



**2016
Annual Report
to the
Governor and the General Assembly**

**Bureau of Ethics and Campaign Finance
Registry of Election Finance
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INTRODUCTION

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 currently 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 Registry members with their appointing authority, city of residence and term expiration:

- Governor
 - Patricia Heim, Nashville, December 31, 2016
 - Norma Lester, Memphis, December 31, 2016
- Senate Democratic Caucus
 - William (Paz) Haynes, III, Nashville, December 31, 2017 (appointed in 2017)
- Senate Republican Caucus
 - Tom Lawless, Nashville, December 31, 2017
- House Democratic Caucus
 - Henry Fincher, Cookeville, December 31, 2014
- House Republican Caucus
 - Tom Morton, Bristol, December 31, 2019

The Registry normally meets on the second Wednesday of each month. A meeting agenda is posted on the Registry's web site, www.tn.gov/tref, one week in advance of any meeting. In addition, a notice of the Registry meeting is posted in the window of the Registry's first floor offices in Parkway Towers. Agendas are available in the Registry office and can be mailed to anyone who requests one. The Registry meetings are held in the Registry's office and are open to the public. Minutes of past meetings are available at the Registry's website after they have been approved by the Registry.

In 2009, a new entity was created in order to consolidate certain management and administrative functions of the Registry and the Tennessee Ethics Commission ("Commission"), in order to save the taxpayers of Tennessee and the regulated entities several hundred thousand dollars per year. The new entity is named the Bureau of Ethics

INTRODUCTION

and Campaign Finance (“Bureau”). Both the Registry and Commission continue to exist, with no change in their respective jurisdictions, powers, duties and authority.

Under the new structure, the staff of the Bureau consists of an executive director and nine additional staff. The staff of ten employees handles the duties of the Registry and Commission on a day to day basis. In addition to handling notification and input of campaign financial disclosure filings, some of the 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 Bureau is administratively attached to the Secretary of State’s office. The Secretary of State assists the Registry in administrative matters such as receipts, disbursements, budget, travel, personnel, information services and audit. This step was taken as a cost saving move and allows the Bureau to operate without the costs of having their own administrative staff.

RESPONSIBILITIES

Campaign Finance Filings

One of the main purposes for the creation of the Registry in 1989 was to house campaign financial disclosure filings and make them readily available to the public. The Campaign Financial Disclosure Act requires candidates for state office, multi-candidate committees (PACs) and single-measure committees (referendum committees) to file campaign finance reports with the Registry.

Candidates and PACs now file campaign financial disclosure reports at the same time based on the reporting year. In state election years (even numbered years) candidates and PACs file six (6) campaign finance reports. These reports consist of four (4) quarterly reports and two (2) pre-election reports that are filed 10 days before the primary and general elections. In non-election years (odd numbered years) candidates and PACs file two (2) semi-annual campaign finance reports.

Candidates, PACs and single-measure committees are required to file detailed information about their contributions and expenditures on the campaign finance reports. For example, for every contribution received over \$100 the report must contain detailed information including the name, address, occupation and employer of the contributor; date of contribution and amount of the contribution. Similar information is required for expenditures of over \$100.

Enforcement

The main goal of the Registry is for all campaign financial disclosure reports 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.

In addition to checking for minor disclosure errors, the Registry cross-checks disclosure reports to ensure that all contributions reported as being given by PACs are reported as being received by candidates.

The Registry also reviews campaign disclosure reports for compliance with the Contribution Limits Act. The Contribution Limits Act sets limits on the amount of contributions a candidate may receive from individuals and PACs.

When a filer does not file on time or when any other campaign finance statute is violated, the Registry has civil penalty authority. Late filing of a report up to 30 days late is a class one violation subject to civil penalties of up to \$25 a day for each day the report is filed late. Filing a report over 30 days late or any other violation of the Campaign Financial Disclosure Act is a class two violation normally subject to a civil penalty of up to \$10,000. A violation of the Contributions Limits Act is subject to a civil penalty of up to

RESPONSIBILITIES

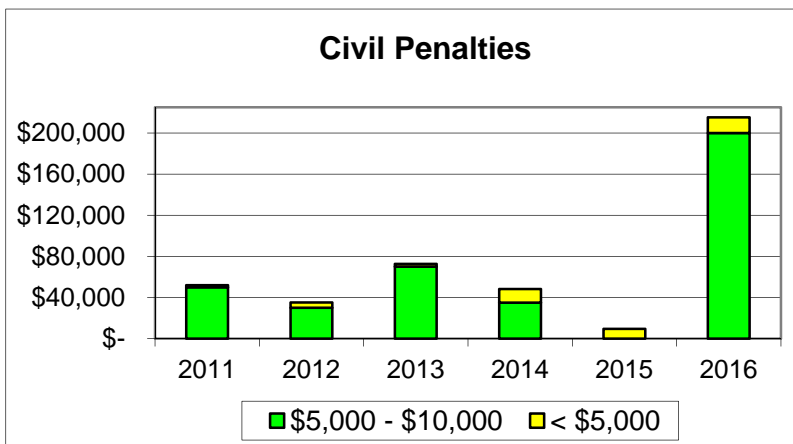
\$10,000 or 115% of the amount of all contributions made or accepted excess of the limitations.

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, or 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.

Any late filing, beyond the five (5) day grace period, or any other violation of the campaign finance statutes 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 whether the person or organization has had previous 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 and/or when an individual or group have had multiple violations of the statutes enforced by the Registry.



Breaking down the Registry's civil penalty assessments between large civil penalties, \$5,000 and greater and the under \$5,000 civil penalties, you will see that \$200,000 was assessed in 21 cases where candidates and PACs failed to file reports. In the other 20 cases when candidates

and PACs filed but were late only \$15,300 was assessed.

RESPONSIBILITIES

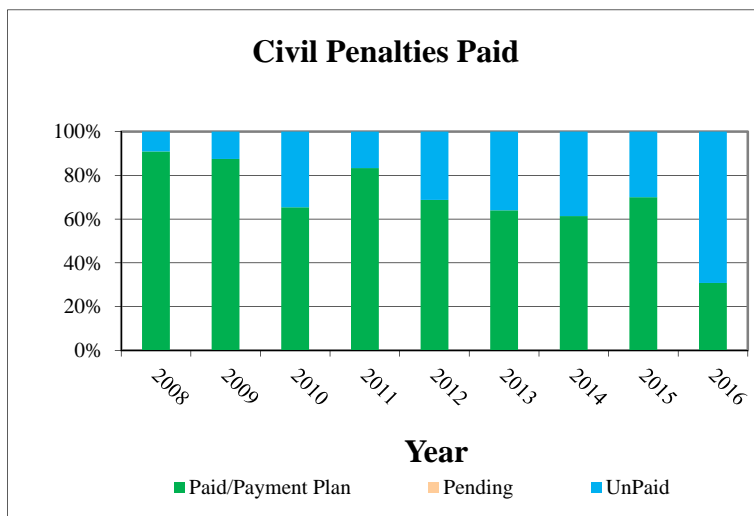
Overall during this five year period, approximately 88% of the total amount of civil penalties were assessed in just 25 % of the civil penalty cases. These large assessments are mainly due to two (2) reasons: cases where the candidate or PACs did not file a required report and failed to respond to the Registry's attempts to allow them to explain what caused their violation of the campaign finance statutes and repeat offenders.

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 the right to request a reconsideration from the Registry, anyone assessed a civil penalty may request a contested case hearing pursuant to the Uniform Administrative Procedures Act.

A 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.

A PAC that fails to file campaign financial disclosure reports for two (2) consecutive reporting periods, fails to pay a civil penalty assessment within 90 days of becoming final or no longer has an active mailing address may be administratively terminated. In addition, if the civil penalty is not paid within 30 days, the PAC is prohibited from receiving or making campaign contributions.



After a civil penalty assessment becomes final, the Registry makes every attempt to collect the civil penalty. In addition to the restrictions placed on candidates and PACs with outstanding civil penalties mentioned above, the Registry forwards every unpaid civil penalty assessment to the State Attorney General for collection 30 days after the assessment becomes final.

The Registry and the State Attorney General have collected or are receiving payments on approximately 66% of the civil penalties assessed since 2008. As shown in the chart above, the percentage of civil penalties paid on 2016 assessments will increase as the penalties become final and are turned over to the State Attorney General for collection.

RESPONSIBILITIES

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 a late filing. All information available will be examined before any action is taken in a case involving a sworn complaint.

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.tn.gov/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 guides for candidates, PACs, single measure committees (referendum committees) and citizens. 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 campaign finance information. The information includes summary data on every state candidate's campaign finance information since the 1996 election and campaign contributions made by PACs since 1996. In addition to the campaign finance summary information, the website contains a list of registered PACs, list of qualified candidates, lists of candidates and PACs who have failed to file campaign financial disclosure reports and copies of campaign audits.

In addition to the Registry's main website, the Registry maintains a website (<https://apps.tn.gov/tncamp>) that allows the public to view campaign financial disclosure statements, beginning with the 2004 elections, and to do searches on the data contained in these reports. As the public continues to become more aware of the information available on the campaign financial disclosure viewing site and the variety of ways that the data can be retrieved, 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

RESPONSIBILITIES

only include education on the laws but a detailed 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 Tennessee Association of County Election Officials' 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 in each county.

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 website for printing by any interested party.

YEAR IN REVIEW

Electronic Filing Update

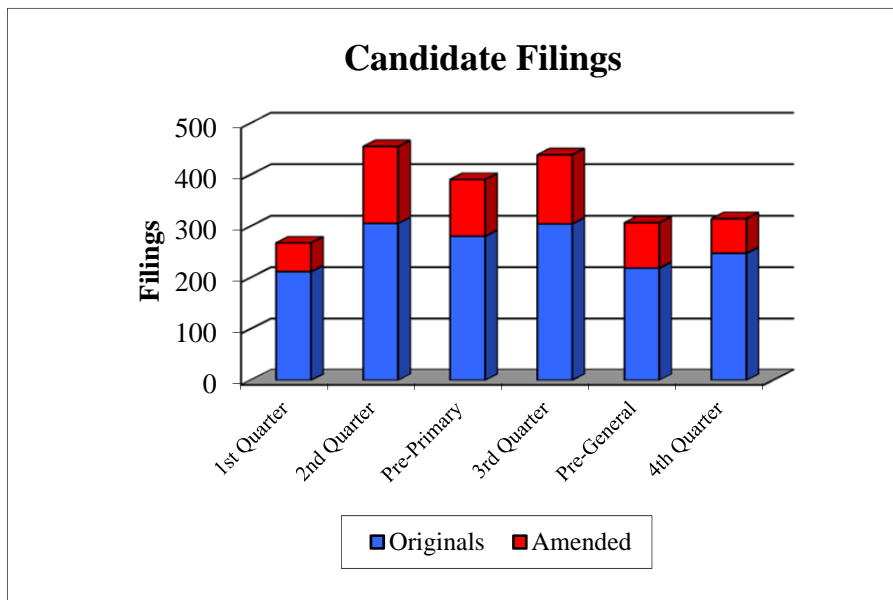
The Registry is continually updating the internet based electronic filing system for campaign financial disclosure reports (TNCAMP). Every attempt is made to make the system easy and fast to use. The continued increase in the number of users requires the Registry to constantly work with the State to have TNCAMP function properly during peak filing times.

As part of this improvement process, the Registry rewrote TNCAMP, the campaign finance electronic filing system. As part of the update, large PACs will now be able to upload their contributor data straight into TNCAMP. This new feature will encourage PACs that had previously filing on paper, requiring staff to input their data, to file electronically. In addition to the upload feature, additional search features were added so the public may accomplish more detailed searches.

Lastly, the updated TNCAMP will allow better use of the error check system by filers and staff. Fewer reports filed with errors will save the staff time in review of reports and notifying filers of the errors.

Filings

Candidates



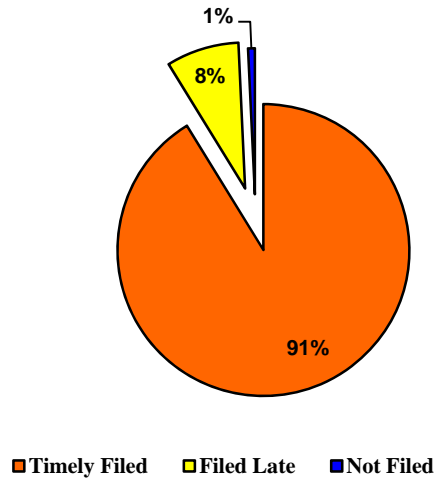
In 2016, state elections were held for State Senate (even numbered districts) State Representatives (all districts) and judicial offices where a vacancy had occurred. Candidates may be required to file up to six campaign financial disclosure reports

in an election year. As of the completion of this report, the Registry had received 1,571 original campaign financial disclosure reports from 2016 candidates in 2016. In addition, the Registry received 604 amended (corrected) campaign financial disclosure reports from 2016 candidates. The chart shows the breakdown of original and amended campaign financial disclosure reports filed by 2016 candidates.

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In addition to the 2016 candidates, candidates with open campaign accounts from past elections (1994 through 2015) and candidates with open accounts for future elections (2018 and 2020) were required to file mid-year and year-end supplemental campaign financial disclosure reports in 2016. As of the completion of this report, the Registry has received 152 mid-year and 138 year-end original and amended reports for 2016.

Candidate Filings

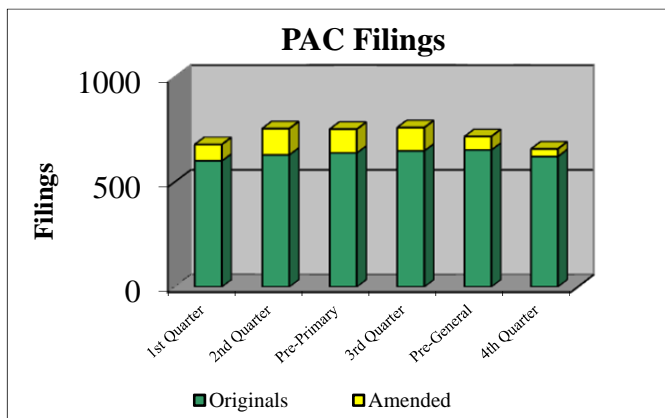


For the 2016 year, candidates from past, present and future elections were required to file 1,875 campaign financial disclosure reports. Of the 1,875 reports required to be filed with the Registry 1,723 were filed timely. Certified letters were sent out for the remaining 152 reports that were not filed timely notifying the candidate that civil penalties could be

assessed if the required report was not filed within five days of their receipt of the notice. Out of the 152 disclosures that were not filed timely, fourteen (14) still have not been filed as of the date of this report. The fourteen reports still outstanding consist of one (1) first quarter, two (2) second quarter, two (2) pre-primary, three (3) third quarter, one (1) pre-general and five (5) fourth quarter reports.

The candidates failing to file the reports have either been assessed civil penalties or are in the process of being assessed penalties by the Registry. Final actions on some candidates that have failed to file reports are still pending. These candidates will be ineligible to qualify for election until the reports are filed and the civil penalties are paid.

Multi-Candidate Committee (PACs)

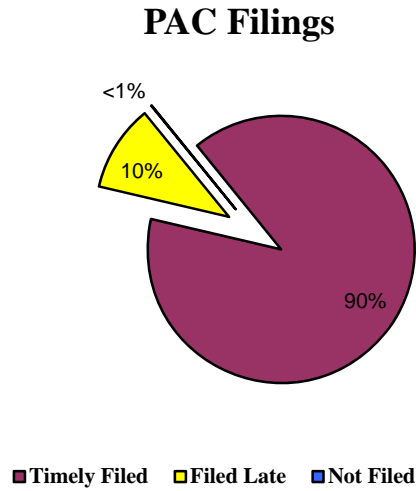


Since 2006, PACs have been required to file six campaign financial disclosure reports annually during an election year and two reports during non-election years with the Registry. These reports disclose receipts and the

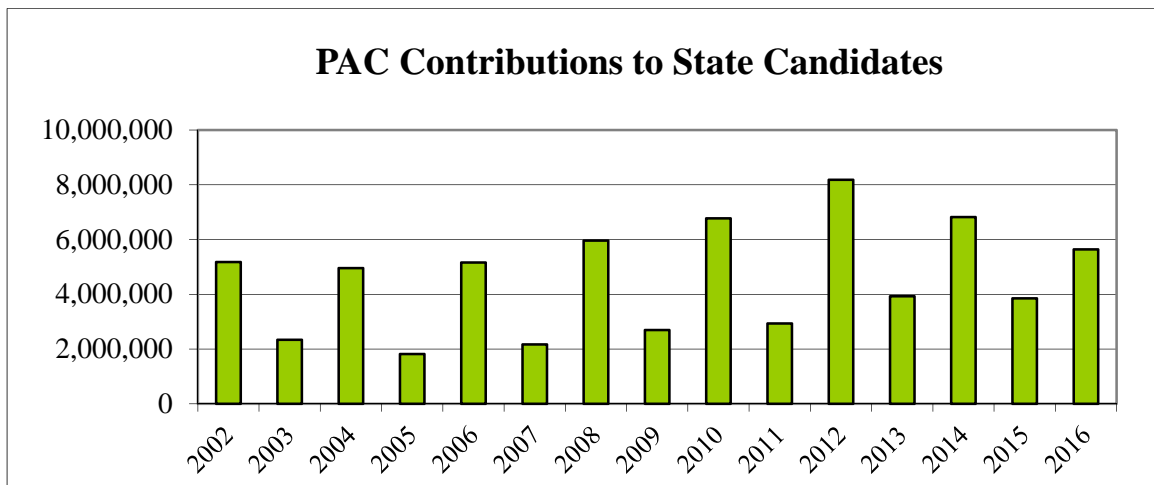
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contributions the PACs made to candidates.

The Registry received 3,822 original campaign financial disclosure reports from PACs in 2016. In addition, the Registry received 431 amended campaign financial disclosure reports from PACs in 2016. The chart above shows the breakdown of original and amended campaign financial disclosure reports filed by PACs in 2016.

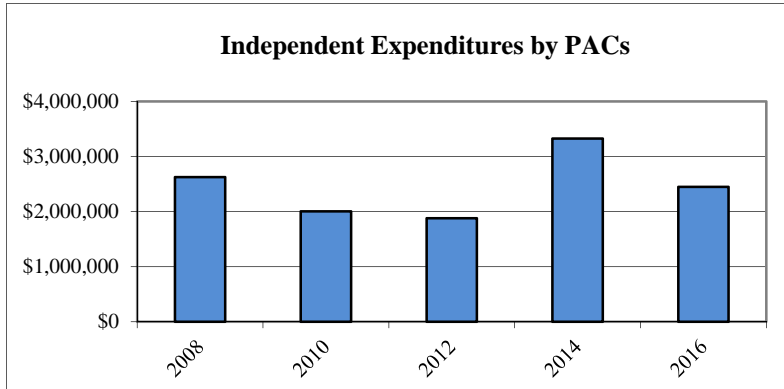


During 2016, PACs were required to file a total of 3,824 campaign financial disclosure reports with the Registry for the six reporting periods. Out of the 3,824 disclosure reports required to be filed with the Registry 3,422 were filed timely. Certified letters were sent to the remaining 402 PACs. Out of 402 late PAC reports for 2016, two (2) have still not been filed. The two (2) reports still outstanding are both fourth quarter reports.



State candidates reported receiving contributions from PACs, registered with the Registry, totaling \$5,639,366 during the 2016 reporting year. PAC contributions in 2016 were less for an election year than they have been since 2006.

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In addition to the direct monetary and in-kind contributions, shown in the chart above, PACs also make independent expenditures. Independent expenditures are expenditures made to support or oppose candidates that are made without consulting the

candidates or the candidates' committees. Thus, they are independent of the candidates and their committees. Independent expenditures are not subject to contribution limits. However, PACs (groups that only make independent expenditures are required to register as PACs) that make independent expenditures are required to report independent expenditures in the same manner as direct campaign contributions. As shown in the chart above, PACs reported making a total of \$2,448,870 in independent expenditures in 2016.

Audits

The Registry is required to conduct campaign audits on all gubernatorial candidates that receive 10% of the vote in the general election, approximately 2% of all legislative candidates for each election cycle and one candidate each for supreme court, court of appeals and court of criminal appeals.

Two gubernatorial candidates qualified for audit. Gubernatorial candidates required to be audited have the option to self-audit and submit the audit to the Registry for approval. Of the two candidates required to be audited, one chose to be self-audited.

For legislative elections, districts are selected by random draw until approximately 2% of legislative candidates are selected. The Registry was required to select at least six candidates for audit for 2016. House of Representative District 58 (3 candidates) and House of Representative District 85 (3 candidates) were chosen before the 2% was achieved.

One candidate for each office was chosen at random from the candidates for supreme court, court of appeals and court of criminal appeals.

The campaign finance audits from the 2016 elections will be will be conducted during 2017. These audits are presented to the Registry for approval and any necessary action before being posted to the Registry's website.

In addition to random campaign audits, the Registry is required to audit the unitemized contributions on a campaign finance report for any candidate who lists more than 30% of

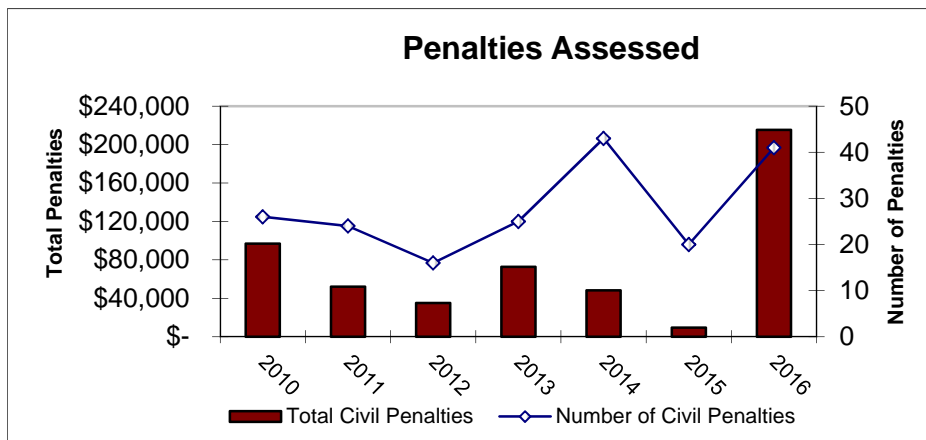
YEAR IN REVIEW

their total contributions as unitemized contributions and the amount is greater than \$5,000. So far for the 2016 election there have been two candidate reports that have been audited, presented to the Registry and posted to the Registry's website.

Citizen's Guide

In 2008, the Registry added a Citizen's Guide to its website. The guide may be viewed on the website or printed. The main purpose of the guide is to advise citizens on how they may legally take an active part in the state and local election process and be in compliance with Tennessee campaign finance statutes. The Citizen's Guide is constantly updated as laws and rules change giving the public the latest information on campaign finance laws.

Civil Penalties



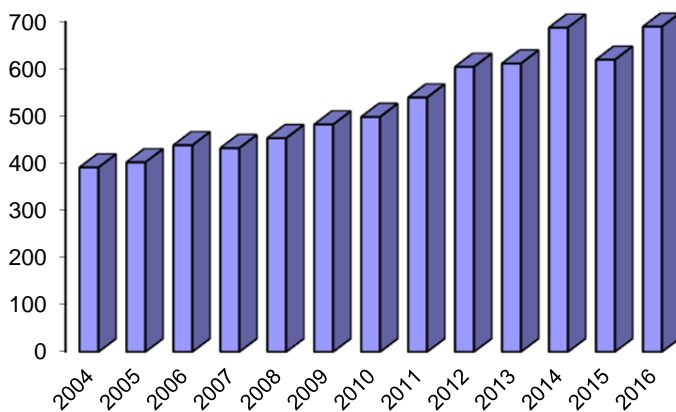
To ensure compliance with the statutes that the Registry is mandated to enforce, the Registry assessed civil penalties against 41 individuals

and organizations in 2016. In nine (9) of the cases the violations were class 1 violations, which carry a maximum penalty of \$25 a day for each day a campaign financial disclosure report is filed late. The other 32 cases were class 2 violations, which carry civil penalties of up to of \$10,000 per violation.

In 2016, the 41 civil penalty assessments by the Registry totaled \$215,300. As the chart above shows, the number of civil penalties assessed and the total amount of the penalties was large compared to previous years. This was mainly due to seven (7) candidates and PACs being assessed 18 civil penalties totaling \$131,525 for failing to file multiple campaign financial disclosure reports.

FUTURE

Register PACs



With the demands on the Registry increasing every year, the Registry will need to continue to become more efficient in order to meet its mandated duties.

The number of PACs registered with the Registry in 2016 was at an all-time high of 690. As can be seen in the chart the number of registered PACs has

increased over 50% in the last ten years. For every new PAC there are six additional reports filed with the Registry in an election year that must be reviewed for errors and cross-indexed.

In addition to the increasing number of PACs, the Registry also added several hundred judicial candidates that are now required to register and file campaign financial disclosure with the Registry. In addition to more filings, campaigns are becoming more complicated with each election. The increased number of filings along with more complicated campaigns will require the Registry to be more efficient to handle its mandated duties without increasing its staff size or budget.

Goals

In 2017, the Registry hopes to continue to improve services to its customers in the future. The continued promotion of the Registry's electronic filing to 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.