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October 3, 2017

VIA EMAIL ONLY

Phil Stutzman, Compliance Officer
Washington State Public Disclosure Commission
P.O. Box 40908
Olympia, WA 98504-0908

RE: Case No. 24640

Dear Mr. Stutzman:

I am replying on behalf of State Representative Melanie Stambaugh to a September 5, 2017 email request from Fox Blackhorn for a response to PDC Case No. 24640. While not required to submit a response, Rep. Stambaugh is doing so to provide transparency in the process and support disclosure of campaign finance matters.

The Respondent holds the public trust in the highest regard and works diligently to ensure that campaign disclosure reports are filed in a timely and accurate manner. The alleged violations can be explained through the details provided below and any questions raised in this complaint have previously been corrected by the campaign prior to the filing of the complaint. Additional documentation is available upon request.

A. Failure to timely file Public Disclosure Commission form C-1 report

Respondent filed her C-1 candidate filing on May 12, 2015, within two-weeks of her intent to promote her candidacy for re-election in 2016. Respondent was aware that a C-1 filing was required for her 2016 re-election campaign and had been informed it was due within a two-week period of fundraising or receiving contributions. This information was provided by Respondent's campaign consultant, A.B. Hays, who, in an email dated April 23, 2015 stated, "We need to file you for 2016 with the PDC; you have two weeks from when we start fundraising." Respondent's campaign consultant has significant experience with campaigns for office in Washington State and as a credible source, Respondent followed this guidance as there was no reason to question Mr. Hays' advice. Respondent's first solicitation for donations occurred on April 30, 2015 within two-weeks of filing a C-1 and before receiving any contributions to her 2016 re-election campaign; her first campaign contribution was received in July of 2015.

Prior to announcing her candidacy on April 30, 2015 and filing her C-1 within the two-week requirement on May 12, 2015, Respondent made three expenditures totaling \$500.09. None of these expenditures supported a declaration of candidacy by the Respondent for her 2016 re-election. Given the very small number of expenditures prior to the C-1 filing and that no

contributions were received prior to the C-1 filing, the public interest in disclosure was not intentionally disadvantaged given the distance from the November 8, 2016 General Election.

In addition, review of 2016 filings show that 59 current legislators followed the same practice as Respondent – not filing C-1 forms after making expenditures, but filing C-1 forms after receiving contributions as a candidate. It is certain that legislators are operating with misinformation, not understanding that C-1 reporting obligations are triggered by expenditures as well as contributions. Respondent now recognizes the C-1 must be filed prior to receiving any contributions or making any expenditures and understands the information she received was inaccurate; moving forward Respondent will operate with this new understanding.

B. Failure to timely file and/or amend Public Disclosure Commission form C-4 reports

Respondent's campaign works vigorously to meet the reporting deadlines as outlined by the PDC. Respondent's campaign was unaware that C-4 reports needed to be filed during the legislative freeze on campaign activity. Respondent's Treasurer understood that C-4 reports were due after filing C-3 reports. Respondent's campaign did not file any C-3 reports during the legislative freeze as contributions cannot be accepted by the campaign during that time. When the legislative freeze concluded, Respondent's Treasurer attempted to file the necessary C-4 reports.

In July 2015, Respondent was in contact with the Public Disclosure Commission regarding a technology issue with the ORCA campaign reporting system. The ORCA program stores information for multiple campaign periods, including the due dates for campaign disclosure filings. After the legislative freeze concluded, Respondent's Treasurer noticed that the ORCA system was incorrectly dating the campaign as a 2015 campaign. Respondent's Treasurer should only have been able to access a 2014 and a 2016 campaign, however only a 2014 and 2015 option was available.

Respondent notified PDC staff of the issue and worked with PDC staff through the end of July to resolve this and several other technology issues. Reporting due dates differ on election years and non-election years during the 3 weeks prior to an election and the month following an election. The delayed report referenced by the Complainant was in the month following the August 2015 election. While Respondent was not a candidate in the 2015 election, the incorrect ORCA program issue required PDC attention to correct the filing from a 2015 campaign to 2016 campaign.

Respondent recognizes the importance of transparency in campaign finance and all campaign contributions were appropriately filed and available for public inspection on the PDC. Respondent's campaign filed all C-4 reports and the ORCA program's 2015 anomaly disrupted the pattern and understanding of C-4 filing dates that the Respondent's treasurer relied on to make timely filings. Respondent did not recognize the ORCA program had impacted the campaign's timeliness of filing expenditures.

Much of this five-page complaint addresses one transaction: a \$12,500 disputed obligation from the Respondent's prior 2014 campaign (See Attachment 1). The complainant attempts to cascade this one item into multiple violations when in fact there is only one transaction in question. Respondent was made aware of the disputed obligation after the 2014 campaign had concluded. Respondent's campaign was confident that all obligations were paid-in-full in December 2014 and has documentation to support this understanding. The disputed charge was resolved and paid in December 2015. With the resolution of the charge, Respondent and Treasurer worked with the PDC to amend the appropriate reports.

Respondent contacted the PDC to inform them of the disputed obligation as well as sought guidance of how to report the disputed debt. Respondent and Treasurer worked with Jennifer Hansen and Chip Beatty at the PDC on December 14, 2015 and December 16, 2015, to amend the C-4 reports to accurately reflect the debt and expenditure (phone records with PDC staff available upon request). Respondent and Treasurer followed the direction of the PDC to ensure transparency and corrected the C-4's to reflect the settlement and expenditure of the disputed charge.

The complainant states that Respondent untimely amended the C-4 filing for December 2015. Respondent's Treasurer filed the December C-4 report on time, on January 2, 2016, nine days prior to the submission deadline. The ORCA reporting system is not an intuitive process. ORCA requires specific knowledge of how to accurately reflect and satisfy debt obligations. When making a debt payment on ORCA, filers do not record the payment through the regular expenditure process. Instead, debt is entered in a separate area of the program and checking a small, single box labeled "carry forward" dictates how the payment is visible to the public. On January 2, 2016, Respondent's Treasurer reported a debt expenditure for the first time and believed the December filing was entered correctly. Upon preparing the January filing, Respondent's Treasurer realized the expenditure did not appear in the correct location on the report and discovered the box was incorrectly checked. Respondent's Treasurer filed an amended C-4 report on February 3, 2016. This second filing did not solve the issue and adjustments were made to ensure correct placement of debt payment on the report and a second amendment was filed on February 8, 2016.

The Public Disclosure Commission states that electronic filers should correct transactions and file amended reports when mistakes are discovered. Respondent's campaign worked diligently, and on their own motion, submitted the report three separate times to ensure the filing reflected the correct debt expenditure.

C. Failures to timely report orders, debts, and obligations in Public Disclosure Commission form C-4 reports and Schedule B

June 10, 2016 form C-4

The payments cited by the complainant were all reported on a timely basis. Each of the payments labeled "April 2016" reflect the date of invoice, not the month the services were rendered nor when payment was due. By agreement with each individual (Kristina Stambaugh, Tina Stambaugh, Harper Peterson), these payments were for work to be performed in May 2016. The label on the PDC reflects the contract agreement month in advance of service. All contractual expenditures to Kristina, Tina, and Harper, reflect this same payment pattern. Campaigns are required to submit a Schedule B report when debt is incurred. Under these facts and circumstances, no debt had been incurred by the campaign and no Schedule B was required.

September 9, 2016 form C-4

Presumably the complaint refers to the Sept 12, 2016 C-4. The complaint refers to payments to Respondent's Treasurer and suggests they should have been reported earlier. However, the payments cited correspond to a negotiated agreement made August 1, 2016 to compensate the campaign Treasurer at a higher rate than previously agreed to. The dates listed on the C-4 refer not to when the obligation was created but to pay periods where both parties agreed a disparity existed. (See Attachment 2). All payments to the Treasurer and other staff/contractors were reported on a timely basis and no schedule B was required.

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Regarding expenditures labeled "July 2016", Respondent's campaign did not incur debt or obligations, as the label reflects the date of invoice, not the month the services were rendered nor when payment was due. By agreement with each individual (Kristina Stambaugh, Tina Stambaugh, Harper Peterson), these payments were for work to be performed in August 2016. The label on the PDC reflects the contract agreement month in advance of service. The payments cited by the complainant were all reported on a timely basis. Under these facts and circumstances, no debt had been incurred by the campaign and no Schedule B was required.

Summary

After review of the facts behind this case, it seems clear that many of the alleged violations against Rep. Stambaugh's campaign are not in fact violations at all. If any violation existed, they were minor or technical in nature, and Respondent's campaign sought guidance from the PDC and corrections were made prior to the date of this complaint.

The PDC clearly enumerates that a campaign does not need to hire a professional accountant to perform treasurer duties. Respondent's campaign has demonstrated a commitment to learning campaign finance disclosure through completing the PDC compliance class and seeking clarification from PDC staff as needed. There is significant evidence of the Respondent and her campaign team have worked diligently to ensure full and accurate disclosure of the campaign's contributions and expenditures and is therefore in substantial compliance with RCW 42.17A. Respondent is confident that all filings due to the PDC are current and accurate.

Please contact me with any questions.

Sincerely,



Dan Brady
WSBA #33731

ENCLOSURES

1. Attachment 1
2. Attachment 2

Timeline of Media Plus & AB Hays Invoice:

November 1, 2014: Respondent's Campaign Manager emails Mary Ann with Media Plus; Campaign Manager confirms that \$12,500 has been directly deposited into Media Plus' bank account and per Alex Hay's direction, the Washington State Republican Party will pay the remaining \$12,500.

January 7, 2015: Respondent receives email from Alex Hays in regards to outstanding balance with Media Plus. This is the first time Respondent became aware of an outstanding balance with Media Plus.

January 7, 2015: Respondent's Campaign Manager responds to Alex Hays, clarifying payments the Stambaugh Campaign has made. Respondent's Campaign Manager confirms:

- The Stambaugh Campaign paid all invoices from Media Plus
- The Stambaugh Campaign has not received any notification of unpaid invoices from Media Plus
- The Stambaugh Campaign does not have any outstanding debts from the 2014 campaign

January 7, 2015: Alex Hays responds via email saying he expressly solicited \$12,000 from the Washington State Republican Party for TV ads.

January 8, 2015: Respondent's Campaign Manager receives an email from Media Plus about a partially unpaid invoice. Media Plus said the Washington State Republican Party could not pay Media Plus directly, therefore, they did not receive any payment from the WSRP.

This unpaid invoice was a disputed charge. The Stambaugh Campaign was told the Washington State Republican Party paid the second half of the invoice, however it remained unpaid.

Unknown Date: Alex Hays paid Media Plus \$12,500.

December 2015: Respondent receives the correct invoice from AB Hays.

December 2015: Respondent contacted the PDC about reporting the invoice and debt from the 2014 campaign. Jennifer at the PDC advised that the Respondent's campaign treasurer pay the debt and then amend past reports to reflect the debt. Respondent's campaign treasurer followed the advice given by the PDC.

To: Melanie Stambaugh

From: Tina Stambaugh

RE: Request for information of actions of August 2016

Date: September 22, 2017

This is a response to your call for information regarding two invoices in question by the Public Disclosure Commission in a complaint of September 2017. Comments are below:

It was on August 1, 2016, I had discovered that other campaigns were compensating campaign workers at a higher rate for the same level of work I was handling. I presented Melanie Stambaugh with a request for increased compensation to correct what I felt was a pay disparity.

It was on August 1st, I submitted a letter of request to Melanie Stambaugh, accompanied with two invoices for additional monies for my position as treasurer.

Melanie and I spoke about my request; it was considered and granted by Melanie Stambaugh. I was passionate about the matter and we agreed on the invoices that I submitted to the campaign on August 1, 2016. There was no prior discussion of this matter. The two invoices were authorized for payment and were paid on August 1, 2016. The two checks were written and signed by the campaign manager; the two checks written for payment were check no. 1190 and check no. 1191.

According to the PDC, these invoices cannot be considered an 'outstanding debt' that requires prior reporting:

- My request for additional compensation did not exist prior to August 1, 2016.
- The request could be accepted or denied.
- There was not an obligation of debt, since the campaign had no obligation to pay the additional monies requested.
- There was no money owed to me, if granted, this was an increase to my compensation.
- There was no contractual agreement between me and the campaign for payment of additional monies.
- There had not been a promise to pay me for the additional invoices submitted to the campaign.
- This was not a debt that was outstanding for more than 30 days by the campaign.

Again, I confirm the invoices I submitted were not an obligation, but a request that was paid. This is not a reportable debt, as the date of the possible obligation would have been August 1, 2016 and the invoice was paid promptly.

I hope this brings clarity to this situation.

Tina Stambaugh

Business Fundamentals Chk - 2651: Account Activity Transaction Details

Check number: 00000001190

Post date: 08/02/2016

Amount: -550.00

Type: Check

Description: Check

Merchant name: Check

Transaction category: Cash, Checks & Misc: Other Expenses

FRIENDS OF MELANIE STAMBAUGH
 PO BOX 73267
 PLYMOUTH, WA 98373

1190
 19-21268 WA
 98374

8-1-2016 Date

Pay To The Order Of: Juni Stambaugh \$ 550.00
Five Hundred + Fifty no/100 Dollars

Bank of America
 ACH # 125000284

For: February 2016 Kristina Stambaugh

Written on Aug 1, 2016

INVOICED
ON
Aug 1, 2016

→ obligation entered into
on August 1, 2016 and paid
on August 1, 2016.

no-Contract

Business Fundamentals Chk - 2651: Account Activity Transaction Details

Check number: 00000001191

Post date: 08/02/2016

Amount: -550.00

Type: Check

Description: Check

Merchant name: Check

Transaction category: Cash, Checks & Misc: Other Expenses

FRIENDS OF MELANIE STAMBAUGH
 PO BOX 73267
 PUYALLUP, WA 98373

1191
 19-2/150 WA
 M124

8-1-2016 Date

Pay To The Order Of Jana Stambaugh \$ 550.00
Five Hundred + Fifty no/100 Dollars

Bank of America

ACH #7 128000024

For Stambaugh 2016 Kristina Stambaugh

Written on Aug 1, 2016

invoiced
on
Aug 1, 2016

Obligation entered into
on August 1, 2016 and paid
on August 1, 2016.

No-Contract

August 1, 2016

Dear Melani,

I am requesting additional pay for my treasurer services. It has become evident to me that other campaigns have paid their campaign people increased compensation.

Would it be possible to increase my pay for my services? I would greatly appreciate talking with you about this and your attention to this matter is appreciated. Thanks!

Jina Stambaugh