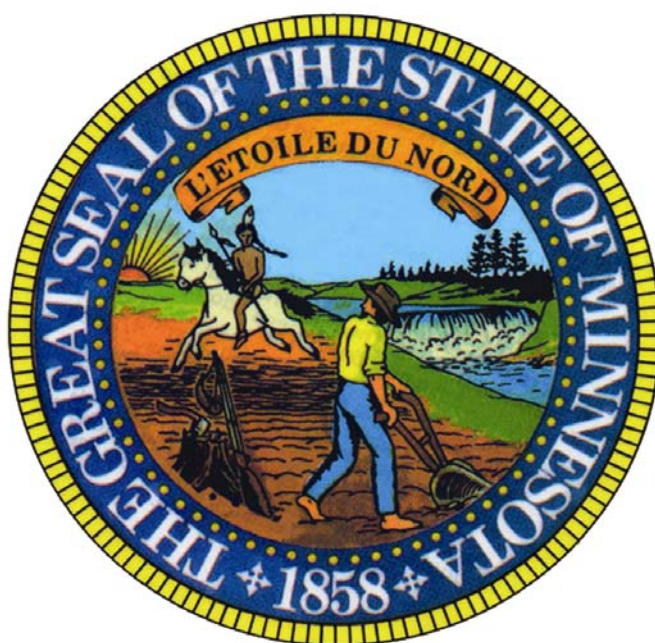


ANNUAL REPORT

JULY 1, 2004 - JUNE 30, 2005



MINNESOTA CAMPAIGN FINANCE and PUBLIC DISCLOSURE BOARD

Issued: September 2005
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Minnesota
*Campaign Finance and
Public Disclosure Board*

DATE: September 13, 2005

TO: The Honorable Timothy Pawlenty, Governor
The Honorable James Metzen, President of the Senate
The Honorable Dean Johnson, Senate Majority Leader
The Honorable Steve Sviggum, Speaker of the House
The Honorable Erik Paulson, House Majority Leader
The Honorable Dick Day, Senate Minority Leader
The Honorable Matt Entenza, House Minority Leader

FROM: Terri Ashmore, Chair
Campaign Finance and Public Disclosure Board

SUBJECT: Annual Report, in accordance with Minn. Stat. §10A.02, subd. 8(a), July 1, 2004, through June 30, 2005

Pursuant to Minnesota Statutes, chapter 10A.02, subd. 8 (a), the Campaign Finance and Public Disclosure Board submits its Annual Report.

The Board, consistent with their objectives and administrative procedures, provided guidance to the thousands of individuals and associations whose disclosure of certain political, economic interest, and lobbying activities is regulated by the Ethics in Government Act, Minnesota Statutes, chapter 10A.

Included in this Annual Report is information about the campaign finance disclosure and public subsidy payments associated with the 2004 election year and one special election held in fiscal year 2005.

Throughout our activities we affirm the need for timely disclosure, public information, and enforcement, ever mindful of the depth and breadth of volunteer professional resources expended annually to comply with this important public disclosure law. We acknowledge the trust placed in the Board and its staff by the Minnesota Legislature.

The Board's activities during this fiscal year reflect our strong commitment to a reasoned and balanced approach to the public trust as expressed in the Board's mission statement.

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AN EQUAL OPPORTUNITY EMPLOYER

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EXECUTIVE SUMMARY

The Campaign Finance and Public Disclosure Board is charged with the administration of the Ethics in Government Act, Minnesota Statutes, chapter 10A. During fiscal year 2005 Board staff continued to keep abreast of technology and the public's continued desire for easy access to information filed with the Board. A new version of the Board's campaign finance software was released. The Board's website provides searchable databases of information disclosed on reports and statements filed by candidates, political committees, political funds, and political party units. In addition lists of principal campaign committees, political committees, political funds, lobbyists, and public officials are updated daily. Electronic filing of the *Annual Report of Lobbyist Principal* was available for the first time with the report due March 15, 2005. Approximately 40% of the lobbyist principals filed electronically. For clients without access to a computer, public use computers are available in the Board office.

The Board met ten times to conduct business; issued nine advisory opinions; adopted one new policy, concluded 13 investigations; issued 13 findings of probable cause in 13 complaints; investigated 107 potential violations of Chapter 10A involving 101 entities which concluded in settlement of 29 conciliation agreements and 72 findings of probable cause; and produced 15 publications.

Board staff conducted training classes to aid volunteer treasurers and candidates in recordkeeping, reporting, and Campaign Finance Reporter software; served on faculties of several Continuing Legal Education seminars; and spoke to various groups and classes at local colleges and universities about the requirements of Chapter 10A.

Chapter 10A includes four major programs: campaign finance registration and disclosure, public subsidy administration, lobbyist registration and disclosure, and economic interest disclosure by public officials.

The report includes information on the filings of approximately:

- 1,590 registered principal candidate committees, political committees, political funds, and political party units;
- 1,230 registered lobbyists representing 1,170 associations;
- 1,120 lobbyist principals; and
- 1,300 public officials.

Also included is information on public subsidy payments to eligible candidates for the House of Representatives in the 2004 election, the state committees of four political parties, and two candidates during one special election held during fiscal year 2005. Information on payments can be found beginning on page 27.

INTRODUCTION TO THE BOARD

Authority

The Campaign Finance and Public Disclosure Board was established by the state legislature in 1974 through enactment of the Ethics in Government Act, Minnesota Statutes, chapter 10A. Throughout its 31 years the Board has enforced the provisions of Chapter 10A, promulgated and enforced Minnesota Rules 4501 through 4525, and issued 363 advisory opinions to guide clients in meeting the requirements of the Act.

Function

Core functions of the Board include administration and management of the:

- registration and public disclosure by state legislative, constitutional and judicial office candidates, political party units, political committees, and political funds;
- state's public subsidy program that provides public funding to qualified state candidates and the state committee of a political party and allows those candidates and all political party units to give political contribution refund receipts to certain campaign contributors;
- registration and public disclosure by lobbyists and their principals attempting to influence state legislative action, administrative action, and the official action of metropolitan governmental units; and
- disclosure of economic interest, conflicts of interest, and representation of a client for a fee under certain circumstances for certain state and metropolitan officials.

Membership

The Board has six bi-partisan citizen members responsible for the administration of the Ethics in Government Act. Members of the Board are appointed by the Governor to staggered four-year terms. Their appointments must be confirmed by a three-fifths vote of the members of each house of the legislature. The Board holds regular monthly meetings, which are open to the public and executive session meetings which are closed to the public, annually elects its leadership, and reports on its activities to the governor, the legislature, and the public.

Mission Statement

To promote public confidence in state government decision-making through development, administration, and enforcement of disclosure and public financing programs which will ensure public access to and understanding of information filed with the Board.

Goals and Objectives

- Facilitate easier and more universal compliance with the Ethics In Government Act, Minnesota Statutes, chapter 10A.
- Provide fair and consistent enforcement of the Ethics In Government Act.
- Help citizens become better informed about public issues related to the Ethics in Government Act.

Website

The Board maintains a site on the internet that provides many client services, including the following:

- Board meeting notices, minutes, and findings;
- Advisory Opinions;
- Annual Reports;
- Campaign Finance Summaries;
- Lobbyist Disbursement Summaries;
- Annual Report of Principal Disbursements;
- Lists of lobbyists and associations, candidate committees, political committees, political funds, and party units, all updated on a daily basis;
- Electronic filing for lobbyists;
- Electronic filing for lobbyist principals;
- Public officials disclosure from filed *Statements of Economic Interest*;
- Electronic versions of all Board publications and forms;
- Searchable databases of campaign finance information;
- Board and staff contact information and automatic e-mail access;
- Biographies and pictures of current Board members; and
- Links to Minnesota Statutes and Board Administrative Rules.

2005 Legislative Action

- Allows all reports or statements required to be filed with the Board to be filed electronically.
- Requires the Board to adopt rules to ensure the electronic filing process is secure.

BOARD MEMBERS



Terri Ashmore

Terri Ashmore was appointed in January 2003, by Governor Tim Pawlenty and confirmed by the House and Senate in 2003, for a term ending in 2007. She is a member of the Republican Party of Minnesota and has not been a public official, held any political party office other than precinct delegate, or been elected to public office for which party designation is required by statute in the three years preceding the date of her appointment. Ms. Ashmore is the Managing Director of the Basilica of St. Mary. She serves as the Secretary of State's designee on the Minnesota History Center's Executive Committee and volunteers for the Jeremiah Program, a housing and education program for single mothers.



Bob Milbert

Bob Milbert was appointed in January 2003, by Governor Tim Pawlenty and confirmed by the House and Senate in 2003, for a term ending in January 2007. He is a former member of the legislature from the Democratic Farmer Labor party where he served as a member of the Minnesota House of Representatives for 16 years. He is a graduate of Dartmouth College. Mr. Milbert is the CEO of Milbert Company, a Culligan Water dealership. He was a member of the South St. Paul City Council for 12 years and currently serves as a member of the River Heights Chamber of Commerce, is a former Board member on the USA Hockey Foundation and Minnesota Amateur Sports Commission, and volunteers for the United Way.



Hilda Bettermann

Hilda Bettermann was appointed in April 2004, by Governor Tim Pawlenty and confirmed by the House and Senate in 2004, for a term ending in January 2008. She is a former member of the legislature from the Republican Party where she served in the Minnesota House of Representatives for eight years. Ms. Bettermann is an Interim Associate Dean of Academic Affairs at the Alexandria Technical College and is currently a member of the Minnesota Board of Medical Practice, the Douglas County Hospital Board, and the Central Lakes Area Sanitary District Advisory Council. She is also a former member of the Rural Health Advisory Council, the Workers Compensation Council and the MNSCU Trustee Advisory Council.



Felicia Boyd

Felicia Boyd was appointed in April 2004, by Governor Tim Pawlenty and confirmed by the House and Senate in 2004, for a term ending in January 2008. She is a member of the Republican Party of Minnesota with no restrictions on previous activities. Ms. Boyd is a partner in the law firm of Faegre & Benson, where she practices in complex intellectual property litigation. She has successfully led plaintiff and defense litigation on infringement claims related to patents, copyrights, trademarks, and trade dress, including multiple jury trials. She is a graduate of the University of Minnesota Law School and St. Olaf College and is a mother of six children.



Clyde Miller

Clyde Miller was appointed in February 2002, by Governor Jesse Ventura and confirmed by the House and Senate in 2002, for a term ending in January 2006. He is a member of the Independence Party of Minnesota and has not been a public official, held any political party office other than precinct delegate, or been elected to public office for which party designation is required by statute in the three years preceding the date of his appointment. Mr. Miller is a partner and shareholder with Jennings, DeWan, Miller and Anderson, L.L.C., a law firm that concentrates on civil matters, including many involving municipal and general governmental issues, employment law, workers' compensation, contracts, product liability, personal injury, and other civil law matters. He is a graduate of the William Mitchell College of Law. He was named a qualified neutral by the Minnesota Supreme Court in 1997 and is a volunteer supervising attorney for the Lawyers Board of Professional Responsibility. He served as a member of the Governor's and Citizen's League Task Force on Property Tax Reform.



Sven Wehrwein

Sven Wehrwein was appointed in May 2005, by Governor Tim Pawlenty. His appointment needs to be confirmed by the House and Senate within 45 legislative days after the appointment or by adjournment sine die. He is a member of the Democratic Farmer Labor party with no restrictions on previous activities. Mr. Wehrwein is a member of the Board of Directors of two Twin Cities-based companies, Synovis Life Technologies and Vital Images. He is a graduate of Loyola University in Chicago and earned his MBA in finance at the Sloan School at the Massachusetts Institute of Technology. Mr. Wehrwein has served as an adjunct instructor at the University of Minnesota School of Journalism and Mass Communications and is currently a member of the Loft Literary Center board. Earlier in his 30-year financial career, he worked as a certified public accountant, investment banker, and chief financial officer.



Wil Fluegel

Wil Fluegel was appointed in June 1998, by Governor Arne Carlson and confirmed by the House and Senate in 1999, for a term ending in January 2001, and reappointed in January 2001, by Governor Jesse Ventura and confirmed by the House and Senate in 2001, for a term ending January 2005. He is a member of the Democratic Farmer Labor party with no restrictions on previous activities. Mr. Fluegel is a personal injury attorney in private practice who practices primarily on behalf of claimants in auto accidents, unsafe premises and defective product claims. He is a graduate of the University of Minnesota Law School and is certified as a civil trial specialist by both the National Board of Trial Advocacy and the Minnesota State Bar Association. He currently serves on the MTLA Board of Governors and the Minnesota Supreme Courts No-Fault Arbitration Standing Committee.

SUMMARY OF BOARD ACTIVITIES

Meetings

The Campaign Finance and Public Disclosure Board held ten regular session meetings, ten executive session meetings, one nominating subcommittee meeting, one legislative recommendation subcommittee meeting, and one personnel committee meeting.

Advisory Opinion Procedure

The Board is authorized to issue advisory opinions on the requirements of the Ethics in Government Act (Minn. Stat. chapter 10A) and the Hennepin County Disclosure Law (Minn. Stat. §§ 383B.041 - 383B.058). Individuals or associations may ask for advisory opinions to guide their compliance with these laws.

A request for an advisory opinion and the opinion itself are private data. The Board provides a Consent to Release Information form to individuals requesting opinions as part of the procedures under this law. If the requester does not consent to the publication of the requester's identity, the Board generally publishes a public version of the opinion, which does not identify the requester.

A written advisory opinion issued by the Board is binding on the Board in any subsequent Board proceeding concerning the person making or covered by the request and is a defense in a judicial proceeding that involves the subject matter of the opinion and is brought against the person making or covered by the request unless: 1) the Board has amended or revoked the opinion before the initiation of the Board or judicial proceeding, has notified the person making or covered by the request of its action, and has allowed at least 30 days for the person to do anything that might be necessary to comply with the amended or revoked opinion; 2) the request has omitted or misstated material facts; or 3) the person making or covered by the request has not acted in good faith in reliance on the opinion.

Advisory opinions issued in fiscal year 2005 are listed under each program.

Board Policies

- Publication of findings, advisory opinions, and conciliation agreements

The Campaign Finance and Public Disclosure Board will post conciliation agreements and advisory opinions on its website upon signature of the Board Chair.

Findings will be posted on the website 24 hours after signed by the Board chair.

The Board and its staff may not discuss issues prior to the website posting.
Adopted March 22, 2005

Publications

The Campaign Finance and Public Disclosure Board issued 15 publications:

- Annual Report for Fiscal Year 2004;
- Governor and Lt. Governor Candidates Quick Reference Guide;
- Attorney General Candidates Quick Reference Guide;
- Secretary of State and State Auditor Candidates Quick Reference Guide;
- Senate Candidates Quick Reference Guide;
- House Candidates Quick Reference Guide;
- Judicial Candidates Quick Reference Guide;
- Handbook for Lobbyists and Lobbyist Principals;
- Handbook for Public Officials;
- List of Registered Principal Campaign Committees, Political Committees, Political Funds, and Lobbyists;
- Compilation of Advisory Opinions, Nos. 349 - 358;
- Lobbying Disbursement Summary for Fiscal Year 2004;
- 2004 Campaign Finance Summary;
- Updated version of Minn. Stat. §10A and Minn. Rules 4505 – 4525, with portions of Chapters 211 B and 290; and
- Campaign Finance Reporter Manual.

Board Member Activities

- Attended the annual Council on Governmental Ethics Laws (COGEL) conference
- Served as moderator for a symposium "*Law School for Legislators*"

Staff Outreach

Served:

- as a guest on WCCO radio station 950 discussing contributions to state candidates and the political contribution refund program
- as a guest lecturer for a Hamline University, Graduate School of Public Administration and Management legislative process class

- as a guest lecturer at a University of Minnesota, Law School legislative process class
- a one-year appointment on the Council on Governmental Ethics Laws Steering Committee

Hosted foreign visitors from:

- Thailand to discuss public financing, campaign finance, political parties, lobbyist reporting, and the public information available from the Board
- a variety of nations as part of the Minnesota International Center's International Visitor's program to discuss transparency in government and the Board's disclosure and reporting requirements as well as public subsidy and the gift ban
- Ukraine and two interpreters who were guests of the U.S. State Department's "International Visitor" program to discuss disclosure by candidates and elected officials

Education Outreach

Presented information to:

- a University of Minnesota Graduate School of Public Health class, *Legislative Advocacy Skills for Public Health* about lobbying, the gift ban, and campaign finance
- individuals at Tunheim Santrizos Co. about lobbyist registration and reporting
- the Independence Party of Minnesota at its annual convention on compliance and campaign software

Presented information at Continuing Legal Education seminars for:

- candidates running for judicial office in 2004
- legislative staff on the Appeal's Court decision in the Mayor Kelly case as well as other Board activities
- The Legislative Process, presenting information about "Legal Requirements for Lobbying" and the gift ban

Disclosure training offered by Board staff:

- eight sessions on the use of the Board's Campaign Finance Reporter software attended by approximately 45 clients
- three sessions on report training to assist treasurers in filing the *Report of Receipts and Expenditures* attended by approximately 50 treasurers, candidates, and chairs
- five sessions of compliance classes to assist treasurers in understanding the requirements of Minnesota Statutes, chapter 10A attended by approximately 100 treasurers, candidates, and chairs

Staff Training

Attended:

- a symposium, "*Law School for Legislators*"
- a Minnesota State Bar Association seminar entitled "Campaign Practices Violations – the New OAH Process"
- the annual Council on Governmental Ethics Laws (COGEL) conference
- the COGEL Heartland regional conference for staff of COGEL member agencies
- nine classes/seminars for a total of 151 hours of training to attain and maintain a quality of job performance that meets the needs of the state, the Campaign Finance and Public Disclosure Board, and the individual employee

Service Delivery Project

The Board contracted with Management Analysis and Development in the Department of Administration to assist staff in planning and implementing improvements in the activities of the Campaign Finance Program that would increase timely client compliance with laws, rules, policies and procedures; enhance client satisfaction with staff services; and increase staff satisfaction and effectiveness in conducting program activities. Clients, Board members, and other interested persons were contacted to identify how services could be enhanced.

Staff identified and evaluated opportunities for improving processes and practices in the Campaign Finance Program to enhance efficiency and effectiveness, increase client satisfaction, improve two-way communication with clients, and otherwise improve staff efforts to gain client compliance. Information for the project was obtained primarily through interviews with Board clients, Board members, and staff. Board documents and online information were also reviewed.

Staff engaged in discussions to generate and evaluate options and to plan implementation of the most beneficial process and communications changes. The three major completed projects are a comprehensive revision of client handbooks, now called Quick Reference Guides, complete revision of the Campaign Finance Reporter software user manual, and redesign and implementation of the Board's Website for greater client service focus.

Staff developed a long-term plan to address the remaining priority items. Some items of this plan include:

- scanning of reports to allow the public faster access to information;
- direct-entry forms online with automatic download to the Board's databases;
- automatic e-mail updates by subscription to assist clients in timely filing of required documents;
- further development of the Board Website for ease of navigation and additional functionality;
- enhancements to the Campaign Finance Reporter software and updates to the Software User Guide as well as additional training offerings; and
- customized packages of information to certain client groups and sub-groups as appropriate.

CAMPAIGN FINANCE PROGRAM

2005 Legislative Action

- Changes the definition of noncampaign disbursement to include:
 - Costs of preparing and distributing a suggestion or idea solicitation to constituents is included in the definition of constituent services
 - Payment for food and beverages consumed by a candidate or volunteer while engaged in campaign activities
 - Payment for food or a beverage consumed while attending a reception or meeting directly related to legislative duties
 - Payments for funeral gifts or memorials
- Prohibits a political party unit from making a contribution that a candidate is prohibited from accepting
- Clarifies the penalties for giving or accepting excess contributions
- Allows for the pre-election 48 hour notice of a large contribution to be filed electronically

Advisory Opinions Issued

- Registration and Reporting Requirements for Political Committees and Political Funds

An association that endorses candidates is conducting an activity to influence the nomination or election of one or more candidates. The association must register as a political committee or political fund if it raises or spends more than \$100 on the endorsement process. No. 359

- Use of Party Unit Web Site to Collect Contributions for Specific Candidates

Political party units may provide donors with a Political Contribution Refund receipt for the aggregate amount of contributions received. Political party units may have more than one depository for receiving funds. Political party units may provide candidates with a web page and administrative overhead needed for a candidate to receive Internet contributions directly into the candidate's principal campaign committee's account. No. 360

- Funds from a Principal Campaign Committee May Only be Used for Conduct Related to a Political Campaign or for Specified Noncampaign Disbursements

Principal campaign committee funds may only be used to pay for items and services that are related to a political campaign or that are for a specific noncampaign disbursement provided for in statute or administrative rule. Community events that a candidate participates in for purposes unrelated to the conduct of the campaign are not a “constituent service” and may not be paid for with principal campaign committee funds. No. 362

- Solicitation of Funds During a Regular Legislative Session

A principal campaign committee that solicits contributions during a regular legislative session should diligently work to ensure that registered lobbyists are not on the mailing list and include language in a fundraising letter that makes it clear that registered lobbyists may not contribute during a regular legislative session. No. 363

- In-Kind Contribution of a Local Access Cable TV Program

A political party unit that contributes time on a local cable TV program to a candidate is making an in-kind contribution to the candidate that counts against the party limit of the candidate. The in-kind contribution is categorized as either a campaign expenditure or a noncampaign disbursement by the candidate depending on the status of the candidate, the date(s) on which the program is broadcast, and other factors. No. 365

- Reimbursement for Use of an Automobile

A principal campaign committee may reimburse the cost of operating a car used for campaign purposes at the appropriate per mile rate. The mileage reimbursement rate is set to include maintenance and insurance costs. Insurance should be used to cover the cost of repair for an automobile damaged while traveling to a campaign related event. No. 366

Filed Complaints

The Board investigated 13 complaints and issued 13 findings.

- The Board found probable cause to believe that Ray Cox loaned the Ray Cox for State Representative Committee money and paid for

goods and services in an amount over the candidate's contribution limit for election year 2004 and failed to disclose the transactions; and no probable cause to believe the problem still exists as the loan has been repaid and the report amended.

- The Board found probable cause to believe that the People for (Gregory) Davids Committee failed to disclose certain campaign expenditures and improperly reported other expenditures as constituent services; and no probable cause to believe that certain other disbursements were reported incorrectly.
- The Board found no probable cause to believe that the Tim Faust for Minnesota House Committee violated Minn. Stat. §10A.20, subd. 3 (b), by not reporting an in-kind contribution from the Pine County DFL.
- The Board found no probable cause to believe that the Pat Mellenthin I Believe Committee violated Minn. Stat. §10A.27, subd. 13 (a), by accepting an in-kind contribution from an unregistered association.
- The Board found no probable cause to believe that Lt. Governor Molnau is required to use funds from the Pawlenty for Governor Committee to reimburse the state for the use of a state car or that she used her own vehicle to attend political events that benefited the Pawlenty/Molnau campaign.
- The Board found no probable cause to believe that: 1) Chapter 10A prohibits or regulates the use of a state car by the Governor as transportation to campaign events; 2) the Pawlenty for Governor Committee was required to reimburse the state for the use of a state car or security provided by the State Patrol; and 3) the Governor or the Pawlenty for Governor Committee failed to report, or underreported, in-kind donations or unpaid bills for the use of the Governor's personal car.
- The Board found probable cause to believe that the Sandra Peterson Campaign Committee provided an in-kind contribution to a political party unit when it listed the party unit in the Committee's campaign material; and no probable cause to believe that the fair market value of the contribution was more than \$20 and therefore no probable cause to believe the in-kind contribution was required to be disclosed.

- The Board found no probable cause to believe that Jim Pithan or the People for Pithan Committee violated Minn. Stats. §§10A.105, subd. 1, or 10A.12, subd. 1; and that there is probable cause to believe that the People for Pithan Committee inadvertently violated Minn. Stat. §10A.025, subd. 4, by failing to amend the committee's Registration and Statement of Organization to disclose the name change within ten days. The Registration and Statement of Organization having been amended, there is no probable cause to believe that this violation continues to exist.
- The Board found no probable cause to believe that the House Republican Campaign Committee violated Minn. Stat. §10A.16, which prohibits a political party unit from accepting or soliciting contributions with the express or implied condition that the contribution or any part of it be directed to a particular candidate.
- The Board found no probable cause to believe that the Pine County DFL violated Minn. Stat. §10A.20, subd. 3 (g), by not reporting in-kind contributions given to the Tim Faust for Minnesota House Committee; and that there is no probable cause to believe that the Pine County DFL violated Minn. Stats. §§10A. 20, subd. 3 (g) or 10A.20, subd. 6a, by not reporting independent expenditures made against Representative Judy Soderstrom.
- The Board found no probable cause to believe that the Republican Party of Minnesota violated provisions of Minn. Stat. Chapter 10A by failing to disclose expenditures or paying the legal fees of its chair, Ron Eibensteiner.
- The Board found no probable cause to believe that the 21st Century Democrats (Minnesota): 1) made excessive in-kind contributions to the Tim Faust for Minnesota House Committee, or any other legislative campaign committee; 2) accepted earmarked contributions; 3) failed to disclose in-kind contributions made; 4) filed false disclosure reports; or 5) failed to obtain written authorization for approved expenditures of in-kind staff services.
- The Board found probable cause to believe that the Citizens Against Gambling Expansion: 1) violated Minn. Stat. §10A.20, subd. 2 (c), by failing to file the 2004 pre-Primary Report of Receipts and Expenditures and failing to timely file the 2004 pre-general Report of Receipts and Expenditures; and 2) violated Minn. Stat. §10A.27, subd. 13 (a), by accepting contributions in excess of \$100 from unregistered associations without the required disclosure.

Filing Deadlines Late Filing Fees

Approximately 1,530 *Reports of Receipts and Expenditures* were filed by principal campaign committees. Approximately 2,105 reports were filed by political committees, political funds and political party units.

Fees for the late filing of the *Report of Receipts and Expenditures*:

- 30 principal campaign committees paid late fees totaling \$3,465;
 - 6 principal campaign committees were granted waivers totaling \$1,750; and
 - 2 principal campaign committees had late fees reduced by a total of \$800.
-
- 36 political committees and political funds paid late fees totaling \$5,699;
 - 7 political committees and political funds were granted waivers totaling \$2,850; and
 - 5 political committees and political funds had late fees reduced by a total of \$1,457.
-
- 23 political party units paid late fees totaling \$2,024;
 - 8 political party units were granted waivers totaling \$2,800; and
 - 3 political party units had late fees reduced by a total of \$826.

Fees for the late filing of the *Report of Large Pre-Election Contribution or Loan*

- 5 principal campaign committees paid late fees totaling \$3,100;
- 3 principal campaign committees were granted waivers totaling \$2,000; and
- 1 principal campaign committee had late fees reduced by \$500.

Civil penalty for failure to file a report

A principal campaign committee, political committee, political fund, or political party unit is subject to a civil fine of up to \$1,000 for failure to file reports and statements within fourteen days after two certified notices have been sent.

Civil penalties for the late filing of the *Report of Receipts and Expenditures*:

- 5 principal campaign committees paid civil penalties totaling \$654;
- 5 principal campaign committees were granted waivers totaling \$4,900; and
- 6 principal campaign committees had civil penalties reduced by a total of \$4,747.

- 2 political committees and political funds paid civil penalties totaling \$1,900;
 - 3 political committees and political funds were granted waivers totaling \$4,200; and
 - 3 political committees and political funds had civil penalties reduced by a total of \$2,300.
-
- 2 political party units paid a civil penalty of \$200; and
 - 2 political party units were granted waivers totaling \$1,100.

Staff review of campaign finance reports

Each filed report was reviewed by Board staff for compliance with the disclosure law requirements including accurate accounting and reporting for receipts and expenditures, proper use of required disclosure schedules, and adherence to applicable contribution and expenditure limits.

Compliance by all candidates during election years:

Election year (Offices filing for election)	Reports filed	Amendments filed
2004 (House)	1,530	530
2002 (Constitutional/Senate/House)	4,155	531
2000 (Senate/House)	3,760	554
1998 (Constitutional/House)	3,350	660

Internal investigations

The Board reviewed 38 potential violations of Chapter 10A, involving 98 entities and made 72 findings concerning probable cause.

- 28 of the committees entered into conciliation agreements;
- 98 entities were fined a total of \$367,530;
- 36 entities returned a total of \$26,196 to contributors; and
- 1 committee returned \$10 to the State General Fund.

Contribution limits

- Single source contributions from individuals, political committees, and political funds.

All candidates for state executive and legislative offices must abide by statutory contribution limits.

The Board reviewed 19 potential violations of this law based on reports filed by principal campaign committees for calendar year 2004. All 19 cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$3,200* on 13 committees. Thirteen principal campaign committees also were required to return a total of \$1,700 to 18 contributors.

* A \$200 fine was referred to Revenue Recapture
\$100 was paid in fiscal year 2006

- Single source contributions to principal campaign committees from political committees and political funds

All political committees and political funds must abide by statutory contribution limits when donating to a state executive and legislative office candidate committee.

The Board reviewed ten potential violations of this law based on reports filed by political committees and political funds for calendar year 2004. The ten cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$1,800 on six committees. The six political committees and political funds also were required to provide copies of the candidate committee checks returning the contributions to the committees and funds.

- Aggregate contributions from political party units

All candidates for state executive and legislative offices must abide by statutory aggregate contribution limits from political party units and terminating principal campaign committees.

The Board reviewed one potential violation of this law based on reports filed by principal campaign committees for calendar year 2004. The case was concluded by conciliation agreement. The Board imposed a civil fine totaling \$44 on the committee. The principal campaign committee was also required to return a total of \$44 to political party units.

- Contributions from special sources (lobbyists, political committees, political funds, and contributions from individuals of more than \$100 and more than one-half the amount of the contribution limit).

All candidates for state executive and legislative offices must limit their contributions from special sources.

The Board reviewed seven potential violations of this law based on reports filed by principal campaign committees for calendar year 2004. The seven cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$1,778 on five committees. Six principal campaign committees were required to return a total of \$1,879 to contributors.

Contributions during legislative session

- Principal campaign committees are prohibited from soliciting or accepting certain contributions during a regular legislative session.

The Board reviewed six potential violations of this law, based on reports filed by principal campaign committees for calendar year 2004. Findings of probable cause were issued in all six cases. In lieu of forwarding the public findings of probable cause to the county attorney, the Board imposed civil fines totaling \$1,725* on six committees. Six principal campaign committees were also required to return a total of \$1,425 to contributors.

* \$200 remains outstanding

- Political committees, political funds, and lobbyists are prohibited from donating contributions to principal campaign committees during a regular legislative session.

The Board reviewed five potential violations of this law, based on reports filed by principal campaign committees for calendar year 2004. Findings of probable cause were issued in all five cases. In lieu of forwarding the public findings of probable cause to the county attorney, the Board imposed civil fines totaling \$325 on three lobbyists and \$1,000 on one political fund.

Contribution from unregistered association

- Acceptance of a contribution from an unregistered association.

All candidates for state executive and legislative offices, political committees, political funds, and political party units are prohibited from accepting contributions of more than \$100 from associations that are not registered with the Board.

The Board reviewed 15 potential violation of this law based on reports filed by principal campaign committees, political committees, political funds, and political party units for calendar year 2004. Findings of probable cause were issued in all 15 cases. The Board imposed civil fines totaling \$38,742*and required 12 committees to return \$20,468 to eleven unregistered associations. One committee returned \$9.72 to the state general fund.

* \$2,000 was paid in fiscal year 2006
\$25,680 remains outstanding

- Contribution to a committee from an unregistered association.

Associations not registered with the Board are prohibited from giving contributions of more than \$100 to candidates for state executive and legislative offices, political committees, political funds, and political party units registered with the Board.

The Board reviewed 46 potential violations of the law based on reports filed by principal campaign committees, political committees, political funds, and political party units for calendar year 2004. Findings of probable cause were issued in all 46 cases. The Board imposed civil fines of \$41,693 on the unregistered associations.

Expenditure limits

All candidates for state executive and legislative offices who wish to receive public subsidy must agree to spending limits in both election and nonelection years.

The Board reviewed two potential violations of this law based on a report filed with the Board for calendar year 2004. Both cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$6,348.

Independent Expenditures

A principal campaign committee whose candidate has signed a valid *Public Subsidy Agreement* must not make independent expenditures on behalf of another committee.

The Board reviewed one potential violation of this law based on a report filed by a principal campaign committee for calendar year 2004. The Board issued findings of probable cause. The candidate personally reimbursed the principal campaign committee for the full amount of the independent expenditure. There is no penalty for this violation.

Loan for purpose not related to the conduct of a campaign

Principal campaign committees, political committees, political funds, and political party units are prohibited from lending money for purposes not related to the conduct of a campaign.

The Board reviewed one potential violation of this law based on a report filed by a principal campaign committee for calendar year 2004. Findings of probable cause were issued. The Board imposed a civil fine of \$500 and required the candidate to repay the loan from the principal campaign committee.

CAMPAIGN FINANCE SOFTWARE

Software Description

The Board provides free computer software for recording and reporting receipts and expenditures to assist principal campaign committees, political committees, political funds, and political party units with the compliance and disclosure requirements of Chapter 10A.

The software provides compliance warnings as records are entered, generates electronic reports for filing that reduces the data entry demands on Board staff, and provides contact management tools for use by committees and funds in administering their transactions. In fiscal year 2005 the Board released a new version of the software named Campaign Finance Reporter.

In 2004, 106 of the 311 House of Representative candidate committees filed election year reports electronically. In addition 21 judicial candidates and 91 political committees and political party units filed election year reports electronically.

PUBLIC SUBSIDY PROGRAM

2005 Legislative Action

- Changes the direct appropriation to the General account of the State Elections Campaign Fund from \$1,500,000 to \$1,250,000 per election year.
- Provides that a political party may be paid no more than \$50,000 annually from the tax check off. If amounts of over \$50,000 are checked off for a particular party, the excess is allocated to legislative candidates of that party.

2005 Special Election Payments

Public subsidy payments in special elections are made with appropriations from the state general fund.

Public subsidy funds were distributed in one special election held in fiscal year 2005. The amount of public subsidy available in a special election is the same amount for that office and party in the preceding general election:

Senate District 37 (July 13, 2004) – Two candidates; two candidates received public subsidy totaling \$18,115.

Political Party Payments

Monthly payments are made to the state committees of political parties that qualify to receive 10% of the tax filer's checkoffs to the party account of the State Elections Campaign Fund.

Based on monthly certification from the Department of Revenue for fiscal year 2005 payments were as follows:

Democratic Farmer Labor	\$56,055
Green Party of Minnesota	6,719
Independence Party of Minnesota	6,896
Republican Party of Minnesota	<u>42,790</u>
Total payments to State Party Committees:	<u>\$112,460</u>

**STATE PUBLIC SUBSIDY PROGRAM
2004 ELECTION OF HOUSE OF REPRESENTATIVES**

Candidate participation in public subsidy program

	DFL	IPM	RPM	GPM	OTHER	TOTAL
Candidates filing for office:	142	21	145	7	3	318
Filing candidates who registered a committee with the Board:	141 (99%)	19 (90%)	142 (98%)	7 (100%)	2 (67%)	311 (98%)
Registered candidates who signed a public subsidy agreement:	138 (98%)	17 (89%)	140 (99%)	6 (86%)	2 (67%)	303 (97%)
Registered candidates with PSA who received public subsidy payments:	128 (93%)	12 (71%)	125 (89%)	2 (33%)	0 (0%)	267 (88%)

Distribution of Party Account public subsidy by party:

House of Representatives

	DFL	IPM	RPM	GPM	TOTAL
Available:	\$479,806	\$81,024	\$407,119	\$83,588	\$1,051,537
Paid to candidates:	\$456,603	\$8,123	\$393,843	\$4,086	\$862,655
Paid to party ¹	0	0	0	0	0
Returned to State ²	\$23,203	\$72,900	\$13,276	\$79,503	\$188,882

¹ Party account public subsidy designated for an otherwise qualified candidate of the party who is unopposed is paid to the party.

² Party account public subsidy designated for a district and office in which the party has no candidate is returned to the general fund of the state.

Distribution of General Account:

	Total Paid	Number of Candidates Paid	Payment Per Candidate
House of Representatives:	\$873,508	267	\$ 3,272

Distribution of General Account Public Subsidy by Party:

	DFL	IPM	RPM	GPM	TOTAL
House of Representatives:	\$418,761	\$39,259	\$408,946	\$6,543	\$873,509

Public Subsidy Totals by Party:

	DFL	IPM	RPM	GPM	TOTAL
General Account paid to candidates:	\$418,761	\$39,259	\$408,946	\$6,543	\$873,509
Party Account paid to candidates:	\$456,603	\$8,123	\$393,843	\$4,086	\$862,655
Total:	\$ 875,364	\$47,382	\$802,789	\$10,629	\$1,736,164

Differences between totals shown and individual amounts included in totals are due to rounding.

**STATE ELECTIONS CAMPAIGN FUND
INCOME TAX AND PROPERTY TAX CHECKOFFS^(A)**

<u>TAX YEAR</u>	<u>GENERAL</u> % OF		<u>DFL</u> % OF		<u>RPM</u> % OF		<u>IND^(D)</u> % OF		<u>OTHER.</u> % OF		<u>TOTAL</u> ^(C)
	<u>ACCOUNT</u>	<u>TOTAL</u>	<u>ACCT.</u>	<u>TOTAL</u>	<u>ACCT.</u>	<u>TOTAL</u>	<u>ACCT.</u>	<u>TOTAL</u>	<u>PARTIES</u> ^(B,E)	<u>TOTAL</u>	
1974 - Actual	\$125,169	- 33.6%	\$175,259	- 47.1%	\$ 68,395	- 18.4%			\$ 3,488	- 0.9%	\$ 372,311
1975 - Actual	125,979	- 33.5%	164,071	- 43.6%	83,218	- 22.1%			2,955	- 0.8%	376,233
1976 - Actual	106,303	- 27.2%	186,927	- 47.7%	89,227	- 22.8%			9,252	- 2.3%	391,799
1977 - Actual	118,774	- 26.3%	187,812	- 41.6%	132,913	- 29.4%			12,013	- 2.7%	451,512
1978 - Actual	127,740	- 24.8%	220,116	- 42.6%	153,921	- 29.8%			14,523	- 2.8%	516,300
1979 - Actual	118,454	- 24.2%	197,503	- 40.3%	160,327	- 32.7%			13,529	- 2.8%	489,813
1980 - Actual	198,028	- 24.7%	332,394	- 41.4%	258,748	- 32.2%			13,962	- 1.7%	803,132
1981 - Actual	206,640	- 26.1%	307,286	- 38.8%	262,240	- 33.1%			14,331	- 2.0%	791,608
1982 - Actual	207,014	- 25.7%	356,800	- 44.2%	229,748	- 28.5%			13,180	- 1.6%	806,742
1983 - Actual	208,328	- 25.0%	330,206	- 39.6%	282,790	- 34.0%			11,888	- 1.4%	833,212
1984 - Actual	230,294	- 27.0%	356,074	- 41.7%	266,658	- 31.3%			0	- 0%	853,026
1985 - Actual	241,682	- 30.7%	299,904	- 38.1%	245,682	- 31.2%			0	- 0%	786,848
1986 - Actual	228,470	- 31.1%	306,258	- 41.7%	200,358	- 27.2%			0	- 0%	735,086
1987 - Actual	564,790	- 31.3%	673,870	- 37.3%	567,954	- 31.4%			0	- 0%	1,806,605
1988 - Actual	545,885	- 28.8%	778,275	- 41.0%	573,560	- 30.2%			0	- 0%	1,897,720
1989 - Actual	572,375	- 30.2%	669,370	- 35.4%	650,620	- 34.4%			0	- 0%	1,892,365
1990 - Actual	593,250	- 31.6%	731,055	- 38.9%	554,005	- 29.5%			0	- 0%	1,878,310
1991 - Actual	555,730	- 33.0%	636,225	- 37.8%	491,450	- 29.2%			0	- 0%	1,683,405
1992 - Actual	515,855	- 31.5%	673,285	- 41.1%	449,390	- 27.4%			0	- 0%	1,638,530
1993 - Actual	517,790	- 32.2%	577,240	- 36.0%	511,115	- 31.8%			0	- 0%	1,606,145
1994 - Actual	485,905	- 30.7%	592,650	- 37.5%	500,260	- 31.6%			0	- 0%	1,578,815
1995 - Actual	327,055	- 22.9%	528,905	- 37.1%	460,820	- 32.2%	48,820	- 3.4%	63,305	- 4.4%	1,428,905
1996 - Actual	333,135	- 24.0%	546,740	- 39.3%	415,620	- 29.9%	27,685	- 2.0%	67,745	- 4.8%	1,390,925
1997 - Actual	328,575	- 24.5%	494,430	- 36.9%	404,055	- 30.2%	46,465	- 3.5%	65,075	- 4.9%	1,338,600
1998 - Actual	330,920	- 24.1%	199,165	- 14.5%	444,645	- 32.4%	342,480	- 24.9%	53,495	- 3.9%	1,370,705
1999 - Actual	279,480	- 26.2%	356,050	- 33.3%	305,260	- 28.6%	69,875	- 6.5%	57,905	- 5.4%	1,068,570
2000 - Actual	245,980	- 21.8%	407,530	- 36.1%	340,025	- 30.2%	74,190	- 6.6%	59,700	- 5.3%	1,127,425
2001 - Actual	290,655	- 20.6%	465,795	- 33.1%	446,125	- 31.7%	112,215	- 8.0%	93,570	- 6.6%	1,408,360
2002 - Actual	262,365	- 18.2%	500,975	- 34.7%	477,190	- 33.0%	96,250	- 6.6%	107,900	- 7.4%	1,444,680
2003 - Actual	235,425	- 17.4%	557,315	- 41.3%	419,195	- 31.1%	65,675	- 4.9%	71,150	- 5.3%	1,348,760

(A) Beginning with tax year 1980, taxpayers may check off \$2.00; beginning in tax year 1987 taxpayers may check off \$5.00.

(B) Beginning with tax year 1984, no minor parties qualified for inclusion on the state income tax blank; in 1995 two minor parties qualified.

(C) Beginning with tax year 1990, 3% of check-off is retained in the general fund for administrative costs.

(D) Beginning with tax year 2000, four major parties and three minor parties qualified for inclusion on the state income tax blank.

(E) Beginning with tax year 2001, the Green Party is the only party qualifying under "Other".

Based on Department of Revenue's March 15, 2005, certification of 2002 and 2003 tax return check offs.

TAX RETURN PARTICIPATION RATE

TOTAL NO. OF RETURNS

<u>TAX YEAR</u>	<u>INCOME TAX</u>	<u>PROPERTY TAX REFUNDS OF</u>	<u>TOTAL NO. CHECKOFFS</u>	<u>% OF PAR- TICIPATION</u>
1974 Actual	1,669,794	-	372,311	22.3%
1975 Actual	1,584,086	-	376,223	23.8%
1976 Actual	1,616,441	-	391,799	24.2%
1977 Actual	1,667,924	-	451,512	27.1%
1978 Actual	1,722,053	938,791	516,300	19.4%
1979 Actual	1,761,586	880,185	458,586	17.4%
1980 Actual	1,752,137	797,327	401,566	15.8%
1981 Actual	1,738,194	806,698	395,804	15.6%
1982 Actual	1,712,796	703,470	403,371	16.7%
1983 Actual	1,721,645	660,854	416,606	17.5%
1984 Actual	1,773,807	630,530	426,514	17.7%
1985 Actual	1,801,993	571,772	393,424	16.6%
1986 Actual	1,814,958	556,935	367,543	15.5%
1987 Actual	1,963,300	429,993	361,321	15.1%
1988 Actual	1,978,135	524,855	379,544	15.2%
1989 Actual	2,012,123	480,123	379,845	15.2%
1990 Actual	2,029,347	544,138	398,235	15.5%
1991 Actual	2,063,233	523,085	355,727	13.8%
1992 Actual	2,059,228	557,892	350,545	13.4%
1993 Actual	2,087,914	554,942	341,034	12.9%
1994 Actual	2,132,617	534,040	335,641	12.6%
1995 Actual	2,178,578	518,236	302,053	11.2%
1996 Actual	2,226,721	499,845	293,312	10.8%
1997 Actual	2,404,536	500,001	284,528	9.8%
1998 Actual	2,455,354	491,768	288,901	9.8%
1999 Actual	2,358,098	501,999	226,270	7.9%
2000 Actual	2,442,042	485,330	235,692	8.1%
2001 Actual	2,413,791	462,830	281,672	9.8%
2002 Actual	2,416,197	571,014	320,024	10.7%
2003 Actual	2,407,546	549,414	299,984	10.1%

Based on March 15, 2005, Department of Revenue certification of 2002 and 2003 tax return check offs.

LOBBYIST PROGRAM

- 2005 Legislative Action**
- Prohibits a lobbyist from making a contribution that a state executive or legislative office candidate is prohibited from accepting.

Internal Investigations The Board completed three investigations and issued three findings.

- The Board found probable cause to believe that Stephanie L. Frost, registered lobbyist, violated Minn. Stat. §10A.273, subd. 1 (b), by making a contribution to a principal campaign committee during the regular session of the legislature in 2004 and imposed a civil fine of \$25.
- The Board found probable cause to believe that Mark Geier, a registered lobbyist, violated Minn. Stat. §10A.273, subd. 1 (b), by making a contribution to a principal campaign committee during the regular session of the legislature in 2004 and imposed a civil fine of \$250.
- The Board found probable cause to believe that Curtis Loewe, a registered lobbyist, violated Minn. Stat. §10A.273, subd. 1 (b), by making a contribution to a principal campaign committee during the regular session of the legislature in 2004 and imposed a civil fine of \$50.

Filing Deadlines

Approximately 1,230 registered individuals representing 1,170 associations filed 3,325 *Lobbyist Disbursement Reports*.

Of the 3,325 reports filed in fiscal year 2005, approximately 10% were filed late. About 7% of the reports were filed late in fiscal year 2004.

Fees for the late filing of the *Lobbyist Disbursement Report*.

- 37 lobbyists paid late fees totaling \$1,035; and
- 5 lobbyists were granted waivers totaling \$775.

Civil penalty for failure to file a report

A lobbyist is subject to a civil fine of up to \$1,000 for failure to file a *Lobbyist Disbursement Report* within fourteen days after two certified notices have been sent.

Civil penalties for the late filing of the *Lobbyist Disbursement Report*:

- 5 lobbyists were granted waivers totaling \$6,000

Electronic filing

Beginning January 15, 2004, *Lobbyist Disbursement Reports* could be filed electronically.

Reporting year	Reports filed	Reports filed electronically
2005	3,325	1,791
2004	3,260	1,387

Staff review of lobbyist disclosure reports

Each report was reviewed by Board staff for compliance with the lobbyist disclosure law.

Reporting year	Reports filed *	Amendments filed
2004	3,325	4
2003	3,260	6
2002	5,400	5

* Rules promulgated in 2002 allow one lobbyist to file a *Lobbyist Disbursement Report* disclosing disbursements made by some or all lobbyists representing the same association.

Annual Report of Lobbyist Principal

An individual or association that spends more than \$500 in a calendar year to engage, compensate, or authorize expenditure of money by a lobbyist; or spends more than \$50,000 in a calendar year on efforts to influence legislative action, administrative action, or the official action of metropolitan governmental units is required to file an *Annual Report of Lobbyist Principal*.

Filing Deadlines

Approximately 1,120 lobbyist principals filed the *Annual Report of Lobbyist Principal*, due on March 15, 2005, covering calendar year 2004.

Of the 1,120 reports filed in fiscal year 2005, approximately 22% were filed late. About 20% of the reports were filed late in fiscal year 2004.

Fees for the late filing of the *Annual Report of Lobbyist Principal*:

- 49 lobbyist principals paid late fees totaling \$1,790; and
- 2 lobbyist principals were granted waivers totaling \$110.

Civil penalty for failure to file a report

A lobbyist principal is subject to a civil fine of up to \$1,000 for failure to file a *Annual Report of Lobbyist Principal* within fourteen days after two certified notices have been sent.

- 5 lobbyist principals paid civil fines totaling \$2,600;
- 1 lobbyist principal was granted a waiver of \$1,000; and
- 2 lobbyist principals had fees reduced by a total of \$1,400.

Electronic filing

Beginning March 15, 2005, the *Annual Report of Lobbyist Principal* could be filed electronically. A total of four hundred forty five lobbyist principals, about 40%, filed electronically.

GIFT BAN

2005 Legislative Action

- Clarifies that a trinket or memento costing \$5 or less is an exception to the ban on gifts from lobbyists to public officials.

Advisory Opinions Issued

- Membership in a Group as an Exception to the Gift Prohibition

A lobbyist principal may partially fund an event at which a gift is provided to officials if the officials are members of a group, the majority of the members of the group are not officials, and an equivalent gift is given to all members of the group. No. 361

- Gift Prohibition; Educational Sessions, Food and Beverages

Lobbyist principals may pay for the cost of educational sessions for legislators that provide information used by the legislators in the performance of their official duties. Lobbyist principals may not provide complementary food and beverages to legislators who attend the educational sessions. No. 364

ECONOMIC INTEREST PROGRAM

2005 Legislative Action

Changes to agencies whose employees and members must file Statements of Economic Interest with the Board:

- The Office of Enterprise Technology was created. The Commissioner will be appointed by the Governor and is a public official.

Change the definition of “associate business” to:

- “Associated business” means an association, corporation, partnership, limited liability company, limited liability partnership, or other organized legal entity from which the individual receives compensation in excess of \$50, except for actual and reasonable expenses, in any month as a director, officer, owner, member, partner, employer or employee, or whose securities the individual holds worth \$2,500 or more at fair market value.

Filing deadlines

- *Original Statements of Economic Interest*

Approximately 180 *Notices of Appointment* appointing or reappointing a public official who is required to file an *Original Statement of Economic Interest* were received in fiscal year 2005.

Fees for the late filing of an *Original Statement of Economic Interest*:

- 7 public officials paid late filing fees totaling \$595

- *Supplementary Statements of Economic Interest*

Supplementary Statements of Economic Interest are required to be filed annually, if there are changes to be reported from the previously filed statement. To assist public officials in determining their need to file, Board staff mailed approximately 1,300 public officials a copy of the information reported on previously filed statements.

Civil penalty for failure to file a statement

A public official is subject to a civil fine of up to \$1,000 for failure to file an *Original Statement of Economic Interest* within fourteen days after two certified notices have been sent.

- 1 public official was granted a waiver totaling \$1,000

Staff review of statements

Each filed statement was reviewed by Board staff for compliance with disclosure law requirements. A public official whose Statement was incomplete was required to file an amended Statement.

	2004	2003	2002
Original reports filed	180	300	245
Number of public officials	1,300	1,299	1,303
Incomplete supplementary reports requiring amendments	7	5	6

POTENTIAL CONFLICTS OF INTEREST

Advisory Opinion Issued

- Potential Conflict of Interest for a Member of the Legislature

Service by a member of the legislature on the board of an association does not in itself create a conflict of interest as defined in Minn. Stat. §10A.07. An official action or decision by the legislator may create a conflict of interest under specific circumstances. No. 368

Filing

A public official who in the discharge of the official's duties would be required to take an action or make a decision that would substantially affect the official's financial interest or those of an associated business must file a *Potential Conflict of Interest Notice*, or a written statement describing the potential conflict. If there is insufficient time to comply with the written requirements oral notice must be given to the official's immediate supervisor of the possible conflict.

No *Potential Conflict of Interest Notices* were filed by public officials in fiscal year 2005.

REPRESENTATION DISCLOSURE

2005 Legislative Action

- Provides for enforcement provisions in the Representation Disclosure program to mirror those provisions in other programs.

Filing

A public official who represents a client for a fee before any individual board, commission, or agency that has rule making authority in a hearing conducted under Minnesota Statutes, Chapter 14, and in the cases of rate setting, power plant and powerline siting, and granting of certificates of need under Minn. Stat. §216.B243, must file a *Representation Disclosure Statement* within 14 days after the appearance has taken place, disclosing the official's part in the action.

No *Representation Disclosure Statements* were filed by public officials in fiscal year 2005.

OTHER BOARD PROGRAMS

Public Employees Retirement Association (PERA) Trustee Candidates

Candidates for election as PERA Trustees are required to file certain campaign finance disclosure reports with the Campaign Finance and Public Disclosure Board under Minn. Stat. § 353.03, subd. 1.

Under this statute, the Board prescribes and furnishes to trustee candidates the reporting form and instructions for completing the form. No filings were required for fiscal year 2005.

Minnesota Technology, Inc. (MTI)

Minn. Stats. §§1150.03 and 1160.04 require certain disclosure by the board of directors and the president of MTI upon appointment and annually thereafter during their term in office.

Under these statutes, the Board prescribes and furnishes to the directors and president the reporting form and instructions for completing the form. In April 2005, six reports were filed with the Board.

State Board of Investment (SBI)

Minn. Stat. §11A.075 requires certain disclosure by SBI members upon appointment and SBI employees upon hire and by both annually thereafter until termination of appointment or employment.

Under this statute, the Board prescribes and furnishes to the members and employees the reporting form and instructions for completing the form. In April 2005, 20 reports were filed with the Board.

State Pension Funds

Members of a governing board of a covered pension plan and the chief administrative officer of the plan are required to file certain *Statements of Economic Interest* with the governing Board under Minn. Stat. § 356A.06, subd. 4.

Under this statute, the Office of the State Auditor prescribes the statement and instructions for completing the statement which covers the previous calendar year. The chief administrative officer of each covered pension plan must submit to the Campaign Finance and Public Disclosure Board a certified list of all pension board members who filed statements with the pension board annually, no later than January 15th. Approximately 750 pension plans are required to file with the Board under this law. In fiscal year 2005, 241 pension funds filed copies of the required statements with the Board.

STAFF DUTIES

Executive Director	Facilitate achievement of the Board's goals and objectives. Set agenda and prepare materials for Board and committee meetings. Direct all agency and staff operations. Serve as the Board's representative to the Legislative and Executive Branch. Educate and assist clients in compliance with reporting requirements, limits, and prohibitions. Serve as the Board's Secretary.
Assistant Executive Director	Serve as advisor to the Executive Director and assist in management of the operations for the agency. Draft advisory opinions and administrative rules for Board consideration. Manage the agency's compliance programs and information resources. Serve as the agency's representative on the Minnesota Information Policy Council.
Office Manager (Office Services Supervisor)	Administer daily financial and biennial budgeting programs. Manage payroll and human resource procedures and systems. Draft Board meeting minutes, annual report, and forms and handbooks to assist clients in meeting statutory requirements. Prepare agency fiscal notes for legislative consideration. Serve as agency liaison to other state agencies.
Compliance Officer (Investigator)	Investigate complaints and draft conciliation agreements and findings for Board consideration. Serve as investigate liaison to the Board, Executive Director, and Attorney General's office. Monitor cases for Revenue Recapture and the Minnesota Collections Enterprise. Represent the Board in conciliation court. Prepare and submit reports to the Department of Finance regarding civil fines. Prepare and submit cash receipt reports to the Board. Prepare and conduct training classes for clients on campaign finance laws and reporting requirements.
Programs Administrator (Office & Administrative Specialist Principal)	Provide for distribution, collection, data entry, and filing of disclosure required by Minn. Stat. chapter 10A. Collect, store, and retrieve data for the preparation and analysis of summaries of documents filed with the Board. Provide database advice and guidance to Board staff and clients. Manage all aspects of special elections.

Information Systems Manager

(Information Technology Specialist IV)

Provide operational planning and management for the Board's information technology resources. Provide user training and support for the Board's campaign finance software (Campaign Finance Reporter). Develop high level programming for interactive applications delivered on the web.

Information Technology Specialist II

Develop, maintain, and manage complex database applications to support administration of all Board programs and activities. Provide technical service, assistance and training to Board staff. Administer local area network and provide technical support to website. Install new personal computers and associated hardware and software.

Programs Assistant

(Office and Administrative Specialist Intermediate)

Provide assistance with data entry and initial desk review for all filed reports. Assist with mailing, copying, and filing of all documents filed with the Board office in all agency programs. Serve as backup receptionist.

Information Assistant

Serve as agency receptionist. Maintain agency receipts for deposit with the State Treasurer. Administer contribution receipt program. Prepare mailings for monthly Board meetings. Arrange for agency printing duplicating, and mailing of official notices. Maintain records retention per agency schedule. Provide typing and word processing assistance to Board staff.

Legal Analyst

(Legal Consultant)

Under limited supervision, provides professional legal services, consults in the preparation of case documentation, findings, and responses as needed and as directed by Executive Director. Research and prepare proposed advisory opinions, conciliation agreements, findings of fact, conclusions, orders, and memoranda for cases as assigned. Advise the Executive Director and the Board in matters of compliance to assist clients, staff, and the public in compliance with Chapter 10A and in accordance with the Board mission.

Student Worker

Assist with mailing, copying, and filing of all required documents filed with the Board office in all agency programs.

STAFF SALARIES

July 1, 2004 - June 30, 2005

<u>POSITION</u>	<u>STAFF</u>	<u>SALARY</u>	
Executive Director	Jeanne Olson	\$89,133	
Assistant Executive Director	Jeffrey Sigurdson	68,471	
Office Services Supervisor II	LuAnn Swanson	51,736	
Investigator	Leah Drilias	37,544	
Office and Administrative Specialist Principal	Joyce Larson	41,099	
Information Technology Specialist IV	John Nesbitt	51,457	
Information Technology Specialist II	Jon Peterson	37,633	
Office and Administrative Specialist Intermediate	Belinda Stampley	6,812	(7/1/04 - 10/1/04)
	Yalana Johnstone	18,666	(10/27/04 - 6/30/05)
Customer Service Specialist Intermediate	Marcia Waller	28,508	
Legal Analyst	Susan Gretz	338	(6/6/05 - 6/30/05)
Student Worker	Carly Homuth	6,479	(7/7/04 - 5/19/05)
TOTAL 2005 SALARIES		<u>\$437,876</u>	

FINANCIAL INFORMATION

INCOME SUMMARY

Appropriation	\$712,000
Photocopy Revenue	11,290
Service Processes Fees Recovered	40
Balance forward from fiscal year 2004	<u>64,758</u>
TOTAL	<u><u>\$788,088</u></u>

EXPENDITURE SUMMARY

Operating budget expenditures	\$766,408
Operating budget balance forward to fiscal year 2006	21,680
TOTAL	<u><u>\$788,088</u></u>

BOARD OPERATING BUDGET

The Campaign Finance and Public Disclosure Board is funded by a direct appropriation from the Minnesota Legislature. The fiscal year budget begins July 1 and ends June 30.

Full time staff (salary and fringe)	\$555,185
Part time staff (salary and fringe)	7,356
Workers compensation	324
Achievement/Incentive	4,100
Vacation pay out	343
Per diem	3,300
Office rent	30,017
Postage	13,911
Telephone	3,891
Photocopy machine leases	5,866
In-State travel – staff	313
Out-State travel	5,588
Printing	14,583
Board meeting expenses	2,433
Staff / Board development	12,888
Subscriptions, Memberships	535
Supplies	8,672
Equipment	2,704
Misc. purchased services	2,249
Prof/Tech services	47,258
Legal costs	9,506
Technology infrastructure	33,802
Client Training	1,351
Administrative Rules	233
Balance forward to fiscal year 2006	<u>21,680</u>
TOTAL	<u>\$788,088</u>

DEPOSITS

Unless otherwise noted, all receipts collected by the Campaign Finance and Public Disclosure Board are deposited in the general fund of the state.

Late Filing Fees

Principal Campaign Committees	\$4,071	31 committees
48 Hour Notice	2,500	4 principal campaign committees
Political Committees and Funds	5,699	36 committees and funds
Political Party Units	2,023	23 party units
Economic Interest Statements	595	7 public officials
Lobbyist Disbursement Reports	1,035	37 lobbyists
Lobbyist Principal Annual Reports	1,790	49 principals
Lobbyist Late Fees	200	2 lobbyists
Lobbyist Principal Late Fees	<u>605</u>	<u>7</u> principals
TOTAL LATE FILING FEES	\$18,518	196

Civil Fines

Unregistered associations		
No disclosure provided	\$11,062	47 unregistered associations
Candidate accepted	800	4 committees
Political Committees and Funds accepted	10,633	4 committees and funds
Political Party Units accepted	5,044	4 party units
Contribution limits violations - accepted		
Candidates accepted in excess of limit	\$2,900	10 principal campaign committees
Special source (20%) aggregate limit	1,778	5 candidate committees
Excess party contributions	44	1 candidate committee
Contribution limits violations – given to candidates		
Excess political committee contributions	\$2,200	7 committees and funds
Contributions during session		
Candidates accepting	\$1,525	7 candidate committees
Political Committees and Funds giving	1,000	2 committees and funds
Lobbyists giving	325	3 lobbyists
Exceeding spending limit	\$6,348	2 candidate committees
Improper loan	\$500	1 candidate committee
Failure to file report		
Candidate Committees	\$654	5 committees
Political Committees and Funds	1,900	2 committees and funds
Political Party Units	200	2 party units
Lobbyists Principals	2,600	5 lobbyist principals
Failure to pay fee	<u>800</u>	<u>5</u> lobbyist principals*
TOTAL CIVIL FINES	\$50,315	116

* Lobbyist and lobbyist principal fees totaling \$450 received in fiscal year 2005, were due and deposited in fiscal year 2004. Late fees totaling \$805 from 2 lobbyists and 7 lobbyist principals and civil fines totaling \$800 from 5 lobbyist principals for failure to pay the fees were deposited in fiscal year 2005.

Return of public subsidy	\$29,800	13 candidate committees
Carry Forward	2,291	2 committees
Contributions on termination	\$1,781	8 candidate committees
Anonymous contributions	\$2,338	8 committees
Contribution to S.E.C.F	8,497	3 committees
Returned contributions	<u>161</u>	<u>1</u> committees
SUBTOTAL	\$10,996	12 (deposited in the general account of the State Elections Campaign Fund)
Photocopy receipts		
Copies	\$11,290	515 individuals paid (retained by Board to off-set photo copier costs)
State sales tax	794	
St. Paul sales tax	<u>144</u>	
TOTAL COPY RECEIPTS	\$12,229	
Miscellaneous income		
Return of Service Process Fees	\$402	(retained by Board for legal fees paid to serve clients)
TOTAL RECEIPTS	<u>\$125,969</u>	

Minnesota
*Campaign Finance and
Public Disclosure Board*

cfboard.state.mn.us

190 Centennial Building . 658 Cedar Street . St. Paul, MN 55155-1603

FAX: 651-296-1722 or 800-357-4114

DATE: 6 January 2005

TO: Sen. Dean Johnson
Rep. Steve Sviggum
Sen. Dick Day
Rep. Matt Entenza
Sen. Chuck Wiger
Rep. Eric Paulsen
Rep. Jeff Johnson
Maureen Shaver, Governor's Office

FROM: Jeanne Olson
Executive Director

TELEPHONE: 651/296-1721
800/657-3889

SUBJECT: 2005 Legislative Recommendations

Attached is a list of the Campaign Finance and Public Disclosure Board recommendations to the 2005 Legislature. The Recommendations are divided into Technical Issues and Substantive Issues. Also attached are two bills which incorporate the Board's Recommendations.

In addition to the recommendations, the Board is requesting the Legislature to provide direction concerning the following items:

- Review the definition of independent expenditures. The Board suggests that you may wish to provide that independent expenditures do not include those expenditures using first person statements, photos, or audio and video recordings that were originally produced or paid for by the candidate or the candidate's committee and that were sold or provided to the entity making the expenditures by the candidate or the candidate's committee or agent. Minn. Stat. §10A.01, subd. 18.
- Review the rights of an unregistered association, including a corporation, to make contributions to political committees and political funds established solely to promote or defeat ballot questions. These contributions are allowed under Minn. Stat. §§ 211B. However, Minn. Stat. Ch. 10A, requires

the contributions to be made from a political committee or political fund. The two statutes may be in conflict or may require unnecessary registration for the entities wishing to promote or defeat a ballot question.

- Determine how contributions made to political parties that are refunded through the political contribution refund program are to be used. The Board suggests that the contributions be used to support chapter 10A candidates or to make multicandidate expenditures. Minn. Stats. §§ 10A.275 and 10A.322, subd. 4.
- Review the reporting requirement for lobbyists. The Board suggest that the legislature may wish to provide that the name and address of each individual or vendor to whom aggregate expenditures have been made by the lobbyist or by or on behalf of the principal within the reporting period in excess of \$100, together with the amount, date, and purpose of each expenditure be disclosed on periodic reports. This provision is similar to the reporting requirement in the campaign finance program. Minn. Stat. §10A.04.
- Review whether a prohibited gift from a lobbyist or principal accepted by a public official should be made lawful through retroactive acceptance by the official's employer. Minn. Stats. §§10A.071 and 465.03 may need to be reconciled.

I will contact you to set a time to meet with Board members and me to discuss these recommendations. In the meantime, if you have questions about this memorandum or the Board's recommendations, please call me.

TECHNICAL ISSUES

1. Provide that political party units and lobbyists may not make contributions that a candidate is prohibited from accepting. Minn. Stat. §10A.27, subd. 1 (c).
2. Include lobbyists in the penalty provisions for giving excess contributions. Minn. Stat. § 10A.28, subd. 2.
3. Provide that the 48-hour notice of large contributions may be filed electronically. Minn. Stat. §10A.20, subd. 5.
4. The Office of Administrative Hearings is allocated funds from the general account of the state election campaign fund to pay for administration of complaints against 10A candidates, committees, and ballot questions. Provide that the allocation may be used only for non-frivolous complaints. Minn. Stat. §10A.31, subd.4 (b).
5. The Representation Disclosure provisions provide for a late filing fee but no civil penalty for failure to file. The enforcement procedure should be consistent with other enforcement provisions of Chapter 10A. Minn. Stat. §10A.08.
6. Amend the definition of 'association' to include all types of legal entities. The statute currently defines an association to mean a group of two or more persons, who are not all members of an immediate family. Since the term was first defined, other legal entities have been established. The disclosure requirement should include all types of legal entities. Minn. Stat. § 10A.01, subd. 6.
7. Define 'Immediate Family'. The phrase is used in the definition of 'association' and also in the requirement to list interests in pari-mutuel horse racing. The Board is unsure of the legislature's intent in the definition of immediate family. Minn. Stat. §§10A.01, subd. 6, and 10A.09, subd. 5 (5).
8. In 2001, the legislature amended Minn. Stat. §471.895 (the ban on gifts to local officials) to provide an additional exception:

“The prohibition does not apply if the gift is given “by a national or multi-state organization of governmental organizations of public officials, if a majority of the dues to the organization are paid from public funds, to attendees at a conference sponsored by that organization, if the gift is food or a beverage given at a reception or meal and an equivalent gift is given or offered to all other attendees.”

The Board has expressed this concept in an advisory opinion but has not promulgated a rule. The legislature may wish to add this to the exceptions in Minn. Stat. §10A.071, subd. 3.

9. Provide that all reports and statements that are required to be filed may be filed electronically. Minn. Stat. §10A.025. Staff would need to establish a method to assign unique passwords to ensure that only appropriate individuals make filings. In addition, the Board's administrative rules would need to be amended to accommodate electronic filing.
10. Repeal obsolete rules. Specifically, Minnesota Rules, Chapters 4501.0300, subparts 1 and 4; 4501.0500 subpart 4; 4501.0600; 4503.0200, subpart 4; 4503.0300, subpart 2; 4503.0400, subpart 2; 4503.0500, subpart 9; and 4503.0800, subpart 1 are obsolete.

SUBSTANTIVE ISSUES

1. Provide that the 48-hour notice be required for contributions of –
 - a. \$1,500 or more to gubernatorial and supreme court candidates;
 - b. \$750 or more to attorney general and appeals court candidates; and
 - c. \$400 or more to secretary of state, state auditor, district court, and legislative candidates. Minn. Stat. §10A.20, subd. 5.
2. Provide that a candidate who terminates a committee and then registers a new committee for the same office within four years is required to assume any unpaid liabilities of the previous committee and continuously report the obligations until they are paid or forgiven. Minn. Stat. §10A.24, subd. 2.
3. Review the expenditure and contribution limits for constitutional office candidates. The current amounts for statewide candidates may be too low. Minn. Stat. §§ 10A.25, subd. 2 (a) (1), (2), and (3), and 10A.27, subd. 1(a) (1), (2), and (3).
4. A candidate who “has not previously run for office” is entitled to a 10% increase in the election year expenditure limit. There are no time or office limits in the statute. The Board suggests that either specific offices be listed or a time frame (10 years) be established so as to allow someone who has either run for a minor office or run 10 years previously to have first-time candidate status. Minn. Stat. §10A.25, subd. 2 (d).
5. Require that the pre-primary report of receipts and expenditures must be filed before public subsidy payments are made. Minn. Stat. §10A.31, subds. 6 and 7.
6. Provide that if a pre-primary report does not disclose contributions equal to or greater than required by the Affidavit of Contributions, the candidate must supply a list of contributor’s names and addresses with the Affidavit. The list is private data. Minn. Stat. § 10A.323.
7. Provide that in a special election a candidate for house of representative must raise \$500 and a candidate for senate must raise \$1,000 in qualifying contributions to receive public subsidy payments. During a regular election those amounts are \$1,500 for a house of representative candidate and \$3,000 for a senate candidate. Minn. Stat. § 10A.323.
8. Provide that candidates must file pre-election reports only for elections in which their name will appear on the ballot. The current requirement to file pre-election reports is for the year in which a candidate’s name appears on the ballot. Therefore individuals who lose the primary election are required to file the pre-general election report. There appears to be no public purpose for that report to be filed. Minn. Stat. § 10A.20, subd. 2(b).
9. Require the Affidavit of Contributions to be signed, notarized, and filed by the same date that the pre-primary report of receipts and expenditures is due. Currently, staff

is unable to determine if required amounts have been raised before public subsidy payments are made. Minn. Stat. §10A.323.

10. Change the time to four years (from six years) in the definition of inactivity for principal campaign committees. Four years covers at least one full cycle for legislative and constitutional office candidates. Judicial candidates, with six-year terms, usually register in the year of their election and terminate their registration immediately following the election. Minn. Stat. §10A.242, subd. 2.
11. Provide that principal campaign committees, political party units, political committees, and political funds that raise or spend in excess of \$15,000 must file the periodic reports of receipts and expenditures electronically. If these entities wish to use software other than that provided by the Board, the receipts and expenditure data must be in a format specified by the Board.