



STATE OF WASHINGTON
PUBLIC DISCLOSURE COMMISSION

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November 15, 2018

Delivered electronically to Phillip Lloyd, Treasurer for Jay Inslee for Governor

Subject: Jay Inslee Complaint Return Letter for PDC Case 32210

Dear Mr. Lloyd:

Below is a copy of an electronic letter sent to Glen Morgan concerning the complaint he filed with the Public Disclosure Commission (PDC) against the 2016 Jay Inslee for Governor Campaign. As noted below in the letter to Mr. Morgan, the PDC will not be conducting a more formal investigation into these allegations or taking further enforcement action in this instance.

However, PDC staff is reminding the Jay Inslee Campaign to provide a more detailed breakdown for expenditures made to reimburse individuals or payments made to consultants or vendors, including the sub-vendor breakdown, in the future. Based on these facts, the PDC has dismissed the allegations listed in the complaint filed against the 2016 Jay Inslee for Governor Campaign in accordance with RCW 42.17A.755(1).

If you have questions, please contact Kurt Young at (360) 664-8854, toll-free at 1-877-601-2828, or by email at kurt.young@pdc.wa.gov.

Sincerely,

Endorsed by:

s/_____
Kurt Young
PDC Compliance Officer

s/_____
BG Sandahl, Deputy Director
For Peter Lavalley, Executive Director



Public Disclosure Commission
Shining Light on Washington Politics Since 1972



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November 15, 2018

Sent electronically to Glen Morgan "glenmorgan89@gmail.com"

Subject: 2016 Jay Inslee for Governor Campaign PDC Case 32210

Mr. Morgan:

The Public Disclosure Commission (PDC) has completed its review of the complaint you filed on March 1, 2018 against the 2016 Jay Inslee for Governor Campaign.

PDC staff reviewed the allegations listed in the complaint you filed, the statutes, rules and reporting requirements, queried the PDC contribution and expenditure database for the 2016 Jay Inslee for Governor Campaign, reviewed the Candidate Registrations (C-1 report), Monetary Contributions reports (C-3 reports), and Summary Full Campaign Contribution and Expenditure reports (C-4 reports), filed by the 2016 Jay Inslee for Governor Campaign, and the responses to the complaints provided by the Phillip Lloyd, Treasurer for the Campaign. Based on staff's review, we found the following:

- On January 2, 2013, Jay Inslee filed a C-1 report declaring his candidacy for re-election to the office of Governor of Washington State in 2016, selecting the Full Reporting option, and listing Phillip Lloyd as Treasurer and Jay Inslee as Campaign Chair. Governor Inslee is the incumbent Governor of Washington State having been elected to that office in 2012.
- On January 9, 2017, the Campaign filed a "Final C-4 report" for the 2016 election disclosing \$9,949,529 in total monetary and in-kind contributions received and \$9,949,529 in expenditures made that included a \$445,375 transfer to open the 2020 campaign for re-election and a \$100,000 transfer to the Jay Inslee Surplus Funds account.
- In the response, the Campaign stated they reviewed the complaint and that due the "length of the complaint, the fact that it makes allegations stretching back five years and given that several of the specific allegations are premised on the same issues, we provide a general response. But please know that we treat campaign finance reporting very seriously and that the campaign is committed to scrupulous compliance with all requirements, and we look forward to working with the PDC toward resolution of the complaint.
- The response by the Campaign stated "that the complaint presents no evidence of any actual violations. Rather, the complaint addresses either very minor issues which would, at most, have warranted technical correction (if not already addressed by the campaign), or in many cases no issues at all."

Failure to file timely and accurate C-3 and C-4 reports (RCW 42.17A.235)

The complaint alleged the Campaign failed to timely and accurately file C-3 disclosing monetary contributions received and C-4 reports disclosing in-kind contributions, expenditures and debt activities undertaken, and provided more than 40 examples of alleged reporting issues.

The Campaign stated that it “has at all times striven to file timely and accurate reports based on the best information available to the campaign at the time of filing. That process sometimes required us to amend previously filed reports. This is particularly so with 7-Day and 21-Day pre-election reports that are due only one day after the cutoff.”

The Campaign stated “We do not believe that making minor amendments to reports arises to the level of an actual violation, nor should campaigns be discouraged from amending reports when necessary based on the available information. In any event, what Mr. Morgan identifies are, at most, issues requiring technical correction that the campaign already long ago addressed.”

For the 2016 election cycle, PDC staff’s review indicated the Campaign filed 49 initial C-4 reports and eight amended C-4 reports, and 394 initial C-3 reports and 23 amended C-3 reports.

Failure to accurately disclose contributor names/address on C-3 reports (RCW 42.17A.240)

The complaint alleged the Campaign failed to accurately disclose contributor names and addresses for contributions disclosed on C-3 reports.

The Campaign stated that the complaint alleged that for six contributions received during the 2016 election, the campaign “failed to “accurately identify contributor names and addresses.” For one \$2,000 contribution, the Campaign incorrectly entered the contributor name as “Community Safety Technology” instead of “Consumer Safety Technology”, but the rest of the information disclosed was accurate.

For five of the contributions received by the Campaign, there were “obvious typographical errors” listed on the C-3 reports in which two contributors had the state listed as “WV” rather than “WA” but otherwise the remaining contributor information was correct. Four of the contributions totaling \$85 were from one contributor and inadvertently identified her City/State information as coming from Bellevue “WV” and one contributor who contributed \$100 listed Seattle “WV” rather than “WA” for both. We will amend these C3 reports to correct these typos.

The Campaign filed amended C-3 report correcting this oversight. Staff noted that the Campaign disclosed receiving more than 34,830 separate contributions during the 2016 election cycle from individuals, political committees, corporations and other entities, labor unions, associations and similar entities, tribal governments, and from small contributors and miscellaneous receipts

Failure to accurately describe expenditures and debts and obligations, including to provide the required detail and sub-vendor breakdown (RCW 42.17A.235, .240 & WAC 390-16-037)

The complaint alleged the Campaign failed to accurately describe expenditures and debts that were disclosed on the C-4 reports, including providing the address of the actual vendor, the date, and the campaign purpose.

You appear to have copied every Campaign expenditure that was made to an individual as a payment or reimbursement, or to a vendor for Consulting or for a service provided, and then alleged that each activity was not accurately reported or described.

The Campaign stated the complaint “itemizes a large number of expenses and debts that he alleges are not adequately described. We disagree that the manner in which the campaign discloses debts and expenses was in any way inadequate. For example, Mr. Morgan objects to the campaign listing employee payments as “Wages” despite this being a very standard (and entirely accurate) way to report these payments.”

The Campaign stated that “Likewise, when the campaign disclosed a debt for “travel reimbursement,” the subsequent expenditure (generally on the next C4) would itemize the sub-vendors once additional, detailed information was available. And while Mr. Morgan alleges that the campaign failed to disclose the address of vendors in various instances it did, in fact, report the addresses of persons to whom it made expenditures. To the extent that Mr. Morgan’s complaint is that the campaign did not, for example, identify the address of the particular Trader Joe’s at which a person paid by the campaign purchased event supplies, we do not agree that there is any requirement to disclose the addresses of such sub-vendors.”

The Campaign stated that Mr. Morgan alleged that the bonuses paid to campaign staff, “which he contends should have been reported as debts at earlier dates” is incorrect. The Campaign stated that the “payments in question were never obligations of the committee, as they were paid totally at the discretion of management. Thus, the campaign had no obligation to pay such bonuses until the payments were made.”

Staff’s review of the C-4 reports found the Campaign disclosed outstanding debts and obligations on every initial filed C-4 report as well as on the amended C-4 reports filed by the Campaign for the entire 2016 election cycle. The amount of outstanding debts and obligations disclosed by the Campaign included \$61,286 in debts carried forward from the 2012 Campaign on the initial C-4 report for January of 2013, to a high of \$109,779 in outstanding debts and obligations disclosed on the 21-Day Pre-Primary Election C-4 report.

In addition, staff’s review revealed that the Campaign substantially complied with the C-4 reporting requirements by timely filing the initial C-4 reports on the required due dates for the 2016 election cycle. Staff’s spot check of the Campaign’s reporting of information related to reimbursements to individuals and the sub-vendor breakdown determined that in many instances no additional information was needed, but there were expenditures listed that could have provided a more detailed description or explanation.

Alleged failure to report mileage and purpose for expenditures (WAC 390-16-238)

The complaint alleged the Campaign failed to properly report the actual number of miles for expenditures made to a number of individuals working with the campaign.

The Campaign stated the complaint cited WAC 390-16-238(3), Mr. Morgan alleges that Governor Inslee failed to disclose information related to mileage reimbursements. This allegation is frivolous.

WAC 390-16-238(3) addresses a candidate’s use the candidate’s personal vehicle. It is apparent on the face of the complaint that none of the expenditures in question pertain to reimbursement for the Governor’s use of his own personal vehicle.

Staff's review indicated that mileage reimbursements included expenditures made to a number of Campaign staff and volunteers, that included 40 mileage reimbursements made to Seamus McKeon; 27 mileage reimbursements made to Jessica Frahs; 10 mileage reimbursements made to John Flanagan; nine mileage reimbursements made to Christopher Esh; and four mileage reimbursements made to Tracy Newman or Newman Partners.

The expenditure reimbursements were made to individuals and entities that were listed on numerous C-4 reports as having received payments from the Campaign for wages, consulting fees, and other campaign related activities.

The mileage reimbursements made by the Campaign all appeared to have been directly related to work being conducted on behalf of Governor Inslee's re-election efforts, and no evidence was provided or found that any of the mileage reimbursements constituted a personal use of campaign funds.

Additional Allegations

Finally, the complaint made several allegations that included the Campaign: (1) had received an "illegal contribution" from Tim Lovain for Alexandria City Council; (2) received in-kind contributions that were attributed to the 2016 general election, prior to the 2016 primary election being held; (3) failed to identify Committee officers on the C-1 report; and (4) issued credit cards to individuals that were not Committee officers.

1. The Campaign stated the complaint alleged that an illegal contribution had been received from Tim Lovain for Alexandria City Council. Mr. Lovain is an incumbent Alexandria City Councilmember from the state of Virginia, who made a contribution to the 2016 Jay Inslee Campaign using campaign funds. The Campaign stated that they "identified this issue and refunded the donation long before the date of the complaint."

Staff confirmed that the Campaign timely filed a C-4 report for August of 2017, disclosing that a \$1,000 expenditure was made on August 3, 2017, to Tim Lovain for Alexandria City Council, and listing the description as "Contribution Refund."

2. The Campaign confirmed that an in-kind contribution that had been mistakenly attributed to the 2016 General election but had been received prior to the date of the 2016 Primary election being held. The Campaign filed an amended C-4 report re-attributing that in-kind contribution to the 2016 contributor's primary election limits.

The Campaign stated that there were two additional in-kind contributions that had been received prior to the 2016 Primary election, that exceeded the \$2,000 Primary election contribution that was mistakenly attributed to the 2016 General election. The Campaign stated the contributions were refunded to the contributors (Don Barbieri and Sharon Smith), and disclosed as expenditures on the March 2018 C4 report.

3. The Campaign stated the complaint alleged "that any person incurring an expenditure or in possession of a credit card should be listed as an officer" on the C-1 report but failed to provide any evidence to support that proposition. The Campaign officers disclosed on the C-1 reports "were ultimately responsible for the expenditures and the strategic decisions of the committee. The fact that an individual staff person is tasked with implementing officers' directives by making purchases does not make them officers of the committee."

As noted above, a number of the allegations listed in your complaint concerned information disclosed on amended C-3 and C-4 reports filed by the Campaign. Staff's review of the initial and amended C-3 and C-4 reports filed by the Campaign, Mr. Lloyd's frequent communications with PDC staff concerning filing questions both by telephone and by email, and the timeliness in which the Campaign filed amended C-3 and C-4 reports indicated the Campaign made a good faith effort to comply with the reporting requirements.

Staff noted that there were expenditures made by the Campaign either as reimbursements to individuals or payments made to a consultant or vendor for which it appears a more detailed description or explanation should have been provided. However, those issues are mitigated by the facts the Campaign: (1) was in frequent contact with PDC throughout the 2016 election in order to comply with the reporting requirements; (2) timely filed the overwhelming majority of the initially filed C-3 and C-4 reports; and (3) raised and spent more than \$9.9 million for a Gubernatorial election, making it one of the more expensive statewide elections in Washington State.

PDC staff found no evidence of a material violation that would require conducting a more formal investigation into your complaints or pursuing enforcement action in this instance. PDC staff dismissed the allegations listed in your complaint in accordance with RCW 42.17A.755(1), that you failed to provide any evidence to support or substantiate.

PDC staff will remind the Campaign to provide a more detailed breakdown for expenditures made to reimburse individuals or payments made to consultants or vendors, including the sub-vendor breakdown, in the future. Based on this information, PDC staff is dismissing the allegations concerning amended reports in accordance with RCW 42.17A.755(1).

If you have questions, you may contact me at (360) 664-8854, toll-free at 1-877-601-2828, or by e-mail at kurt.young@pdc.wa.gov.

Sincerely,

s/ _____
Kurt Young
PDC Compliance Officer

Endorsed by:

s/ _____
BG Sandahl, Deputy Director
For Peter Lavalley, Executive Director

cc: Jay Inslee Campaign