2015
Annual Report
to the
Governor and the General Assembly

Bureau of Ethics and Campaign Finance
Registry of Election Finance
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http://www.tn.gov/tref

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The Registry

The Tennessee Registry of Election Finance (Registry) was created by the General Assembly and Governor in 1989 as an independent entity of state government. The Registry currently is responsible for the enforcement of the following laws:

- Campaign Financial Disclosure Act (T.C.A. §2-10-101, et seq.)
- Campaign Contribution Limits Act (T.C.A. §2-10-301, et seq.)
- Gubernatorial Inauguration Finance Disclosure Act (T.C.A. §2-10-401, et seq.)

The Registry's board consists of a six member board appointed to five (5) year terms. Registry members receive no compensation; however, each member is reimbursed for travel expenses pursuant to state travel regulations. Registry members are appointed by the Governor and General Assembly. Below is a list of current Registry members with their appointing authority, city of residence and term expiration:

- Governor (Republican)
  - Patricia Heim, Nashville, December 31, 2016
- Governor (Democrat)
  - Norma Lester, Memphis, December 31, 2016
- Senate Republican Caucus
  - Tom Lawless, Nashville, December 31, 2017
- Senate Democratic Caucus
  - Kent Coleman, Murfreesboro, December 31, 2017
- House Republican Caucus
  - Tom Morton, Bristol, December 31, 2019
- House Democratic Caucus
  - Henry Fincher, Cookeville, December 31, 2014

The Registry normally meets on the second Wednesday of each month. A meeting agenda is posted on the Registry's web site, www.tn.gov/tref, one week in advance of any meeting. In addition, a notice of the Registry meeting is posted in the window of the Registry's first floor offices in Parkway Towers. Agendas are available in the Registry office and can be mailed to anyone who requests one. The Registry meetings are held in the Registry's office and are open to the public. Minutes of past meetings are available at the Registry's website after they have been approved by the Registry.

INTRODUCTION

In 2009, a new entity was created in order to consolidate certain management and administrative functions of the Registry and the Tennessee Ethics Commission ("Commission"), in order to save the taxpayers of Tennessee several hundred thousand dollars per year. The new entity is named the Bureau of Ethics and Campaign Finance ("Bureau"). Both the Registry and Commission continue to exist, with no change in their respective jurisdictions, powers, duties and authority.

Under the new structure, the staff of the Bureau consists of an executive director and nine additional staff. The staff of ten employees handles the duties of the Registry and Commission on a day to day basis. In addition to handling notification and input of campaign financial disclosure filings, some of the staff responsibilities include verifying the accuracy of the campaign finance filings, aiding filers with questions, answering questions from the press and public looking for information, advising Administrators of Elections on local election questions and working with the General Assembly and Governor on the statutes the Registry enforces.

The Bureau is administratively attached to the Secretary of State's office. The Secretary of State assists the Registry in administrative matters such as receipts, disbursements, budget, travel, personnel, information services and audit. This step was taken as a cost saving move and allows the Bureau to operate without the costs of having their own administrative staff.

Campaign Finance Filings

One of the main purposes for the creation of the Registry in 1989 was to house campaign financial disclosure filings. The Campaign Financial Disclosure Act requires candidates for state office, multi-candidate committees (PACs) and single-measure committees (referendum committees) to file campaign finance reports with the Registry.

Candidates and PACs now file campaign financial disclosure reports at the same time based on the reporting year. In state election years (even numbered years) candidates and PACs file six (6) campaign finance reports. These reports consist of four (4) quarterly reports and two (2) pre-election reports that are filed 10 days before the primary and general elections. In non-election years (odd numbered years) candidates and PACs file two (2) semi-annual campaign finance reports.

Candidates, PACs and single-measure committees are required to file detailed information about their contributions and expenditures on the campaign finance reports. For example, for every contribution received over $100 the report must contain detailed information including the name, address, occupation and employer of the contributor, date of contribution and amount of the contribution. Similar information is required for expenditures of over $100.

Enforcement

The main goal of the Registry is for all campaign financial disclosure reports to be filed in a timely and accurate manner. The Registry staff reviews all campaign financial disclosure reports for errors. When reports are filed with minor errors, the Registry returns these reports for correction and allows the filer a reasonable amount of time to correct the report.

In addition to checking for minor disclosure errors, the Registry cross-checks disclosure reports to ensure that all contributions reported as being given by PACs are reported as being received by candidates.

The Registry also reviews campaign disclosure reports for compliance with the Contribution Limits Act. The Contribution Limits Act sets limits on the amount of contributions a candidate may receive from individuals and PACs.

When a filer does not file on time or when any other campaign finance statute is violated, the Registry has civil penalty authority. Late filing of a report up to 30 days late is a class one violation subject to civil penalties of up to $25 a day for each day the report is filed late. Filing a report over 30 days late or any other violation of the Campaign Financial Disclosure Act is a class two violation normally subject to a civil penalty of up to $10,000. A violation of the Contributions Limits Act is subject to a civil penalty of up to $10,000 or 115% of the amount of all contributions made or accepted in excess of the limitations.

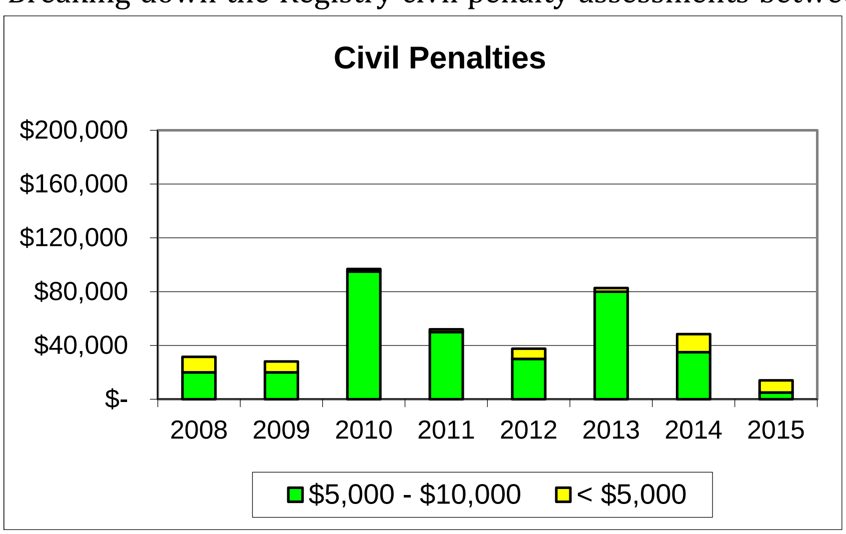
The Registry goes through several steps before assessing a civil penalty against an individual or organization. For example, a two week notification is sent to any candidate, PAC, or single measure committee owing a disclosure report notifying them of the report due and the due date. If the report is not filed by the due date, the Registry sends a certified notice to the individual or group notifying them that they have five (5) days to file the required report or civil penalties will begin to accrue. If the required report is filed during this five (5) day period no action will be taken by the Registry.

Any late filing, beyond the five (5) day grace period, or any other violation of the campaign finance statutes will be presented by the Registry staff to the Registry for action. At this point, the Registry can vote to issue a show cause notice or to take no action. Before making this decision, the Registry will consider all the facts in the matter including whether the person or organization has had previous matters before the Registry in the past.

If the Registry votes to issue a show cause notice, a letter is sent to the individual or organization notifying them of the allegations in the matter and the maximum civil penalty that may be assessed. In addition, the individual or organization is notified that they may respond in a sworn statement or appear in person at the Registry's next meeting to explain why civil penalties should not be assessed against them.

Before assessing a civil penalty, the Registry will consider all information provided to them in response to the show cause notice. Most of the civil penalties assessed by the Registry are small. The largest civil penalty assessments are in cases where there is no response to the show cause notice and/or when an individual or group have had multiple violations of the statutes enforced by the Registry.

Breaking down the Registry civil penalty assessments between large civil penalties, $5,000 and greater and the under $5,000 civil penalties, you can see a shift in the last two years away from where a vast majority of the total civil penalties assessed were for amounts $5,000 and greater. The last two years show that the trend is towards



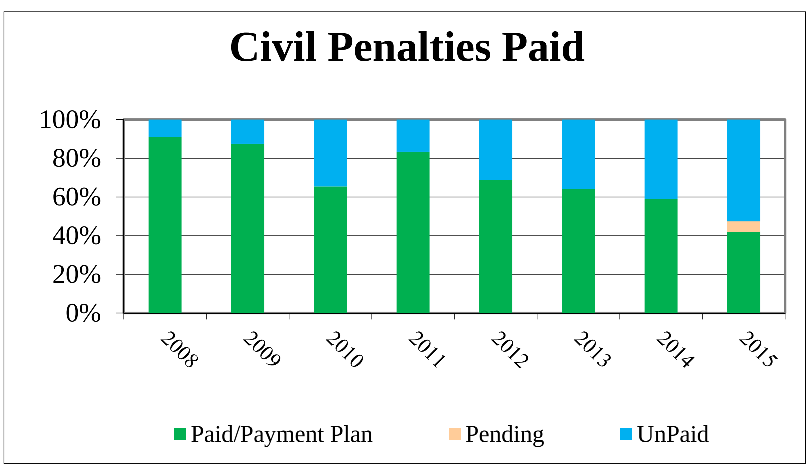
smaller civil penalties and away from large civil penalties. For example, in 2015 the chart to the right shows that the Registry assessed $5,000 in the one civil penalty assessment where the civil penalty was $5,000 or greater (this civil penalty is currently being appealed in a contested case hearing). The remaining $9,050 in civil penalties were assessed in 18 cases with the highest civil penalty being $3,500. Large assessments are mainly due to three (3) reasons: civil penalties assessed in cases where the candidate or organization did not file a campaign financial disclosure report, a late filer did not respond to the Registry's attempts to allow them to explain what caused their violation of the campaign finance statutes and repeat offenders. The new trend is a direct result of fewer failures to file campaign financial disclosure reports and more responses from late filers.

After any assessment of a civil penalty, the individual or group assessed the civil penalty has the right to request a reconsideration of the civil penalty assessment against them. The individual must notify the Registry in writing of the request for reconsideration within 14 days of the issuance of the Registry's civil penalty order.

In addition to the right to request a reconsideration from the Registry, anyone assessed a civil penalty may request a contested case hearing pursuant to the Uniform Administrative Procedures Act.

A candidate that is assessed a civil penalty or fails to file a campaign financial disclosure report is ineligible to qualify to run for state or local office until the penalty is paid and/or the report is filed.

A PAC that fails to file campaign financial disclosure reports for two (2) consecutive reporting periods, fails to pay a civil penalty assessment within 90 days of becoming final or no longer has an active mailing address may be administratively terminated. In addition, if the civil penalty is not paid within 30 days, the PAC is prohibited from receiving or making campaign contributions.



After a civil penalty assessment becomes final, the Registry makes every attempt to collect the civil penalty. In addition to the restrictions placed on candidates and PACs with outstanding civil penalties mentioned above, the Registry forwards every unpaid civil penalty assessment to the State Attorney General for collection 30 days after the assessment becomes final. The Registry and the State Attorney General have collected or are receiving payments on approximately 72% of the civil penalties assessed since 2008. As shown in the chart above, the percentage of civil penalties paid on assessments will increase as the penalties become final and are turned over to the State Attorney General for collection.

The Registry also has the authority to assess civil penalties based on sworn complaints filed with our office. The Registry follows the same procedures with a sworn complaint as it does with a late filing. All information available will be examined before any action is taken in a case involving a sworn complaint.

Education and Information

Two of the main functions of the Registry are to educate and to provide information to our customer base. This includes candidates, PACs, political parties, press and the general public. The Registry staff attempts to accomplish these functions through several methods.

The best tool the Registry has to educate and inform is our website (www.tn.gov/tref). The Registry is continuously updating and making improvements to our website to ensure that we provide the best information available to our customer base in a cost efficient method.

For educational purposes, the website includes guides for candidates, PACs, single measure committees (referendum committees) and citizens. In addition, the web site contains filing calendars, blank reporting forms and links to the Registry's statutes and rules. The website was updated in 2015 to provide a more user friendly format for our users.

The Registry also uses the website to provide our customer base with the most up to date campaign finance information. The information includes summary data on every state candidate's campaign finance information since the 1996 election and campaign contributions made by PACs since 1996. In addition to the campaign finance summary information, the website contains a list of registered PACs, list of qualified candidates, lists of candidates and PACs who have failed to file campaign financial disclosure reports and copies of campaign audits.

In addition to the Registry's main website, the Registry maintains a website (https://apps.tn.gov/tncamp) that allows the public to view campaign financial disclosure statements beginning with the 2004 elections on the Internet and to do searches on the data contained in these reports. As the public continues to become more aware of the information available on the campaign financial disclosure viewing site and the variety of ways that the data can be retrieved, the Registry expects the number of users to continue to increase.

RESPONSIBILITIES

While the websites are a good starting point for educational purposes, the Registry staff uses several more direct methods to educate its customer base. The most obvious method is making sure that staff members are available to answer questions received by telephone and e-mail.

The Registry staff conducts seminars for candidates and committees on the campaign finance disclosure laws. These seminars are usually held throughout the state and not only include education on the laws but a detailed discussion on how to complete the campaign financial disclosure reports.

The Registry staff also regularly attends conferences and seminars put on by other groups. The staff annually attends the Tennessee Association of County Election Officials' seminars held on a statewide and regional basis. The Registry hopes that the training received at these seminars can be passed on to both state and local candidates by the Administrators of Elections.

Another seminar attended annually by the Registry staff is the Tennessee Lobbyist Association (TLA) seminar. While lobbyist registration and disclosure is now handled by the Tennessee Ethics Commission, many lobbyists are involved with PACs. As a result of the lobbyist's involvement with PACs, the TLA has requested the Registry to update them on campaign finance statutes at their annual seminar.

The Registry also publishes separate campaign financial disclosure guidelines for candidates and PACs. The booklets include frequently asked question sections, campaign financial disclosure laws and campaign finance rules. These booklets are made available to candidates, PACs and to the Administrators of Elections. In a cost saving attempt, the Registry has also made the guidelines available on our website for printing by any interested party.

Statute Changes

The 2015 legislative session brought only one statute change. The statute now makes clear that bit coins may be accepted as campaign contributions. In addition, the passage in 2011 of the requirement that the Registry update contribution limits every two years based on the Consumer Price Index resulted in the following changes to the contribution limits for the 2015/16 election cycle:

	New Limit	Old Limit
Person Limits (per election)		
Local / Legislative Candidates	$1,500	$1,500
Statewide Candidates	$3,900	$3,800
PAC Limits (per election)		
Local / House Candidates	$7,600	$7,400
Senate / Statewide Candidates	$11,500	$11,200
Aggregate PAC Limit (per election)		
All Elections Except Statewide	$114,900	$112,300
Aggregate Party/Caucus (per election)		
Local / House Candidates	$30,700	$30,000
Senate Candidates	$61,300	$59,900
Statewide Candidates	$383,000	$374,300

Note: Primary and General are separate elections.

An earlier change in statute requiring chancery, criminal, circuit and probate judicial candidates to file campaign financial disclosure reports with the Registry (instead of the county election commissions) began to have effect as these judicial candidates were up for election in 2014.

Electronic Filing Update

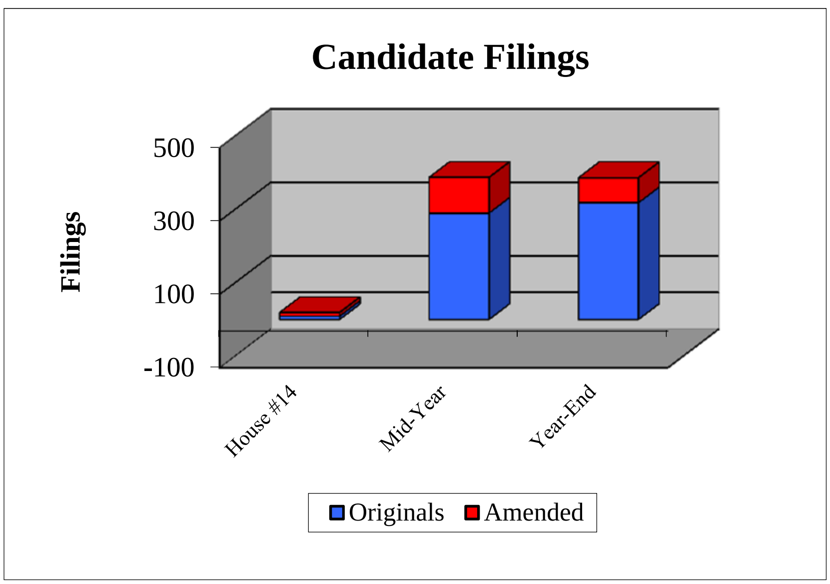
The Registry in continually updating the internet based electronic filing system for campaign financial disclosure reports (TNCAMP). Every attempt is made to make the system easy and fast to use. The continued increase in the number of users requires the Registry to constantly work with the State and their contractors to have TNCAMP function properly during peak filing times.

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

Filings

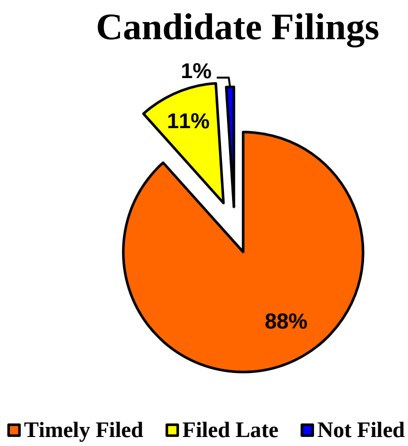
Candidates

While 2015 is not a normal state election year, a special election was held to fill a vacancy for the House 14 seat. Candidates for this seat filed campaign financial disclosure reports with the Registry in 2015. In addition to these candidates, candidates with open campaign accounts from past elections (1990 through 2014) and candidates with open accounts for future elections (2016 and 2018) were required to file mid-year and year-end supplemental campaign financial disclosure reports in 2015.



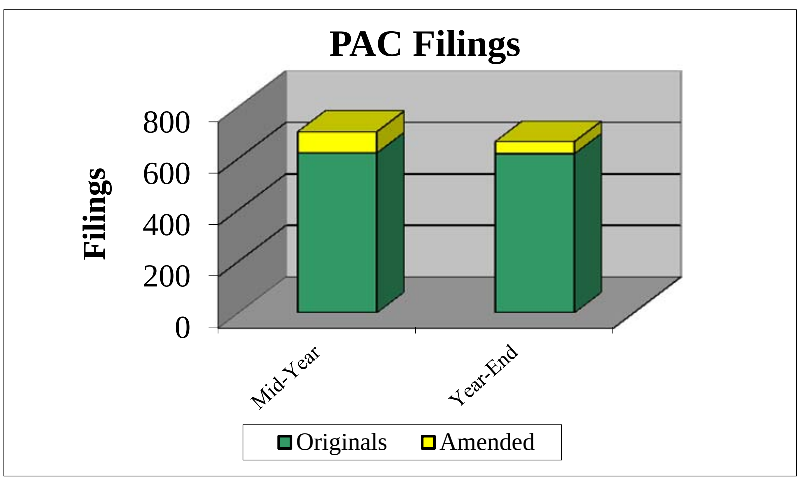
The Registry received 661 original campaign financial disclosure reports in 2015 from candidates. In addition, the Registry received 175 amended (corrected) campaign financial disclosure reports in 2015 from candidates. The above chart shows the breakdown of original and amended campaign financial disclosure reports filed by candidates in 2015.

For the 2015 year, candidates from past, present and future elections were required to file 668 campaign financial disclosure reports. Of the 668 reports required to be filed with the Registry 588 were filed timely. Certified letters were sent out for the remaining 80 reports that were not filed timely notifying the candidate that civil penalties could be assessed if the required report was not filed within five days of their receipt of the notice. Out of the 80 disclosures that were not filed timely, as of the day of this report seven (7) still have not been filed.



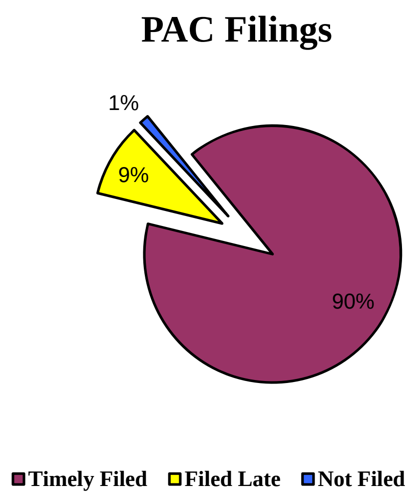
The candidates failing to file campaign financial disclosure reports have been or may be assessed civil penalties by the Registry. Candidates are ineligible to qualify for any future state or local election until the reports are filed and the civil penalties are paid.

Multi-Candidate Committee (PACs)

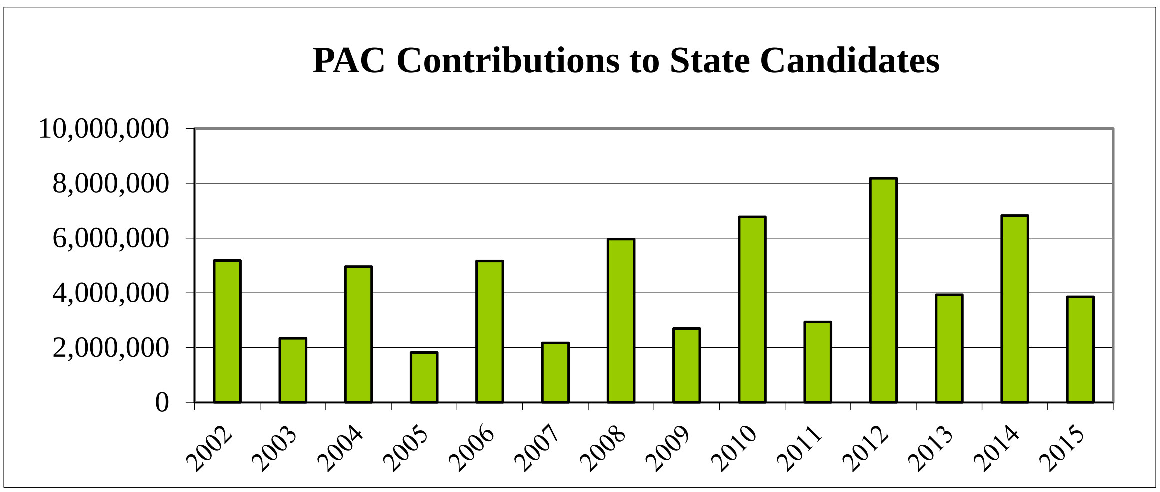


During non-election years (odd-numbers years) PACs are required to file mid-year and year-end supplemental campaign financial disclosure reports with the Registry. These reports disclose receipts and the contributions they made to candidates.

The Registry received 1,239 original campaign financial disclosure reports from PACs in 2015. In addition, the Registry received 129 amended campaign financial disclosure reports from PACs in 2015. The chart above shows the breakdown of original and amended campaign financial disclosure reports filed by PACs in 2015.



During 2015, PACs were required to file a total of 1,254 campaign financial disclosure reports with the Registry for the two reporting periods. Out of the 1,254 disclosure reports required to be filed with the Registry 1,124 were filed timely. Certified letters were sent to the remaining 130 PACs. Out of 130 late PAC reports for 2015, 15 have still not been filed. As with candidates, PACs who do not timely file may be assessed civil penalties.



PACs registered with the Registry made contributions totaling $3,849,317 to state candidates during 2015. As can be seen in the chart, PAC contributions in 2015 were almost exactly the same as for 2013, the most they have ever been for an off election year (odd-numbered year) since the Registry began to track the data in 1996.

Cross-Indexing

The Registry continues its cross indexing process of comparing contributions to candidates reported by PACs with the contributions reported as being received by candidates. As of the printing of this report, the Registry is in the process of cross-indexing contributions for the 2015 year.

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

Audits

The Registry is required to conduct campaign audits on approximately 2% of all legislative candidates for each election cycle. Districts are selected by random draw until the 2% of legislative candidates are selected. The Registry was required to select at least five (5) candidates for audit for the 2014 elections. House of Representative District 1 (1 candidate) and House of Representative District 45 (3 candidates) and Senate District 1 (1 candidate) were chosen before the 2% was achieved.

In addition, 2014 was an election year for Governor, Supreme Court, Court of Appeals and Court of Criminal Appeals. The Registry was required to audit any Gubernatorial candidate which receives over 10% of the vote in the General election (2 candidates), one Supreme Court candidate, one Court of Appeals candidate and one Court of Criminal Appeals candidate.

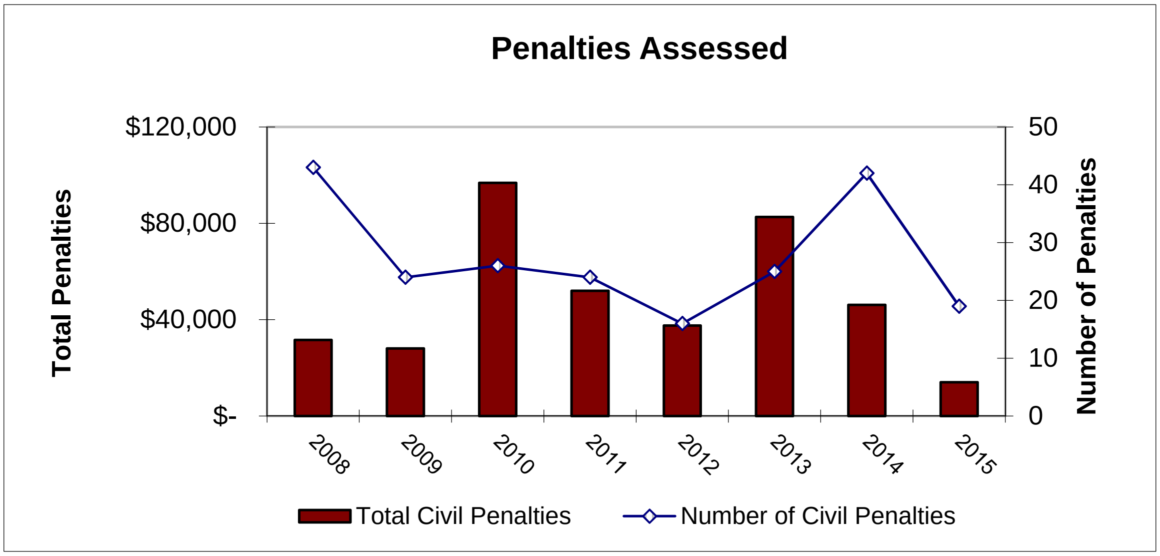
The Registry is also required to audit the unitemized contributions on a campaign finance report for any candidate who lists more than 30% of their total contributions as unitemized contributions and the amount is greater than $5,000. For 2014 elections, there were fifteen (15) candidate reports that met the requirement for audit.

The campaign finance audits and unitemized contribution audits were mostly completed during 2015 and will be completed in early 2016. The results of the audits have been posted on the Registry's website after approval by the Registry.

Citizen's Guide

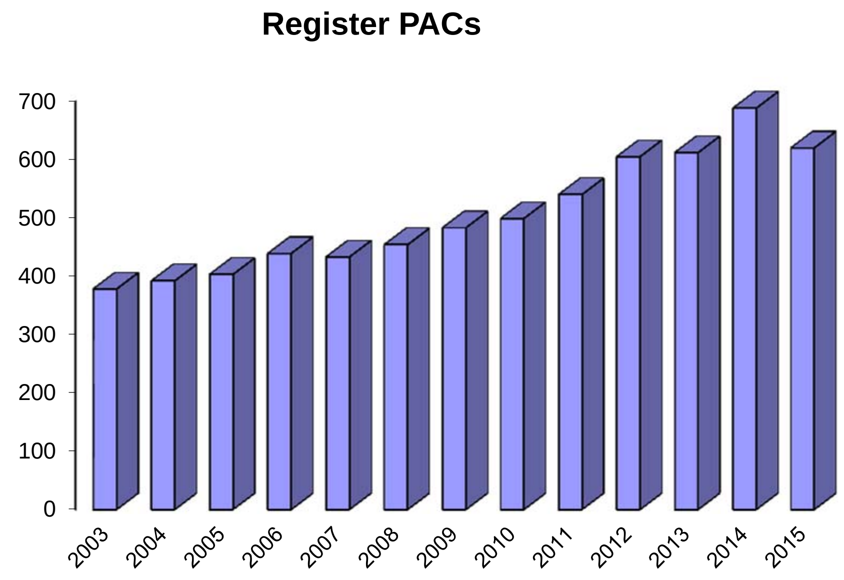
In 2008, the Registry added a Citizen's Guide to its website. The guide may be viewed on the website or printed. The main purpose of the guide is to advise citizens on how they may legally take an active part in the state and local election process and be in compliance with Tennessee campaign finance statutes. The Citizen's Guide is constantly updated as laws and rules change giving the public the latest information on campaign finance laws.

Civil Penalties



To ensure compliance with the statutes that the Registry is mandated to enforce, the Registry assessed civil penalties against 19 individuals and organizations in 2015 (one case is under appeal in a contested case hearing). In four (4) of the cases the violations were class 1 violations, which carry a maximum penalty of $25 a day for each day a campaign financial disclosure report is filed late. The other 15 cases were class 2 violations for failure to file campaign financial disclosure reports. These violations carry a maximum civil penalty of $10,000.

In 2015, the 19 civil penalty assessments by the Registry totaled $14,050. As the chart above shows, the number and amount of civil penalties assessed in 2015 was the lowest during the period shown.



The rapid growth of the number of registered PACs in Tennessee reversed course in 2015. The number of registered PACs dropped to 620 which is very close to the number of registered PACs in 2013. Seventy-three (73) PACs have closed since the 2014 elections. However, 37 new PACs have registered since then. With 2016 being an election year, we expect to see more new PACs registered. The trend of more overall PACs being registered and large number of PACs closing and opening will continue to increase the demands on the Registry each year. The Registry will need to continue to become more efficient in order to meet its mandated duties.

In addition, in 2014 the Registry had more candidates filing campaign financial disclosure reports than ever before. This was the first time that chancery, criminal, circuit and probate judicial candidates filed campaign financial disclosure reports with the Registry. This will result in more candidates filing campaign financial disclosure reports in off election years due to the increase in the number of open campaign accounts.

Goals

The Registry hopes to continue to improve services to its customers in the future. The continued promotion of the Registry's electronic filing and viewing system is one of the main ways the Registry can better serve the public. This will not only improve the timeliness and accuracy of reports filed in our office but it will aid the Registry in making the information available in a more timely basis to the public.

FUTURE

Another goal of the Registry is to reduce the number of reports filed late and the number of reports that are filed with errors. The reduction in late reports and reports with errors will not only allow the Registry to make the information available to the public sooner but it will reduce the Registry's costs. The error checking system built into TNCAMP will continue to be improved to help the Registry reduce costs with more timely and accurate reports.

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