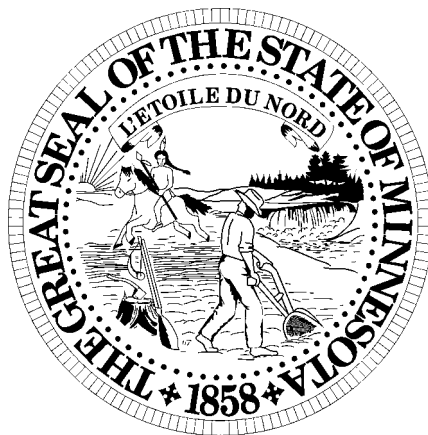


**MINNESOTA
CAMPAIGN FINANCE and PUBLIC
DISCLOSURE BOARD**

ANNUAL REPORT

JULY 1, 2001 - JUNE 30, 2002



Issued: September, 2002
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DATE: August 28, 2002

TO: The Honorable Jesse Ventura, Governor
The Honorable Don Samuelson, President of the Senate
The Honorable Roger Moe, Senate Majority Leader
The Honorable Steve Sviggum, Speaker of the House
The Honorable Tim Pawlenty, House Majority Leader
The Honorable Dick Day, Senate Minority Leader
The Honorable Tom Pugh, House Minority Leader

FROM: Douglas A. Kelley, Chair
Campaign Finance and Public Disclosure Board

SUBJECT: Annual Report, in accordance with Minn. Stat. §10A.02, subd. 8(a), July 1, 2001, through June 30, 2002

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 associated with the 2001 nonelection year and four special elections held in fiscal year 2002.

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.

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 2002 Board staff continued to keep abreast of technology and the public's continued desire for easy access to information filed with the Board. The development of a second generation of the Board's campaign finance software was completed for client use in election year 2002. A searchable database was developed to allow clients to access lists of candidates, lobbyists, and public officials and campaign finance files by information disclosed on reports and statements filed by the client. Staff continues to maintain an inter-active agency web site with information that is updated daily. The website was redesigned in 2002 for easier client access. For clients without access to a computer, a public use computer is available in the Board office.

The Board met nine times to conduct business; issued thirteen advisory opinions; concluded one investigation, issued a finding of probable cause, and referred the matter to the Hennepin County Attorney in the one complaint; investigated 17 potential violations of Chapter 10A which concluded in settlement of 15 conciliation agreements and one finding of probable cause; and produced 13 publications.

Board staff conducted training classes to aid volunteer treasurers and candidates in recordkeeping, reporting, and Finance 2002 campaign software; served on several faculties of Continuing Legal Education seminars; spoke to various groups and classes of local colleges and universities about the requirements of Chapter 10A; hosted foreign dignitaries from Armenia; and served as the host state for the Heartland Conference, a regional group of members of the Council of Governmental Ethics Laws.

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:

- 1,480 registered principal candidate committees, political committees, political funds, and political party units who filed by approximately 1,500 reports;
- 1,300 registered lobbyists representing 1,200 associations who filed approximately 9,000 reports;
- 1,300 lobbyist principals; and
- 1,370 public officials required to report to the Board.

Also included is information on public subsidy payments to four political party units and eight candidates during four special elections held in 2002. Information on payments may be found on page 28.

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. In addition to enforcing the provisions of Chapter 10A, the Board promulgates rules, enforces Minnesota Rules 4501 through 4525, and issues 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 and constitutional office candidates, political party units, political committees, and political funds;
- 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;
- disclosure of economic interest, conflicts of interest, and representation of a client for a fee under certain circumstances for certain state and metropolitan officials; and
- distribution of payments from the 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 parties to give political contribution refund receipts to certain campaign contributors.

Membership

The Board is a six-member bi-partisan citizen Board responsible for 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 meetings, which are open to the public, and annually elects its leadership and reports on its activities to the governor, the legislature, and the public.

Two Board members were confirmed by the House of Representatives and the Senate in fiscal year 2002.

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;
- Campaign Finance Summaries;
- Lists of lobbyists and associations, candidate committees, political committees, political funds, and party units, all updated on a daily basis;
- List of candidates who filed for office in the 2002 election;
- Election 2002 public subsidy estimates;
- Public officials disclosure from filed economic interest statements;
- Electronic versions of all Board publications and forms;
- Searchable databases for campaign finance
- Board and Staff contact information and automatic e-mail access;
- Biographies and pictures of current Board members; and
- Links to the Minnesota Statutes and Board Administrative Rules.

BOARD MEMBERS

**Douglas Kelley**

Douglas Kelley was appointed in May 2000, by Governor Jesse Ventura and confirmed by the House and Senate in 2001, for a term ending in January 2004. He is a member of the Republican Party of Minnesota with no restrictions on previous activities. He serves as Board Chair. Mr. Kelley is an attorney. He owns and manages a law firm that concentrates on white-collar crime, provides services in compliance programs, internal investigations, Indian gaming, employment law, and complex civil litigation. He is a graduate of the University of Minnesota Law School. He is currently a member of the University of Minnesota Economic Roundtable and the Minnesota Audubon Council. He serves on the Board of Trustees of Outward Bound and the Board of Directors of the Minnesota Orchestra Association. He is Co-chair of the Minnesota League of Conservation Voters.

**Allan Spear**

Allan Spear was appointed in January 2001, by Governor Jesse Ventura confirmed by the House and Senate in 2001, for a term ending in January 2003. He is a former member of the legislature from the Democratic Farmer Labor party. He serves as Board Vice Chair. Mr. Spear is an associate professor emeritus in history at the University of Minnesota. He graduated from Oberlin College and holds a masters and a doctorate degree from Yale University. He served as a member of the Minnesota State Senate for 28 years.

**Susan Stevens Chambers**

Susan Stevens Chambers was appointed in February 2002, by Governor Jesse Ventura and confirmed by the House and Senate in 2002, for a term ending in January 2003. She is an independent 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. Chambers is a partner with Chesley, Kroon, Chambers, and Harvey and concentrates her practice on litigation, employment, municipal/township, and family law. She also serves as the city attorney for the city of Good Thunder. She is a graduate of Loyola University of Chicago, Law School. She currently serves as President of the South Central Chapter of the Minnesota Women Lawyers and is the Immediate Past President of the National Federation of State Poetry Societies.

**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 claimant's 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.

**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, products 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.

**Sidney Pauly**

Sidney Pauly was appointed in March 1996, by Governor Arne Carlson and confirmed by the House and Senate in 1997, for a term ending in January 2000, and reappointed by Governor Jesse Ventura in April 2000, and confirmed by the House and Senate in 2001, for a term ending in January 2004. She is a former member of the legislature from the Republican Party of Minnesota. She is a graduate of the University of Minnesota. Ms. Pauly served eight years as a member of the Eden Prairie City Council and 12 years in the Minnesota House of Representatives. She is the chair of the International School of Minnesota Foundation and is active in several civic organizations.

SUMMARY OF BOARD ACTIVITIES

Meetings

The Campaign Finance and Public Disclosure Board held nine regular session meetings, nine executive session meetings, four legislative recommendation sub-committee meetings, and one nominating sub-committee meeting.

Advisory Opinion

The Board is authorized to issue advisory opinions on the requirements

Procedure

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 exercises an option provided in the law to publish 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 2002 are listed under each program.

Publications

The Campaign Finance and Public Disclosure Board issued thirteen publications:

- Annual Report for Fiscal Year 2001;
- Handbook for Candidate Committees;
- Handbook for Judicial Candidate Committees;

- Handbook for Political Committees and Political Funds;
- Handbook for Public Officials;
- Handbook for Local Officials
- Handbook for Lobbyists and Lobbyist Principals;
- List of Registered Principal Campaign Committees, Political Committees, Political Funds, and Lobbyists;
- Compilation of Advisory Opinions, Nos. 329 - 341;
- Lobbying Disbursement Summary for Fiscal Year 2001;
- 2001 Campaign Finance Summary;
- Guide to Interpretation of Minn. Stat. §10A.071; and
- List of Public Officials.

Training, Education and Outreach

Board and staff outreach:

- Served on a Continuing Legal Education (CLE) panel on lobbyist registration and reporting requirements hosted by the Minnesota Governmental Relations Council.
- Served on the faculty of a CLE program about Election Law.
- Served as a guest lecturer for a legislative issues class at the University of Minnesota's graduate School of Public Health on lobbyist registration, reporting, and the gift ban.
- Served on a panel hosted by the Department of Employee Relations designed to assist Executive Branch agency personnel in testifying before the Legislature.
- Served on the faculty of a CLE program on *The Minnesota Legislative Process* presenting the legal requirements for lobbying and prohibition on gifts to public officials.
- Spoke to a group of individuals at a DFL House Caucus new-candidate seminar.
- Presented a CLE program on the prohibition of gifts to legislative staff.
- Served as the representative of the Council on Governmental Ethics Laws on the selection committee for the Public Integrity Award.

Disclosure training offered by Board staff:

- 21 sessions for use of the Board's Campaign Finance Software;
- 5 report training classes to assist treasurers in filing the pre-primary Report of Receipts and Expenditures; and
- 15 compliance training classes to assist treasurers in understanding the requirements of Minnesota Statute chapter 10A.

Training taken by staff:

- Participated in 15 classes/seminars for a total of 178 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.
- Attended the annual Council on Governmental Ethics Laws (COGEL) conference.
- Attended and hosted the COGEL Heartland regional conference for staff of COGEL members agencies.
- Participated in strategic planning for improved customer service.

International officials:

- Met with a delegation of five individuals from Armenia hosted by the Minnesota International Center. The delegation was interested in accountability in business and government and discussed campaign finance, lobbying, the gift ban, and the conflict of interest provisions of Chapter 10A.

LEGISLATIVE AUDIT OF BOARD

The Office of the Legislative Auditor conducted a biennial audit of the Campaign Finance and Public Disclosure Board. The audit covered the period from July 1, 1999, through June 30, 2001.

The audit scope and findings included:

- Public subsidy grants to qualified state candidates and the state committees of political parties.

The audit concluded that the Board allocated and disbursed State Elections Campaign Fund monies totaling approximately \$3.5 million to eligible candidates for public office. However, it distributed \$12,782 that it should have retained to offset administrative costs, resulting in an overpayment to each Senate or House of Representatives candidate of approximately \$35. The Board decided not to pursue recovery of the overpayment because of the administrative costs and complexities of seeking repayment and since each candidate and political party received an equal benefit. The Office of the Legislative Auditor agrees with the Board's decision.

- Payroll and per diem expenditures.

The audit concluded that the Board accurately reported payroll and per diem expenditures in the accounting records and, for the items tested, complied with applicable legal provisions and management's authorization. The Board is limited in access to the state's personnel/payroll system to only the employees that require access to perform job responsibilities and that access was limited to only the required areas.

- Professional/Technical Expenditures

The audit concluded that the Board accurately reported professional/technical expenditures in the accounting records and, for the items tested, complied with applicable legal provisions and management's authorization.

2002 LEGISLATIVE ACTION

- General Provisions**
- Eliminates the requirement that the Board must report a finding of probable cause to the appropriate law enforcement authority.
 - Provides that late filing fees in all programs begin eleven (11) days after the Board notifies the filer by certified mail that a report or statement has not been received.
 - Eliminates misdemeanor criminal penalties and replaces them with civil penalties imposed by the Board of up to \$1,000 for the following violations:
 - Disclosure of information about an investigation being undertaken by the Board before the Board makes a finding of probable cause
 - Failure to file reports and statements in all programs within fourteen (14) days after two certified notices have been sent.
 - Provides for a civil penalty imposed by the Board of up to \$3,000 for:
 - Filing a false statement with the Board.
 - Failure to amend a filed report or statement.

2002 RULEMAKING

- General Provisions**
- Allows a complainant to use a form developed by the Board to file a complaint.

CAMPAIGN FINANCE PROGRAM

- 2002 Legislative Action**
- Eliminates misdemeanor criminal penalties and replaces them with civil penalties imposed by the Board of up to \$1,000 for the following violations:
 - Failure for a political committee or political fund to have a treasurer or a political committee to have a chair.
 - Commingling political committee or political fund funds with funds of officers, members, or associates.
 - Failure to keep an account of contributions to and expenditures from a political committee or political fund.
 - Failure to deposit contributions promptly.
 - Acceptance of anonymous contributions in excess of \$20.
 - Making an approved expenditure of more than \$20 without written authorization from the treasurer.
 - Failure to submit a claim to a treasurer within 60 days after materials were received or a service was provided.
 - Failure of an unregistered association to provide a disclosure statement with a contribution to a Chapter 10A candidate, political committee, political fund, or political party unit.
 - Adds a civil penalty of \$3,000 to the following criminal violations:
 - Knowing acceptance of an earmarked contribution.
 - Failure to disclose an independent expenditure.
 - Falsely claiming that an expenditure was an independent expenditure.
 - Attempting to circumvent the requirement of Chapter 10A by redirecting a contribution through or making a contribution on behalf of another.

- Prohibits a principal campaign committee, political committee, political fund, or political party unit from lending money it has raised to anyone for purposes not related to the conduct of a campaign. Violation of this provision is a gross misdemeanor and is subject to a civil penalty of up to \$3,000.
- Provides that if the position of treasurer is vacant, the candidate, chair, or association officer is responsible for filing reports.
- Allows a candidate whose opponent does not timely file a pre-election report or an excess spending report to petition the district court for immediate equitable relief to enforce the filing requirement.
- Prohibits a political committee or political fund from making a contribution that a candidate is prohibited from accepting.
- Prohibits a lobbyist, political committee, political fund, dissolving principal campaign committee, or legislative caucus from making a contribution during a regular session of the legislature.
- Raises the penalty for accepting or giving contributions during the session to \$1,000.
- Provides that the treasurer of a principal campaign committee, political committee, political fund, or political party unit who accepts a contribution in excess of \$100 from an unregistered association without written disclosure is subject to a civil penalty up to four times the amount of the contribution in excess of \$100.
- Adds political committees, political funds, and principal campaign committees that make contributions subject to the civil penalty of up to four times the amount of an excess contribution.
- Provides that contributions from a terminating principal campaign committee to a different candidate apply to the aggregate political party limit.
- Requires a principal campaign committee that makes contributions to another candidate to provide the recipient committee with a written statement of the donor's intent to terminate its registration with the Board within 12 months.

- Provides that contributions from terminating principal campaign committees must not be made during a regular session of the legislature.
- Provides that if a donating principal campaign committee fails to terminate within 12 months, the Board may levy a civil penalty up to four times the amount of the contributions made to other principal campaign committees.
- Provides that a contribution from a terminating principal campaign committee that is not accepted by another candidate must be sent to the Board for deposit in the general account of the state elections campaign fund.
- Provides no limit on the amount of contributions from a terminating legislative candidate to another principal campaign committee of the same candidate.

Advisory Opinions Issued

- Use of Campaign Funds for Travel Expenses Related to a Legislative Special Session

Under certain circumstances funds from a principal campaign committee may be used to pay for travel expenses incurred by a candidate in order to participate in work group and conference committee meetings related to a special session of the legislature.

No. 329

- Reporting of Contributions to a Political Party

Customers of an Internet Service Provider (ISP) that opt to pay a portion of income earned through their use of the ISP to a political party are making individual contributions to that party. The disclosure and reporting requirements for individual contributions apply to contributions received through membership in the ISP. No. 331

- Definition of first time candidate

Regardless of whether a candidate received the party endorsement or filed an affidavit of candidacy for a given office, a candidate who raises or spends more than \$100 in a year for a given office cannot qualify for first-time candidate status for that same office in subsequent election cycles. No. 333

- Definition of political committees and political funds, reporting requirements of lobbyists

The purpose of a communication determines if the communication is a campaign expenditure, a lobbying disbursement, or a communication outside of the application of Minnesota Statutes Chapter 10A. No. 334

- Use of specific words or phrases in campaign expenditures, independent expenditures, or lobbying communications and disclosure of funds used for lobbying purposes

Campaign expenditures, independent expenditures, and lobbying communications are defined by their purpose, and do not require the presence of specific words or phrases in order to come under the provisions of Minnesota Statutes Chapter 10A. A lobbyist principal must disclose to the Board the name of an individual or entity that provides, either directly or as a percentage of their total dues or contributions, over \$500 for lobbying efforts. No. 336

- Definition of the term agent in relation to independent expenditures

A consultant who provides services to a principal campaign committee is an agent of that committee. An expenditure is not independent if an agent of a principal campaign committee directly or indirectly influences the political party unit, political committee, or political fund to make the expenditure. No. 338

- Use of E-Mail and Websites in Political Campaigns

Contribution limits and reporting requirements required by Minnesota Statutes Chapter 10A apply to Internet based campaign materials. No. 339

- Providing the Services of An Employee to a Candidate is an In-Kind Donation From the Employer

Providing a paid sabbatical leave to an employee so that the employee may work in the campaign of a state candidate is an in-kind donation from the employer to the candidate. No. 341

Filed Complaints

The Board completed one investigation and issued one finding.

- The Board found that there was no probable cause to believe that the Jetsporters Association conducted fundraising activities on behalf of, or made contributions to, Dale Walz during election year 2000; that there was no probable cause to believe that the Jetsporters Association was required to register a political committee or political fund with the Board because of its activities associated with a mailing conducted in the spring of election year 2000; and that there was insufficient evidence to determine if the independent expenditure disclaimer was included in the solicitation letter sent by Carl and Patti Bullen.

Filing Deadlines

Approximately 1,480 principal campaign committees, political committees, political funds, political party units were registered with the Board.

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

- 17 committees and funds paid late fees totaling \$1,798;
- 3 committees and funds were granted waivers totaling \$655; and
- 1 fund had fees reduced by a total of \$500.

Late filing fees were deposited in the state general fund.

Staff Review of Campaign Finance Reports

Approximately 700 reports of receipts and expenditures were filed by political party committees, political committees, and political funds. Approximately 780 reports were filed by principal campaign committees.

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.

Nonelection year	Reports filed	Amendments filed
2001	1,480	89
1999	1,400	344*
1997	1,195	96

*This increase is due to the Board's continued effort to seek full compliance with campaign finance disclosure laws including full address and employment information from itemized contributors, specific purposes of expenditures, and dates on all transactions. Better methods of reconciling reports

between committees and funds and information received from the Department of Revenue have assisted staff in meeting the goal of full compliance.

Internal Investigations

The Board reviewed 17 potential violations of Chapter 10A, involving 16 committees or funds and made one finding concerning probable cause.

- The Board found there was probable cause to believe that Jeff Gargaro, treasurer, 42nd Senate District RPM, signed and certified as true, Reports of Receipts and Expenditures knowing the disclosed information was false. The Board directed the Executive Director to refer this matter to the Hennepin County Attorney and/or the Edina City Attorney for civil enforcement for the violation of Minn. Stat. §10A.025, subd. 2.
- Sixteen committees were fined a total of \$15,984; and
- Fifteen of the committees entered into conciliation agreements.

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 eleven potential violations of this law, based on reports filed by five principal campaign committees for nonelection year 2001. All five cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$5,750 on the five committees.

- 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 five potential violations of this law, based on reports filed by five principal campaign committees for nonelection year 2001. All five cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$7,950 on the five committees. The five principal campaign committees were also required to return a total of \$5,157 to 15 contributors.

- 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.

The Board reviewed two potential violations of this law, based on reports filed by principal campaign committees for nonelection year 2001. Both cases were concluded by conciliation agreement. The Board imposed civil fines totaling \$642 on two committees. The two principal campaign committees were also required to return a total of \$642 to two party units.

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 four potential violations of this law based on reports filed by principal campaign committees for nonelection year 2001. All four candidates entered into a conciliation agreement with the Board. The Board imposed civil fines totaling \$1,643 on the four committees.

All civil fines were deposited in the state general fund.

CAMPAIGN FINANCE SOFTWARE

Deployment and The Board provides free computer software for recording and reporting receipts

Use and expenditures in order to support principal campaign committees, political committees, political funds, and political party units with the compliance and disclosure requirements of Chapter 10A. The first Board provided software was Finance 98, which became available to the public in late 1997. The Board completed development and testing of the next generation of software, Finance 2002, in October of 2001. Users of Finance 98 were sent Finance 2002 in November 2001. The Board supported both applications through the filing period for the 2001 year end Report of Receipts and Expenditures. At the completion of that reporting period support for Finance 98 ceased.

A total of 720 committees have requested Finance 2002. 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 in administering their campaigns.

PUBLIC SUBSIDY PROGRAM

- 2002 Legislative Action**
- Prohibits a candidate with a public subsidy agreement from making independent expenditures.
 - Permits a candidate to choose to be released from expenditure limits based on the conduct of an opponent in the primary. If the candidate chooses to be released, the general election opponent is also released.
 - Rounds calculated expenditure limits up to the next highest \$100.
 - Rounds the aggregate limit on contributions from political committees, political funds, lobbyists, and large givers to the nearest \$100.
 - Provides that as a condition of receiving general account public subsidy a candidate must agree to spend 50% of the general account amount by the deadline for the pre-general election report.
 - Provides that a candidate who agrees to but does not spend 50% of the general account funds by the deadline must repay the difference to the Board within six months after the general election.
 - Requires candidates who do not spend 50% of the general account funds to reimburse the Board for reasonable costs incurred in collecting any amount due.
 - Provides that if a candidate fails to repay general account funds, the Board may not distribute any additional money to the candidate until repayment has been made.
 - A candidate who filed a campaign spending limit agreement before August 1, 2002, continues to be governed by Chapter 10A provisions as they existed before August 1, 2002. The candidate may sign a new spending limit agreement after August 1, 2002.
- 2002 Rulemaking**
- Clarifies that candidates who wish to receive the general account public subsidy following the primary election, must promise to spend at least 50% of the amount of the general account payment two weeks before the general election.

- Provides that the Board must use the September 1st estimate from the Department of Revenue to notify candidates of the 50% amount.

Advisory Opinion

- Public Subsidy Payments Potentially Available to Minor Party or Independent Candidates

Minor party and independent candidates who sign a public subsidy agreement with the State of Minnesota prior to August 1, 2002, may qualify to receive a general account public subsidy payment after the 2002 state general election. No. 340

2001, 2002 Special Election Payments

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

Public subsidy funds were distributed in four special elections held in fiscal year 2002. The amount of public subsidy available in a special election is the same amount for that office and party in the preceding general election:

- House District 12B (November 6, 2001) - Six candidates; two candidates received public subsidy totaling \$10,706;
- Senate District 67 (January 29, 2002) – Eight candidates; three candidates received public subsidy totaling \$34,372;
- Senate District 7 (January 29, 2002) – Two candidates; one candidate received public subsidy totaling \$13,473; and
- House District 47A (March 4, 2002) – Five candidates; two candidates received public subsidy totaling \$12,302.

Political Party Payments

Monthly payments are made to 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 2002 payments were as follows:

Democratic Farmer Labor	\$42,291
Green Party of Minnesota	7,567
Independence Party of Minnesota	10,646

Republican Party of Minnesota 39,732

Total payments to State Party Committees: \$100,237

LOBBYIST PROGRAM

2002 Legislative Action

- Requires each lobbyist to include on the April 15th report a general description of the subjects lobbied in the previous 12 months.
- Requires lobbyist principals to report the total amount spent, rounded to the nearest \$20,000.
- Prohibits a lobbyist from making a contribution during a regular session of the legislature.

2002 Rulemaking

- Provides that a lobbyist who represents an association with multiple lobbyists may designate, at the time of registration, another lobbyist, registered for the same association, to report the lobbyist's expenditures on behalf of that association.
- Defines lobbyists as:
 - Reporting, a lobbyist who reports for others, or
 - Self-reporting, a lobbyist who reports only their own disbursements.
- Provides procedures if a 'reporting lobbyist' is not notified about the disbursements made by another lobbyist in a timely manner.
- Requires an association to identify a 'designated lobbyist', who reports the association's expenditures.
- Provides enforcement procedures if reports are not filed.
- Provides procedures for 'designated' and 'reporting' lobbyists to terminate their registration with the Board.

Advisory Opinions Issued

- A public officials presence at a party paid for by a lobbyist principal

A public official may attend a party paid for by a lobbyist principal without violating the gift law by: 1) directly reimbursing the lobbyist principal for the official's fair share of the expenses incurred by the lobbyist principal in hosting the party; or, 2) contributing to the party some item or items whose value is equal to or greater than the official's fair share of the value of the party. No. 330

- Disclosure of Fees Related to Lobbying

Fees paid to a public relations firm for work that supports a lobbying effort must be reported to the Board. No. 332

- Definition of political committees and political funds, reporting requirements of lobbyists

The purpose of a communication determines if the communication is a campaign expenditure, a lobbying disbursement, or a communication outside of the application of Minnesota Statutes, chapter 10A. No. 334

- Gifts to groups that may contain public officials

A lobbyist principal may provide gifts to officials if the officials are members of a group, a majority of whose members are not officials, and an equivalent gift is given to the other members of the group. No. 335

- Use of specific words or phrases in campaign expenditures, independent expenditures, or lobbying communications and disclosure of funds used for lobbying purposes

Campaign expenditures, independent expenditures, and lobbying communications are defined by their purpose, and do not require the presence of specific words or phrases in order to come under the provisions of Minnesota Statutes Chapter 10A. A lobbyist principal must disclose to the Board the name of an individual or entity that provides, either directly or as a percentage of their total dues or contributions, over \$500 for lobbying efforts. No. 336

- Gift of coffee mug to officials

The gift of a coffee mug to members of the legislature and legislative staff meets the exemption in Minn. Stat. §10A.071, subd. 3 (a)(5), because it is an item of insignificant value. No. 337

Filing Deadlines

Approximately 1,300 registered individuals representing 1,200 associations filed approximately 9,000 Lobbyist Disbursement Reports.

Of the 9,000 reports filed in fiscal year 2002, approximately 6% were filed late. About 5% of the reports were filed late in fiscal year 2001.

Fees for the late filing of the Lobbyist Disbursement Report:

- 18 lobbyists paid late fees totaling \$1,065; and
- 5 lobbyists were granted waivers totaling \$500.

Late filing fees are deposited in the state general fund.

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
2002	9,000	10
2001	9,240	23
2000	9,550	30
1999	9,040	88

Annual Report of calendar Lobbyist Principal

An individual or association spending more than \$500 in a year to compensate a lobbyist is required to file an annual report.

A Report of Lobbyist Principal covering the period January 1 through December 31, 2001, was due on March 15, 2002, from 1,296 lobbyist principals. Six principals failed to file a report. Minn. Stat. §10A provided no penalty for failure to file a lobbyist principal report.

ECONOMIC INTEREST PROGRAM

- 2002 Legislative Action**
- Clarifies that public officials who must file Statements of Economic Interest because of their authority to adopt, amend, or repeal rules are officials whose rulemaking authority is under Minnesota Statutes, Chapter 14.

- 2002 Rulemaking**
- Removes the requirement that a terminating public official, who has no changes from the previous report, must file a final Statement of Economic Interest.

- Filing Deadlines**
- Original Statements of Economic Interest

Approximately 200 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 2002.

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

- 2 public officials paid late fees totaling \$200; and
- 1 public official was granted a waiver totaling \$100.

Late filing fees were deposited in the state general fund.

- 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 1,317 public officials a copy of the information reported on previously filed statements. Approximately 500 public officials or 39% of those who were mailed statement filed a statement with changes.

Staff Review of Statements

Each filed Statement of Economic Interest 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.

	2002	2001	2000
Original reports filed	200	245	290
Number of public officials	1,370	1,339	1,370
Incomplete supplementary reports requiring amendments	7	5	19

POTENTIAL CONFLICTS OF INTEREST

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 form, 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 officials immediate supervisor of the possible conflict.

One Potential Conflict of Interest notice form was filed by a public official in fiscal year 2002.

REPRESENTATION DISCLOSURE

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 notice forms were filed by public officials in fiscal year 2002.

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 2002.

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 2002, 13 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 2002, 30 reports were filed with the Board.

State Pension Funds

2002 Law Change

- Changes the procedure for officials of public pension plans to file Statements of Economic Interest. Requires the chief administrative officer of a plan to annually file with the Board a certified list of individuals who have filed Statements of Economic Interest and the address where the statements and pension plan may be viewed.

General Information

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 a copy of all filed statements with the Campaign Finance and Public Disclosure Board annually, no later than January 15th. Approximately 740 pension plans are required to file with the Board under this law. In fiscal year 2002, 272 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. Coordinate investigations and settlements of potential violations of Minn. Stat. chapter 10A. Serve as investigate liaison to the Executive Director, Board, 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 (Finance 2002). 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 from 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

(Customer Service

Specialist Intermediate)

Provide assistance in typing and word processing to Board staff. 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.

Student Worker

Assist with mailing, copying, and filing of all required documents filed with the Board office in all agency programs. Enter data from filed Lobbyist Disbursement Reports into a computer database.

STAFF SALARIES

July 1, 2001 - June 30, 2002

<u>POSITION</u>	<u>STAFF</u>	<u>SALARY</u>	
Executive Director	Jeanne Olson	\$85,332	
Assistant Executive Director	Jeffrey Sigurdson	58,880	
Office Services Supervisor II	LuAnn Swanson	45,961	
Investigator	Billie Claire Errico	29,924	(7/1/01 – 3/12/02)
Office and Administrative Specialist Principal	Joyce Larson	35,092	
Information Technology Specialist IV	John Nesbitt	50,771	
Information Technology Specialist II	Xiaowei Cao	37,277	
Office and Administrative Specialist Intermediate	Patricia Klingner	3,845	(1/29 – 6/20/02)
Customer Service Specialist Intermediate	Tricia McBrayer	26,790	
Student worker	Kwame Baah-Gyimah	2,941	(7/1 – 12/12/01)
	Melissa Lane	606	(6/3 – 6/21/02)
TOTAL 2002 SALARIES		<u>\$377,419</u>	

FINANCIAL INFORMATION

INCOME SUMMARY

Appropriation	\$674,000
Photocopy Revenue	4,738
Service Processes Fees Recovered	408
Web Appropriation	25,000
Technology Appropriation	<u>15,000</u>
TOTAL	<u>\$719,146</u>

EXPENDITURE SUMMARY

Operating budget expenditures	\$589,677
Technology budget expenditures	27,796
Sub-total	617,473
Operating budget carry forward to fiscal year 2003	89,470
Technology budget carry forward to fiscal year 2003	<u>12,203</u>
TOTAL	<u>\$719,146</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)	\$469,727
Part time staff (salary and fringe)	3,766
Workers compensation	344
Achievement/Incentive	3,100
Vacation pay out	661
Per diem	3,960
Office rent	32,562
Postage	12,561
Misc. rents	126
Telephone	3,628
Photocopy machine leases	12,610
In-State travel – staff	939
Out-State travel	2,155
Printing	6,844
Board meeting expenses	1,490
Staff / Board development	5,488
Subscriptions, Memberships	595
Supplies	14,281
Special expenses	2,032
Equipment	3,621
Misc. purchased services	4,140
Prof/Tech services	800
Legal costs	2,164
Training for clients	1,227
Administrative rules	855
Carryforward to fiscal year 2003	<u>89,470</u>
TOTAL	<u>\$679,146</u>

TECHNOLOGY BUDGET

In fiscal year 2002 the Board received a one-time appropriation of \$25,000 to develop an interactive web site, \$10,000 for support of campaign finance software Finance 2002, and \$5,000 to upgrade agency technology which was used to purchase a new agency server.

Web development	\$17,040
Server	5,000

Finance2002 development		<u>5,756</u>
TOTAL		<u>\$27,796</u>

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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	\$1,458	12 committees
Political Committees and Funds	340	5 committees
Lobbyist Disbursement Reports	1,065	18 lobbyists
Economic Interest Statements	<u>200</u>	2 public officials
TOTAL LATE FILING FEES	\$3,063	37

Civil Fines

Contribution limits violations	\$7,877	8 candidate committees
Contributions during session	0	0 candidate committees
Special source aggregate limit	7,008	5 candidate committees
Exceeding spending limit	1,643	4 candidate committee
Excess party contributions	<u>392</u>	1 candidate committee
TOTAL CIVIL FINES	\$16,920	18

Return of public subsidy	\$1,232	12 candidate committees
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Contributions on termination	\$764	2 candidate committees
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Anonymous contributions	\$425	2 committees
Contribution to S.E.C.F	<u>3,208</u>	1 committee
	\$3,633	(deposited in the general account of the State Elections Campaign Fund)

Photocopy receipts		
Copies	\$4,738	488 individuals paid (retained by Board to off-set photo copier costs)
State sales tax	331	
St. Paul sales tax	<u>25</u>	
TOTAL COPY RECEIPTS	\$5,094	

Miscellaneous income	\$1,943	
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TOTAL RECEIPTS

\$32,649