registry's costs. The electronic filing system will continue to help the Registry reduce costs with more timely and accurate reports.

The most obvious cost savings of the new system will be that reports filed electronically will not have to be hand entered into the system by the Registry staff. The continued increase in usage will free the Registry staff for other duties.

The new error check system that is part of the electronic filing system will continue to reduce the number of reports sent back for corrections. This will reduce the Registry's postage and supply costs.

Lastly, the Registry wants to decrease the number of reports filed late. The Registry is currently working with the Administrators of Elections so that all candidates that pick up petitions at the County Election Commissions will be given an information sheet that will make them aware of the filing requirements for qualified state candidates. The information sheet will also make these candidates aware of the consequences for not filing a required report. The hope is that this will reduce the number of late filings and thus the number of civil penalty cases the Registry will need to process.