

Executive Summary and Staff Analysis

**Protect Your Right to Vote on Initiatives and Tim Eyman
PDC Case 13-027**

**Voters Want More Choices and Tim Eyman
PDC Case 15-078**

This summary highlights staff's findings, conclusions, and recommendations regarding the allegations contained in PDC Case Nos. 13-027 and 15-078, following PDC staff's investigation of a complaint filed by Sherry Bockwinkel on August 20, 2012, and supplemented by Ms. Bockwinkel on August 29, 2012 and September 10, 2012.

Allegations

Ms. Bockwinkel's complaint alleged that beginning on or around April 15, 2012, the political committee Protect Your Right to Vote on Initiatives conducted a paid signature drive to qualify Initiative 517 for presentation to the 2013 Washington Legislature, and that the committee failed to register with the PDC until June 11, 2012. The complaint further alleged that the committee's contribution and expenditure reports were untimely, and that the committee had failed to disclose contributions and expenditures associated with its signature gathering efforts. Specifically, Ms. Bockwinkel alleged that funds raised by the political committee Voters Want More Choices to obtain signatures for another statewide initiative, Initiative 1185, were paid directly to petitioners to compensate them for signature gathering for both I-1185 and I-517.

Background

Protect Your Right to Vote on Initiatives ("Protect Your Right to Vote") is a political committee registered with the PDC. **Tim Eyman** is an officer of Protect Your Right to Vote. Protect Your Right to Vote supported I-517, which concerned initiative and referendum measures. On January 3, 2013, Mr. Eyman submitted approximately 345,000 signatures for I-517 to the Washington Secretary of State's Elections Division. I-517 qualified for presentation to the 2013 Washington Legislature; after the state legislative session ended on April 28, 2013 with no resolution on from the legislature on I-517, the initiative went before voters in the 2013 general election. It was rejected by voters.

Voters Want More Choices – Save the 2/3's (Mike Fagan) ("Voters Want More Choices" or VWMC) is a political committee registered with the PDC. **Tim Eyman** is an officer of Voters Want More Choices. Voters Want More Choices supported I-1185, which concerned

tax and fee increases imposed by state government. On July 7, 2012, Mr. Eyman submitted approximately 320,000 signatures for I-1185 to the Washington Secretary of State's Elections Division. I-1185 qualified for the November 2012 ballot and was approved by Washington voters.

Citizen Solutions, LLC ("Citizen Solutions") is a Washington limited liability company that provides signature gathering services to initiative campaigns. The members of Citizen Solutions, LLC are Roy Ruffino and William Agazarm. On April 2, 2012, Tim Eyman signed an agreement with Citizen Solutions on behalf of Voters Want More Choices, securing signature gathering services to qualify I-1185 for the 2012 ballot.

Prior to 2012, Citizen Solutions, LLC was organized as **Citizen Solutions, Inc.**, and was used as a signature gathering vendor by Tim Eyman for multiple statewide initiative campaigns. Between 2004 and 2011, Citizen Solutions, Inc. received nearly three million dollars from Mr. Eyman's political committees to secure signatures for various initiatives. During that time, the principals of Citizen Solutions, Inc. were Roy Ruffino and Edward Agazarm.

Citizens in Charge is a Lakeridge, Virginia 501(c)(4) corporation that was listed as a major contributor of signature gathering services for I-517 in PDC reports filed by Protect Your Right to Vote on Initiatives. Paul Jacob is President of the Citizens in Charge board of Directors.

Investigative Findings

Timeliness of Registration: Although Ms. Bockwinkel's complaint alleged that Protect Your Right to Vote on Initiatives failed to timely register with the PDC, staff found that the C-1pc Political Committee Registration the committee filed on May 3, 2012 under a different name, Protect the Initiative Act (Jack Fagan), was a substantially timely registration.

Timeliness, Completeness, and Accuracy of Contribution and Expenditure reports: In alleging untimely reporting of contributions and expenditures by Protect Your Right to Vote on Initiatives, Ms. Bockwinkel premised her allegations on the idea that contributions raised by Voters Want More Choices and others to support I-1185 were being paid by Citizen Solutions, LLC to directly compensate petitioners who produced signatures for I-517. Staff found insufficient evidence to support this particular allegation. However, staff found evidence that I-1185 funds were used in a *different* way to support I-517.

The initial April 2, 2012 agreement Tim Eyman signed with Citizen Solutions on behalf of Voters Want More Choices included a cost of \$3.50 per signature for I-1185, and a total cost of \$1,050,000. Records reviewed by PDC staff show that Citizen Solutions paid

petition coordinators between \$1.00 and \$1.40 per I-1185 signature, indicating that the firm made at least \$2.10 per signature turned in to Mr. Eyman's committee, a 60% gross margin.

Eventual expenditures by VWMC to Citizen Solutions for the I-1185 signature drive totaled \$623,325. In addition to these payments to Citizen Solutions from VWMC funds, the committee's expenditure reports also disclose a total of \$450,000 in payments to Citizen Solutions by the Association of Washington Business as an in-kind contribution of signature gathering for I-1185, and \$100,000 paid to Citizen Solutions by the Washington Beer and Wine Wholesalers for I-1185 signature gathering. Total payments to Citizen Solutions to qualify I-1185 for the 2012 ballot were \$1,173,325.

In an interview under oath with PDC staff, Tim Eyman testified that after his committee Voters Want More Choices paid Citizen Solutions \$623,325 to qualify I-1185 for the 2012 ballot, a limited liability corporation that Mr. Eyman operates (Tim Eyman, Watchdog for Taxpayers LLC) received a payment of \$308,000, nearly half that amount, back from the signature gathering firm. Banking records that Mr. Eyman produced in response to a subpoena indicate that the payment was made by wire transfer on July 11, 2012, and totaled \$308,185.

Mr. Eyman characterized this payment as compensation for services he would render to Citizens Solutions in the future, however he stated that there was no written agreement concerning these services. Mr. Eyman testified that he did not inform Voters Want More Choices officers Mike Fagan, Jack Fagan, or Stan Long of the \$308,185 payment he sought and received from Citizen Solutions. The fact that approximately half of the amount paid by Voters Want More Choices for I-1185 signature gathering resulted in compensation to Mr. Eyman has not been disclosed to the public.

Mr. Eyman testified that after receiving this \$308,185 payment from Citizen Solutions, Mr. Eyman's LLC made payments totaling approximately \$190,000 to Citizens in Charge, the Virginia 501(c)(4) organization. (Banking records that Mr. Eyman produced in response to a PDC subpoena indicate that the payments by Mr. Eyman's LLC to Citizens in Charge totaled as much as \$200,000, and were made between July 11 and October 30, 2012.) Mr. Eyman characterized these payments as no-interest loans, however he stated that there was no written agreement concerning the loans, or any contemporaneous record that described the payments as loans, or tracked repayment of the loans. Although Mr. Eyman testified that he had no control over expenditures by Citizens in Charge, it was clear he understood that the funds his LLC provided would be used to sponsor signature gathering for I-517, and were necessary for that support.

With Mr. Eyman's knowledge, after these payments began, Citizens in Charge used the funds to make payments totaling \$182,000 to petitioning firms working to qualify I-517 for presentation to 2013 legislature. These payments were reported by Mr. Eyman's committee Protect Your Right to Vote on Initiatives as in-kind contributions from Citizens in Charge,

when in fact Mr. Eyman was aware that they came from funds that Voters Want More Choices paid for I-1185 signatures. This fact has not been disclosed to the public.

Personal Use of Campaign Funds: Beyond using at least \$182,000 in contributions raised by Voters Want More Choices for I-1185 to support another initiative, staff found evidence that Mr. Eyman made personal use of approximately \$170,000 of those funds, using them for personal living expenses to support his family.

Other Personal Use/Concealment of Expenditures: Finally, staff found evidence that the undisclosed \$308,185 payment Mr. Eyman received from Citizen Solutions on July 11, 2012 may have been one in a series of such payments. Staff obtained sworn testimony from Edward Agazarm, a former principal of Citizen Solutions, Incorporated, that on multiple occasions between 2004 and 2011, after paying hundreds of thousands of dollars in committee funds to Citizen Solutions to qualify his initiatives for the ballot, Mr. Eyman then sought and received payments back from the firm ranging from \$5,000 to \$100,000 per campaign. Mr. Agazarm testified that these payments compensated Mr. Eyman for services he rendered to Citizen Solutions, Incorporated. He stated that among other services, Mr. Eyman was compensated for bringing business to the signature gathering firm, including the business generated by Mr. Eyman's own initiative committees.

This compensation to Mr. Eyman, which was not disclosed to the public, followed a 2002 PDC and AGO enforcement action concerning similar efforts by Mr. Eyman to conceal payments to himself from campaign funds. (PDC Case 02-281: Permanent Offense, Tim Eyman, and Suzanne Karr.) Staff's findings in PDC Case 02-281 were referred to the Washington Attorney General for court action, resulting in approximately \$55,000 in judgements and fees assessed to Mr. Eyman and his committee. Mr. Eyman was also permanently enjoined from acting as treasurer of any political committee, or as signer on any financial accounts of such a committee.

During an interview under oath with PDC staff for the current investigation, Mr. Eyman refused to answer questions about the compensation described by Edward Agazarm.

Conclusion and Recommendation

The evidence indicates that expenditures by Voters Want More Choices to Citizen Solutions, LLC were incurred in a manner to effect concealment, because the expenditures were described in the committee's reports as paying for I-1185 signatures, but were intended in part to result in compensation for Mr. Eyman. If so, the expenses violate RCW 42.17A.435.

The evidence indicates that in authorizing these payments to Citizen Solutions, LLC, Mr. Eyman also authorized the expenditure of campaign funds for prohibited personal use. If so, the expenses violate RCW 42.17A.445.

The evidence indicates that contributions attributed to Citizens in Charge in reports filed by Protect Your Right to Vote on Initiatives were made by Mr. Eyman through multiple agents, in order to conceal the source of the funds. If so, the expenses indicate additional violations of RCW 42.17A.435.

Finally, each instance of concealment also resulted in the failure by Mr. Eyman's committees Voters Want More Choices and Protect Your Right to Vote on Initiatives to file complete and accurate reports of contribution and expenditure activity. Such failure indicates violations of RCW 42.17A.235 and .240.

PDC staff recommends that the Commission find that Tim Eyman, Voters Want More Choices, and Protect Your Right to Vote on Initiatives committed multiple apparent violations of RCW 42.17A as described above. Given the seriousness of the apparent violations, staff recommends that the Commission conclude that the Commission's penalty authority is inadequate to address the violations. Accordingly, staff recommends that the Commission refer the matter to the Washington Attorney General to initiate appropriate legal action against the Respondents.

Applicable Statutes

RCW 42.17A.640 requires the sponsor of a Grass Roots Lobbying campaign concerning state legislation, including an initiative to the legislature, to file an L-6 registering the campaign within 30 days of exceeding \$500 in a single month in lobbying expenditures. In 2014, the one-month expenditure trigger was adjusted to \$700. Sponsors of Grass Roots Lobbying campaigns who have the expectation of receiving contributions or making expenditures in support of or in opposition to a ballot proposition register as political committees under RCW 42.17A.205. Any contributions received or expenditures incurred by such political committees are disclosed on political committee C-3 and C-4 reports, and are not required to be disclosed on form L-6.

RCW 42.17A.205 requires political committees to file a Committee Registration report (C-1pc report) within two weeks of organizing, or within two weeks of having the expectation of receiving contributions or making expenditures in support of or in opposition to any candidate or ballot proposition, whichever is earlier.

RCW 42.17A.235 and **RCW 42.17A.240** require political committees to file timely, complete, and accurate reports of contributions and expenditures.

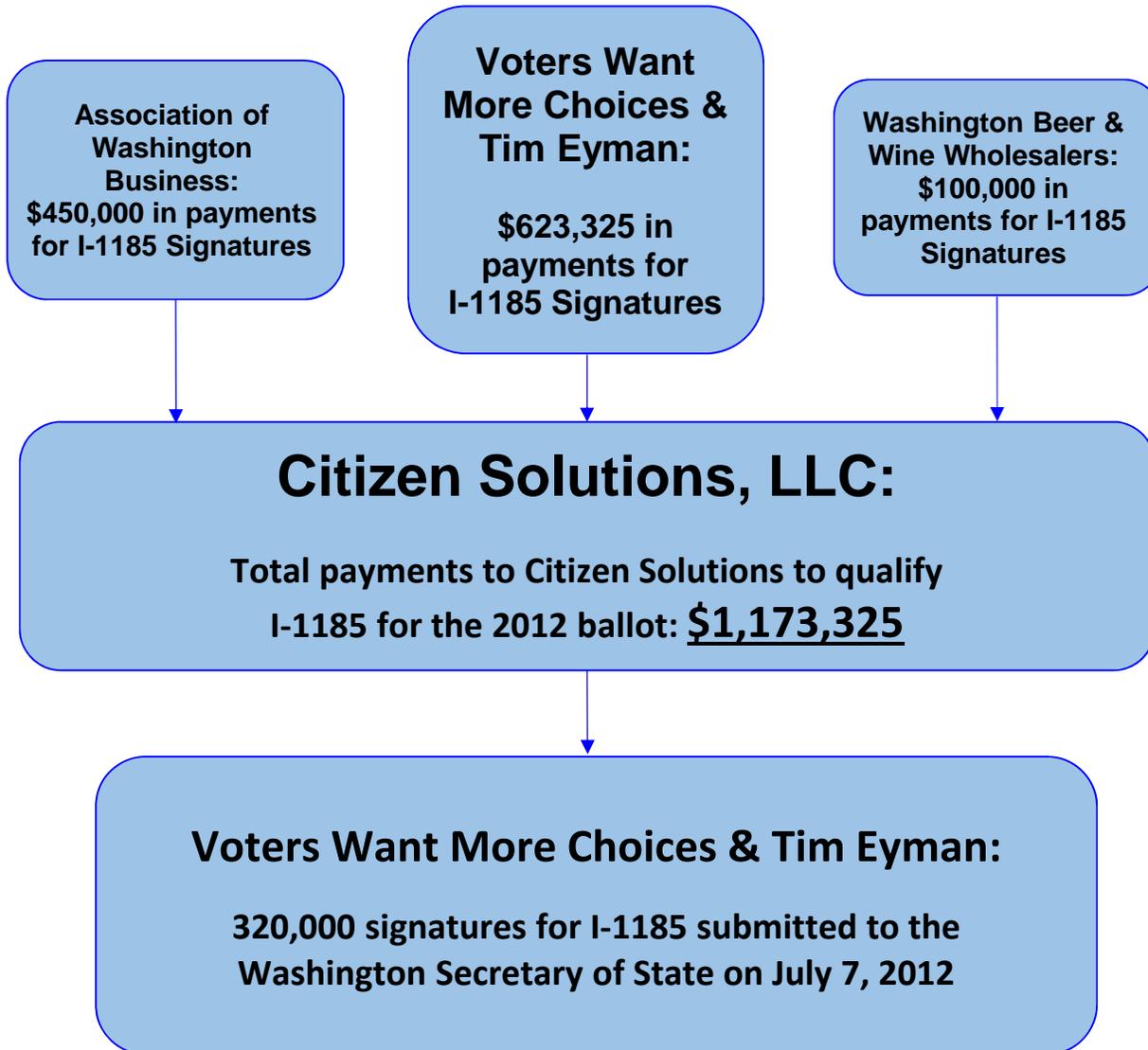
RCW 42.17A.435 states that no contribution shall be made and no expenditure shall be incurred, directly or indirectly, in a fictitious name, anonymously, or by one person through an agent, relative, or other person in such a manner as to conceal the identity of the source of the contribution or in any other manner so as to effect concealment.

RCW 42.17A.445 prohibits the expenditure of contributions reported under RCW 42.17A.235 and RCW 42.17A.240 for any individual's personal use, except for 1) reimbursement for or payments to cover lost earnings incurred as a result of campaigning or services performed for the political committee; 2) reimbursement for direct out-of-pocket election campaign and postelection campaign related expenses made by the individual; or 3) repayment of loans made by the individual to a political committee.

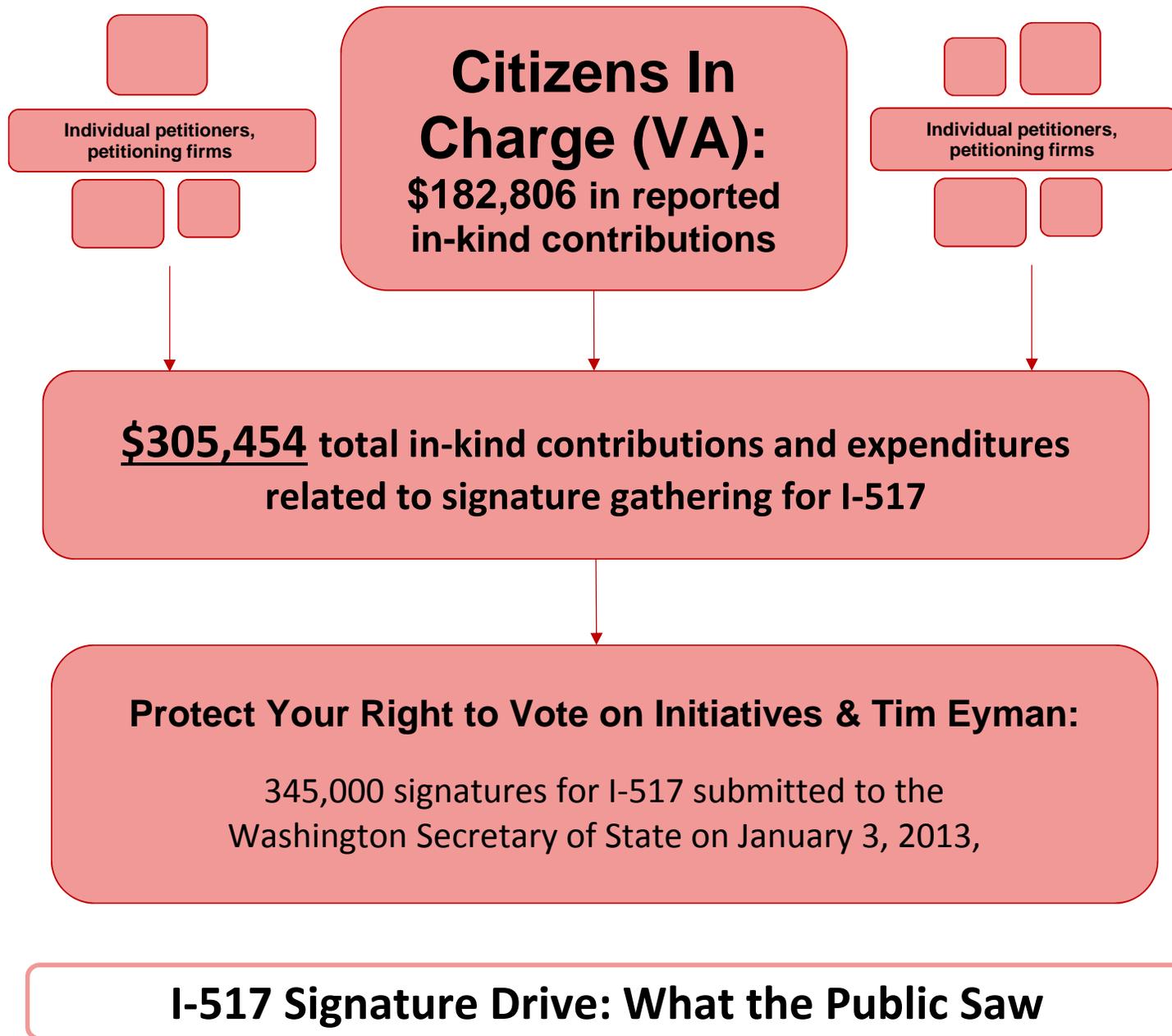
Exhibits

Charts (3):

- Relationship of Protect Your Right to Vote on Initiatives to the committee's reported contributors
- Relationship of Voters Want More Choices to the committee's contributors and signature gathering vendor
- Pattern of apparent concealment, personal use, and reporting violations by Tim Eyman, Voters Want More Choices, and Protect Your Right to Vote on Initiatives



I-1185 Signature Drive: What the Public Saw



Investigative Findings

PDC Case Nos. 13-027, 15-078
**Apparent use of I-1185 Funds for
Concealed Contributions to I-517
Campaign, Personal Use**

