

HOUSE GOVERNMENT AND VETERANS AFFAIRS COMMITTEE
REPRESENTATIVE AUSTEN SCHAUER, CHAIR

TESTIMONY PRESENTED BY

MICHAEL HOWE, NORTH DAKOTA SECRETARY OF STATE

Chair Schauer and members of the committee, I'm Michael Howe, North Dakota Secretary of State. I'm here in support of SB 2156. I believe this bill improves our campaign finance code and ensures we are creating change that does three critical things for campaign finance reform:

- 1) Creates laws that are understandable by candidates and easy to administer.
- 2) Provides greater transparency in reporting in a way that is easy to understand by the public.
- 3) Offers ease in tracking and reporting contributions and expenditures for both candidates and committees.

My team worked closely with Sen. Roers, discussing the confusing nature of our campaign finance code. SB 2156 may look like a significant change; however, the majority of this bill is simply rearranging existing language to create better structure and flow for increased understandability in the campaign finance chapter without changing much of the content. I am going to ask to bring up our State Election Director Erika White to walk you through the changes, but first I want you to note that the actual changes she will outline as proposed in this bill:

- 1) Does not require a filer to file more frequently.
- 2) Allow users the ability to track all funds in one system throughout the life of their campaign account.
- 3) Protects individual entries for contributions and expenditures below reporting thresholds from open records requests (reported in aggregate only). This proposed bill also updates statute to reflect the changes proposed in HB 1377 introduced by Rep. Dan Ruby to increase reporting thresholds to revenues and expenditures in excess of \$250.

The proposed changes made by this bill will allow for a more logical "checkbook" style tracking and reporting of campaign finance information which will increase the understanding and transparency of this information by the citizens of North Dakota. And, it will greatly improve the user-friendliness and understandability of our campaign finance systems, which is to the benefit of all of you.

We do have a few proposed amendments for the committee to consider related to some language missed in the drafting of the bill. Chairman Schauer and members of the committee, I urge your support of SB 2156 as the right

improvements for our campaign finance law. I'd like to invite Erika White, State Election Director, to the podium to summarize the changes in proposed by this bill and to cover the amendments we're requesting.

SB 2156 PROPOSED LEGISLATIVE CHANGES AND SYSTEM INTEGRATION

SECTIONS 1, 2, & 3

- These sections amend chapters of Century Code that reference Chapter 16.1-08.1 to point to the new code proposed by this bill if enacted – 16.1-08.2

SECTION 4

DEFINITIONS – page 4

Most definitions are unchanged. Here are the updated references:

- **“Expenditure purpose”** (page 6, line 27) – Changed expenditure category to expenditure purpose and removed categories from code. General categories can be created in the reporting system along with an entry field for a personal description of items that simply may not fit into pre-defined categories.
- **“Political committee”, subsection e** (page 8, line 6) – Better defines measure committee to allow an entity to register if they're supporting/opposing an initiative measure or petition. This came into play last year with opposition to the property tax petition. This language allows for those supporting or opposing an initiated petition (before it becomes a measure) to be able to file as a political committee.
- **“Political purpose”** (page 8, line 17) – Additional language in political purpose to expand ability to use candidate campaign funds and removed unnecessary timeline under the definition. Example- purchasing of beverages for a campaign event. In your disclosure you would report \$314.92 in expenses to Cashwise Liquor and in the memo you could input “campaign event”.

STRUCTURE AND CHANGES

A majority of the changes are related to the structure and flow of the campaign finance chapter but without changing the content for increased understanding and useability by filers.

Changes across all sections in the proposed bill:

- Changed all “received” language to “deposited” for increased clarity by filers when reporting contributions.
- \$200 thresholds increased to \$250 for all entities except ballot measure/petitions which remain at \$100.

GENERAL PROVISIONS – page 9

- Pulled different sections to the front of the chapter for increased clarity amongst filers which covers who must register, who must file, and other requirements for all filers.
- We are requesting the following amendment for language missed in drafting of the bill related to exemption for amounts reported below thresholds from open records to align with other sections of code.

PROPOSED AMENDMENT TO SB 2156:

Amend page 10, line 19, as follows:

- Contributions and expenditures which are ~~less than~~ two hundred fifty dollars or less in the aggregate are exempt from open records requests and reported as part of aggregate totals only.

PRE-ELECTION, SUPPLEMENTAL, YEAR END REPORTING – pages 11 -13

- Removed sliding reporting date scale and incorporated calendar filing dates for increased clarity. These changes do not increase reporting frequency.
 - For candidates on the ballot or parties with endorsed candidates:
 - Pre-Primary: January 1 through April 30 file by May 7
 - Pre-General: May 1 through September 30 file by October 7
 - Year –End: October 1 through December 31 file by January 31
 - For office holders or parties without endorsed candidates:
 - Year-End: January 1 through December 31 file by January 31
- Only candidates on the ballot or parties with endorsed candidates must file the Pre-Primary and Pre-General as required under current statute.
- Removes expenditure categories and allows users to report all contributions and expenditures no matter the amount. Only those that meet the threshold of \$250 are itemized for public viewing. System will provide typical categories for use and allows users to make their own entry as well. This aligns with the goal to have the system operate in a “checkbook” style manner.
- Added a provision keeping contributions and expenditures under the \$250 threshold exempt from open records requests until that threshold reaches the reporting requirement.
- We are proposing two amendments to align with current statute which would require political committees to report their beginning and ending fund balance.

PROPOSED AMENDMENTS TO SB 2156:

Amend page 12, line 22-23, as follows:

- ~~For a candidate, a candidate committee formed on behalf of a candidate, a multicandidate committee, or a political party, the~~ The balance of the campaign fund on the last day of the reporting period and the balance of the campaign fund on the first day of the reporting period.

Amend page 13, line 10-11, as follows:

- ~~For a candidate, a candidate committee formed on behalf of a candidate, a multicandidate committee, or a political party, the~~ The balance of the campaign fund on the on January first and on December thirty-first.

ADVANTAGES OF CHANGES TO SUPPORT SYSTEM FUNCTIONALITY

- System aggregates/tracks the transactions for the user, including reporting aggregated/individual thresholds – removing requirement for user to track this.
- Any “amendment” can be made by the user on the individual entry and the system will make adjustments to impacted reports and balances. No need to go back to previous reports to adjust – system will make change and mark reports as “amended.” This even applies if you go back multiple years ... it will adjust balances forward to current date.
- System to have “Save and Continue” feature to allow users to edit or upload transactions as they’re deposited/expended. Entered transactions are only sent to the PUBLIC side for viewing once user submits a “report” during filing window – no need for multiple systems to track transactions. The user controls the release of transactions to public side during reporting.

SPECIAL REQUIREMENTS FOR STATE POLITICAL PARTIES – pages 14 - 16

- Moved and combined two sections of code
- **No changes to language**

SPECIAL REQUIREMENTS FOR BALLOT MEASURES – page 16

- Moved section
- Threshold remains at \$100
- **No changes to language**

SPECIAL REQUIREMENTS FOR POLITICAL COMMITTEES REGISTERED UNDER FEDERAL LAW – page 17

- Moved section
- **No changes to language**

SPECIAL REQUIREMENTS FOR CORPORATIONS, LLCs – pages 17 - 20

- Moved and combined sections
- **No changes to language**

SPECIAL REQUIREMENTS FOR CONDUITS – pages 20 - 21

- Moved section
- **No change to language**

GENERAL PROHIBITIONS – page 21

- Moved and combined sections
- **No change to language**
- We are requesting an amendment to current statute. The below amendment would prohibit political committees from accepting donations from a foreign national, as required by candidates and parties currently.

PROPOSED AMENDMENT TO SB 2156:

Amend page 21, line 10, as follows:

- A candidate, candidate committee, political committee, political party, or any other person may not solicit, accept, or receive, direct or indirectly, a contribution from a foreign national.

AUDIT BY SECRETARY OF STATE – page 22

- **No change to language**

FILING OFFICER TO CHANGE AND COLLECT FILING FEES – page 23

- **No change to language**

SECRETARY OF STATE TO PROVIDE INSTRUCTION – page 24

- Incorporated changes from threshold bill HB1377

PENALTY – page 25

- Increased fines for failure to file or to amend a report:
 - Within 6 days increase from \$25 to \$100
 - Within 11 days increase from \$50 \$250
 - Thereafter increase from \$100 to \$500

SECTION 5 & 6

- These sections amend chapters of Century Code that reference Chapter 16.1-08.1 to point to the new code proposed by this bill if enacted – 16.1-08.2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2156

Amend page 10, line 19, as follows:

Contributions and expenditures which are ~~less than~~ two hundred fifty dollars or less in the aggregate are exempt from open records requests and reported as part of aggregate totals only.

Amend page 12, line 22-23, as follows:

~~For a candidate, a candidate committee formed on behalf of a candidate, a multicandidate committee, or a political party, the~~ The balance of the campaign fund on the last day of the reporting period and the balance of the campaign fund on the first day of the reporting period.

Amend page 13, line 10-11, as follows:

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Amend page 21, line 10, as follows:

A candidate, candidate committee, political committee, political party, or any other person may not solicit, accept, or receive, direct or indirectly, a contribution from a foreign national.