



2017

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

- Governor (Republican)
 - Vacant
- Governor (Democrat)
 - Vacant
- Senate Republican Caucus
 - Tom Lawless, Nashville, December 31, 2017
- Senate Democratic Caucus
 - William (Paz) Haynes, III, December 31, 2022
- House Republican Caucus
 - Tom Morton, Bristol, December 31, 2019
- House Democratic Caucus
 - Henry Fincher, Cookeville, December 31, 2014

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.

INTRODUCTION

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 several hundred thousand dollars per year. The new entity is named the Bureau of Ethics 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. 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

RESPONSIBILITIES

civil penalty of up to \$10,000 or 115% of the amount of all contributions made or accepted in excess of the limitations.

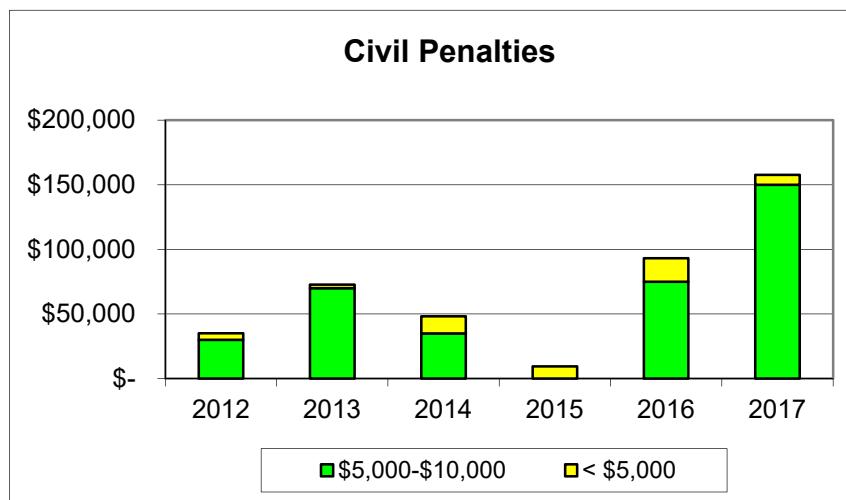
The Registry goes through several steps before assessing a civil penalty against an individual or organization. For example, a two week notification is sent to any candidate, PAC, or single measure committee owing a disclosure report notifying them of the report due and the due date. If the report is 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 civil penalty assessments between large civil penalties, \$5,000 and greater and the under \$5,000 civil penalties, you can see that a large amount of the total civil penalties assessed are in cases where the civil penalties assessed are \$5,000 or greater. For example, in 2017 there were 15 civil



RESPONSIBILITIES

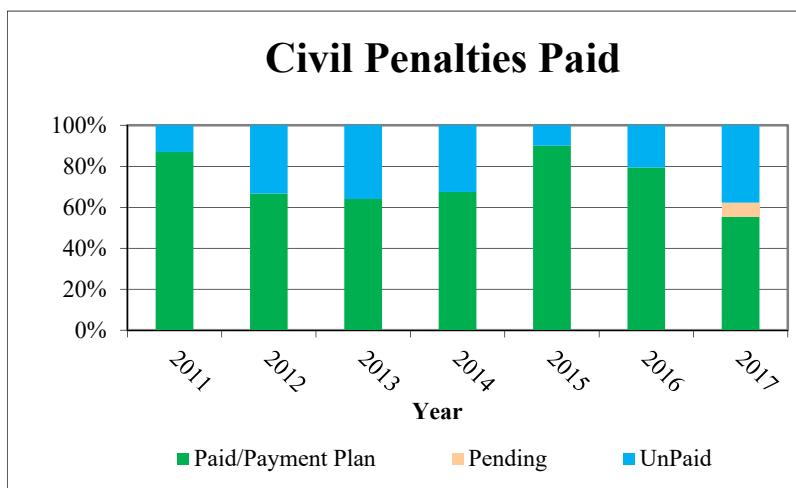
penalty assessments between \$5,000 and \$10,000 totaling \$150,000. The remaining \$7,640 in civil penalties were assessed in 29 cases with the highest civil penalty being \$575. Large assessments are mainly due to three (3) reasons: civil penalties assessed in cases where the candidate or organization did not file a campaign financial disclosure report, a late filer did not respond to the Registry's attempts to allow them to explain what caused their violation of the campaign finance statutes and repeat offenders. (Note: The chart above does not include a \$465,000 civil penalty assessed by the Registry after an audit was conducted on a candidate's campaign account).

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 71% of the civil penalties assessed since 2011.

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 website was updated in 2017 to provide a more user friendly format for our users.

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 on the Internet 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.

RESPONSIBILITIES

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 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.

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

Statute Changes

The 2017 legislative session brought three changes to the campaign finance statutes:

- The definition of a “Political Campaign Committee” was changed to require a group to register as a PAC if they spent over \$1,000, in the aggregate, in a calendar year to support or oppose candidates. Previously, a group spending any funds to support candidates was required to register as a PAC.
- Candidates are now required to maintain campaign funds in a bank account insured by the FDIC or National Credit Union Administration.
- The percentage of legislative candidates subject to audit was increased from 2% to 4%.

In addition, the passage in 2011 of the requirement that the Registry update contribution limits every two years based on the Consumer Price Index resulted in the following changes to the contribution limits for the 2017/18 election cycle:

	New Limit	Old Limit
Person Limits (per election)		
Local / Legislative Candidates	\$1,500	\$1,500
Statewide Candidates	\$4,000	\$3,900
PAC Limits (per election)		
Local / House Candidates	\$7,800	\$7,600
Senate / Statewide Candidates	\$11,800	\$11,500
Aggregate PAC Limit (per election)		
All Elections Except Statewide	\$118,100	\$114,900
Aggregate Party/Caucus (per election)		
Local / House Candidates	\$31,600	\$30,700
Senate Candidates	\$63,000	\$61,300
Statewide Candidates	\$393,000	\$383,000

Note: Primary and General are separate elections.

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

YEAR IN REVIEW

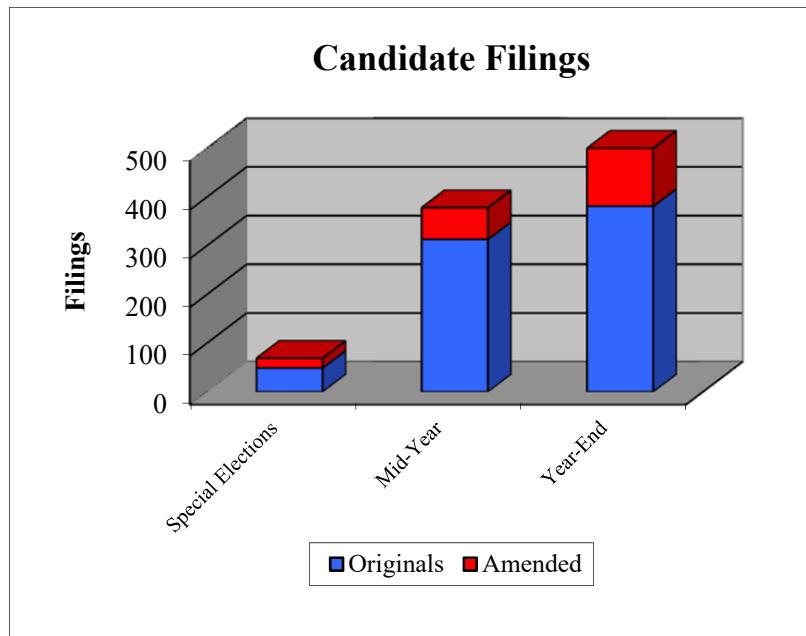
the system easy and fast to use. The continued increase in the number of users requires the Registry to constantly work with the State and their contractors to have TNCAMP function properly during peak filing times.

In late 2015 a completely updated version of TNCAMP was released for use by candidates, PACs and the public. TNCAMP has better functionality for the filers and expanded search and download features for the public. The filers should see improved speed, error checking and functions. The public will have more and improved search capabilities along with improved download capabilities for larger amounts of data.

Filings

Candidates

While 2017 is not a normal state election year, two special elections were held to fill vacancies for the Senate 17 and House 95 seats. Candidates for these seats filed campaign financial disclosure reports with the Registry in 2017. In addition to these candidates, candidates with open campaign accounts from past elections (1990 through 2016) 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 2017.

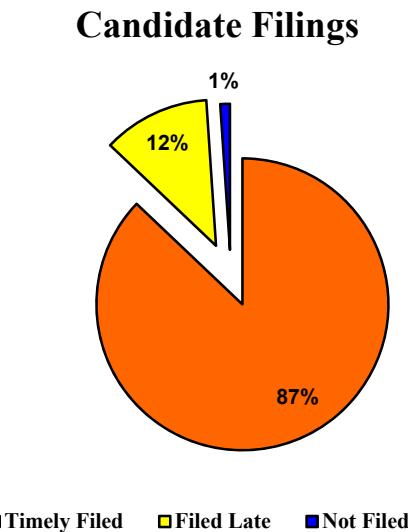


The Registry received 743 original campaign financial disclosure reports in 2017 from candidates. In addition, the Registry received 243 amended (corrected) campaign financial disclosure reports in 2017 from candidates. The above chart shows the breakdown of original and amended campaign financial disclosure reports filed by candidates in 2017.

YEAR IN REVIEW

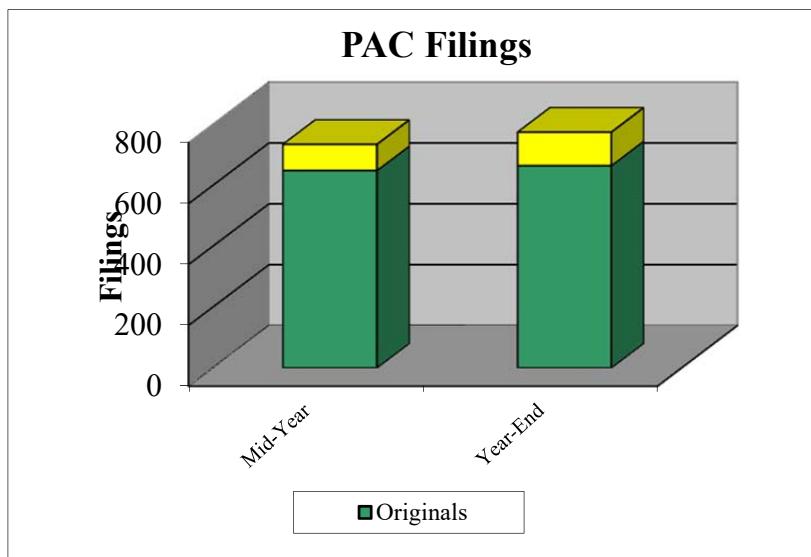
For the 2017 year, candidates from past, present and future elections were required to file 751 campaign financial disclosure reports. Of the 751 reports required to be filed with the Registry 654 were filed timely. Certified letters were sent out for the remaining 97 reports that were not filed timely 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 97 disclosures that were not filed timely, as of

the day of this report
eight (8) still have not
been filed.



The candidates failing to file campaign financial disclosure reports have been or may be assessed civil penalties by the Registry. Candidates are ineligible to qualify for any future state or local election until the reports are filed and the civil penalties are paid.

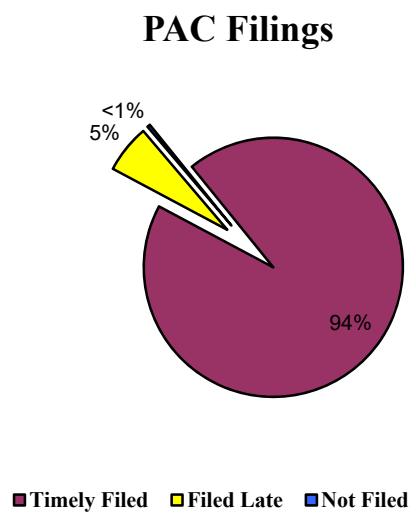
Multi-Candidate Committee (PACs)



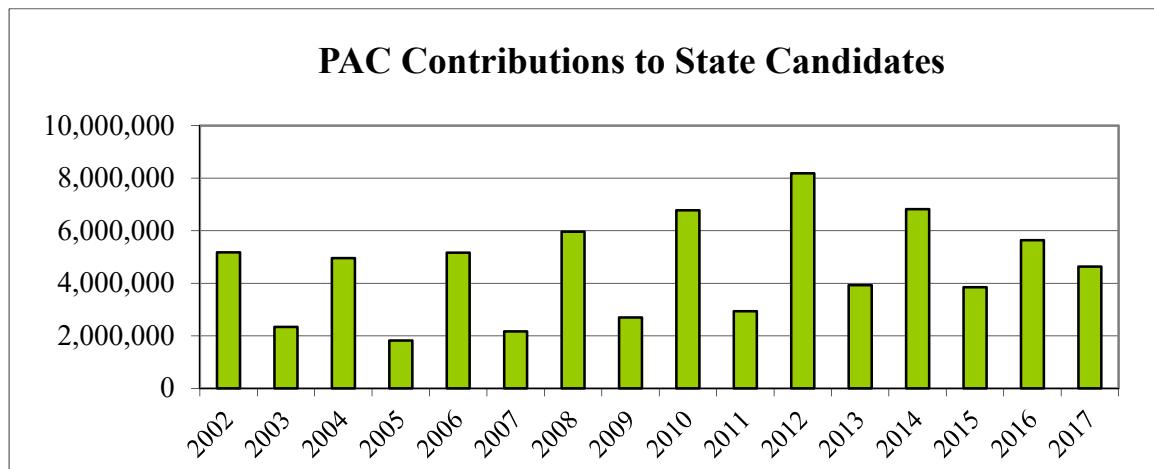
During non-election years (odd-numbered years) PACs are required to file mid-year and year-end supplemental campaign financial disclosure reports with the Registry. These reports disclose receipts and the contributions they made to candidates.

The Registry received 1,314 original campaign financial disclosure reports from PACs in 2017. In addition, the Registry received 196 amended campaign financial disclosure reports from PACs in 2017. The chart above shows the breakdown of original and amended campaign financial disclosure reports filed by PACs in 2017.

YEAR IN REVIEW



During 2017, PACs were required to file a total of 1,319 campaign financial disclosure reports with the Registry for the two reporting periods. Out of the 1,319 disclosure reports required to be filed with the Registry 1,235 were filed timely. Certified letters were sent to the remaining 84 PACs. Out of 84 late PAC reports for 2017, five (5) have still not been filed. As with candidates, PACs who do not timely file may be assessed civil penalties.



PACs registered with the Registry made contributions totaling \$4,633,843 to state candidates during 2017. As can be seen in the chart, PAC contributions in 2017 increased from the previous two odd numbered years 2013 and 2015.

Cross-Indexing

The Registry continues its cross indexing process of comparing contributions to candidates reported by PACs with the contributions reported as being received by candidates. As of the printing of this report, the Registry is in the process of cross-indexing contributions for the 2017 year.

All candidates and PACs are required by the Registry to correct any omission. If a candidate makes the correction timely and the omissions do not exceed the exemption of up to two omissions per calendar year totaling no more than \$2,000, the Registry takes no action. If a candidate fails to correct the omission or the omission exceeds the exemption, the matter is presented to the Registry for possible civil penalties.

Audits

The Registry was required to conduct campaign audits on approximately 2% of all legislative candidates for the 2016 election cycle (Beginning with the 2018 elections the 2% will be increased to 4%). Districts were selected by random draw until the 2% of legislative candidates were selected. The Registry was required to select at least five (5) candidates for audit for the 2016 elections. House of Representative District 58 (3 candidates) and House of Representative District 85 (3 candidates) were chosen before the 2% was achieved.

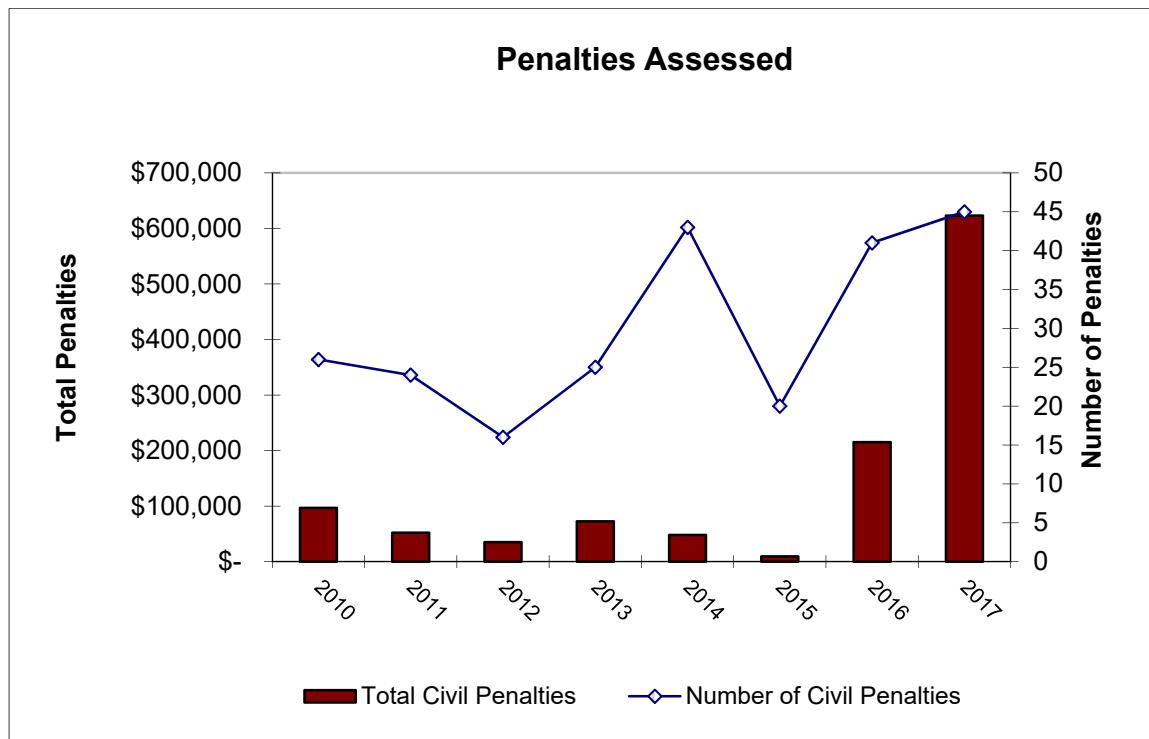
The Registry is also required to audit the unitemized contributions on a campaign finance report for any candidate who lists more than 30% of their total contributions as unitemized contributions and the amount is greater than \$5,000. For 2016 elections, there were two (2) candidate reports that met the requirement for audit.

The campaign finance audits and unitemized contribution audits were mostly completed during 2017 and will be completed in early 2018. The results of the audits have been posted on the Registry's website after approval by the Registry.

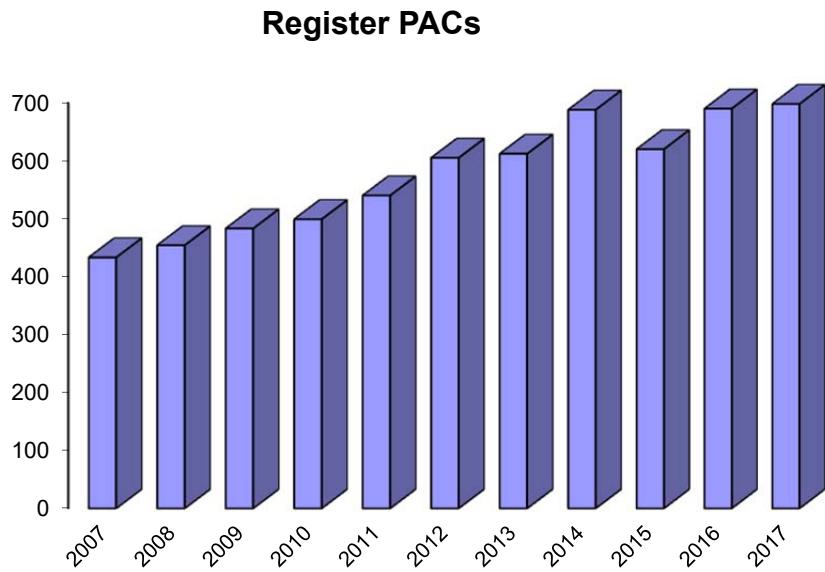
Citizen's Guide

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 45 individuals and organizations in 2017 (one case is under appeal in a contested case hearing). In ten (10) 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. Thirty-four (34) of the remaining cases were class 2 violations for failure to file campaign financial disclosure reports and pay the \$100 annual PAC fee. These violations carry a maximum civil penalty of \$10,000. The final civil penalty was a \$465,500 assessment based on the results of an audit on a candidate's campaign finance activity.



The rapid growth of the number of registered PACs in Tennessee has begun to level off in 2017. There were 698 PACs registered for at least part of 2017. While several PACs closed in 2017 almost the exact same number registered. The trend of more overall PACs being registered and large number of PACs closing and opening will continue to increase the demands on the Registry each year. The Registry will need to continue to become more efficient in order to meet its mandated duties.

Goals

The Registry hopes to continue to improve 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.

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 error checking system built into TNCAMP will continue to be improved to help the Registry reduce costs with more timely and accurate reports.

The Registry will continue to work with PACs to encourage them to file their campaign financial disclosure reports electronically. This will reduce the time the Registry spends hand entering reports which will allow that time to be used for other duties.